



SEKISUI HOUSE



BUSINESS REPORT

The 69th Interim Report 2019.2.1 >>> 2019.7.31

SEKISUI HOUSE, LTD.

Security code 1928



MOE-certified

Eco-First Company

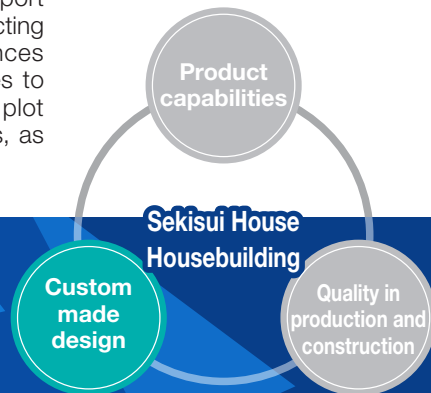
Sekisui House was the first company in the housing industry to be certified as an Eco-First Company by Japan's Minister of the Environment (MOE).



Making Customer's Dream Homes into a Reality: Freely Designed Properties Delivering Emotion

Sekisui House's preferences towards design

Sekisui House detached houses are fundamentally freely designed properties that make customer's dream houses a reality, while also utilizing the merits of modern methods of construction. In addition to our product appeal and quality production and construction, our design capabilities support Sekisui House housebuilding. Rather than selecting from limited plans, Sekisui House's preferences include responding with our design capabilities to a variety of conditions, including the differing plot environments, climate, family makeup, lifestyles, as well as with ideas for the customer's housing.



Design Capabilities of Sekisui House

Chief architects selected from 2,800
Sekisui House first-class architects

Improving housebuilding skills through design training and gatherings

With superior design skills, our chief architects are 8% of the top creators, selected from the 2,800 Sekisui House first-class architects. These chief architects were chosen based on rigorous qualification standards, and they not only supervise architectural design, but also offer support from a technical aspect to housebuilding. They work hard, learning from others through design training, design competitions, gatherings, and more, and they continue to improve their housebuilding skills. Evaluations are reexamined every two years, requiring our chief architects to continually maintain a high standard.



Chief Architect
certification badge



PLANNING TABLE design consultation meetings with Chief Architects

PLANNING TABLE is a special design consultation meeting where attendees can meet Sekisui House's top creators. At this event, our chief architects inquire about customers' requests in depth, create plans, and support the start of the customers' ideal housebuilding.

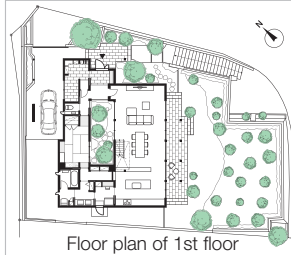
Creating a sense of comfort as if being within a forest in a living room surrounded by two gardens



Example

Premium housebuilding created by our chief architects
Showcasing an example of a customer's dreams come true through creativity and advanced design skills

At night, a different emotion from the daytime is seen. A relaxing space is presented through a beautiful lighting plan with minimal window glare.



Commentary of Officer in charge of Technology Division

Showing Off the Resourcefulness and Technical Skills as House Makers of our Individual Creators



Toshiharu Miura

Director
Managing Officer in charge of Technology Division

Sekisui House housing, making use of modern methods of construction, features many strengths as a product, including both environmental consideration and comfort through research and development of unique parts. However, strengths through product appeal alone do not create the ideal housing sought by our customers. This is the reason why we develop our architects and continue to maintain and strengthen our advanced design capabilities. The resourcefulness of each creator and our industry-leading technical capabilities come together, to help our customers to “live happily”. We will continue to refine these strengths that are characteristic of Sekisui House.



Yoshihiro Nakai
President &
Representative Director

Toshinori Abe
Chairman &
Representative Director

Making steady steps towards continuous profit growth, we have the prospect of attaining tangible results that will lead to the next mid-term management plan.

We are now in the completion phase of the Fourth Mid-Term Management Plan. The achievement of record sales and profit is now in sight.

