Consolidated Financial Statements Summary for the Second Quarter of FY2019 (February 1, 2019 through July 31, 2019) (Japanese Standard)

September 5, 2019

Company name	: **Sekisui House, Ltd.** (URL https://www.sekisuihouse.co.jp)
Listed exchanges	: Tokyo, Nagoya
Stock code	: 1928
Representative	: Yoshihiro Nakai, President and Representative Director
Inquiries	: Atsushi Yoshida, Chief Manager of Investor Relations Department Tel +81 6 6440 3111
Filing date of quarterly securities report	: September 13, 2019
Date of scheduled payment of dividends	: September 30, 2019
Quarterly earnings supplementary explanatory documents	: Yes
Quarterly earnings results briefing	: Yes (for institutional investors and analysts, in Japanese)

(Amounts are rounded down to the nearest million yen.)

1. Consolidated Results for the Six Months Ended July 31, 2019 (February 1, 2019 through July 31, 2019)

(1) Consolidated Financial Results (% figures represent changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Six months ended Jul. 31, 2019	1,207,835	20.5	113,041	43.7	116,554	41.1	77,444	33.9
Six months ended Jul. 31, 2018	1,002,621	(0.7)	78,649	(11.6)	82,598	(12.4)	57,847	(3.9)

(Note) Comprehensive income:
Six months ended Jul. 31, 2019: ¥69,193 million (142.9%) Six months ended Jul. 31, 2018: ¥28,492 million (-43.8%)

	Profit per share	Fully diluted profit per share
	¥	¥
Six months ended Jul. 31, 2019	112.53	112.39
Six months ended Jul. 31, 2018	83.82	83.72

(2) Consolidated Financial Position

	Total assets	Net assets	Equity capital ratio
	¥ million	¥ million	%
As of July 31, 2019	2,428,996	1,230,792	50.2
As of January 31, 2019	2,413,035	1,196,923	49.0

(Reference) Equity capital* As of July 31, 2019: ¥1,219,028 million As of January 31, 2019: ¥1,182,808 million

* Equity capital shows the amount of the net assets excluding non-controlling interests and stock subscription rights.

2. Cash Dividends

	Cash dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	¥	¥	¥	¥	¥
Year ended Jan. 31, 2019	-	39.00	-	40.00	79.00
Year ending Jan. 31, 2020	-	40.00			
Year ending Jan. 31, 2020 (forecast)			-	41.00	81.00

(Note) Revised dividend forecast for the quarter under review: None

3. **Consolidated Results Forecast for FY2019 (February 1, 2019 through January 31, 2020)**

(% figures represent changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Year ending January 31, 2020	2,367,000	9.6	205,000	8.3	208,000	6.6	139,000	8.1	201.99

(Note) Revised forecast for the quarter under review: None

Notes

(1) Changes in significant subsidiaries (changes in specific subsidiaries that caused a change in scope of consolidation): Not applicable

New Consolidated Companies: - Excluded: -

(2) Application of accounting treatment specific to the preparations for consolidated quarterly financial statements: Not applicable

(3) Changes in accounting policies, accounting estimates and restatements

(a) Changes in accounting policies due to amendment of accounting standards: Applicable

(b) Changes in accounting policies due other than (a): Not applicable

(c) Changes in accounting estimates: Not applicable

(d) Restatements: Not applicable

(4) Number of shares outstanding (common stock)

(i) Number of shares outstanding at the end of each period (including treasury stock):

As of Jul. 31, 2019: 690,683,466 shares As of Jan. 31, 2019: 690,683,466 shares

(ii) Number of treasury stock at the end of each period:

As of Jul. 31, 2019: 2,261,931 shares As of Jan. 31, 2019: 2,531,961 shares

(iii) Average number of shares outstanding in each period (cumulative quarterly consolidated accounting period):

Six months ended Jul. 31, 2019: 688,235,978 shares Six months ended Jul. 31, 2018: 690,101,000 shares

