

Sekisui House, Ltd.

Third Quarter of FY2020

(February 1, 2020 through October 31, 2020)

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December 7, 2020

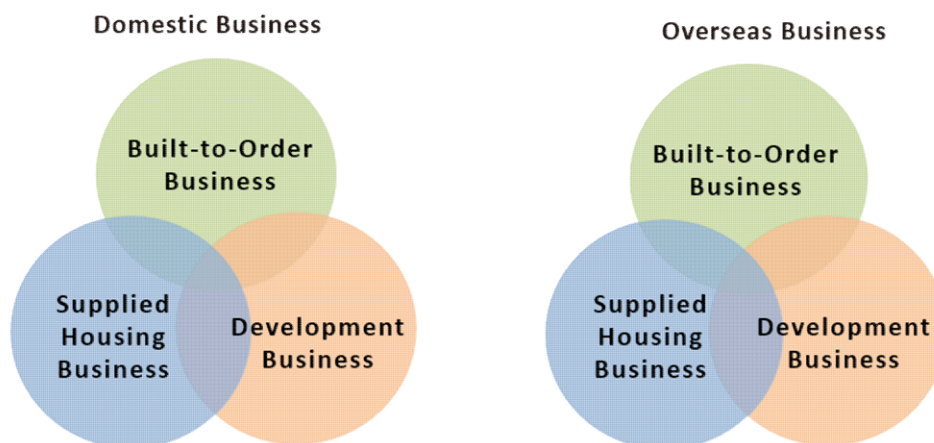
The Architectural / Civil engineering Business was included starting with the current fiscal year, and therefore, figures for the previous fiscal year are also presented after the reclassification.

Fundamental Policy of Fifth Mid-Term Management Plan

**Further strengthening core businesses
and embarking on new businesses**

Sekisui House's Goals

**Expand domestic and overseas businesses by
offering integrated proposals of technologies,
lifestyle design and services**



**Realize sustainable growth of Sekisui House Group
through the organic growth of six business pillars.**

1 Overview

Overview

Income for the first nine months decreased mainly due to the impact of the COVID-19 pandemic.

Operating margin exceeded the full-year plan.

Meanwhile, orders sharply recovered and rose 17% year on year in the third quarter (August to October).

The Company will continue to work to acquire orders to improve the business performance in the next fiscal year.

Highlights

- **Built-to-Order Business:** Income declined in both the custom detached houses business and the rental housing business. In the architectural/civil engineering business, Konoike Construction contributed to earnings. Profit margin made better-than-expected progress mainly due to a rise in the unit price per building. Associated with staged relaxation of restrictions on sales activities, orders for custom detached houses increased 10% in the third quarter (August to October). In the rental housing business, orders for Sha Maison rental housing were on the road to recovery while the impact continued in non-residential properties.
- **Supplied Housing Business:** While sales decreased in the remodeling business, orders increased 14% in the third quarter (August to October) as a result of focusing on proposal-based remodeling which is also applicable to the New Normal. The real estate management fees business was robust, with occupancy rates remaining stable and at high levels attributable to area marketing strategies.
- **Development Business:** While sales declined in the houses for sale business, orders increased 36% in the third quarter (August to October) given that the prevailing recovery in orders was clear. Condominiums are progressing steadily with the delivery of contracted properties. Sales in the urban redevelopment business fell due to a decrease in property sales. However, sales progressed in line with the initial plan.
- **Overseas Business:** The overseas business made steady progress along with the revised plan announced in the second quarter. The homebuilding business in the United States was strong. In the multifamily business, where sales plans for some properties have been postponed to the next fiscal year or thereafter, 1 property was sold in the third quarter, making steady progress in comparison with the plan to sell a total of 3 properties.