We are now in the final fiscal year and the completion phase of our Fourth Mid-Term Management Plan: Building the Foundation for the Residential-Related Business toward BEYOND 2020. First of all, we would like to inform our shareholders that the attainment of the full-term targets is now firmly in sight.

Next year, 2020, marks the milestone 60th anniversary of our foundation, and it is considered to be a turning point for Japanese society, economic trends and the international situation as well. At Sekisui House, we have worked out some innovative ideas that will lead to new business creation and the next mid-term management plan with a view to making a significant leap towards continuous profit growth in the year. While drawing up a positive growth strategy, we will also solidify our footing. In addition to building closer ties in our Group, our bold structural reform has helped us to attain good results.

Our core domestic Built-to-Order Business achieved considerable growth in net sales and operating income in Custom Detached Houses. As a result of proposals of high value-added products and other actions, we saw orders rally and the order backlog rise. Our organizational

reform in Rental Housing, aimed at clarifying the division of roles with Custom Detached Houses sales, boosted specialties and proposed strength. As a consequence, the ASP per building rose in the Rental Housing Business. We anticipate that the impact of the consumption tax hike will be minimized with multi-faceted governmental policy support.

Based on the customer base that puts us in the top position in the world in terms of the cumulative number of houses built, the Supplied Housing Business was driven by strong orders for large-scale remodeling. The Real Estate Management Fees Business saw a steady increase in the number of units under management and maintained a high occupancy rate. The Development Business made steady progress in sales of offices and other properties to Sekisui House REIT, Inc. In the Overseas Business, our operation with a focus on capital cost produced positive results. For instance, we achieved early completion in terms of selling the majority of rental houses developed in the multifamily business in the United States.

NEXT Sekisui House, a common key concept shared in the whole Sekisui House Group, is behind these results toward BEYOND 2020 and the acceleration of our moves.

Creating new value while remaining loyal to the basics to make home the happiest place in the world.

We announced the Platform House Concept in January 2019, which presented a vision of making home the happiest place in the world. Committed to exploring the form of happiness for customers and creating new value as a partner in nourishing happiness through housing, we are giving shape to our new attempts and actions based on innovative ideas.

In October last year, we released the Family Suite as a concept model of nourishing happiness. It was so highly

regarded for its suggestion of a new style of living that more than 50% of customers in the Custom Detached Houses Business have adopted it. In April, we announced a new variation

featuring a large space under the eaves to provide a subtle link between indoors and outdoors. In September, we released the Family Suite Renovation, which is a lifestyle proposal remodeling solution that introduces this concept to existing detached houses.

In the area of non-residential buildings such as hotels, welfare and medical facilities and nurseries, the Flexible β system displays unrivalled competitiveness. It is a new construction method for three- and four-story houses with superior design adaptability and the capability for proposing spaces. Its stable construction quality based on the use of materials shipped from our factories and short construction period give it significant appealing advantages.

Here, non-residential does not mean that spaces lack warmth, like those in warehouses. It means that spaces serve as places of human activities, and that they require a quality similar or equivalent to that of residential spaces. Our stance of constantly serving people and their lives is behind our technological superiority in tangible aspects, and it remains intact. The notion of NEXT Sekisui House is based on our lifelong housing concept, according to which we seek to provide comfortable living – now and always. Our dedication to nourishing happiness stands on superior quality and leading technology that we seek to secure. It is linked with comfortable housing and ecologically sound communities.

While constantly changing ourselves ahead of the times, we practice love of humanity, which is our unaltered fundamental philosophy. Toward BEYOND 2020, these



two elements that constitute our identity have now come together perfectly.

With a view to standing as a leading company in ESG management, we will unite all the strengths of the Sekisui House Group.