*** This quarterly financial results report is exempt from quarterly review.**

*** Notes Regarding the Appropriate Use of Results Forecasts and Other Important Matters**

Descriptions regarding forward-looking statements, etc. contained in these materials are based on information currently available to the Company and certain assumptions judged reasonable. The Company makes no warranty as to the feasibility of its projections. Future results may differ materially from projections due to various factors. For the assumptions underlying the earnings forecast, please see "(3) Information Regarding Consolidated Results Forecast" in "1. Qualitative Information Regarding Consolidated Results for the Six Months Ended July 31, 2019 " of the "Attached Material" on page 9.

(Obtaining supplementary explanatory documents)

The Company plans to hold a briefing for institutional investors and analysts on September 5, 2019. Relevant financial explanatory documents to be handed out at the briefing will be posted on our official website on the same day.

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Appendix: Segment breakdown for the Six Months Ended July 31, 2019

Consolidated

(1) Sales

¥ millions

		Six months ended July 31, 2018	Six months ended July 31, 2019	YOY(%)
Built-to-order Business	Custom detached houses	168,403	201,777	19.8
	Rental housing	203,763	196,362	(3.6)
	Subtotal	372,166	398,140	7.0
Supplied Housing Business	Remodeling	71,399	77,518	8.6
	Real estate management fees	256,247	266,173	3.9
	Subtotal	327,646	343,692	4.9
Development Business	Houses for sale	73,959	83,663	13.1
	Condominiums	50,320	35,429	(29.6)
	Urban redevelopment	59,120	99,070	67.6
	Subtotal	183,400	218,164	19.0
Overseas Business		82,057	208,912	154.6
Other businesses		37,350	38,925	4.2
Consolidated		1,002,621	1,207,835	20.5

(2) Operating income and OP margin

¥ millions

		Six months ended July 31, 2018 Amount OP margin	Six months ended July 31, 2019 Amount OP margin	YOY(%)
Built-to-order Business	Custom detached houses	18,564 11.0%	24,538 12.2%	32.2
	Rental housing	23,569 11.6%	22,296 11.4%	(5.4)
	Subtotal	42,134 11.3%	46,834 11.8%	11.2
Supplied Housing Business	Remodeling	10,751 15.1%	12,213 15.8%	13.6
	Real estate management fees	20,112 7.8%	21,073 7.9%	4.8
	Subtotal	30,863 9.4%	33,287 9.7%	7.9
Development Business	Houses for sale	5,245 7.1%	7,691 9.2%	46.6
	Condominiums	6,348 12.6%	4,203 11.9%	(33.8)
	Urban redevelopment	11,523 19.5%	11,617 11.7%	0.8
	Subtotal	23,117 12.6%	23,512 10.8%	1.7
Overseas Business		1,992 2.4%	30,125 14.4%	-
Other businesses		(90) (0.2%)	213 0.5%	-
Eliminations and back office		(19,368)	(20,932)	-
Consolidated		78,649 7.8%	113,041 9.4%	43.7

(3) Orders

¥ millions

		Six months ended July 31, 2018	Six months ended July 31, 2019	YOY(%)
Built-to-order Business	Custom detached houses	190,435	192,898	1.3
	Rental housing	210,282	228,548	8.7
	Subtotal	400,718	421,447	5.2
Supplied Housing Business	Remodeling	74,351	80,279	8.0
	Real estate management fees	256,247	266,173	3.9
	Subtotal	330,598	346,452	4.8
Development Business	Houses for sale	80,952	80,474	(0.6)
	Condominiums	47,198	35,802	(24.1)
	Urban redevelopment	44,889	109,791	144.6
	Subtotal	173,040	226,068	30.6
Overseas Business		122,528	286,053	133.5
Other businesses		41,827	45,391	8.5
Consolidated		1,068,713	1,325,413	24.0

