

# Sekisui House, Ltd.

## First Quarter of FY2019

(February 1, 2019 through April 30, 2019)

### - Summary of Consolidated Financial Results -

**1. Overview**

**2. Financial Position**

**3. Segment Information**

**Built-to-Order Business**

**Supplied Housing Business**

**Development Business**

**Overseas Business**

<Reference> Full-Year Forecasts for FY2019

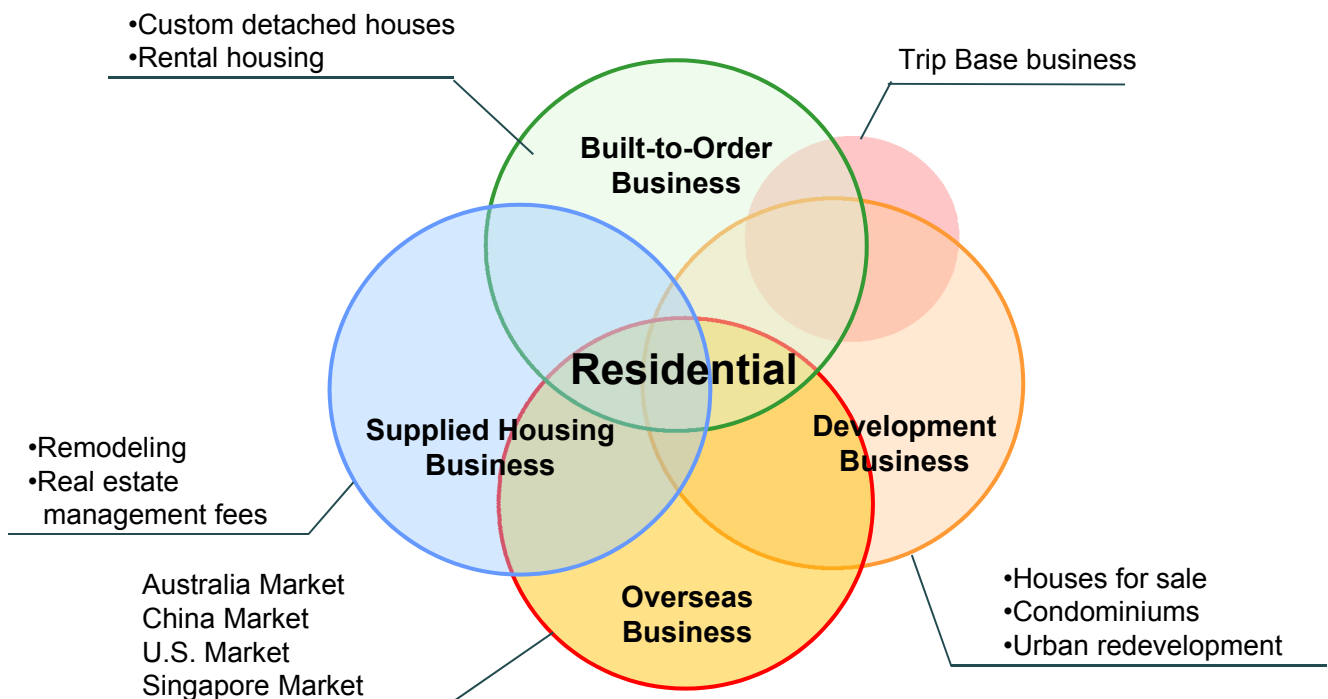
June 7, 2019

## Management Direction

Deployment of growth strategies focused on the residential business domain

## Core Policy for Fourth Mid-Term Management Plan

Building the foundation for the residential-related business toward BEYOND 2020



## ➤ Overview

**Net sales marked a record high in the first quarter.**

**Making steady progress to achieve an all-time high in the net sales and profits in the full year.**

## ➤ Highlights

- **Built-to-Order Business:** In the Custom Detached Houses Business, both sales and orders were strong, and profit and margin also improved thanks to the proposal of high valued-added houses such as ZEH and the product effect of the Family Suite that was launched in October 2018. In the Rental Housing Business, sales declined due to the impact of falling orders in the first half of last year, but orders increased 23.1%.
- **Supplied Housing Business:** Stable growth has continued. In the Remodeling Business, an improvement in the profit margin also continued due to the success of proposal-based and environment-based remodeling. In the Real Estate Management Fees Business, high occupancy rates were maintained with the supply of high-quality differentiated rental housing and the area marketing strategy.
- **Development Business:** The Houses for Sale Business enjoyed higher sales and profits. The Condominium Business and the Urban Redevelopment Business made steady progress based on the full-year plan, although sales and profits in these businesses declined.