The housing policy of the Japanese national government suggests that our duties and the roles we are to play are of increasing significance. At their heart is a shift from quantity to quality. The issues to be addressed include increases in the rate of compliance with the new quake resistance standards, in the ratio of housing stock with energy conservation measures and in the ratio of anti-fire safety improvement in key concentrated urban areas. In addition, the government demanded the expansion of zero energy housing (ZEH) in multi-unit housing by setting a numerical target for the ratio of net-zero energy houses as part of the measures to combat global warming. This is precisely the area in which we have led the industry.

Our actions in this domain in line with the governmental policy provide a powerful impetus to our continuous growth. Rebuilding and remodeling are major challenges.

In the previous fiscal year, the ratio of ZEHs to our newly built detached houses was 79%. We constructed the largest number of

ZEHs in the world. It was traditionally considered challenging to build multi-unit ZEHs due to insufficient space for solar panel installation on each unit. However, we successfully erected Japan's first condominiums with

all dwelling units meeting the ZEH standards. We are thus amassing achievements. In the Remodeling Business, we will continue to promote high value-added proposal-based remodeling and environment based remodeling with the help of intra-group collaboration. For example, we will propose thermal insulation remodeling for spaces in housing where dwellers spend long periods of time.

In addition, while leading the housing industry, the Sekisui House Group will also promote the SumStock brand, which is aimed at encouraging the circulation of existing high-quality housing. It will provide numerous business opportunities since it is in line with the national governmental policy of transforming Japan's housing market from a flow-based model to a stock-based one.

NEXT Sekisui House will make progress as it responds to the social needs of the times by leveraging our own strengths. We are making consistent efforts to construct an organization and workplaces for creating changes. Our program that ensures that eligible male employees take childcare leave of at least one month is so advanced that it has earned major media coverage. Earlier in the current fiscal year, we launched a Walking Challenge with a view to promoting employees' health from the perspective of health management. We will continue to upgrade our management with advanced programs and unique approaches that exceed employees' expectations.

At Sekisui House, we have declared that we will aim to be a leading company in terms of ESG management. All our corporate activities serve this objective. We will make incessant efforts to step up our governance practices and carry out endless reforms.

The Sekisui House Group has been addressing plenty of social issues facing Japan and taking actions in line with the governmental stance. We will unite all its strengths to achieve appropriate results for celebrating our 60th anniversary in 2020, and we will keep working to continuously boost our corporate value. We would appreciate your continued support.



The Family Suite, a proposal for happiness that further deepens the space with a large living room and a large outdoor space under the eaves



Proposing a new kind of living room, the popularly-requested Family Suite expands comfort options

The Family Suite model proposes the concept of a new kind of living room that breaks away from the conventional LDK (living-dining-kitchen) concept. This model draws on the results of research on houses where happiness grows the longer you live there by the Human Life R&D Institute, Japan's first-ever corporate research institution to specialize in happy living, and the company's cutting-edge technologies. The large Family Suite living room has garnered good reviews since sales began for the IS ROY+E Family Suite in October of last year.

In April of this year, we expanded the product, adding a large outdoor space under the eaves to the living room. This allowed us to propose the Family Suite for any home, regardless of the differences in construction - wood or steel structure - or interior and exterior preferences. More than half of our customers currently have selected this proposal.

The new Family Suite brings to life a living that connects family, friends and communities through incorporating the large outdoor space under the eaves as an intermediate space into the living room. Additionally, the space, making use of large amounts of wood, brings well-being and comfort to the house. In our IS ROY+E WA MODERN steel frame house, we present a Japanese residences with a large 121-centimeter sloped roof that will be loved for a long time, creating an abundant space under the eaves. In our Gravis Bellsa Modern Line wooden SHAWOOD house, the living room and the space under the eaves is beautifully connected by making the sashes between the two the same height as the ceiling.