(4) Accumulated orders

¥ millions

		As of January 31, 2019	As of July 31, 2019	YOY (%)
Built-to-order Business	Custom detached houses	229,004	220,124	(3.9)
	Rental housing	407,403	439,588	7.9
	Subtotal	636,407	659,713	3.7
Supplied Housing Business	Remodeling	30,989	33,749	8.9
	Real estate management fees	-	-	-
	Subtotal	30,989	33,749	8.9
Development Business	Houses for sale	49,481	46,292	(6.4)
	Condominiums	118,054	118,427	0.3
	Urban redevelopment	1,888	12,608	567.7
	Subtotal	169,424	177,328	4.7
Overseas Business		111,303	188,444	69.3
Other businesses		47,716	54,182	13.6
Consolidated		995,842	1,113,420	11.8

1. Qualitative Information Regarding the Consolidated Results for the Six Months Ended July 31, 2019

(1) Qualitative Information Regarding Consolidated Business Results

During the first six months of the consolidated fiscal year ending January 31, 2020, the Japanese economy saw a moderate recovery, reflecting improvements in corporate earnings and capital spending. Meanwhile, overseas, while the U.S. continued to enjoy a steady economic recovery due to increases in consumption and capital spending, China's economic development slowed. Uncertainties still remained with regard to the future outlook, mainly reflecting trade problems and fluctuations in the financial and capital markets.

In the domestic housing market, the number of new rental housing starts declined, mainly due to a continued downturn in investor confidence given the tightened lending attitude of financial institutions and growing concerns about the vacancy risk. Meanwhile, the construction of custom detached houses and condominiums for sale increased, leaving the number of new housing starts during the period more or less in line with the level achieved during the preceding fiscal year. In terms of order environment, continued attention to the impact of the consumption tax hike was needed.

Under these circumstances, the Company stepped up its efforts to strengthen the housing and residential-related business and expand new business areas under the core policy adopted in the Fourth Mid-Term Management Plan (2017-2019) of Building the foundation for residential-related business BEYOND 2020 in the final year of that Plan, while the entire Sekisui House Group pursued the value that housing can provide to society. The Company continued its efforts to develop the Platform House that assists happiness in the era of the 100-year life toward its launch in the spring of 2020, as well as roadside hotels that will open at 15 locations in 6 prefectures from autumn 2020 as the first stage under the Trip Base Michi-no-Eki Stations Project, a regional revitalization project. The Company also decided to convert Otori Holdings, Co., Ltd. (a holding company of Konoike Construction Co., Ltd.), an equity method affiliate of the Company, into a consolidated subsidiary in October 2019 to lead to the further growth of the Group by strengthening its collaboration with Konoike Construction Co., Ltd. and creating Group business synergies in an integrated manner. Meanwhile, in the Tenjin area of Fukuoka City, a consortium of five companies including Sekisui House launched the Former Daimyo Elementary School Site Redevelopment Project, commencing construction of mixed-use facilities including a hotel and company offices. A key tenant for this project will be the Ritz-Carlton Hotel, the first luxury hotel scheduled to open in Kyushu in March 2023.

On top of this, the Company also worked on ESG (environment, society, governance), one of the key management issues, with the aim of becoming a leading company in ESG management.

In the first six months of the consolidated fiscal year under review, net sales amounted to ¥1,207,835 million (up 20.5% year-on-year). Operating income amounted to ¥113,041million (up 43.7% year-on-year), ordinary income to ¥116,554 million (up 41.1% year-on- year) and profit attributable to owners of parent to ¥77,444 million (up 33.9% year-on-year).

Business results by segments are as follows.