- **Overseas Business:** Both sales and profits increased thanks to good progress made in the community development business and the homebuilding business by Woodside Homes in the United States as well as the delivery of condominiums in the city of Suzhou in China. In the multifamily business in the United States, a property sales contract was completed for one property, and contracts are also to be concluded for multiple properties in 2Q.

(¥ billion)

	FY2018 (18/2-18/4)		FY2019 (19/2-19/4)			
	Results	Margin	Results	Margin	Amount changed	YOY
<b>Net sales</b>	<b>459.9</b>		<b>477.1</b>		<b>17.2</b>	<b>3.7%</b>
Built-to-Order	170.7		180.8		10.0	5.9%
Supplied Housing	157.1		165.9		8.7	5.6%
Development	78.9		71.0		(7.9)	(10.1%)
Overseas	34.7		40.5		5.7	16.5%
<b>Gross profit</b>	<b>92.9</b>	<b>20.2%</b>	<b>98.6</b>	<b>20.7%</b>	<b>5.7</b>	<b>6.2%</b>
Built-to-Order	39.8	23.3%	41.9	23.2%	2.1	5.3%
Supplied Housing	28.7	18.3%	31.0	18.7%	2.3	8.1%
Development	16.1	20.5%	13.8	19.5%	(2.3)	(14.4%)
Overseas	6.6	19.0%	10.1	25.1%	3.5	53.7%
<b>SG&amp;A</b>	<b>61.7</b>		<b>64.5</b>		<b>2.7</b>	<b>4.4%</b>
<b>Operating income</b>	<b>31.1</b>	<b>6.8%</b>	<b>34.1</b>	<b>7.2%</b>	<b>3.0</b>	<b>9.8%</b>
Built-to-Order	16.1	9.4%	17.7	9.8%	1.6	10.1%
Supplied Housing	14.4	9.2%	16.0	9.7%	1.6	11.7%
Development	10.0	12.8%	7.8	11.0%	(2.2)	(22.7%)
Overseas	(0.2)	(0.6%)	2.9	7.3%	3.1	-
<b>Non-operating income/expenses</b>	<b>1.0</b>		<b>0.7</b>		<b>(0.2)</b>	<b>(23.8%)</b>
<b>Ordinary income</b>	<b>32.1</b>	<b>7.0%</b>	<b>34.9</b>	<b>7.3%</b>	<b>2.8</b>	<b>8.7%</b>
<b>Extraordinary income</b>	-		-		-	-
<b>Extraordinary loss</b>	<b>0.2</b>		<b>0.2</b>		<b>0.0</b>	<b>21.0%</b>
<b>Profit attributable to owners of parent</b>	<b>22.3</b>	<b>4.9%</b>	<b>23.6</b>	<b>5.0%</b>	<b>1.2</b>	<b>5.7%</b>
<b>EPS (yen)</b>	<b>32.42</b>		<b>34.37</b>			

(Non-operating income/expenses)  
 -Equity in earnings of affiliates:  
 ¥1.3 billion (down ¥0.3 billion  
 YOY)  
 -Foreign exchange loss: ¥0.5  
 billion (up ¥0.7 billion YOY)  
 -Interest expenses: ¥1.5 billion  
 (up ¥0.5 billion YOY)

## ➤ State of Orders

(¥ billion)

Consolidated orders				Accumulated orders			
FY2018 (18/2-18/4)	FY2019 (19/2-19/4)	Amount changed	YOY	FY2018 (Jan. 31, 2019)	FY2019 1Q (Apr. 30, 2019)	Amount changed	Change
498.3	596.1	97.7	19.6%	995.8	1,114.8	118.9	11.9%