	FY2019 (19/2-19/10)		FY2020 (20/2-20/10)				(¥ billion)
	Results	Margin	Results	Margin	YOY		
					Amount	%	
Net sales	1,735.2		1,768.8		33.6	1.9%	
Built-to-Order	588.1		735.0		146.8	25.0%	
Supplied Housing	514.6		514.7		0.0	0.0%	
Development	278.4		204.8		(73.6)	(26.4%)	
Overseas	298.3		263.0		(35.2)	(11.8%)	
Gross profit	353.1	20.4%	342.5	19.4%	(10.6)	(3.0%)	
Built-to-Order	139.7	23.8%	149.8	20.4%	10.0	7.2%	
Supplied Housing	94.8	18.4%	94.2	18.3%	(0.6)	(0.6%)	
Development	47.4	17.0%	40.7	19.9%	(6.6)	(14.1%)	
Overseas	65.6	22.0%	54.6	20.8%	(10.9)	(16.7%)	
SG&A	198.1		207.6		9.5	4.8%	
Operating income	154.9	8.9%	134.8	7.6%	(20.1)	(13.0%)	
Built-to-Order	66.6	11.3%	69.1	9.4%	2.5	3.8%	
Supplied Housing	49.4	9.6%	46.6	9.1%	(2.7)	(5.7%)	
Development	29.4	10.6%	22.9	11.2%	(6.4)	(22.0%)	
Overseas	41.2	13.8%	30.6	11.6%	(10.6)	(25.8%)	
Non-operating income/expenses	6.0		(3.1)		(9.1)	-	
Ordinary income	161.0	9.3%	131.6	7.4%	(29.3)	(18.2%)	
Extraordinary income	12.2		3.1		(9.0)	(74.0%)	
Extraordinary loss	1.1		2.0		0.8	78.0%	
Profit attributable to owners of parent	117.4	6.8%	88.9	5.0%	(28.5)	(24.3%)	
EPS (yen)	170.91		130.41				

(Non-operating income/expenses)

- Equity in earnings of affiliates: ¥0.3 billion (down ¥7.5 billion YOY)
- Foreign exchange gain(loss): ¥(3.8 billion) (down ¥3.2 billion YOY)
- Interest expenses: ¥2.0 billion (down ¥1.8 billion YOY)

(Extraordinary income)

(Previous period) Gain on step acquisition associated with the consolidation of KONOIKE CONSTRUCTION CO., LTD. of ¥8.5 billion was posted.

State of Orders

Consolidated orders				Order backlog				(¥ billion)
FY2019 (19/2-19/10)	FY2020 (20/2-20/10)	YOY		FY2019 (Jan. 31, 2020)	FY2020 3Q (Oct. 31, 2020)	Change		
		Amount	%			Amount	%	
1,873.2	1,779.0	(94.2)	(5.0%)	1,408.4	1,418.5	10.1	0.7%	

2 Financial Position

Consolidated Balance Sheets

(¥ billion)

(Assets)	FY2019 (Jan. 31, 2020)	FY2020 3Q (Oct. 31, 2020)	Amount changed	(Liabilities and net assets)	FY2019 (Jan. 31, 2020)	FY2020 3Q (Oct. 31, 2020)	Amount changed
Total current assets	1,816.0	1,753.9	(62.0)	Total current liabilities	821.8	793.4	(28.3)
Real estate for sale *	978.9	958.2	(20.7)	Total long-term liabilities	506.0	475.8	(30.1)
Total noncurrent assets	818.7	836.3	17.6	Total liabilities	1,327.8	1,269.3	(58.5)
Total assets	2,634.7	2,590.3	(44.3)	Total net assets	1,306.8	1,321.0	14.1
				Total liabilities and net assets	2,634.7	2,590.3	(44.3)

* Total of Buildings for sale, Land for sale in lots, and Undeveloped land for sale.

[Main factors of change]

- Current assets: Cash and deposits decreased following the payments of dividends and income taxes, among others.
- Liabilities and net assets: Redemption of bonds, translation adjustments decreased.

Real estate for sale by segment

Houses for sale: ¥123.7 billion (As of Jan. 31, 2020: ¥113.5 billion) Condominiums: ¥151.4 billion (As of Jan. 31, 2020: ¥137.0 billion)

Urban redevelopment: ¥50.7 billion (As of Jan. 31, 2020: ¥50.9 billion) Overseas: ¥632.3 billion (As of Jan. 31, 2020: ¥677.3 billion)

State of Interest-bearing Debts

	FY2019 (Jan. 31, 2020)	FY2020 3Q (Oct. 31, 2020)	Amount changed
Interest-bearing debts (¥ billion)	586.8	577.7	(9.0)
D/E ratio	46.4%	45.2%	(1.2p)
taking into account hybrid bonds	39.7%	38.7%	(1.0p)
Equity ratio	48.1%	49.4%	1.3p

State of Cash Flows

(¥ billion)