<Built-to-Order Business>

(Custom Detached Houses Business)

In the Custom Detached Houses Business, the Company has promoted marketing activities for the Family Suite, a living room with a large area for maintaining a comfortable sense of distance among family members, through the achievements of a study of Houses in which the more you live, the happier you will be, as well as its advanced technologies. Consequently, the most recent adoption rate of the Family Suite has exceeded 50%. The Company also promoted sales of Green First Zero, our original net zero energy house (ZEH) that achieves an energy balance by saving and creating energy while maintaining a comfortable life. Its adoption rate reached 79% in 2018. As a result of these efforts, orders received increased year-on-year.

Sales in the Custom Detached Houses Business amounted to ¥201,777 million, up 19.8% year-on-year, and operating income to ¥24,538 million, up 32.2% year-on-year.

(Rental Housing Business)

In the Rental Housing Business, the Company sought to win more orders for rental houses centered on those with three or four-stories by conducting exhaustive marketing in specific areas focused on urban districts and making attractive proposals that lead to stable management in the long term, such as the supply of rental properties of good quality. In addition, the Company sought to meet diverse construction demand and bolster its ability to propose applications, such as houses for combined residential and commercial use, hotels, day nurseries, and medical institutions. As a result, sales progressed solidly for non-housing segments. In addition, the Company facilitated the promotion of ZEH, which had been believed to be difficult in apartment complexes. Thanks to these efforts, orders received increased from the same period of the previous fiscal year.

Sales in the Rental Housing Business amounted to ¥196,362 million, down 3.6% year-on-year, and operating income to ¥22,296 million, down 5.4% year-on-year.

<Supplied Housing Business>

(Remodeling Business)

In the Remodeling Business, the Company promoted its shift from maintenance-based remodeling to proposal-based remodeling, which offers lifestyle ideas, and environment-based remodeling, such as energy-saving renovation, and took steps to bolster its sales structure. Orders received increased year-on-year because the proposal of *Idokoro Dan-netsu* products based on the Green First Renovation Concept, which was launched in December 2018 based on the idea of partial insulation for targeted area, led to boost large-scale remodeling.

In addition, the Company made aggressive proposals that contribute to stable management in the long term, including the maintenance and improvement of rent levels and occupancy rates, to the owners of Sha-Maison rental houses.

Sales in the Remodeling Business amounted to ¥77,518 million, up 8.6% year-on-year, and operating income to ¥12,213 million, up 13.6% year-on-year.

(Real Estate Management Fees Business)

In the Real Estate Management Fees Business, the number of Sha-Maison rental housing units for block leasing and that of housing units under management is commissioned achieved solid growth through a group-based collaboration with Sekiwa Real Estate companies. Under this condition, the Company maintained high occupancy rates by meeting demand for high-quality rental houses featuring hotel-like specifications. To strengthen the brokerage business in the future, the Company has established the Broking and Leasing Business Headquarters.

Sales in the Real Estate Management Fees Business amounted to ¥266,173 million, up 3.9% year-on-year, and operating income to ¥21,073 million, up 4.8% year-on-year.

<Development Business>

(Houses for Sale Business)

In the Houses for Sale Business, the Company continued to procure land actively for first-time buyers, and at the same time, the Company furthered events and other initiatives to promote sales. In addition, the Company advanced efforts to develop communities of high quality that can be passed on to the next generation in the forms of initiatives for planning and proposing not only individual gardens and external facilities but also integrated rows of houses and activities for supporting community development, adopting the concept of beauty that blooms with time in which attractions and value grow over the years.

Sales in the Houses for Sale Business amounted to ¥83,663 million, up 13.1% year-on-year, and operating income to ¥7,691 million, up 46.6% year-on-year.

(Condominiums Business)

In the Condominium Business, the Company advanced its brand strategies by thoroughly enforcing area-specific strategies and integrating homebuilding knowhow gained through custom detached houses. Grande Maison Uemachidai the Tower (Chuo-ku, Osaka) were sold out. Among other new condominiums launched for sale, Grande Maison Shin Umeda Tower THE CLUB RESIDENCE (Kita-ku, Osaka) achieved a strong sales performance. Handovers also made progress as planned for properties such as Grande Maison Shioji (Mizuho-ku, Nagoya).

