

Sekisui House, Ltd.

Second Quarter of FY2018

(February 1, 2018 through July 31, 2018)

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September 6, 2018

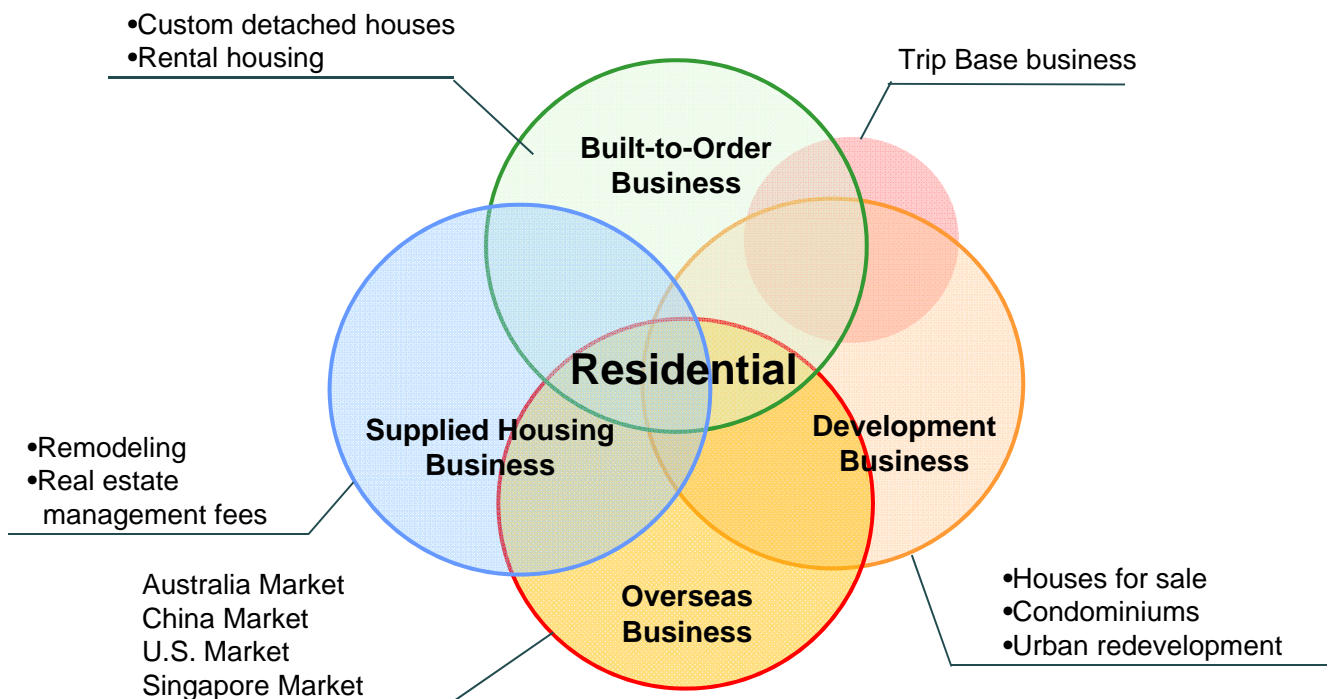
Note: With respect to results in the second quarter of fiscal 2017 in this document, the review of the amount of goodwill, etc. arising from the acquisition of Woodside Homes Company, LLC is reflected. For details, please refer to the matters on page 13 of the “Consolidated Financial Summary for FY2018 Second Quarter.”

Management Direction

Deployment of growth strategies focused on the “residential” business domain

Basic Policy for Fourth Mid-Term Management Plan

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



➤ Overview

Despite an increase in the earnings of the Supplied Housing Business, growth of the Built-to-Order Business slowed, resulting in a decline in both sales and profit.