Uniting the large outdoor space under the eaves with the living room



Controls line of sight from neighbors and sunlight with the gentle, deep eaves

NEWS FLASH

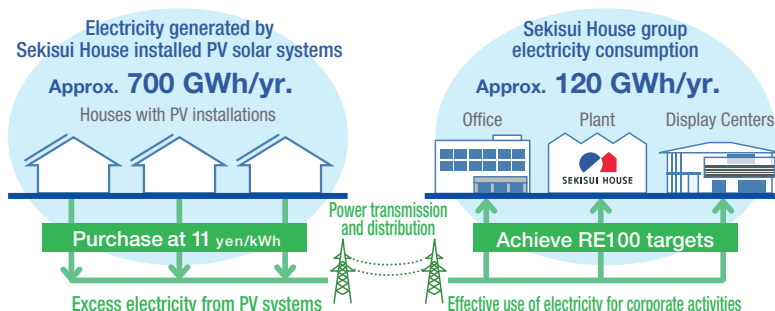
Topics

Great Advancements Towards Achieving RE100

Buying Excess Power from Owners and Using it at Group Companies

Sekisui House joined the RE100 initiative, targeting 100% renewable energy used in corporate activities, setting our goals of reaching 50% renewable energy by 2030 and 100% renewable energy by 2040 and moving forward with initiatives.

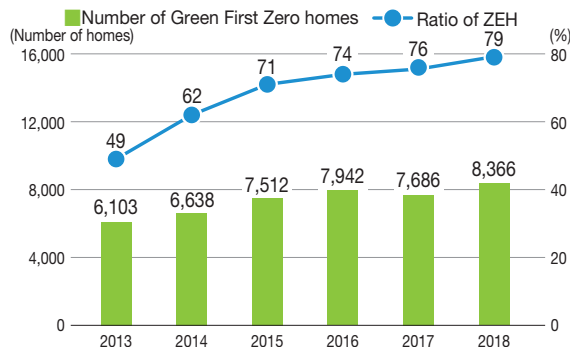
As part of this initiative, we have begun accepting applications for Sekisui House Owner Denki, a program where we buy excess electricity from Sekisui House owners and use it as corporate electricity for Group companies. As an effective solution, we will offer proposals to owners searching for new ways to sell their electricity with the national Feed-in-Tariff (FIT) system period coming to an end. We intend to begin buying electricity for Sekisui House Owner Denki from November. The initial purchase price will be ¥11/kWh, and the electricity purchased will be used in Sekisui House Group corporate activities to achieve RE100.



Decarbonization Initiatives in our ESG Management are Steadily Progressing

Sekisui House Owner Denki is based on lifestyle decarbonization for owners living in Sekisui House housing. Additionally, in fiscal 2018, we achieved a 79% ZEH rate for newly built detached houses, with total cumulative sales of 44,247 units (as of end of March 2019) since we began offering the option in 2013. Our goal of 80% by fiscal 2020 is close at hand. Sekisui House, aiming to be a leading company in ESG management, will continue to contribute to the creation of a sustainable society through a variety of initiatives.

Status of Green First Zero (ZEH) Homes



Debut of Kyushu's First Ritz-Carlton Luxury Hotel

Sekisui House, through a consortium of five companies in Fukuoka made up with Nishi-Nippon Railroad, Saibugas, The Nishinippon Shimbun, and Fukuoka Shoji, commences construction on the development of the Former Daimyo Elementary School Site Redevelopment Project for a mixed-used facility including a hotel and offices.

The site of the former Daimyo Elementary School, being adjacent to the Tenjin district with various urban functions and as a transportation hub, will increase the urban brand of the city of Fukuoka, and will play an important role in helping grow the city into a leading city in Asia. This project will debut The Ritz-Carlton, the first luxury hotel in the Kyushu, on the upper floors of the building. Planned to open in fiscal 2022, this hotel will feature 162 guest rooms in addition to restaurants, bars, a chapel, a spa, and other facilities. Additionally, we will offer a total of 30,000 m² of high quality offices with more than 2,500 m² of dedicated space on each floor and an environment where it is possible to cooperate with the on-site start-up support facility, to function as a place of diverse exchange, and to call global businesses.



