

Sekisui House, Ltd.

Second Quarter of FY2019

(February 1, 2019 through July 31, 2019)

- Summary of Consolidated Financial Results -

1. Overview

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Built-to-Order Business

Supplied Housing Business

Development Business

Overseas Business

<Reference> Full-Year Forecasts for FY2019

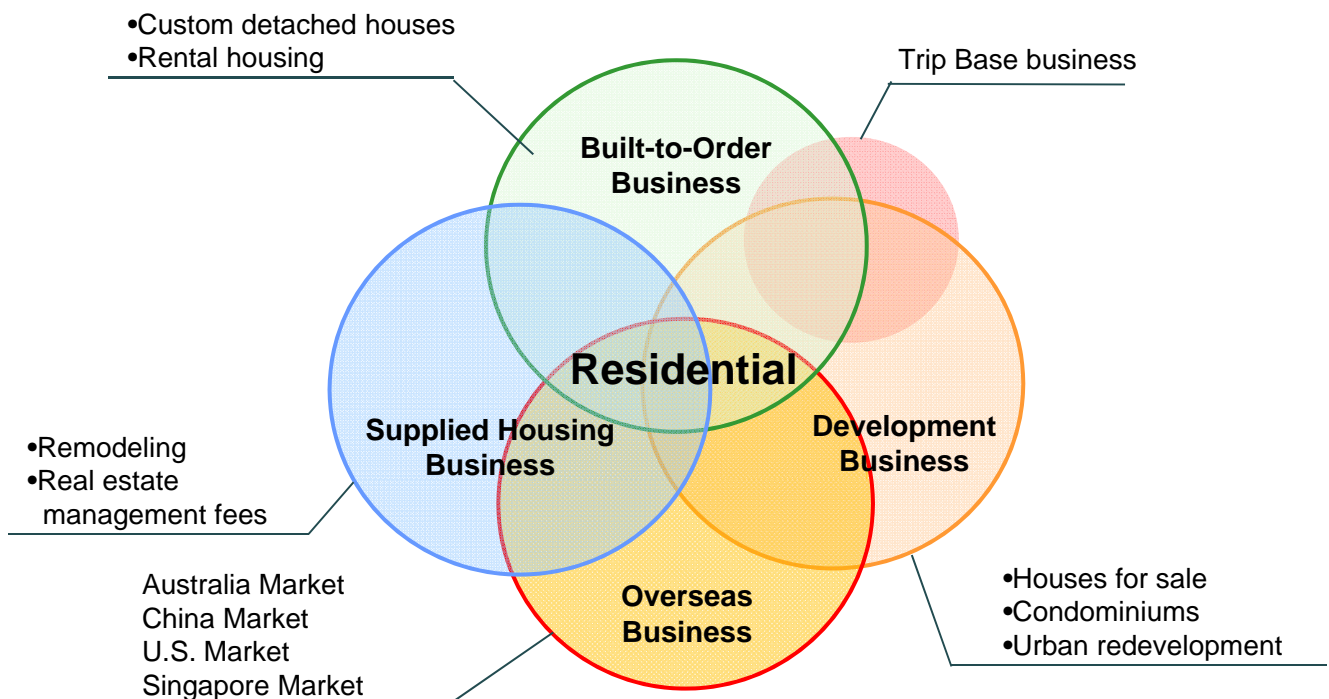
September 5, 2019

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 and profits achieved a record high in the first half.

In all business models, net sales and profits rose. Made steady progress toward the full-year plan.

➤ Highlights

- **Built-to-Order Business:** Both sales and profits increased, driven by the Custom Detached Houses Business. Both sales and orders rose year on year in the Custom Detached Houses Business, chiefly due to the proposal of high value-added houses such as ZEH and the sales promotion of the Family Suite. In the Rental Housing Business, sales declined, but orders increased year on year due to a focus on sales of 3- and 4-story rental houses and sales in non-housing segments and orders in the Michi-no-Eki Stations Project, which began to be posted.
- **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:** Both sales and profits rose due to growth in the Houses for Sale Business and sales of properties primarily to REITs in the Urban Redevelopment Business. Sales in the Condominium Business declined but were in line with the full-year plan.
- **Overseas Business:** Both sales and profits increased significantly, reflecting sales of properties in six projects in the multifamily business in the United States. In China, sales of condominiums made good progress.