➤ Highlights

- **Built-to-Order Business:** ASP per building rose in both the Custom Detached House and Rental Housing segments. While maintaining a sales strategy targeting the mid- to high-end markets with the 79% ZEH rate of detached houses and 68% three- and four-story building rate of rental houses, sales and profit decreased due to a fall in orders received.
- **Supplied Housing Business:** The Remodeling Business saw a steady progress on shift from maintenance-based remodeling to proposal-based remodeling, which offers lifestyle ideas, and environment-based remodeling, such as energy-saving renovation, to owners of detached houses. Rental housing remodeling rose steadily. In the Real Estate Management Fees Business, both sales and profit increased due to an increase in the number of units under management and a continued high level of occupancy.
- **Development Business:** Sales and profit increased with the handover of large properties in the Condominiums Business and property sales to REIT in the Urban Redevelopment Business.
- **Overseas Business:** Despite a decrease in both sales and profit, the result was in line with the Company's plan due to the concentration of handovers in Australia and the US during the fourth quarter of FY2018. Homebuilding business progressed steadily in the US.

(¥ billion)

	FY2017 (17/2-17/7)		FY2018 (18/2-18/7)			
	Results	Margin	Results	Margin	Amount changed	YOY
Net sales	1,009.4		1,002.6		(6.8)	(0.7%)
Built-to-Order	395.8		372.1		(23.6)	(6.0%)
Supplied Housing	313.9		327.6		13.6	4.4%
Development	172.8		183.4		10.5	6.1%
Overseas	88.6		82.0		(6.5)	(7.4%)
Gross profit	209.4	20.7%	204.3	20.4%	(5.1)	(2.4%)
Built-to-Order	99.5	25.1%	89.0	23.9%	(10.5)	(10.6%)
Supplied Housing	54.7	17.4%	59.6	18.2%	4.8	8.9%
Development	32.8	19.0%	35.7	19.5%	2.9	8.8%
Overseas	18.1	20.5%	16.3	19.9%	(1.7)	(9.9%)
SG&A	120.4		125.6		5.2	4.3%
Operating income	89.0	8.8%	78.6	7.8%	(10.3)	(11.6%)
Built-to-Order	52.0	13.2%	42.1	11.3%	(9.9)	(19.1%)
Supplied Housing	27.3	8.7%	30.8	9.4%	3.4	12.7%
Development	20.6	11.9%	23.1	12.6%	2.5	12.1%
Overseas	5.9	6.7%	1.9	2.4%	(3.9)	(66.6%)
Non-operating income/expenses	5.2		3.9		(1.3)	(25.2%)
Ordinary income	94.2	9.3%	82.5	8.2%	(11.6)	(12.4%)
Extraordinary income	0.8		0.1		(0.7)	(79.6%)
Extraordinary loss	9.3		0.7		(8.5)	(91.7%)
Profit attributable to owners of parent	60.1	6.0%	57.8	5.8%	(2.3)	(3.9%)
EPS (yen)	87.18		83.82			

(Non-operating income/expenses)
 -Equity in earnings of affiliates: ¥4.3 billion (up ¥0.1 billion YOY)
 -Foreign exchange losses: ¥0.3 billion (down ¥0.8 billion YOY)

➤ State of Orders

(¥ billion)

Consolidated orders				Accumulated orders			
FY2017 (17/2-17/7)	FY2018 (18/2-18/7)	Amount changed	YOY	FY2017 (Jan. 31, 2018)	FY2018 2Q (Jul. 31, 2018)	Amount changed	Change
1,125.1	1,068.7	(56.4)	(5.0%)	978.6	1,044.6	66.0	6.8%

2. Financial Position



Consolidated Balance Sheets

(¥ billion)

(Assets)	FY2017 (Jan. 31, 2018)	FY2018 2Q (Jul. 31, 2018)	Amount changed	(Liabilities and net assets)	FY2017 (Jan. 31, 2018)	FY2018 2Q (Jul. 31, 2018)	Amount changed
Total current assets	1,572.6	1,513.2	(59.3)	Total current liabilities	706.8	645.1	(61.7)
Real estate for sale *	1,078.1	1,105.6	27.5	Total noncurrent liabilities	503.9	503.5	(0.4)
Total noncurrent assets	846.3	844.9	(1.3)	Total liabilities	1,210.8	1,148.7	(62.1)
				Total net assets	1,208.1	1,209.5	1.3
				Translation adjustments	50.6	30.6	(20.0)
Total assets	2,419.0	2,358.2	(60.7)	Total liabilities and net assets	2,419.0	2,358.2	(60.7)

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

[Main factors of change]

- Current assets: Real estate for sale increased, while cash and deposits decreased following the payments of notes and accounts payable and income taxes.

