

Sekisui House, Ltd.

FY2018

(February 1, 2018 through January 31, 2019)

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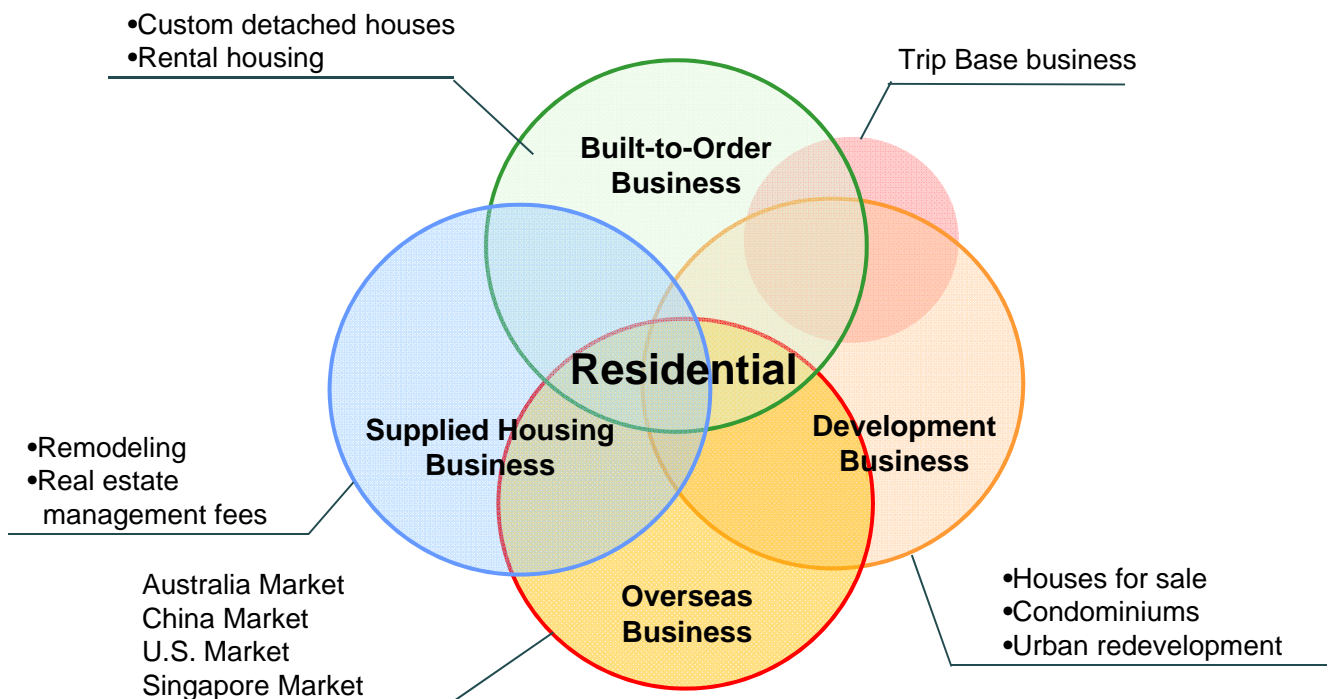
March 7, 2019

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



1. Overview



➤ Overview

Net sales renewed an historical record high, while operating income decreased year-on-year for the first time in nine fiscal years. The Company expects to achieve an all-time record high in both net sales and profit in FY2019 on the strength of an earnings recovery for the Built-to-Order Business and the Overseas 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 increased 6.7% year-on-year, reflecting the effects of the corporate reorganization, the promotion of sales of high valued-added products 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.
- **Supplied Housing Business:** Stable growth has continued. The Remodeling segment achieved a continued improvement in profitability, reflecting successful proposal-based remodeling deals. The Real Estate Management Fees segment continued to achieve a high occupancy rate, leveraging the successful supply of high quality differentiated rental housing as well as a successful area marketing strategy.
- **Development Business:** The Condominiums segment saw an increase in sales, while profit declined due to a valuation loss posted on some condominiums. In the Urban Redevelopment segment, the Company achieved significant growth in both sales and profit thanks to the successful sale of properties including the Ritz Carlton Kyoto.
- **Overseas Business:** The condominium business in China and the homebuilding business in the US remained as expected. Overall, the Overseas Business segment suffered a decline in both sales and profit, primarily reflecting no properties delivered in the multifamily business as well as a valuation loss in relation to the changes implemented to business plans for one of the project in Australia.

