

Sekisui House, Ltd.

Third Quarter of FY2018

(February 1, 2018 through October 31, 2018)

- 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 FY2018

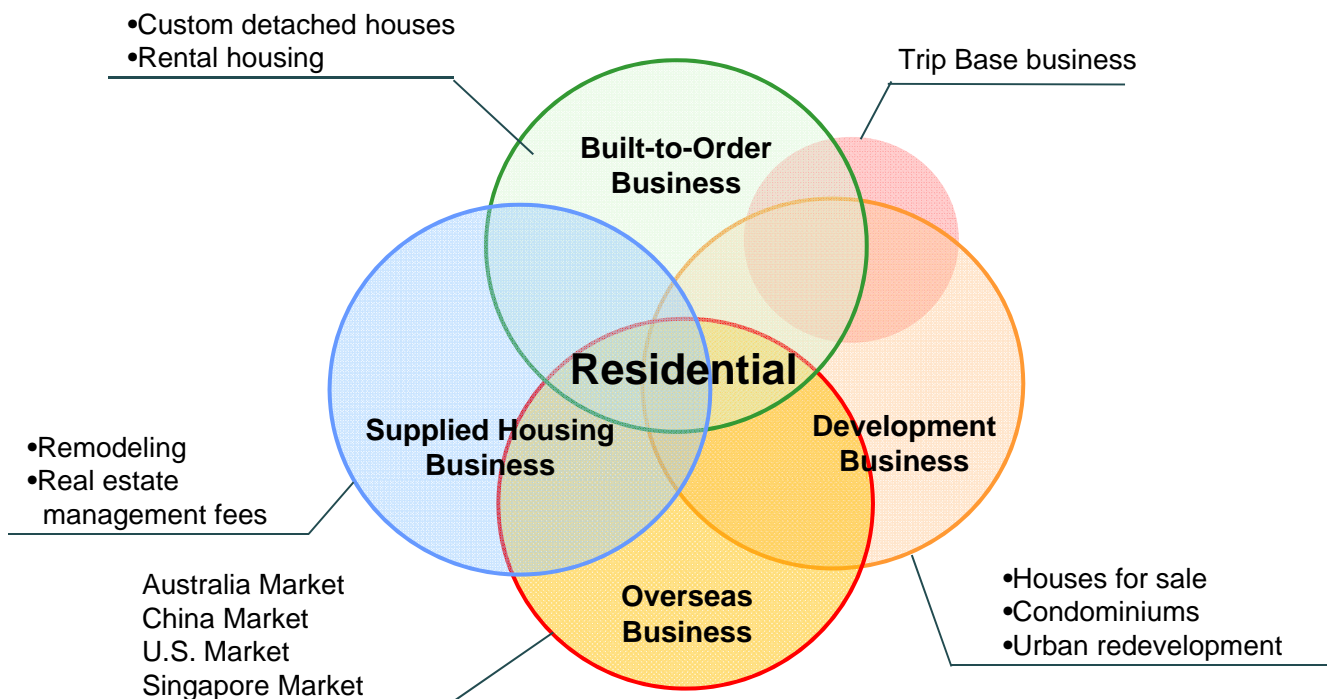
December 7, 2018

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

Despite a decline in sales and profit due to sluggish results in the Built-to-Order Business, steady progress was made against the full-year plan, with growth in the Supplied Housing Business and the Development Business.

➤ Highlights

- **Built-to-Order Business:** The Custom Detached House segment recorded decreased sales due a fall in orders received from the previous year. Orders received have been increasing from the same month of the previous year from August, reflecting the effects of the corporate reorganization and new products. The Rental Housing Segment posted decreased sales, reflecting delay in the recognition of revenue associated with an increase in the scale of properties. Orders received are on the recovery path recently. The accumulated order of the Built-to-Order Business overall increased.
- **Supplied Housing Business:** In the Remodeling Business, proposal-based remodeling and environment-based remodeling for owners of detached houses proved a success. 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 rate.
- **Development Business:** Sales and profit increased with the handover of large properties in the Condominiums business and steady progress in property sales in the Urban Redevelopment Business.
- **Overseas Business:** Both sales and profit decreased. In China, sales fell, affected by continued real estate sales restrictions despite sales completion in the Taicang project. In Australia and the US, handovers will be concentrated in the fourth quarter. The Woodside Homes homebuilding business in the US performed strongly.