	FY2019 (19/2-19/10)	FY2020 (20/2-20/10)	Amount changed
Net cash provided by (used in) operating activities	268.0	70.4	(197.6)
Net cash provided by (used in) investing activities	(52.8)	(66.4)	(13.5)
Free cash flow	215.1	4.0	(211.1)
Net cash provided by (used in) financing activities	(91.1)	(64.3)	26.7
Net increase (decrease) in cash and cash equivalents	115.4	(63.8)	(179.2)
Cash and cash equivalents at beginning of period	342.8	583.2	
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	93.9	—	
Cash and cash equivalents at end of period	552.3	519.4	

* Associated with the consolidation of KONOIKE CONSTRUCTION CO.,LTD.

[Main factors of change]

- (Increase) decrease in inventories: Previous period ¥114.0 billion, Current period: ¥20.2 billion

State of Investment

(¥ billion)

	FY2019 (19/2-19/10)	FY2020 (20/2-20/10)	Amount changed	FY2020 Full-year plan
Capital expenditures	57.8	65.1	7.3	90.0
Depreciation and amortization	15.7	16.0	0.2	22.0

3 Segment Information

Built-to-Order Business

(¥ billion)

	Net sales			
	FY2019	FY2020	YOY	
	(19/2-19/10)	(20/2-20/10)	Amount	%
Custom detached houses	293.1	235.2	(57.8)	(19.7%)
Rental housing	257.4	262.5	5.0	1.9%
Architectural / Civil engineering	37.5	237.2	199.6	531.4%
Total	588.1	735.0	146.8	25.0%

Gross margin		
FY2019	FY2020	Change
(19/2-19/10)	(20/2-20/10)	
25.0%	25.1%	0.1p
24.6%	24.1%	(0.5p)
8.5%	11.6%	3.1p
23.8%	20.4%	(3.4p)

	Operating income			
	FY2019	FY2020	YOY	
	(19/2-19/10)	(20/2-20/10)	Amount	%
Custom detached houses	33.5	22.5	(11.0)	(32.8%)
Rental housing	33.9	32.3	(1.5)	(4.7%)
Architectural / Civil engineering	(0.8)	14.3	15.1	—
Total	66.6	69.1	2.5	3.8%

Operating margin		
FY2019	FY2020	Change
(19/2-19/10)	(20/2-20/10)	
11.4%	9.6%	(1.8p)
13.2%	12.3%	(0.9p)
(2.1%)	6.0%	8.1p
11.3%	9.4%	(1.9p)

(¥ billion)

	Orders			
	FY2019	FY2020	YOY	
	(19/2-19/10)	(20/2-20/10)	Amount	%
Custom detached houses	268.6	238.8	(29.7)	(11.1%)
Rental housing	295.4	265.1	(30.2)	(10.3%)
Architectural / Civil engineering	37.3	222.5	185.2	496.3%
Total	601.4	726.6	125.1	20.8%

Order backlog		
FY2019	FY2020 3Q	Amount
(Jan. 31, 2020)	(Oct. 31, 2020)	changed
184.3	187.9	3.6
376.5	379.1	2.6
386.5	371.9	(14.6)
947.4	938.9	(8.4)

	ASP per building (10 thousand yen)		
	FY2019	FY2020	Amount
	(19/2-20/1)	(20/2-20/10)	changed
Custom detached houses	3,993	4,102	109
Rental housing	10,241	11,540	1,299

■ Custom detached houses business

Ratio of Green First Zero: 87% (April through October)

Ratio of three- and four-story housing (in value): 8.5%

■ Rental housing business

Ratio of three- and four-story housing (in value): 76.3%

Supplied Housing Business

(¥ billion)

	Net sales			
	FY2019	FY2020	YOY	
	(19/2-19/10)	(20/2-20/10)	Amount	%
Remodeling	114.5	98.1	(16.3)	(14.3%)
Real estate management fees	400.1	416.5	16.3	4.1%
Total	514.6	514.7	0.0	0.0%

Gross margin		
FY2019	FY2020	Change
(19/2-19/10)	(20/2-20/10)	
27.5%	27.4%	(0.1p)
15.8%	16.2%	0.4p
18.4%	18.3%	(0.1p)

	Operating income			
	FY2019	FY2020	YOY	
	(19/2-19/10)	(20/2-20/10)	Amount	%
Remodeling	17.6	12.9	(4.7)	(26.7%)
Real estate management fees	31.7	33.7	1.9	6.1%
Total	49.4	46.6	(2.7)	(5.7%)