## 2. Financial Position



### Consolidated Balance Sheets

(¥ billion)

(Assets)	FY2018 (Jan. 31, 2019)	FY2019 1Q (Apr. 30, 2019)	Amount changed	(Liabilities and net assets)	FY2018 (Jan. 31, 2019)	FY2019 1Q (Apr. 30, 2019)	Amount changed
Total current assets	1,569.3	1,560.3	(8.9)	Total current liabilities	781.3	739.9	(41.3)
Real estate for sale*	1,079.4	1,138.6	59.1	Total long-term liabilities	434.7	453.9	19.1
Total noncurrent assets	843.7	833.6	(10.0)	<b>Total liabilities</b>	<b>1,216.1</b>	<b>1,193.9</b>	<b>(22.1)</b>
<b>Total assets</b>	<b>2,413.0</b>	<b>2,393.9</b>	<b>(19.0)</b>	<b>Total net assets</b>	<b>1,196.9</b>	<b>1,200.0</b>	<b>3.1</b>
				<b>Total liabilities and net assets</b>	<b>2,413.0</b>	<b>2,393.9</b>	<b>(19.0)</b>

\* 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 notes and accounts payable and income taxes.

Note: In accordance with the adoption of the "Partial Amendments to Accounting Standard for Tax Effect Accounting" etc., from the beginning of FY2019 1Q, the amounts for FY2018 showed above are also reflected.

### State of Interest-bearing Debts

	FY2018 (Jan. 31, 2019)	FY2019 1Q (Apr. 30, 2019)	Amount changed
Interest-bearing debts (¥ billion)	639.5	662.6	23.0
D/E ratio	54.1%	55.9%	1.8p
taking into account hybrid bonds	46.6%	48.4%	1.8p
Equity ratio	49.0%	49.5%	0.5p

### State of Cash Flows

(¥ billion)

	FY2018 (18/2-18/4)	FY2019 (19/2-19/4)	Amount changed
Net cash provided by (used in) operating activities	(118.2)	(47.1)	71.1
Net cash provided by (used in) investing activities	(17.3)	(26.4)	(9.1)
Free cash flow	(135.5)	(73.5)	62.0
Net cash provided by (used in) financing activities	(8.2)	(6.3)	1.9
Net increase (decrease) in cash and cash equivalents	(147.8)	(78.7)	69.0
Cash and cash equivalents at beginning of period	324.6	342.8	
Cash and cash equivalents at end of period	176.8	264.1	

#### [Main factors of change]

- (Increase) decrease in inventories: Previous period ¥(42.7) billion, Current period: ¥(29.1) billion

### State of Investment

(¥ billion)

	FY2018 (18/2-18/4)	FY2019 (19/2-19/4)	Amount changed	FY2019 Full-year plan
Capital expenditures	14.7	26.4	11.7	70.0
Depreciation and amortization	5.3	5.2	(0.1)	22.0

### 3. Segment Information



#### ➤ Built-to-Order Business

(¥ billion)

	Net sales			
	FY2018 (18/2-18/4)	FY2019 (19/2-19/4)	Amount changed	YOY
Custom Detached Houses	72.5	85.1	12.6	17.5%
Rental Housing	98.2	95.6	(2.6)	(2.7%)
Total	170.7	180.8	10.0	5.9%

Gross margin		
FY2018 (18/2-18/4)	FY2019 (19/2-19/4)	Amount changed
24.2%	24.5%	0.3p
22.6%	22.0%	(0.6p)
23.3%	23.2%	(0.1p)

	Operating income			
	FY2018 (18/2-18/4)	FY2019 (19/2-19/4)	Amount changed	YOY
Custom Detached Houses	5.7	8.9	3.2	55.9%
Rental Housing	10.4	8.8	(1.5)	(15.2%)
Total	16.1	17.7	1.6	10.1%

OP margin		
FY2018 (18/2-18/4)	FY2019 (19/2-19/4)	Amount changed
7.9%	10.5%	2.6p
10.6%	9.2%	(1.4p)
9.4%	9.8%	0.4p