Sales in the Condominiums Business amounted to ¥35,429 million, down 29.6% year-on-year, and operating income to ¥4,203 million, down 33.8% year-on-year.

(Urban Redevelopment Business)

In the Urban Redevelopment Business, occupancy rates for rental properties owned by the Sekisui House Group, such as offices, commercial buildings and Prime Maison rental houses developed by the Company, remained high.

Meanwhile, the Company sold office buildings and rental properties to Sekisui House Reit, Inc., including Akasaka Garden City (part of the stake) and Prime Maison Hongo.

Sales in the Urban Redevelopment Business amounted to ¥99,070 million, up 67.6% year-on-year, and operating income to ¥11,617 million, up 0.8% year-on-year.

<Overseas Business>

In the United States, the Company sold a total of 6 properties, including Union Denver (in Denver), The Griffin (in Los Angeles) and The Grace (in Los Angeles) in the multifamily business. The master-planned community business and the homebuilding business of Woodside Homes Company, LLC remained firm during the period. In China, condominium sales remained strong in Suzhou and Taicang. The Company announced a move into the UK housing market, forming partnership with Homes England and Urban Splash House Holdings Ltd.

Sales in the Overseas Business amounted to ¥208,912 million, up 154.6% year-on-year, and operating income to ¥30,125 million.

<Other Businesses>

In the Exterior Business, the Company worked to step up integrated proposals for houses and external facilities. The Company made aggressively proposals for building original gardens and external facilities in custom detached houses, rental houses and condominiums based on the *Gohon no Ki* landscaping plan through which garden trees are selected from native species to match the local climate.

Sales in the Other Businesses amounted to ¥38,925 million, up 4.2% year-on-year, and operating income to ¥213 million.

The Company's specific efforts regarding ESG were as follows.

The Company was selected for the Silver Class in the Homebuilding category of the SAM Sustainability Award 2019, a sustainability assessment undertaken by RobecoSAM, a global class assessor of social responsibility investment (SRI).

With respect to environmental efforts, the Company made a decarbonization declaration in 2008 to help build a sustainable society, with 2050 as the target year. The Company has continuously promoted efforts to popularize ZEH and reduce greenhouse gases generated from its business activities.

To improve its position on social issues, the Company focused on creating systems to enable employees to enjoy an active and healthy work life and workplace, aiming to make diversity a growth driver. Initiatives included a childcare leave system in which all male employees who have children under the age of three can take childcare leave of at least one month. Half of the eligible male employees have taken this leave.

In the area of governance, the Company focused on securing the independence of chief managers in charge of general affairs, who are the core of governance in each operating base, and the strengthening of their checking function, as well as improving the integrity of the future chief branch managers through their cultivation and selection programs. In addition, the Company also worked to further strengthen its corporate governance system by embarking on a fundamental review of the executive remuneration system, including the introduction of a restricted stock remuneration plan, and by considering shortening the term of office of directors and the standards for their appointment and dismissal.

(2) Information Regarding Consolidated Financial Conditions

Total assets increased by ¥ 15,961 million to ¥ 2,428,996 million at the end of the second quarter of the consolidated fiscal year ending January 31, 2020. This was primarily attributable to an increase in cash and deposits. Liabilities decreased by ¥ 17,907 million to ¥ 1,198,204 million, mainly due to a decrease in short-terms loans. Net assets increased by ¥ 33,868 million to ¥ 1,230,792 million, reflecting profit attributable to owners of parent partially offset by dividend payments and a decrease in foreign exchange translation adjustment.

(3) Information Regarding Consolidated Results Forecast

The consolidated results forecast for the fiscal year ending January 31, 2020 remains unchanged from the plan announced on March 7, 2019, considering progress in line with the full-year business plan in each business segment.