Operating margin		
FY2019	FY2020	Change
(19/2-19/10)	(20/2-20/10)	
15.4%	13.2%	(2.2p)
7.9%	8.1%	0.2p
9.6%	9.1%	(0.5p)

(¥ billion)

	Orders			
	FY2019	FY2020	YOY	
	(19/2-19/10)	(20/2-20/10)	Amount	%
Remodeling	113.8	104.7	(9.0)	(8.0%)
Real estate management fees	400.1	416.5	16.3	4.1%
Total	514.0	521.3	7.2	1.4%

Order backlog		
FY2019	FY2020 3Q	Amount
(Jan. 31, 2020)	(Oct. 31, 2020)	changed
27.9	34.5	6.5
—	—	—
27.9	34.5	6.5

■ Real estate management fees business

Number of units under management: 653 thousand

Occupancy ratio: 97.8% (up 0.1p from the end of the previous period)

3 Segment Information

Development Business

(¥ billion)

	Net sales			
	FY2019	FY2020	YOY	
	(19/2-19/10)	(20/2-20/10)	Amount	%
Houses for sale	113.8	94.8	(18.9)	(16.7%)
Condominiums	52.0	48.3	(3.7)	(7.2%)
Urban redevelopment	112.5	61.5	(50.9)	(45.3%)
Total	278.4	204.8	(73.6)	(26.4%)

Gross margin		
FY2019	FY2020	Change
(19/2-19/10)	(20/2-20/10)	
19.1%	18.2%	(0.9p)
19.4%	20.4%	1.0p
13.8%	22.1%	8.3p
17.0%	19.9%	2.9p

	Operating income			
	FY2019	FY2020	YOY	
	(19/2-19/10)	(20/2-20/10)	Amount	%
Houses for sale	9.4	5.4	(4.0)	(42.3%)
Condominiums	6.2	6.4	0.1	2.8%
Urban redevelopment	13.6	11.0	(2.6)	(19.2%)
Total	29.4	22.9	(6.4)	(22.0%)

Operating margin		
FY2019	FY2020	Change
(19/2-19/10)	(20/2-20/10)	
8.3%	5.8%	(2.5p)
12.0%	13.2%	1.2p
12.2%	18.0%	5.8p
10.6%	11.2%	0.6p

(¥ billion)

	Orders			
	FY2019	FY2020	YOY	
	(19/2-19/10)	(20/2-20/10)	Amount	%
Houses for sale	111.6	109.6	(2.0)	(1.8%)
Condominiums	54.8	51.1	(3.7)	(6.8%)
Urban redevelopment	121.7	64.4	(57.2)	(47.0%)
Total	288.2	225.1	(63.0)	(21.9%)

Order backlog		
FY2019	FY2020 3Q	Amount
(Jan. 31, 2020)	(Oct. 31, 2020)	changed
41.5	56.2	14.7
87.7	90.4	2.7
30.6	33.4	2.8
159.8	180.2	20.3

Urban redevelopment business

Sales from property sales: ¥37.7 billion (Previous period: ¥80.3 billion)
Profit from property sales: ¥9.6 billion (Previous period: ¥9.6 billion)

Overseas Business

(¥ billion)

	FY2019	FY2020	YOY	
	(19/2-19/10)	(20/2-20/10)	Amount	%
Net sales	298.3	263.0	(35.2)	(11.8%)
Operating income	41.2	30.6	(10.6)	(25.8%)
Orders	409.4	259.1	(150.3)	(36.7%)

	FY2019	FY2020	Change
	(19/2-19/10)	(20/2-20/10)	
Gross margin	22.0%	20.8%	(1.2p)
Operating margin	13.8%	11.6%	(2.2p)
Order backlog (¥ billion)	FY2019 (Jan. 31, 2020)	FY2020 3Q (Oct. 31, 2020)	Amount changed
	222.3	218.4	(3.8)

Overseas Business / Details by country

(¥ billion)

Country	FY2020 (20/2-20/10)				
	Net sales	Operating income	Ordinary income	Orders	Exchange rate(yen)
Australia	15.1	0.1	0.1	35.0	73.13
China	66.2	11.6	12.9	26.4	15.34
U.S.A	181.5	19.4	19.1	197.5	107.48
Singapore *			1.2		77.61
U.K.*			(0.6)		137.27
Other	0.1	(0.7)	(0.5)	0.1	—
Total	263.0	30.6	32.1	259.1	—