	Orders			
	FY2018 (18/2-18/4)	FY2019 (19/2-19/4)	Amount changed	YOY
Custom Detached Houses	88.3	102.7	14.4	16.3%
Rental Housing	101.7	125.3	23.5	23.1%
Total	190.1	228.1	37.9	20.0%

ASP per building (10 thousand yen)		
FY2018 (18/2-19/1)	FY2019 (19/2-19/4)	Amount changed
3,875	3,991	116
10,019	10,566	547

#### ■ Custom Detached Houses Business

Ratio of Green First Zero: 83% (as of end of April)

Ratio of three- and four-story housing (in value): 11.2%

#### ■ Rental Housing Business

Ratio of three- and four-story housing (in value): 72.9%

#### ➤ Supplied Housing Business

(¥ billion)

	Net sales			
	FY2018 (18/2-18/4)	FY2019 (19/2-19/4)	Amount changed	YOY
Remodeling	28.6	32.3	3.7	13.0%
Real Estate Management Fees	128.4	133.5	5.0	3.9%
Total	157.1	165.9	8.7	5.6%

Gross margin		
FY2018 (18/2-18/4)	FY2019 (19/2-19/4)	Amount changed
27.3%	27.4%	0.1p
16.3%	16.6%	0.3p
18.3%	18.7%	0.4p

	Operating income			
	FY2018 (18/2-18/4)	FY2019 (19/2-19/4)	Amount changed	YOY
Remodeling	3.7	4.4	0.6	18.2%
Real Estate Management Fees	10.6	11.6	1.0	9.4%
Total	14.4	16.0	1.6	11.7%

OP margin		
FY2018 (18/2-18/4)	FY2019 (19/2-19/4)	Amount changed
13.0%	13.6%	0.6p
8.3%	8.7%	0.4p
9.2%	9.7%	0.5p

	Orders			
	FY2018 (18/2-18/4)	FY2019 (19/2-19/4)	Amount changed	YOY
Remodeling	36.5	42.5	5.9	16.3%
Real Estate Management Fees	128.4	133.5	5.0	3.9%
Total	165.0	176.0	11.0	6.7%

#### ■ Real Estate Management Fees Business

Number of units under management: 625 thousand  
Occupancy ratio: 98.2% (up 0.4p from the end of the previous year)

### 3. Segment Information



#### Development Business

(¥ billion)

	Net sales			
	FY2018 (18/2-18/4)	FY2019 (19/2-19/4)	Amount changed	YOY
Houses for Sale	28.6	36.9	8.3	29.1%
Condominiums	33.9	19.7	(14.2)	(41.9%)
Urban Redevelopment	16.4	14.3	(2.0)	(12.5%)
Total	78.9	71.0	(7.9)	(10.1%)

Gross margin		
FY2018 (18/2-18/4)	FY2019 (19/2-19/4)	Amount changed
18.5%	19.2%	0.7p
19.6%	20.3%	0.7p
25.8%	19.2%	(6.6p)
20.5%	19.5%	(1.0p)

	Operating income			
	FY2018 (18/2-18/4)	FY2019 (19/2-19/4)	Amount changed	YOY
Houses for Sale	1.6	2.8	1.2	78.2%
Condominiums	4.8	2.8	(1.9)	(41.1%)
Urban Redevelopment	3.6	2.0	(1.5)	(42.8%)
Total	10.0	7.8	(2.2)	(22.7%)

OP margin		
FY2018 (18/2-18/4)	FY2019 (19/2-19/4)	Amount changed
5.6%	7.8%	2.2p
14.2%	14.4%	0.2p
22.2%	14.5%	(7.7p)
12.8%	11.0%	(1.8p)

	Orders			
	FY2018 (18/2-18/4)	FY2019 (19/2-19/4)	Amount changed	YOY
Houses for Sale	41.9	36.7	(5.2)	(12.4%)
Condominiums	22.6	14.8	(7.7)	(34.3%)
Urban Redevelopment	16.6	16.7	0.0	0.1%
Total	81.3	68.3	(12.9)	(16.0%)

■ Urban Redevelopment Business  
Sales from property sales: ¥3.6 billion  
Profit from property sales: ¥0.9 billion