2. Consolidated Quarterly Financial Statements

(1) Consolidated Quarterly Balance Sheet

(¥ million)

	As of January 31, 2019	As of July 31, 2019
Assets		
Current assets		
Cash and deposits	343,358	470,966
Notes receivable, accounts receivable from completed construction contracts	42,503	43,726
Costs on uncompleted construction contracts	12,168	13,719
Buildings for sale	393,538	332,985
Land for sale in lots	579,000	542,414
Undeveloped land for sale	106,934	98,539
Other inventories	8,546	9,021
Other	84,706	83,787
Less allowance for doubtful accounts	(1,440)	(1,476)
Total current assets	1,569,318	1,593,682
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	188,497	179,793
Machinery, equipment and vehicles	8,579	7,877
Land	304,370	294,084
Construction in progress	21,888	23,609
Other, net	7,058	8,703
Total property, plant and equipment	530,394	514,068
Intangible assets	20,566	19,836
Investments and other assets		
Investment in securities	156,959	171,587
Long-term loans receivable	24,157	22,641
Asset for retirement benefits	382	180
Deferred tax assets	37,727	29,038
Other	73,747	78,189
Less allowance for doubtful accounts	(218)	(228)
Total investments and other assets	292,755	301,409
Total noncurrent assets	843,717	835,314
Total assets	2,413,035	2,428,996

(¥ million)

	As of January 31, 2019	As of July 31, 2019
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	94,001	89,005
Electronically recorded obligations-operating	53,427	48,539
Short-term loans	239,472	178,558
Short-term bonds	20,000	35,000
Current portion of long-term loans payable	64,303	55,043
Accrued income taxes	33,008	17,507
Advances received on construction contracts in progress	156,605	211,387
Accrued employees' bonuses	25,527	18,910
Accrued directors' and corporate auditors' bonuses	1,477	297
Provision for warranties for completed construction	2,788	2,879
Other	90,706	85,813
Total current liabilities	781,318	742,942
Long-term liabilities		
Bonds payable	215,000	200,000
Long-term loans payable	94,006	131,570
Guarantee deposits received	60,701	58,914
Deferred income taxes	1,090	826
Accrued retirement benefits for directors and corporate auditors	1,060	792
Liabilities for retirement benefits	49,988	49,287
Other	12,946	13,870
Total long-term liabilities	434,794	455,262
Total liabilities	1,216,112	1,198,204
Net assets		
Shareholders' equity		
Common stock	202,591	202,591
Capital surplus	251,563	251,467
Retained earnings	700,949	750,379
Less treasury stock, at cost	(4,215)	(3,747)
Total shareholders' equity	1,150,888	1,200,690
Accumulated other comprehensive income		
Net unrealized holding gain on securities	33,146	34,652
Deferred (loss) gain on hedges	(56)	(78)
Translation adjustments	21,269	6,554
Retirement benefits liability adjustments	(22,440)	(22,791)
Total accumulated other comprehensive income	31,919	18,337
Stock subscription rights	803	640
Non-controlling interests	13,312	11,123
Total net assets	1,196,923	1,230,792
Total liabilities and net assets	2,413,035	2,428,996

(2) Consolidated Quarterly Statement of Income and Consolidated Quarterly Statement of Comprehensive Income

(Consolidated Quarterly Statement of Income)

For the six months ended July 31, 2018 and 2019

(¥ million)