(¥ billion)

	FY2018 (18/2-18/7)		FY2019 (19/2-19/7)			
	Results	Margin	Results	Margin	Amount Changed	YOY
Net sales	1,002.6		1,207.8		205.2	20.5%
Built-to-Order	372.1		398.1		25.9	7.0%
Supplied Housing	327.6		343.6		16.0	4.9%
Development	183.4		218.1		34.7	19.0%
Overseas	82.0		208.9		126.8	154.6%
Gross profit	204.3	20.4%	245.4	20.3%	41.0	20.1%
Built-to-Order	89.0	23.9%	95.6	24.0%	6.6	7.5%
Supplied Housing	59.6	18.2%	63.5	18.5%	3.9	6.6%
Development	35.7	19.5%	35.7	16.4%	0.0	0.0%
Overseas	16.3	19.9%	46.4	22.2%	30.0	184.1%
SG&A	125.6		132.3		6.6	5.3%
Operating income	78.6	7.8%	113.0	9.4%	34.3	43.7%
Built-to-Order	42.1	11.3%	46.8	11.8%	4.7	11.2%
Supplied Housing	30.8	9.4%	33.2	9.7%	2.4	7.9%
Development	23.1	12.6%	23.5	10.8%	0.3	1.7%
Overseas	1.9	2.4%	30.1	14.4%	28.1	-
Non-operating income/expenses	3.9		3.5		(0.4)	(11.1%)
Ordinary income	82.5	8.2%	116.5	9.6%	33.9	41.1%
Extraordinary income	0.1		-		-	-
Extraordinary loss	0.7		0.8		0.0	7.9%
Profit attributable to owners of parent	57.8	5.8%	77.4	6.4%	19.5	33.9%
EPS (yen)	83.82		112.53			

(Non-operating income/expenses)
 -Equity in earnings of affiliates: ¥5.7 billion (up ¥1.4billion YOY)
 -Foreign exchange losses: ¥0.8 billion (down ¥0.4 billion YOY)
 -Interest expenses: ¥2.9 billion (up ¥0.7 billion YOY)

➤ State of Orders

(¥ billion)

Consolidated orders				Accumulated orders			
FY2018 (18/2-18/7)	FY2019 (19/2-19/7)	Amount changed	YOY	FY2018 (Jan. 31, 2019)	FY2019 2Q (Jul. 30, 2019)	Amount Changed	Change
1,068.7	1,325.4	256.7	24.0%	995.8	1,113.4	117.5	11.8%

2. Financial Position



➤ Consolidated Balance Sheets

(¥ billion)

(Assets)	FY2018 (Jan. 31, 2019)	FY2019 2Q (Jul. 31, 2019)	Amount changed	(Liabilities and net assets)	FY2018 (Jan. 31, 2019)	FY2019 2Q (Jul. 31, 2019)	Amount changed
Total current assets	1,569.3	1,593.6	24.3	Total current liabilities	781.3	742.9	(38.3)
Real estate for sale *	1,079.4	973.9	(105.5)	Total long-term liabilities	434.7	455.2	20.4
Total noncurrent assets	843.7	835.3	(8.4)	Total liabilities	1,216.1	1,198.2	(17.9)
Total assets	2,413.0	2,428.9	15.9	Total net assets	1,196.9	1,230.7	33.8
				Total liabilities and net assets	2,413.0	2,428.9	15.9

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

[Main factors of change]

- Current assets: Cash and deposits increased following property sales.
- Current liabilities: Short-term loans decreased.

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 2Q (Jul. 31, 2019)	Amount changed
Interest-bearing debts (¥ billion)	639.5	608.3	(31.1)
D/E ratio	54.1%	49.9%	(4.2p)
taking into account hybrid bonds	46.6%	42.9%	(3.7p)
Equity ratio	49.0%	50.2%	1.2p

➤ State of Cash Flows

(¥ billion)

	FY2018 (18/2-18/7)	FY2019 (19/2-19/7)	Amount changed
Net cash provided by (used in) operating activities	(62.2)	233.1	295.4
Net cash provided by (used in) investing activities	(29.6)	(43.4)	(13.8)
Free cash flow	(91.9)	189.7	281.6
Net cash provided by (used in) financing activities	4.0	(57.3)	(61.4)
Net increase (decrease) in cash and cash equivalents	(91.9)	127.6	219.6
Cash and cash equivalents at beginning of period	324.6	342.8	
Cash and cash equivalents at end of period	232.7	470.5	