#### Overseas Business

	FY2018 (18/2-18/4)	FY2019 (19/2-19/4)	Amount changed	YOY
Net sales	34.7	40.5	5.7	16.5%
Operating income	(0.2)	2.9	3.1	-
Orders	46.0	99.6	53.5	116.3%

	FY2018 (18/2-18/4)	FY2019 (19/2-19/4)	Amount changed
Gross margin	19.0%	25.1%	6.1p
OP margin	(0.6%)	7.3%	7.9p

#### Overseas Business / Details by country

##### Results for First Quarter of FY2019

(¥ billion)

Country	Net sales	Operating income	Ordinary income	Investment balance	Orders
Australia	2.4	(0.4)	(0.4)	143.0	3.1
China	8.8	0.9	1.1	162.3	22.1
USA	29.2	2.7	1.4	496.5	74.3
Singapore *	-	-	0.4	49.5	-
Other Administrative expenses	-	(0.3)	(0.3)	3.4	-
Total	40.5	2.9	2.2	854.8	99.6

\* Accounted for by the equity method

### 3. Segment Information



(¥ billion)

		FY2018 (18/2-18/4)					FY2019 (19/2-19/4)				
		Net sales	Operating income	OP margin	Gross margin	Orders	Net sales	Operating income	OP margin	Gross margin	Orders
Built-to-Order Business	Custom Detached Houses	72.5	5.7	7.9%	24.2%	88.3	85.1	8.9	10.5%	24.5%	102.7
	Rental Housing	98.2	10.4	10.6%	22.6%	101.7	95.6	8.8	9.2%	22.0%	125.3
	Subtotal	170.7	16.1	9.4%	23.3%	190.1	180.8	17.7	9.8%	23.2%	228.1
Supplied Housing Business	Remodeling	28.6	3.7	13.0%	27.3%	36.5	32.3	4.4	13.6%	27.4%	42.5
	Real Estate Management Fees	128.4	10.6	8.3%	16.3%	128.4	133.5	11.6	8.7%	16.6%	133.5
	Subtotal	157.1	14.4	9.2%	18.3%	165.0	165.9	16.0	9.7%	18.7%	176.0
Development Business	Houses for Sale	28.6	1.6	5.6%	18.5%	41.9	36.9	2.8	7.8%	19.2%	36.7
	Condominiums	33.9	4.8	14.2%	19.6%	22.6	19.7	2.8	14.4%	20.3%	14.8
	Urban Redevelopment	16.4	3.6	22.2%	25.8%	16.6	14.3	2.0	14.5%	19.2%	16.7
	Subtotal	78.9	10.0	12.8%	20.5%	81.3	71.0	7.8	11.0%	19.5%	68.3
Overseas Business		34.7	(0.2)	(0.6%)	19.0%	46.0	40.5	2.9	7.3%	25.1%	99.6
Other Businesses		18.2	(0.4)	(2.5%)	13.2%	15.7	18.8	(0.0)	(0.5%)	13.9%	23.9
Eliminations and corporate expenses		-	(8.8)	-	-	-	-	(10.3)	-	-	-
Total		459.9	31.1	6.8%	20.2%	498.3	477.1	34.1	7.2%	20.7%	596.1

### <Reference> Full-Year Forecasts For FY2019

(¥ billion)

	FY2018 (18/2-19/1) Results	FY2019 (19/2-20/1)	
		Forecasts	YOY
Net sales	2,160.3	2,367.0	9.6%
Gross margin	444.5	475.0	6.8%
Operating income	189.2	205.0	8.3%
Ordinary income	195.1	208.0	6.6%
Profit attributable to owners of parent	128.5	139.0	8.1%
EPS (yen)	186.53	201.99	8.3%
ROA	8.3%	8.6%	-
ROE	10.8%	11.3%	-
Dividend per share (yen)	79.00	81.00	2.00
Payout ratio	42.4%	40.1%	-

# <Reference> Full-Year Forecasts For FY2019 by Segment



## ■ Sales

(¥ billion)