State of Interest-bearing Debts

	FY2017 (Jan. 31, 2018)	FY2018 2Q (Jul. 31, 2018)	Amount changed
Interest-bearing debts (¥ billion)	622.0	643.5	21.4
D/E ratio	52.1%	53.8%	1.7p
taking into account hybrid bonds	44.8%	46.5%	1.7p
Equity capital ratio *	49.4%	50.7%	1.3p

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

State of Cash Flows

(¥ billion)

	FY2017 (17/2-17/7)	FY2018 (18/2-18/7)	Amount changed
Net cash provided by (used in) operating activities	(2.9)	(62.2)	(59.2)
Net cash provided by (used in) investing activities	(61.6)	(29.6)	31.9
Free cash flow	(64.6)	(91.9)	(27.3)
Net cash provided by (used in) financing activities	72.5	4.0	(68.5)
Net increase (decrease) in cash and cash equivalents	6.2	(91.9)	(98.1)
Cash and cash equivalents at beginning of period	204.7	324.6	
Cash and cash equivalents at end of period	210.9	232.7	

[Main factors of change]

- Increases in inventories: ¥23.3 billion

State of Investment

(¥ billion)

	FY2017 (17/2-17/7)	FY2018 (18/2-18/7)	Amount changed	FY2018 Full-year plan
Capital expenditures	26.6	26.3	(0.2)	70.0
Depreciation and amortization	10.9	10.9	0.0	22.0

3. Segment Information



➤ Built-to-Order Business

(¥ billion)

	Net sales			
	FY2017 (17/2-17/7)	FY2018 (18/2-18/7)	Amount changed	YOY
Custom Detached Houses	185.5	168.4	(17.1)	(9.3%)
Rental Housing	210.2	203.7	(6.5)	(3.1%)
Total	395.8	372.1	(23.6)	(6.0%)

Gross margin		
FY2017 (17/2-17/7)	FY2018 (18/2-18/7)	Amount changed
26.1%	24.9%	(1.2p)
24.3%	23.1%	(1.2p)
25.1%	23.9%	(1.2p)

	Operating income			
	FY2017 (17/2-17/7)	FY2018 (18/2-18/7)	Amount changed	YOY
Custom Detached Houses	24.3	18.5	(5.7)	(23.7%)
Rental Housing	27.7	23.5	(4.1)	(15.1%)
Total	52.0	42.1	(9.9)	(19.1%)

OP margin		
FY2017 (17/2-17/7)	FY2018 (18/2-18/7)	Amount changed
13.1%	11.0%	(2.1p)
13.2%	11.6%	(1.6p)
13.2%	11.3%	(1.9p)

	Orders			
	FY2017 (17/2-17/7)	FY2018 (18/2-18/7)	Amount changed	YOY
Custom Detached Houses	193.7	190.4	(3.3)	(1.7%)
Rental Housing	237.2	210.2	(26.9)	(11.4%)
Total	431.0	400.7	(30.3)	(7.0%)

ASP per building (10 thousand yen)		
FY2017 (17/2-18/1)	FY2018 (18/2-18/7)	Amount changed
3,807	3,902	95
9,395	10,060	665

■ Custom Detached Houses Business

Rate of Green First Zero: 79%

Rate of three- and four-story housing (in value): 10.9%

■ Rental Housing Business

Rate of three- and four-story housing (in value): 68.2%

➤ Supplied Housing Business

(¥ billion)