(¥ billion)

	FY2017 (17/2-17/10)		FY2018 (18/2-18/10)			
	Results	Margin	Results	Margin	Amount changed	YOY
Net sales	1,494.7		1,488.1		(6.6)	(0.4%)
Built-to-Order	582.6		546.7		(35.9)	(6.2%)
Supplied Housing	461.2		481.2		20.0	4.3%
Development	231.1		265.2		34.1	14.8%
Overseas	166.2		144.0		(22.2)	(13.4%)
Gross profit	309.8	20.7%	302.2	20.3%	(7.5)	(2.4%)
Built-to-Order	144.6	24.8%	128.4	23.5%	(16.1)	(11.2%)
Supplied Housing	79.0	17.1%	85.7	17.8%	6.7	8.6%
Development	44.8	19.4%	53.2	20.1%	8.4	18.8%
Overseas	35.4	21.4%	30.0	20.9%	(5.4)	(15.4%)
SG&A	182.8		188.2		5.3	3.0%
Operating income	127.0	8.5%	114.0	7.7%	(12.9)	(10.2%)
Built-to-Order	73.4	12.6%	58.3	10.7%	(15.1)	(20.6%)
Supplied Housing	37.9	8.2%	43.2	9.0%	5.2	13.8%
Development	27.4	11.9%	34.6	13.1%	7.2	26.2%
Overseas	14.7	8.9%	7.6	5.3%	(7.1)	(48.3%)
Non-operating income/expenses	5.5		4.3		(1.1)	(21.6%)
Ordinary income	132.5	8.9%	118.3	8.0%	(14.1)	(10.7%)
Extraordinary income	0.8		0.4		(0.4)	(53.3%)
Extraordinary loss	9.8		0.9		(8.9)	(90.3%)
Profit attributable to owners of parent	85.8	5.7%	82.9	5.6%	(2.9)	(3.4%)
EPS (yen)	124.4		120.2			

(Non-operating income/expenses)
 -Equity in earnings of affiliates:
 -¥5.2 billion (up ¥0.4 billion YOY)
 -Foreign exchange losses:
 -¥0.2 billion (down ¥1.4 billion YOY)

➤ State of Orders

(¥ billion)

Consolidated orders				Accumulated orders			
FY2017 (17/2-17/10)	FY2018 (18/2-18/10)	Amount changed	YOY	FY2017 (Jan. 31, 2018)	FY2018 3Q (Oct. 31, 2018)	Amount changed	Change
1,692.0	1,582.3	(109.7)	(6.5%)	978.6	1,072.8	94.2	9.6%

2. Financial Position

Consolidated Balance Sheets

(¥ billion)

(Assets)	FY2017 (Jan. 31, 2018)	FY2018 3Q (Oct. 31, 2018)	Amount changed	(Liabilities and net assets)	FY2017 (Jan. 31, 2018)	FY2018 3Q (Oct. 31, 2018)	Amount changed
Total current assets	1,572.6	1,550.3	(22.3)	Total current liabilities	706.8	683.3	(23.5)
Real estate for sale *	1,078.1	1,177.4	99.3	Total noncurrent liabilities	503.9	489.6	(14.3)
Total noncurrent assets	846.3	824.9	(21.4)	Total liabilities	1,210.8	1,173.0	(37.8)
				Total net assets	1,208.1	1,202.2	(5.8)
				Translation adjustments	50.6	34.5	(16.1)
Total assets	2,419.0	2,375.2	(43.7)	Total liabilities and net assets	2,419.0	2,375.2	(43.7)

* 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 3Q (Oct. 31, 2018)	Amount changed
Interest-bearing debts (¥ billion)	622.0	654.0	31.9
D/E ratio	52.1%	55.1%	3.0p
taking into account hybrid bonds	44.8%	47.6%	2.8p
Equity capital ratio *	49.4%	50.0%	0.6p

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

State of Cash Flows

(¥ billion)

	FY2017 (17/2-17/10)	FY2018 (18/2-18/10)	Amount changed
Net cash provided by (used in) operating activities	(3.9)	(88.8)	(84.9)
Net cash provided by (used in) investing activities	(70.6)	(42.3)	28.3
Free cash flow	(74.5)	(131.2)	(56.6)
Net cash provided by (used in) financing activities	107.8	(23.7)	(131.6)
Net increase (decrease) in cash and cash equivalents	33.0	(158.5)	(191.5)
Cash and cash equivalents at beginning of period	204.7	324.6	
Cash and cash equivalents at end of period	237.7	166.1	