Urban Splash's project using pre-engineered method

Entering the UK Housing Market

Developing Cooperation with Local Governmental Organization and Real Estate Company

Sekisui House established a new company, together with Homes England, the government's housing accelerator, and Urban Splash, a general real estate company, and entered the UK housing market in May of this year.

In the UK, where a housing shortage has become a social problem, Sekisui House is bolstering the supply of houses locally, while making use of our knowledge of modern methods of construction and our strength in being able to supply high quality housing in a short period of time.

Consolidated Financial Results Highlights

Net sales

1,207.8 billion yen

YoY +20.5%

As net sales grew in all business models, net sales achieved a record high in the first half.

Operating income

113.0 billion yen

YoY +43.7%

Operating income amounted to 113.0 billion yen, up 43.7% year-on-year, thanks to the significant growth in our core Custom Detached Houses Business and Overseas Business.

Ordinary income

116.5 billion yen

YoY +41.1%

Equity in earnings of affiliates was 5.7 billion yen. Accordingly, ordinary income amounted to 116.5 billion yen.

Profit attributable to owners of parent

77.4 billion yen

YoY +33.9%

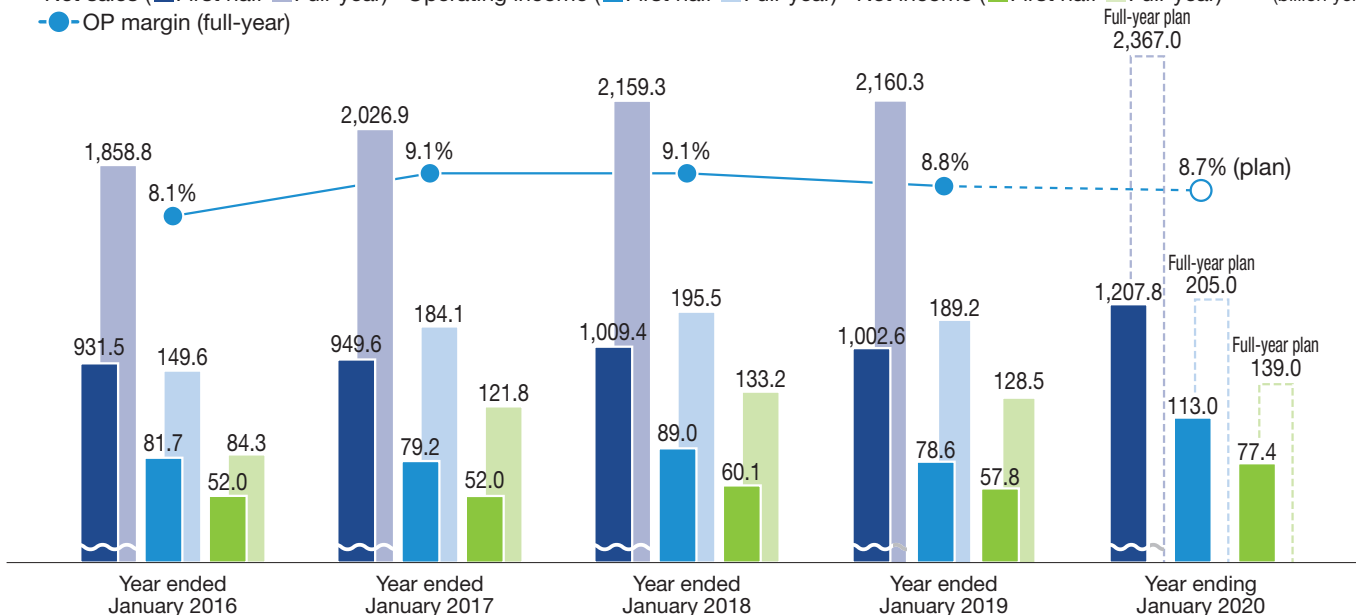
Profit attributable to owners of parent totaled 77.4 billion yen, up 33.9% year-on-year. EPS was 112.53 yen.