➤ Full-Year Forecasts for FY2019

(* % shows year-on-year change.) (¥ billion)

Net sales	Operating income	Ordinary income	Net income
2,367.0	205.0	208.0	139.0
9.6%*	8.3%*	6.6%*	8.1%*

(¥ billion)

	FY2017 (17/2-18/1)		FY2018 (18/2-19/1)			
	Results	Margin	Results	Margin	Amount changed	YOY
Net sales	2,159.3		2,160.3		0.9	0.0%
Built-to-Order	814.0		774.0		(40.0)	(4.9%)
Supplied Housing	626.7		655.4		28.7	4.6%
Development	336.7		411.8		75.0	22.3%
Overseas	306.7		245.9		(60.7)	(19.8%)
Gross profit	445.0	20.6%	444.5	20.6%	(0.4)	(0.1%)
Built-to-Order	205.2	25.2%	187.5	24.2%	(17.6)	(8.6%)
Supplied Housing	108.1	17.3%	118.0	18.0%	9.8	9.1%
Development	63.7	18.9%	82.9	20.1%	19.2	30.2%
Overseas	59.8	19.5%	48.9	19.9%	(10.9)	(18.2%)
SG&A	249.5		255.3		5.8	2.3%
Operating income	195.5	9.1%	189.2	8.8%	(6.3)	(3.2%)
Built-to-Order	108.9	13.4%	92.6	12.0%	(16.2)	(15.0%)
Supplied Housing	52.8	8.4%	60.5	9.2%	7.6	14.4%
Development	39.6	11.8%	57.9	14.1%	18.2	46.1%
Overseas	29.7	9.7%	16.3	6.6%	(13.4)	(45.1%)
Non-operating income/expenses	8.1		5.9		(2.1)	(26.7%)
Ordinary income	203.6	9.4%	195.1	9.0%	(8.4)	(4.2%)
Extraordinary income	10.4		3.2		(7.2)	(68.7%)
Extraordinary loss	18.1		11.0		(7.0)	(39.0%)
Profit attributable to owners of parent	133.2	6.2%	128.5	6.0%	(4.6)	(3.5%)
EPS (yen)	193.06		186.53			

(Evaluation loss)
· ¥11.9 billion

- Houses for Sale: ¥1.8 billion
- Condominiums: ¥3.8 billion
- Overseas Business: ¥6.3 billion

(Non-operating income/expenses)

· Equity in earnings of affiliates:
¥7.7 billion (down 0.4 billion YOY)
· Foreign exchange loss: ¥0.5 billion (down ¥1.6 billion YOY)

(Extraordinary profit)

· Gain on sales of investments in securities: ¥3.0 billion (up ¥3.0 billion)
· Gain on sale of shares of affiliates: ¥0.1 billion (down ¥10.2 billion)

(Extraordinary loss)

· Loss on impairment: ¥9.3 billion

➤ State of Orders

(¥ billion)

Consolidated orders				Accumulated orders			
FY2017 (17/2-18/1)	FY2018 (18/2-19/1)	Amount changed	YOY	FY2017 (Jan 31, 2018)	FY2018 (Jan 31, 2019)	Amount changed	Change
2,244.1	2,177.5	(66.5)	(3.0%)	978.6	995.8	17.2	1.8%

2. Financial Position

➤ Consolidated Balance Sheets

(¥ billion)

(Assets)	As of Jan. 31, 2018	As of Jan. 31, 2019	Amount changed	(Liabilities and net assets)	As of Jan. 31, 2018	As of Jan. 31, 2019	Amount changed
Total current assets	1,572.6	1,594.1	21.4	Total current liabilities	706.8	781.3	74.4
Real estate for sale *	1,078.1	1,079.4	1.3	Total noncurrent liabilities	503.9	434.8	(69.1)
Total noncurrent assets	846.3	818.9	(27.4)	Total liabilities	1,210.8	1,216.1	5.2
Total assets	2,419.0	2,413.0	(5.9)	Total net assets	1,208.1	1,196.9	(11.1)
				Total liabilities and net assets	2,419.0	2,413.0	(5.9)

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

[Main factors of change]

- Increase (Decrease) in noncurrent assets:
Transfer to real estate for sale: ¥43.0 billion

Increase (Decrease) in net assets:

- Increase (Decrease) in foreign currency translation adjustment :
(¥29.4) billion
- Increase (Decrease) in retirement benefits liability adjustments:
¥(38.6) billion

➤ State of Interest-bearing Debts

	FY2017	FY2018	Amount changed
Interest-bearing debts (¥ billion)	622.0	639.5	17.4
D/E ratio	52.1%	54.1%	2.0p
taking into account hybrid bonds	44.8%	46.6%	1.8p
Equity ratio	49.4%	49.0%	(0.4p)

➤ State of Cash Flows

(¥ billion)