	FY2018 (18/2-19/1) Results	FY2019 (Full-Year) (19/2-20/1)			
		Forecasts	Amount changed	YOY	
Built-to-Order Business	Custom Detached Houses	357.9	390.0	32.0	9.0%
	Rental Housing	416.0	438.0	21.9	5.3%
	Subtotal	774.0	828.0	53.9	7.0%
Supplied Housing Business	Remodeling	141.4	152.0	10.5	7.5%
	Real Estate Management Fees	514.0	539.0	24.9	4.9%
	Subtotal	655.4	691.0	35.5	5.4%
Development Business	Houses for Sale	148.8	162.0	13.1	8.8%
	Condominiums	89.5	90.0	0.4	0.5%
	Urban Redevelopment	173.3	126.0	(47.3)	(27.3%)
	Subtotal	411.8	378.0	(33.8)	(8.2%)
Overseas Business	245.9	331.6	85.6	34.8%	
Other Businesses	73.0	138.4	65.3	89.5%	
Total	2,160.3	2,367.0	206.6	9.6%	

## ■ Orders

(¥ billion)

	FY2018 (18/2-19/1) Results	FY2019 (Full-Year) (19/2-20/1)		
		Forecasts	Amount changed	YOY
Built-to-Order Business	386.7	415.0	28.2	7.3%
Supplied Housing Business	424.7	443.0	18.2	4.3%
Development Business	811.5	858.0	46.4	5.7%
Overseas Business	148.4	154.0	5.5	3.8%
Other Businesses	514.0	539.0	24.9	4.9%
Total	662.4	693.0	30.5	4.6%
Built-to-Order Business	156.2	162.0	5.7	3.7%
Supplied Housing Business	85.9	90.0	4.0	4.8%
Development Business	388.6	378.0	(10.6)	(2.7%)
Overseas Business	237.5	369.0	131.4	55.3%
Other Businesses	77.4	142.0	64.5	83.4%
Total	2,177.5	2,440.0	262.4	12.1%

## ■ Operating income

(¥ billion)

	FY2018 (18/2-19/1) Results	FY2019 (Full-Year) (19/2-20/1)			
		Forecasts	Amount changed	YOY	
Built-to-Order Business	Custom Detached Houses	42.2	47.5	5.2	12.4%
	Rental Housing	50.3	53.5	3.1	6.2%
	Subtotal	92.6	101.0	8.3	9.0%
Supplied Housing Business	Remodeling	21.1	23.0	1.8	9.0%
	Real Estate Management Fees	39.4	44.5	5.0	12.9%
	Subtotal	60.5	67.5	6.9	11.5%
Development Business	Houses for Sale	11.0	14.0	2.9	26.3%
	Condominiums	6.4	9.0	2.5	38.9%
	Urban Redevelopment	40.4	14.0	(26.4)	(65.3%)
	Subtotal	57.9	37.0	(20.9)	(36.2%)
Overseas Business	16.3	35.0	18.6	114.2%	
Other Businesses	(0.0)	4.0	4.0	-	
Eliminations and corporate expenses	(38.1)	(39.5)	(1.3)	-	
Total	189.2	205.0	15.7	8.3%	

## ■ OP margin

## ■ Gross margin

	FY2018 (18/2-19/1) Results	FY2019 (19/2-20/1) Forecasts	FY2018 (18/2-19/1) Results	FY2019 (19/2-20/1) Forecasts
Built-to-Order Business	11.8%	12.2%	25.4%	25.4%
Supplied Housing Business	12.1%	12.2%	23.3%	23.3%
Development Business	12.0%	12.2%	24.2%	24.3%
Overseas Business	14.9%	15.1%	27.1%	27.3%
Other Businesses	7.7%	8.3%	15.5%	16.0%
Total	9.2%	9.8%	18.0%	18.5%
Built-to-Order Business	7.4%	8.6%	18.0%	19.1%
Supplied Housing Business	7.2%	10.0%	13.8%	17.8%
Development Business	23.3%	11.1%	25.2%	13.5%
Overseas Business	14.1%	9.8%	20.1%	16.9%
Other Businesses	6.6%	10.6%	19.9%	20.4%
Eliminations and corporate expenses	(0.1%)	2.9%	14.1%	13.7%
Total	-	-	-	-
Total	8.8%	8.7%	20.6%	20.1%

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