Number of housing units built

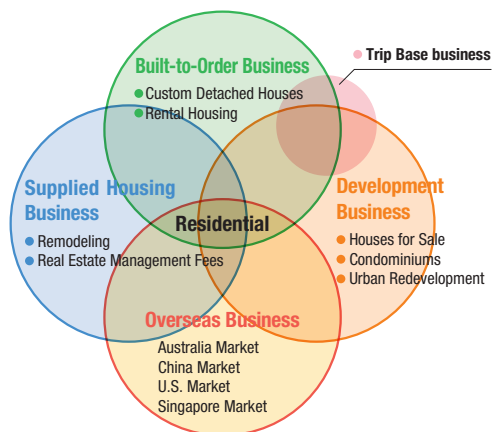
2,448,050 units

Increased 22,678 units from the end of the previous fiscal year.

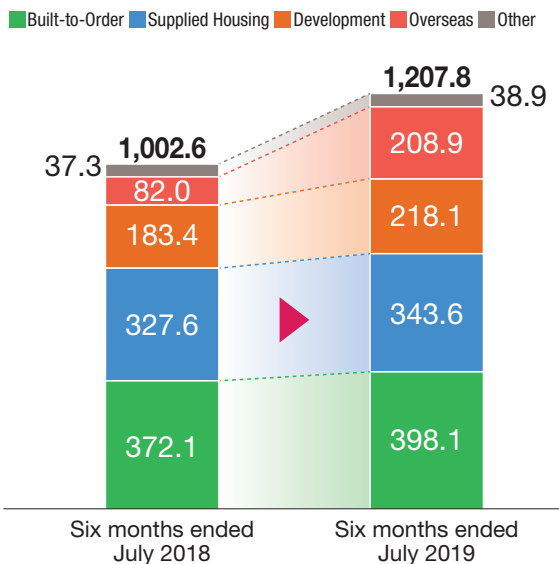
Net sales (■ First half ■ Full-year) Operating income (■ First half ■ Full-year) Net income (■ First half ■ Full-year) (billion yen)
● -OP margin (full-year)



Business Model



Sales by each business model (billion yen)



Built-to-Order Business

Custom Detached Houses 201.7 billion yen (up 19.8%)

Sales grew 19.8% year-on-year, as a result of sales promotion of zero energy housing, Family Suite and other high value-added houses.

Rental Housing 196.3 billion yen (down 3.6%)

Sales decreased 3.6% year-on-year, reflecting the combined factors of brisk orders won for three- and four-story rental houses by area-specific marketing with a focus on urban districts and the prolongation of the period for posting sales following the trend towards larger properties.

Supplied Housing Business

Remodeling 77.5 billion yen (up 8.6%)

Sales were up 8.6% year-on-year, due to strong sales from proposal-based, environmental-based and other large-sized remodeling.

Real Estate Management Fees 266.1 billion yen (up 3.9%)

In addition to an increase in the number of units under management, the segment successfully captured demand for tenancy in high quality rental houses to maintain a high occupancy rate.

Development Business

Houses for Sale 83.6 billion yen (up 13.1%)

Sales increased 13.1% year-on-year, owing to active land purchases and the holding of sales promotion events for first-time buyers.

Condominiums 35.4 billion yen (down 29.6%)

Sales declined 29.6% year-on-year, as the period fell in off-season for property deliveries, despite high contract rates and achievements in line with the full-year plan.

Urban Redevelopment 99.0 billion yen (up 67.6%)

Sales jumped 67.6% year-on-year, following healthy property sales to Sekisui House REIT, Inc.

Overseas Business 208.9 billion yen (up 154.6%)

Sales increased significantly, up 154.6% year-on-year, reflecting brisk property sales in the multifamily business in the United States and bullish condominium sales in China.