[Main factors of change]

- (Increase) decrease in inventories: Previous period ¥(41.7) billion, Current period: ¥119.4 billion

➤ State of Investment

(¥ billion)

	FY2018 (18/2-18/7)	FY2019 (19/2-19/7)	Amount changed	FY2019 Full-year plan
Capital expenditures	26.3	37.0	10.7	70.0
Depreciation and amortization	10.9	10.4	(0.4)	22.0

3. Segment Information



➤ Built-to-Order Business

(¥ billion)

	Net sales			
	FY2018 (18/2-18/7)	FY2019 (19/2-19/7)	Amount changed	YOY
Custom Detached Houses	168.4	201.7	33.3	19.8%
Rental Housing	203.7	196.3	(7.4)	(3.6%)
Total	372.1	398.1	25.9	7.0%

Gross margin		
FY2018 (18/2-18/7)	FY2019 (19/2-19/7)	Amount changed
24.9%	25.3%	0.4p
23.1%	22.8%	(0.3p)
23.9%	24.0%	0.1p

	Operating income			
	FY2018 (18/2-18/7)	FY2019 (19/2-19/7)	Amount changed	YOY
Custom Detached Houses	18.5	24.5	5.9	32.2%
Rental Housing	23.5	22.2	(1.2)	(5.4%)
Total	42.1	46.8	4.7	11.2%

OP margin		
FY2018 (18/2-18/7)	FY2019 (19/2-19/7)	Amount changed
11.0%	12.2%	1.2p
11.6%	11.4%	(0.2p)
11.3%	11.8%	0.5p

	Orders			
	FY2018 (18/2-18/7)	FY2019 (19/2-19/7)	Amount changed	YOY
Custom Detached Houses	190.4	192.8	2.4	1.3%
Rental Housing	210.2	228.5	18.2	8.7%
Total	400.7	421.4	20.7	5.2%

ASP per building (10 thousand yen)		
FY2018 (18/2-19/1)	FY2019 (19/2-19/7)	Amount changed
3,875	3,932	57
10,019	10,218	199

■ Custom Detached Houses Business

Ratio of Green First Zero: 85% (April through July)

Ratio of three- and four-story housing (in value): 11.3%

■ Rental Housing Business

Ratio of three- and four-story housing (in value): 73.3%

➤ Supplied Housing Business

(¥ billion)

	Net sales			
	FY2018 (18/2-18/7)	FY2019 (19/2-19/7)	Amount changed	YOY
Remodeling	71.3	77.5	6.1	8.6%
Real Estate Management Fees	256.2	266.1	9.9	3.9%
Total	327.6	343.6	16.0	4.9%

Gross margin		
FY2018 (18/2-18/7)	FY2019 (19/2-19/7)	Amount changed
27.1%	27.6%	0.5p
15.7%	15.8%	0.1p
18.2%	18.5%	0.3p

	Operating income			
	FY2018 (18/2-18/7)	FY2019 (19/2-19/7)	Amount changed	YOY
Remodeling	10.7	12.2	1.4	13.6%
Real Estate Management Fees	20.1	21.0	0.9	4.8%
Total	30.8	33.2	2.4	7.9%

OP margin		
FY2018 (18/2-18/7)	FY2019 (19/2-19/7)	Amount changed
15.1%	15.8%	0.7p
7.8%	7.9%	0.1p
9.4%	9.7%	0.3p

	Orders			
	FY2018 (18/2-18/7)	FY2019 (19/2-19/7)	Amount changed	YOY
Remodeling	74.3	80.2	5.9	8.0%
Real Estate Management Fees	256.2	266.1	9.9	3.9%
Total	330.5	346.4	15.8	4.8%

■ Real Estate Management Fees Business

Number of units under management: 630 thousand
Occupancy ratio: 97.8% (± 0.0p from the end of the previous year)

3. Segment Information



Development Business

(¥ billion)