[Main factors of change]

- Increases in inventories: ¥48.1 billion

State of Investment

(¥ billion)

	FY2017 (17/2-17/10)	FY2018 (18/2-18/10)	Amount changed	FY2018 Full-year plan
Capital expenditures	43.1	42.9	(0.2)	70.0
Depreciation and amortization	16.4	16.5	0.1	22.0

3. Segment Information



➤ Built-to-Order Business

(¥ billion)

	Net sales			
	FY2017 (17/2-17/10)	FY2018 (18/2-18/10)	Amount changed	YOY
Custom Detached Houses	269.0	251.2	(17.7)	(6.6%)
Rental Housing	313.6	295.4	(18.1)	(5.8%)
Total	582.6	546.7	(35.9)	(6.2%)

Gross margin		
FY2017 (17/2-17/10)	FY2018 (18/2-18/10)	Amount changed
25.8%	24.5%	(1.3p)
24.0%	22.6%	(1.4p)
24.8%	23.5%	(1.3p)

	Operating income			
	FY2017 (17/2-17/10)	FY2018 (18/2-18/10)	Amount changed	YOY
Custom Detached Houses	32.9	26.6	(6.2)	(19.0%)
Rental Housing	40.4	31.6	(8.8)	(21.9%)
Total	73.4	58.3	(15.1)	(20.6%)

OP margin		
FY2017 (17/2-17/10)	FY2018 (18/2-18/10)	Amount changed
12.2%	10.6%	(1.6p)
12.9%	10.7%	(2.2p)
12.6%	10.7%	(1.9p)

	Orders			
	FY2017 (17/2-17/10)	FY2018 (18/2-18/10)	Amount changed	YOY
Custom Detached Houses	274.5	284.7	10.2	3.7%
Rental Housing	346.1	311.7	(34.4)	(9.9%)
Total	620.6	596.4	(24.1)	(3.9%)

ASP per building (10 thousand yen)		
FY2017 (17/2-17/10)	FY2018 (18/2-18/10)	Amount changed
3,807	3,893	86
9,395	10,027	631

■ Custom Detached Houses Business

Rate of Green First Zero: 76% (April through October 2018)

Rate of three- and four-story housing (in value): 10.8%

■ Rental Housing Business

Rate of three- and four-story housing (in value): 67.8%

➤ Supplied Housing Business

(¥ billion)

	Net sales			
	FY2017 (17/2-17/10)	FY2018 (18/2-18/10)	Amount changed	YOY
Remodeling	94.8	97.1	2.3	2.5%
Real Estate Management Fees	366.4	384.1	17.7	4.8%
Total	461.2	481.2	20.0	4.3%

Gross margin		
FY2017 (17/2-17/10)	FY2018 (18/2-18/10)	Amount changed
26.5%	26.8%	0.3p
14.7%	15.6%	0.9p
17.1%	17.8%	0.7p

	Operating income			
	FY2017 (17/2-17/10)	FY2018 (18/2-18/10)	Amount changed	YOY
Remodeling	12.5	13.1	0.5	4.7%
Real Estate Management Fees	25.4	30.0	4.6	18.3%
Total	37.9	43.2	5.2	13.8%

OP margin		
FY2017 (17/2-17/10)	FY2018 (18/2-18/10)	Amount changed
13.3%	13.5%	0.2p
6.9%	7.8%	0.9p
8.2%	9.0%	0.8p

	Orders			
	FY2017 (17/2-17/10)	FY2018 (18/2-18/10)	Amount changed	YOY
Remodeling	104.4	110.6	6.1	5.9%
Real Estate Management Fees	366.4	384.1	17.7	4.8%
Total	470.8	494.7	23.8	5.1%

■ Real Estate Management Fees Business

Number of units under management: 61.5 thousand

Occupancy rate: 97.8%

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 (17/2-17/10)	FY2018 (18/2-18/10)	Amount changed	YOY
Houses for Sale	110.1	103.8	(6.3)	(5.8%)
Condominiums	34.8	65.3	30.4	87.5%
Urban Redevelopment	86.0	96.0	10.0	11.6%
Total	231.1	265.2	34.1	14.8%

Gross margin		
FY2017 (17/2-17/10)	FY2018 (18/2-18/10)	Amount changed
19.7%	18.7%	(1.0p)
20.1%	18.8%	(1.3p)
18.7%	22.5%	3.8p
19.4%	20.1%	0.7p