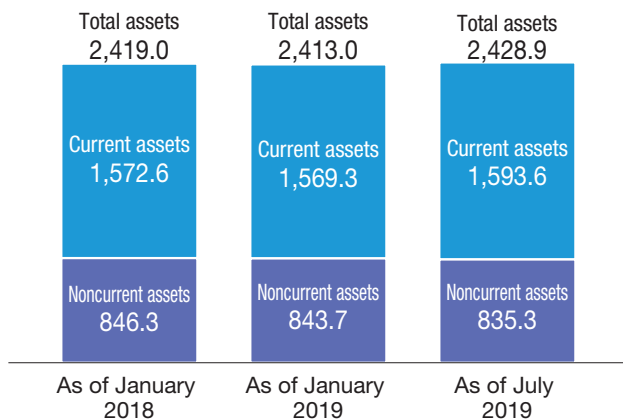
Other Businesses 38.9 billion yen (up 4.2%)

Consolidated Financial Results Highlights

Balance Sheet

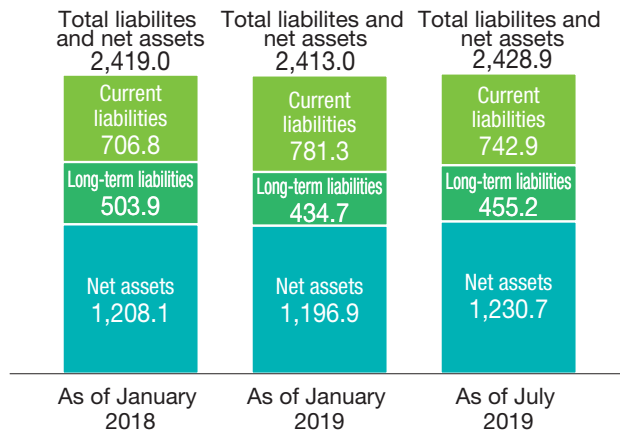
Assets

(billion yen)



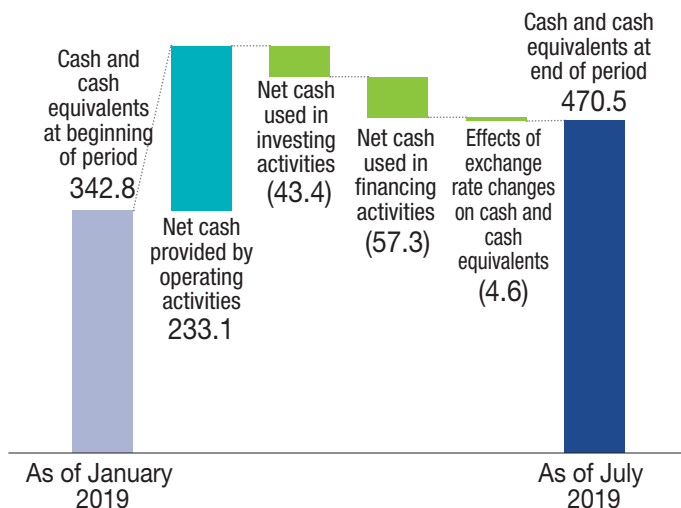
Liabilities / Net assets

(billion yen)



Cash Flows

(billion yen)

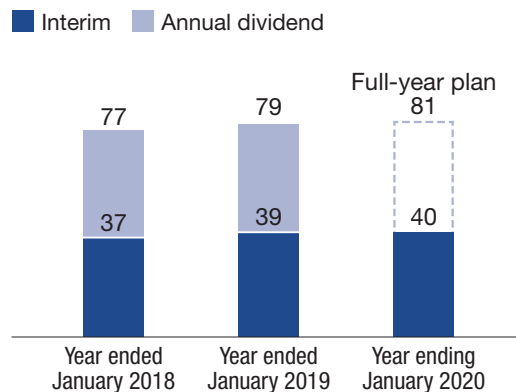


Annual Dividend per Share

(yen)

81.00

The Company plans to pay annual dividend of 81 yen (the interim dividend of 40 yen and the year-end dividend of 41 yen), up 2 yen from the previous fiscal year.





SEKISUI HOUSE