	Net sales			
	FY2017 (17/2-17/7)	FY2018 (18/2-18/7)	Amount changed	YOY
Remodeling	70.2	71.3	1.1	1.6%
Real Estate Management Fees	243.7	256.2	12.5	5.1%
Total	313.9	327.6	13.6	4.4%

Gross margin		
FY2017 (17/2-17/7)	FY2018 (18/2-18/7)	Amount changed
26.7%	27.1%	0.4p
14.8%	15.7%	0.9p
17.4%	18.2%	0.8p

	Operating income			
	FY2017 (17/2-17/7)	FY2018 (18/2-18/7)	Amount changed	YOY
Remodeling	10.4	10.7	0.3	3.3%
Real Estate Management Fees	16.9	20.1	3.1	18.4%
Total	27.3	30.8	3.4	12.7%

OP margin		
FY2017 (17/2-17/7)	FY2018 (18/2-18/7)	Amount changed
14.8%	15.1%	0.3p
7.0%	7.8%	0.8p
8.7%	9.4%	0.7p

	Orders			
	FY2017 (17/2-17/7)	FY2018 (18/2-18/7)	Amount changed	YOY
Remodeling	70.4	74.3	3.9	5.6%
Real Estate Management Fees	243.7	256.2	12.5	5.1%
Total	314.1	330.5	16.4	5.2%

■ Real Estate Management Fees Business

Number of units under management: 612 thousand

Occupancy rate: 97.6%

Note: In terms of occupancy rates, while we had published the data as of the end of the month, we have presented the data during the month from this fiscal year.

3. Segment Information



Development Business

(¥ billion)

	Net sales			
	FY2017 (17/2-17/7)	FY2018 (18/2-18/7)	Amount changed	YOY
Houses for Sale	79.9	73.9	(5.9)	(7.5%)
Condominiums	28.8	50.3	21.5	74.6%
Urban Redevelopment	64.1	59.1	(4.9)	(7.8%)
Total	172.8	183.4	10.5	6.1%

Gross margin		
FY2017 (17/2-17/7)	FY2018 (18/2-18/7)	Amount changed
19.9%	18.4%	(1.5p)
20.6%	18.9%	(1.7p)
17.2%	21.3%	4.1p
19.0%	19.5%	0.5p

	Operating income			
	FY2017 (17/2-17/7)	FY2018 (18/2-18/7)	Amount changed	YOY
Houses for Sale	7.7	5.2	(2.4)	(32.0%)
Condominiums	3.3	6.3	2.9	88.8%
Urban Redevelopment	9.5	11.5	1.9	20.8%
Total	20.6	23.1	2.5	12.1%

OP margin		
FY2017 (17/2-17/7)	FY2018 (18/2-18/7)	Amount changed
9.6%	7.1%	(2.5p)
11.7%	12.6%	0.9p
14.9%	19.5%	4.6p
11.9%	12.6%	0.7p

	Orders			
	FY2017 (17/2-17/7)	FY2018 (18/2-18/7)	Amount changed	YOY
Houses for Sale	82.1	80.9	(1.1)	(1.4%)
Condominiums	64.3	47.1	(17.1)	(26.7%)
Urban Redevelopment	64.1	44.8	(19.2)	(30.0%)
Total	210.6	173.0	(37.5)	(17.8%)

Urban Redevelopment Business

Sales from property sales: ¥35.4 billion

Profit from property sales: ¥6.7 billion

Overseas Business

(¥ billion)

	FY2017 (17/2-17/7)	FY2018 (18/2-18/7)	Amount changed	YOY
Net sales	88.6	82.0	(6.5)	(7.4%)
Operating income	5.9	1.9	(3.9)	(66.6%)
Orders	130.3	122.5	(7.8)	(6.0%)

	FY2017 (17/2-17/7)	FY2018 (18/2-18/7)	Amount changed
Gross margin	20.5%	19.9%	(0.6p)
OP margin	6.7%	2.4%	(4.3p)