	Operating income			
	FY2017 (17/2-17/10)	FY2018 (18/2-18/10)	Amount changed	YOY
Houses for Sale	9.8	7.1	(2.6)	(27.1%)
Condominiums	3.6	8.1	4.4	122.9%
Urban Redevelopment	13.9	19.3	5.3	38.5%
Total	27.4	34.6	7.2	26.2%

OP margin		
FY2017 (17/2-17/10)	FY2018 (18/2-18/10)	Amount changed
8.9%	6.9%	(2.0p)
10.5%	12.5%	2.0p
16.2%	20.2%	4.0p
11.9%	13.1%	1.2p

	Orders			
	FY2017 (17/2-17/10)	FY2018 (18/2-18/10)	Amount changed	YOY
Houses for Sale	118.9	122.2	3.2	2.8%
Condominiums	89.4	65.0	(24.3)	(27.3%)
Urban Redevelopment	86.0	69.4	(16.6)	(19.3%)
Total	294.4	256.7	(37.7)	(12.8%)

Urban Redevelopment Business

Sales from property sales: ¥60.9 billion

Profit from property sales: ¥12.9 billion

Overseas Business

(¥ billion)

	FY2017 (17/2-17/10)	FY2018 (18/2-18/10)	Amount changed	YOY
Net sales	166.2	144.0	(22.2)	(13.4%)
Operating income	14.7	7.6	(7.1)	(48.3%)
Orders	251.4	179.2	(72.1)	(28.7%)

	FY2017 (17/2-17/10)	FY2018 (18/2-18/10)	Amount changed
Gross margin	21.4%	20.9%	(0.5p)
OP margin	8.9%	5.3%	(3.6p)

Overseas Business / Details by country

Results for Third Quarter of FY2018

(¥ billion)

Country	Net sales	Operating income	Ordinary income	Investment balance	Orders
Australia	19.7	0.5	0.5	159.1	20.1
China	17.0	(0.8)	(0.3)	176.7	29.1
USA	107.2	8.7	6.9	486.7	129.9
Singapore *	-	-	2.3	49.2	-
Other administrative expenses	-	(0.7)	(0.7)	-	-
Total	144.0	7.6	8.7	871.7	179.2

* Accounted for by the equity method

3. Segment Information



(¥ billion)

	FY2017 (17/2-17/10)					FY2018 (18/2-18/10)					
	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	269.0	32.9	12.2%	25.8%	274.5	251.2	26.6	10.6%	24.5%	284.7
	Rental Housing	313.6	40.4	12.9%	24.0%	346.1	295.4	31.6	10.7%	22.6%	311.7
	Subtotal	582.6	73.4	12.6%	24.8%	620.6	546.7	58.3	10.7%	23.5%	596.4
Supplied Housing Business	Remodeling	94.8	12.5	13.3%	26.5%	104.4	97.1	13.1	13.5%	26.8%	110.6
	Real Estate Management Fees	366.4	25.4	6.9%	14.7%	366.4	384.1	30.0	7.8%	15.6%	384.1
	Subtotal	461.2	37.9	8.2%	17.1%	470.8	481.2	43.2	9.0%	17.8%	494.7
Development Business	Houses for Sale	110.1	9.8	8.9%	19.7%	118.9	103.8	7.1	6.9%	18.7%	122.2
	Condominiums	34.8	3.6	10.5%	20.1%	89.4	65.3	8.1	12.5%	18.8%	65.0
	Urban Redevelopment	86.0	13.9	16.2%	18.7%	86.0	96.0	19.3	20.2%	22.5%	69.4
	Subtotal	231.1	27.4	11.9%	19.4%	294.4	265.2	34.6	13.1%	20.1%	256.7
Overseas Business	166.2	14.7	8.9%	21.4%	251.4	144.0	7.6	5.3%	20.9%	179.2	
Other Businesses	53.4	0.4	0.8%	15.4%	54.6	50.8	(0.9)	(1.8%)	13.8%	55.1	
Eliminations and corporate expenses	-	(27.0)	-	-	-	-	(28.8)	-	-	-	
Total	1,494.7	127.0	8.5%	20.7%	1,692.0	1,488.1	114.0	7.7%	20.3%	1,582.3	

<Reference> 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	184.24	(4.6%)
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%	-

Note: The Company conducted a share repurchase based on a resolution at a meeting of the Board of Directors held on September 6, 2018. As a result, EPS forecast for the FY2018 is presented in consideration of the relevant share repurchase.

<Reference> 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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