	FY2017	FY2018	Amount changed
Net cash provided by (used in) operating activities	165.3	125.0	(40.2)
Net cash provided by (used in) investing activities	(76.1)	(70.1)	5.9
Free cash flow	89.2	54.9	(34.3)
Net cash provided by (used in) financing activities	30.1	(31.0)	(61.1)
Net increase (decrease) in cash and cash equivalents	119.9	18.2	(101.7)
Cash and cash equivalents at beginning of period	204.7	324.6	
Cash and cash equivalents at end of period	324.6	342.8	

[Main factors of change]

- Increase (Decrease) in accounts and notes payable: (¥16.2) billion

➤ State of Investment

(¥ billion)

	FY2017	FY2018	Amount changed	FY2019 Full-year plan
Capital expenditures	68.7	58.6	(10.1)	70.0
Depreciation and amortization	21.9	22.1	0.1	22.0

3. Segment Information



➤ Built-to-Order Business

(¥ billion)

	Net sales			
	FY2017 (17/2-18/1)	FY2018 (18/2-19/1)	Amount changed	YOY
Custom Detached Houses	371.1	357.9	(13.2)	(3.6%)
Rental Housing	442.8	416.0	(26.7)	(6.0%)
Total	814.0	774.0	(40.0)	(4.9%)

Gross margin		
FY2017 (17/2-18/1)	FY2018 (18/2-19/1)	Amount changed
26.2%	25.4%	(0.8p)
24.4%	23.3%	(1.1p)
25.2%	24.2%	(1.0p)

	Operating income			
	FY2017 (17/2-18/1)	FY2018 (18/2-19/1)	Amount changed	YOY
Custom Detached Houses	48.0	42.2	(5.7)	(12.0%)
Rental Housing	60.8	50.3	(10.5)	(17.3%)
Total	108.9	92.6	(16.2)	(15.0%)

OP margin		
FY2017 (17/2-18/1)	FY2018 (18/2-19/1)	Amount changed
12.9%	11.8%	(1.1p)
13.7%	12.1%	(1.6p)
13.4%	12.0%	(1.4p)

	Orders			
	FY2017 (17/2-18/1)	FY2018 (18/2-19/1)	Amount changed	YOY
Custom Detached Houses	362.6	386.7	24.1	6.7%
Rental Housing	463.2	424.7	(38.4)	(8.3%)
Total	825.8	811.5	(14.3)	(1.7%)

ASP per building (10 thousand yen)		
FY2017 (17/2-18/1)	FY2018 (18/2-19/1)	Amount changed
3,807	3,875	68
9,395	10,019	624

■ Custom Detached Houses Business

Ratio of Green First Zero: 76% (for Apr 2018 through Jan 2019)
Ratio of three- and four-story housing (in value): 10.6%

■ Rental Housing Business

Ratio of three- and four-story housing (in value): 68.5%

➤ Supplied Housing Business

(¥ billion)

	Net sales			
	FY2017 (17/2-18/1)	FY2018 (18/2-19/1)	Amount changed	YOY
Remodeling	136.8	141.4	4.5	3.3%
Real Estate Management Fees	489.8	514.0	24.1	4.9%
Total	626.7	655.4	28.7	4.6%

Gross margin		
FY2017 (17/2-18/1)	FY2018 (18/2-19/1)	Amount changed
26.8%	27.1%	0.3p
14.6%	15.5%	0.9p
17.3%	18.0%	0.7p

	Operating income			
	FY2017 (17/2-18/1)	FY2018 (18/2-19/1)	Amount changed	YOY
Remodeling	19.7	21.1	1.3	6.8%
Real Estate Management Fees	33.1	39.4	6.2	18.9%
Total	52.8	60.5	7.6	14.4%

OP margin		
FY2017 (17/2-18/1)	FY2018 (18/2-19/1)	Amount changed
14.4%	14.9%	0.5p
6.8%	7.7%	0.9p
8.4%	9.2%	0.8p

	Orders			
	FY2017 (17/2-18/1)	FY2018 (18/2-19/1)	Amount changed	YOY
Remodeling	137.8	148.4	10.5	7.7%
Real Estate Management Fees	489.8	514.0	24.1	4.9%
Total	627.7	662.4	34.7	5.5%

■ Real Estate Management Fees Business

Number of units under management: 619 thousand
Occupancy ratio: 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 (17/2-18/1)	FY2018 (18/2-19/1)	Amount changed	YOY
Houses for Sale	155.4	148.8	(6.6)	(4.2%)
Condominiums	77.4	89.5	12.0	15.6%
Urban Redevelopment	103.7	173.3	69.6	67.1%
Total	336.7	411.8	75.0	22.3%