Overseas Business / Details by country

Results for Second Quarter of FY2018

(¥ billion)

Country	Net sales	Operating income	Ordinary income	Investment balance	Orders
Australia	4.7	(0.8)	(0.7)	161.7	13.1
China	10.9	(0.7)	(0.5)	181.1	16.5
USA	66.3	4.0	3.0	437.4	92.7
Singapore *	-	-	1.9	41.6	-
Other administrative expenses	-	(0.5)	(0.5)	-	-
Total	82.0	1.9	3.2	822.0	122.5

* Accounted for by the equity method

3. Segment Information



(¥ billion)

		FY2017 (17/2-17/7)					FY2018 (18/2-18/7)				
		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	185.5	24.3	13.1%	26.1%	193.7	168.4	18.5	11.0%	24.9%	190.4
	Rental Housing	210.2	27.7	13.2%	24.3%	237.2	203.7	23.5	11.6%	23.1%	210.2
	Subtotal	395.8	52.0	13.2%	25.1%	431.0	372.1	42.1	11.3%	23.9%	400.7
Supplied Housing Business	Remodeling	70.2	10.4	14.8%	26.7%	70.4	71.3	10.7	15.1%	27.1%	74.3
	Real Estate Management Fees	243.7	16.9	7.0%	14.8%	243.7	256.2	20.1	7.8%	15.7%	256.2
	Subtotal	313.9	27.3	8.7%	17.4%	314.1	327.6	30.8	9.4%	18.2%	330.5
Development Business	Houses for Sale	79.9	7.7	9.6%	19.9%	82.1	73.9	5.2	7.1%	18.4%	80.9
	Condominiums	28.8	3.3	11.7%	20.6%	64.3	50.3	6.3	12.6%	18.9%	47.1
	Urban Redevelopment	64.1	9.5	14.9%	17.2%	64.1	59.1	11.5	19.5%	21.3%	44.8
	Subtotal	172.8	20.6	11.9%	19.0%	210.6	183.4	23.1	12.6%	19.5%	173.0
	Overseas Business	88.6	5.9	6.7%	20.5%	130.3	82.0	1.9	2.4%	19.9%	122.5
	Other Businesses	38.1	0.7	1.8%	15.4%	39.0	37.3	(0.0)	(0.2%)	14.0%	41.8
	Eliminations and corporate expenses	-	(17.7)	-	-	-	-	(19.3)	-	-	-
	Total	1,009.4	89.0	8.8%	20.7%	1,125.1	1,002.6	78.6	7.8%	20.4%	1,068.7

4. Full-Year Forecasts For FY2018

(¥ billion)

	FY2017 (17/2-18/1) Results	FY2018 (18/2-19/1)	
		Forecasts	YOY
Net sales	2,159.3	2,166.0	0.3%
Gross margin	445.0	445.0	(0.0%)
Operating income	195.5	185.0	(5.4%)
Ordinary income	203.6	190.0	(6.7%)
Profit attributable to owners of parent	133.2	127.0	(4.7%)
EPS (yen)	193.06	184.03	(4.7%)
ROA	9.0%	8.0%	-
ROE	11.6%	10.5%	-
Dividend per share (yen)	77.00	79.00	2.00
Payout ratio	39.9%	42.9%	-

4. Full-Year Forecasts For FY2018 by Segment



■ Sales

(¥ billion)

	FY2017 (17/2-18/1) Results	FY2018 (Full-Year) (18/2-19/1)			
		Forecasts	Amount changed	YOY	
Built-to-Order Business	Custom Detached Houses	371.1	361.0	(10.1)	(2.7%)
	Rental Housing	442.8	422.0	(20.8)	(4.7%)
	Subtotal	814.0	783.0	(31.0)	(3.8%)
Supplied Housing Business	Remodeling	136.8	144.0	7.1	5.2%
	Real Estate Management Fees	489.8	514.0	24.1	4.9%
	Subtotal	626.7	658.0	31.2	5.0%
Development Business	Houses for Sale	155.4	147.0	(8.4)	(5.5%)
	Condominiums	77.4	89.0	11.5	14.8%
	Urban Redevelopment	103.7	123.0	19.2	18.5%
	Subtotal	336.7	359.0	22.2	6.6%
Overseas Business	306.7	292.0	(14.7)	(4.8%)	
Other Businesses	75.1	74.0	(1.1)	(1.5%)	
Total	2,159.3	2,166.0	6.6	0.3%	