	Feb. 1, 2018– Jul. 31, 2018	Feb. 1, 2019 – Jul. 31, 2019
Net sales	1,002,621	1,207,835
Cost of sales	798,274	962,400
Gross profit	204,346	245,434
Selling, general and administrative expenses	125,697	132,393
Operating income	78,649	113,041
Non-operating income		
Interest income	1,057	1,150
Dividends income	1,066	1,067
Equity in earnings of affiliates	4,327	5,773
Other	1,241	1,348
Total non-operating income	7,694	9,339
Non-operating expenses		
Interest expenses	2,179	2,942
Foreign exchange losses	390	819
Other	1,174	2,065
Total non-operating expenses	3,745	5,826
Ordinary income	82,598	116,554
Extraordinary income		
Gain on sales of shares of subsidiaries and affiliates	181	-
Total extraordinary income	181	-
Extraordinary loss		
Loss on sales or disposal of fixed assets	389	561
Loss on impairment of fixed assets	380	272
Loss on valuation of investment securities	2	-
Total extraordinary losses	772	833
Profit before income taxes	82,007	115,720
Income taxes-current	18,652	25,006
Income taxes-deferred	5,618	7,946
Total income taxes	24,270	32,952
Profit	57,736	82,768
Profit attributable to non-controlling interests	(111)	5,323
Profit attributable to owners of parent	57,847	77,444

(Consolidated Quarterly Statement of Comprehensive Income)

For the six months ended July 31, 2018 and 2019

	Feb. 1, 2018 – Jul. 31, 2018	Feb. 1, 2019 – Jul. 31, 2019
Profit	57,736	82,768
Other comprehensive income		
Net unrealized holding gain (loss) on securities	(5,106)	1,351
Translation adjustments	(19,034)	(14,303)
Retirement benefits liability adjustments	(4,089)	(365)
Share of other comprehensive gain (loss) of affiliates accounted for by the equity method	(1,013)	(257)
Total other comprehensive income	(29,244)	(13,574)
Comprehensive income	28,492	69,193
Comprehensive income attributable to		
Owners of the parent	28,624	63,862
Non-controlling shareholders' interests	(132)	5,331

(3) Notes to Consolidated Quarterly Financial Statements

(Notes Regarding Assumption of a Going Concern)

Not applicable

(Notes on significant changes in the amount of shareholders' equity)

Not applicable

(Changes in accounting policies)

(Adoption of ASU2014-09 "Revenue from Contracts with Customers.")

Overseas subsidiaries adopting U.S. GAAP have adopted ASU2014-09 "Revenue from Contracts with Customers" (May 28, 2014) from the beginning of the first quarter of the consolidated fiscal year under review.

Due to the adoption of ASU2014-09, revenue is recognized at the time the promised goods or services are transferred to the customer, in an amount that reflects the consideration expected to be received in exchange for the goods or services.

The impact on the consolidated statement of income for the six months of the fiscal year under review is immaterial.

(Adoption of IFRS16 "Leases")

Overseas subsidiaries adopting the International Financial Reporting Standards ("IFRS") have adopted IFRS16 "Leases" (January 13, 2016) from the first quarter of the consolidated fiscal year under review.

Due to the adoption, the Company principally recognizes assets and liabilities of lease as a lessee.

The impact on the consolidated statement of income for the six months of the fiscal year under review is immaterial.

(Additional information)

(Adoption of the "Partial Amendments to Accounting Standard for Tax Effect Accounting," etc.)

The Company has adopted the "Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 on February 16, 2018), etc. from the beginning of the first quarter of the consolidated fiscal year under review. As a result, deferred tax assets are presented in investments and other assets, and deferred tax liabilities are presented in long-term liabilities.

(Significant Subsequent Event)

At the Board of Directors meeting held on September 5, 2019, the Company resolved to acquire its own shares under the provisions of Article 156 of the Companies Act, as applied pursuant to Article 165 (3) of the Companies Act.

(1) Reason for share repurchase

To implement flexible capital policies in accordance with the business environment and to improve capital efficiency to increase shareholder value

(2) Type of shares

Common stock of Sekisui House, Ltd.

(3) Aggregate number of shares to be repurchased

Up to 5,000,000 shares

(4) Aggregate price of shares to be repurchased

Up to 10,000 million yen

(5) Period for share repurchase

From September 6, 2019 to January 31, 2020

(6) Method of share repurchase

Market purchases (including Off-Auction Own Share Repurchase Trading (N-NET3) of the Nagoya Stock Exchange)