Gross margin		
FY2017 (17/2-18/1)	FY2018 (18/2-19/1)	Amount changed
18.8%	18.0%	(0.8p)
19.0%	13.8%	(5.2p)
19.1%	25.2%	6.1p
18.9%	20.1%	1.2p

	Operating income			
	FY2017 (17/2-18/1)	FY2018 (18/2-19/1)	Amount changed	YOY
Houses for Sale	13.4	11.0	(2.3)	(17.6%)
Condominiums	9.2	6.4	(2.7)	(29.8%)
Urban Redevelopment	16.9	40.4	23.4	137.7%
Total	39.6	57.9	18.2	46.1%

OP margin		
FY2017 (17/2-18/1)	FY2018 (18/2-19/1)	Amount changed
8.7%	7.4%	(1.3p)
11.9%	7.2%	(4.7p)
16.4%	23.3%	6.9p
11.8%	14.1%	2.3p

	Orders			
	FY2017 (17/2-18/1)	FY2018 (18/2-19/1)	Amount changed	YOY
Houses for Sale	153.6	156.2	2.5	1.6%
Condominiums	112.5	85.9	(26.6)	(23.7%)
Urban Redevelopment	132.5	146.5	13.9	10.6%
Total	398.7	388.6	(10.1)	(2.5%)

Urban Redevelopment Business

Sales from property sales: ¥126.9 billion

Operating income from property sales: ¥32.3 billion

Overseas Business

	FY2017 (17/2-18/1)	FY2018 (18/2-19/1)	Amount changed	YOY
Net sales	306.7	245.9	(60.7)	(19.8%)
Operating income	29.7	16.3	(13.4)	(45.1%)
Orders	316.4	237.5	(78.9)	(24.9%)

	FY2017 (17/2-18/1)	FY2018 (18/2-19/1)	Amount changed
Gross margin	19.5%	19.9%	0.4p
OP margin	9.7%	6.6%	(3.1p)

Overseas Business / Details by country

Results for FY2018

(¥ billion)

Country	Net sales	Operating income	Ordinary income	Investment balance	Orders
Australia	41.9	(1.9)	(1.8)	136.3	23.8
China	37.3	2.7	3.3	165.6	49.6
USA	166.6	16.5	13.9	479.0	163.9
Singapore *	-	-	3.8	48.8	-
Other administrative expenses	-	(1.1)	(1.1)	-	-
Total	245.9	16.3	18.1	829.8	237.5

* Accounted for by the equity method

3. Segment Information



(¥ billion)

		FY2017 (17/2-18/1)					FY2018 (18/2-19/1)				
		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	371.1	48.0	12.9%	26.2%	362.6	357.9	42.2	11.8%	25.4%	386.7
	Rental Housing	442.8	60.8	13.7%	24.4%	463.2	416.0	50.3	12.1%	23.3%	424.7
	Subtotal	814.0	108.9	13.4%	25.2%	825.8	774.0	92.6	12.0%	24.2%	811.5
Supplied Housing Business	Remodeling	136.8	19.7	14.4%	26.8%	137.8	141.4	21.1	14.9%	27.1%	148.4
	Real Estate Management Fees	489.8	33.1	6.8%	14.6%	489.8	514.0	39.4	7.7%	15.5%	514.0
	Subtotal	626.7	52.8	8.4%	17.3%	627.7	655.4	60.5	9.2%	18.0%	662.4
Development Business	Houses for Sale	155.4	13.4	8.7%	18.8%	153.6	148.8	11.0	7.4%	18.0%	156.2
	Condominiums	77.4	9.2	11.9%	19.0%	112.5	89.5	6.4	7.2%	13.8%	85.9
	Urban Redevelopment	103.7	16.9	16.4%	19.1%	132.5	173.3	40.4	23.3%	25.2%	146.5
	Subtotal	336.7	39.6	11.8%	18.9%	398.7	411.8	57.9	14.1%	20.1%	388.6
	Overseas Business	306.7	29.7	9.7%	19.5%	316.4	245.9	16.3	6.6%	19.9%	237.5
	Other Businesses	75.1	1.2	1.6%	15.2%	75.3	73.0	(0.0)	(0.1%)	14.1%	77.4
	Eliminations and corporate expenses	-	(36.9)	-	-	-	-	(38.1)	-	-	-
	Total	2,159.3	195.5	9.1%	20.6%	2,244.1	2,160.3	189.2	8.8%	20.6%	2,177.5

4. 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%	-

4. Full-Year Forecasts For FY2018 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	8.8%	8.7%	20.6%	20.1%

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