■ Orders

(¥ billion)

	FY2017 (17/2-18/1) Results	FY2018 (Full-Year) (18/2-19/1)		
		Forecasts	Amount changed	YOY
Built-to-Order Business	362.6	371.0	8.3	2.3%
Supplied Housing Business	463.2	434.0	(29.2)	(6.3%)
Development Business	825.8	805.0	(20.8)	(2.5%)
Overseas Business	137.8	145.0	7.1	5.2%
Other Businesses	489.8	514.0	24.1	4.9%
Total	627.7	659.0	31.2	5.0%
Built-to-Order Business	153.6	151.0	(2.6)	(1.7%)
Supplied Housing Business	112.5	91.0	(21.5)	(19.1%)
Development Business	398.7	337.0	(61.7)	(15.5%)
Overseas Business	132.5	95.0	(37.5)	(28.3%)
Other Businesses	316.4	290.0	(26.4)	(8.4%)
Total	75.3	74.0	(1.3)	(1.8%)
Total	2,244.1	2,165.0	(79.1)	(3.5%)

■ Operating income

(¥ billion)

	FY2017 (17/2-18/1) Results	FY2018 (Full-Year) (18/2-19/1)			
		Forecasts	Amount changed	YOY	
Built-to-Order Business	Custom Detached Houses	48.0	45.0	(3.0)	(6.3%)
	Rental Housing	60.8	53.0	(7.8)	(12.9%)
	Subtotal	108.9	98.0	(10.9)	(10.0%)
Supplied Housing Business	Remodeling	19.7	21.5	1.7	8.8%
	Real Estate Management Fees	33.1	36.0	2.8	8.7%
	Subtotal	52.8	57.5	4.6	8.7%
Development Business	Houses for Sale	13.4	11.0	(2.4)	(18.3%)
	Condominiums	9.2	9.5	0.2	2.9%
	Urban Redevelopment	16.9	22.0	5.0	29.5%
	Subtotal	39.6	42.5	2.8	7.1%
Overseas Business	29.7	26.0	(3.7)	(12.6%)	
Other Businesses	1.2	0.8	(0.4)	(35.2%)	
Eliminations and corporate expenses	(36.9)	(39.8)	(2.8)	-	
Total	195.5	185.0	(10.5)	(5.4%)	

■ OP margin

■ Gross margin

	FY2017 (17/2-18/1) Results	FY2018 (18/2-19/1) Forecasts	FY2017 (17/2-18/1) Results	FY2018 (18/2-19/1) Forecasts
Built-to-Order Business	12.9%	12.5%	26.2%	25.9%
Supplied Housing Business	13.7%	12.6%	24.4%	23.9%
Development Business	13.4%	12.5%	25.2%	24.8%
Overseas Business	14.4%	14.9%	26.8%	27.1%
Other Businesses	6.8%	7.0%	14.6%	15.0%
Total	8.4%	8.7%	17.3%	17.6%
Built-to-Order Business	8.7%	7.5%	18.8%	19.0%
Supplied Housing Business	11.9%	10.7%	19.0%	18.0%
Development Business	16.4%	17.9%	19.1%	19.9%
Overseas Business	11.8%	11.8%	18.9%	19.1%
Other Businesses	9.7%	8.9%	19.5%	20.0%
Eliminations and corporate expenses	1.6%	1.1%	15.2%	15.3%
Total	-	-	-	-
Total	9.1%	8.5%	20.6%	20.5%

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