FY2020 3Q (Oct. 31, 2020)	
Order backlog	Investment balance
46.6	155.7
60.9	69.2
110.9	428.8
	45.3
	3.4
—	—
218.4	702.6

Country	FY2019 (19/2-19/10)				
	Net sales	Operating income	Ordinary income	Orders	Exchange rate(yen)
Australia	11.1	(0.8)	(0.9)	21.0	76.36
China	36.3	2.0	2.7	114.2	15.93
U.S.A	250.7	41.0	38.1	274.1	109.38
Singapore *			2.1		80.11
U.K.*			(0.2)		138.89
Other	0.0	(0.9)	(0.9)	0.0	—
Total	298.3	41.2	40.9	409.4	—

FY2019 (Jan. 31, 2020)	
Order backlog	Investment balance
26.6	140.3
100.7	116.8
94.9	444.5
	43.8
	3.4
—	—
222.3	749.0

* Accounted for by the equity method.

3 Segment Information

(¥ billion)

		FY2019 (19/2-19/10)					FY2020 (20/2-20/10)				
		Net sales	Operating income	Operating margin	Gross margin	Orders	Net sales	Operating income	Operating margin	Gross margin	Orders
Built-to-Order Business	Custom detached houses	293.1	33.5	11.4%	25.0%	268.6	235.2	22.5	9.6%	25.1%	238.8
	Rental housing	257.4	33.9	13.2%	24.6%	295.4	262.5	32.3	12.3%	24.1%	265.1
	Architectural / Civil engineering	37.5	(0.8)	(2.1%)	8.5%	37.3	237.2	14.3	6.0%	11.6%	222.5
	Subtotal	588.1	66.6	11.3%	23.8%	601.4	735.0	69.1	9.4%	20.4%	726.6
Supplied Housing Business	Remodeling	114.5	17.6	15.4%	27.5%	113.8	98.1	12.9	13.2%	27.4%	104.7
	Real estate management fees	400.1	31.7	7.9%	15.8%	400.1	416.5	33.7	8.1%	16.2%	416.5
	Subtotal	514.6	49.4	9.6%	18.4%	514.0	514.7	46.6	9.1%	18.3%	521.3
Development Business	Houses for sale	113.8	9.4	8.3%	19.1%	111.6	94.8	5.4	5.8%	18.2%	109.6
	Condominiums	52.0	6.2	12.0%	19.4%	54.8	48.3	6.4	13.2%	20.4%	51.1
	Urban redevelopment	112.5	13.6	12.2%	13.8%	121.7	61.5	11.0	18.0%	22.1%	64.4
	Subtotal	278.4	29.4	10.6%	17.0%	288.2	204.8	22.9	11.2%	19.9%	225.1
Overseas Business		298.3	41.2	13.8%	22.0%	409.4	263.0	30.6	11.6%	20.8%	259.1
Other Businesses		55.5	(0.5)	(1.0%)	13.6%	60.0	51.2	(2.3)	(4.6%)	10.5%	46.6
Eliminations and back office		—	(31.1)	—	—	—	—	(32.2)	—	—	—
Total		1,735.2	154.9	8.9%	20.4%	1,873.2	1,768.8	134.8	7.6%	19.4%	1,779.0

<Reference> Full-Year Plan For FY2020

(¥ billion)

	FY2019 (19/2-20/1) Results	FY2020 (20/2-21/1)	
		Plan	YOY
Net sales	2,415.1	2,415.0	(0.0%)
Gross margin	478.0	462.0	(3.4%)
Operating income	205.2	175.0	(14.7%)
Ordinary income	213.9	172.5	(19.4%)
Profit attributable to owners of parent	141.2	114.0	(19.3%)
EPS (yen)	205.79	167.22	(18.7%)
ROA	8.8%	6.8%	—
ROE	11.5%	8.9%	—
Dividend per share (yen)	81.00	82.00	1.00
Payout ratio	39.4%	49.0%	—

<Reference> Full-Year Plan For FY2020 by Segment

Sales		(¥ billion)			
		FY2019 (19/2-20/1) Results	FY2020 (Full-Year) (20/2-21/1)		
			Plan	Amount changed	YOY
Built-to-Order Business	Custom detached houses	390.9	305.0	(85.9)	(22.0%)
	Rental housing	360.0	362.0	1.9	0.5%
	Architectural / Civil engineering	120.9	312.0	191.0	157.9%
	Subtotal	872.0	979.0	106.9	12.3%
Supplied Housing Business	Remodeling	152.7	144.5	(8.2)	(5.4%)
	Real estate management fees	534.8	556.5	21.6	4.0%
	Subtotal	687.6	701.0	13.3	1.9%
Development Business	Houses for sale	151.2	127.0	(24.2)	(16.0%)
	Condominiums	103.9	84.0	(19.9)	(19.2%)
	Urban redevelopment	131.9	104.0	(27.9)	(21.2%)
	Subtotal	387.1	315.0	(72.1)	(18.6%)
Overseas Business		389.8	350.0	(39.8)	(10.2%)
Other Businesses		78.5	70.0	(8.5)	(10.9%)
Total		2,415.1	2,415.0	(0.1)	(0.0%)

Orders		(¥ billion)			
		FY2019 (19/2-20/1) Results	FY2020 (Full-Year) (20/2-21/1)		
			Plan	Amount changed	YOY
Built-to-Order Business		346.2	318.0	(28.2)	(8.2%)
		391.9	382.0	(9.9)	(2.5%)
		96.9	300.0	203.0	209.3%
		835.2	1,000.0	164.7	19.7%
Supplied Housing Business		149.7	144.5	(5.2)	(3.5%)
		534.8	556.5	21.6	4.0%
		684.5	701.0	16.4	2.4%
Development Business		143.3	133.0	(10.3)	(7.2%)
		73.6	74.0	0.3	0.4%
		160.6	74.0	(86.6)	(53.9%)
		377.6	281.0	(96.6)	(25.6%)
Overseas Business		500.8	300.0	(200.8)	(40.1%)
Other Businesses		81.6	70.0	(11.6)	(14.3%)
Total		2,480.0	2,352.0	(128.0)	(5.2%)

Operating income		(¥ billion)			
		FY2019 (19/2-20/1) Results	FY2020 (Full-Year) (20/2-21/1)		
			Plan	Amount changed	YOY
Built-to-Order Business	Custom detached houses	45.9	25.0	(20.9)	(45.6%)
	Rental housing	49.7	45.0	(4.7)	(9.5%)
	Architectural / Civil engineering	3.7	15.5	11.7	315.5%
	Subtotal	99.3	85.5	(13.8)	(14.0%)
Supplied Housing Business	Remodeling	23.5	20.5	(3.0)	(12.9%)
	Real estate management fees	41.0	46.0	4.9	12.0%
	Subtotal	64.5	66.5	1.9	3.0%
Development Business	Houses for sale	12.2	7.0	(5.2)	(42.9%)
	Condominiums	10.1	10.0	(0.1)	(1.3%)
	Urban redevelopment	17.0	17.0	(0.0)	(0.3%)
	Subtotal	39.4	34.0	(5.4)	(13.8%)
Overseas Business		44.5	34.9	(9.6)	(21.7%)
Other Businesses		(0.2)	(1.9)	(1.6)	—
Eliminations and back office		(42.4)	(44.0)	(1.5)	—
Total		205.2	175.0	(30.2)	(14.7%)

Operating margin		Gross margin	
FY2019 (19/2-20/1) Results	FY2020 (20/2-21/1) Plan	FY2019 (19/2-20/1) Results	FY2020 (20/2-21/1) Plan
11.8%	8.2%	25.4%	24.6%
13.8%	12.4%	25.0%	24.3%
3.1%	5.0%	9.7%	10.4%
11.4%	8.7%	23.0%	20.0%
15.4%	14.2%	27.5%	27.3%
7.7%	8.3%	15.5%	16.4%
9.4%	9.5%	18.2%	18.6%
8.1%	5.5%	18.6%	18.1%
9.7%	11.9%	16.5%	20.2%
12.9%	16.3%	14.9%	19.2%
10.2%	10.8%	16.8%	19.0%
11.4%	10.0%	20.4%	20.4%
(0.3%)	(2.7%)	13.4%	12.1%
—	—	—	—
8.5%	7.2%	19.8%	19.1%

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