	Net sales			
	FY2018 (18/2-18/7)	FY2019 (19/2-19/7)	Amount changed	YOY
Houses for Sale	73.9	83.6	9.7	13.1%
Condominiums	50.3	35.4	(14.8)	(29.6%)
Urban Redevelopment	59.1	99.0	39.9	67.6%
Total	183.4	218.1	34.7	19.0%

Gross margin		
FY2018 (18/2-18/7)	FY2019 (19/2-19/7)	Amount changed
18.4%	19.3%	0.9p
18.9%	19.0%	0.1p
21.3%	13.0%	(8.3p)
19.5%	16.4%	(3.1p)

	Operating income			
	FY2018 (18/2-18/7)	FY2019 (19/2-19/7)	Amount changed	YOY
Houses for Sale	5.2	7.6	2.4	46.6%
Condominiums	6.3	4.2	(2.1)	(33.8%)
Urban Redevelopment	11.5	11.6	0.0	0.8%
Total	23.1	23.5	0.3	1.7%

OP margin		
FY2018 (18/2-18/7)	FY2019 (19/2-19/7)	Amount changed
7.1%	9.2%	2.1p
12.6%	11.9%	(0.7p)
19.5%	11.7%	(7.8p)
12.6%	10.8%	(1.8p)

	Orders			
	FY2018 (18/2-18/7)	FY2019 (19/2-19/7)	Amount changed	YOY
Houses for Sale	80.9	80.4	(0.4)	(0.6%)
Condominiums	47.1	35.8	(11.3)	(24.1%)
Urban Redevelopment	44.8	109.7	64.9	144.6%
Total	173.0	226.0	53.0	30.6%

■ Urban Redevelopment Business
Sales from property sales: ¥77.1 billion
Profit from property sales: ¥8.9 billion

Overseas Business

	FY2018 (18/2-18/7)	FY2019 (19/2-19/7)	Amount changed	YOY
Net sales	82.0	208.9	126.8	154.6%
Operating income	1.9	30.1	28.1	-
Orders	122.5	286.0	163.5	133.5%

	FY2018 (18/2-18/7)	FY2019 (19/2-19/7)	Amount changed
Gross margin	19.9%	22.2%	2.3p
OP margin	2.4%	14.4%	12.0p

Overseas Business / Details by country

Results for Second Quarter of FY2019

(¥ billion)

Country	Net sales	Operating income	Ordinary income	Investment balance	Orders
Australia	7.6	(0.5)	(0.6)	139.6	8.6
China	21.5	1.8	2.2	148.7	78.7
USA	179.7	29.5	27.1	417.7	198.6
Singapore *	-	-	1.6	48.2	-
Other Administrative expenses	0.0	(0.6)	(0.7)	3.4	0.0
Total	208.9	30.1	29.6	757.8	286.0

* Accounted for by the equity method

3. Segment Information



(¥ billion)

		FY2018 (18/2-18/7)					FY2019 (19/2-19/7)				
		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	168.4	18.5	11.0%	24.9%	190.4	201.7	24.5	12.2%	25.3%	192.8
	Rental Housing	203.7	23.5	11.6%	23.1%	210.2	196.3	22.2	11.4%	22.8%	228.5
	Subtotal	372.1	42.1	11.3%	23.9%	400.7	398.1	46.8	11.8%	24.0%	421.4
Supplied Housing Business	Remodeling	71.3	10.7	15.1%	27.1%	74.3	77.5	12.2	15.8%	27.6%	80.2
	Real Estate Management Fees	256.2	20.1	7.8%	15.7%	256.2	266.1	21.0	7.9%	15.8%	266.1
	Subtotal	327.6	30.8	9.4%	18.2%	330.5	343.6	33.2	9.7%	18.5%	346.4
Development Business	Houses for Sale	73.9	5.2	7.1%	18.4%	80.9	83.6	7.6	9.2%	19.3%	80.4
	Condominiums	50.3	6.3	12.6%	18.9%	47.1	35.4	4.2	11.9%	19.0%	35.8
	Urban Redevelopment	59.1	11.5	19.5%	21.3%	44.8	99.0	11.6	11.7%	13.0%	109.7
	Subtotal	183.4	23.1	12.6%	19.5%	173.0	218.1	23.5	10.8%	16.4%	226.0
	Overseas Business	82.0	1.9	2.4%	19.9%	122.5	208.9	30.1	14.4%	22.2%	286.0
	Other Businesses	37.3	(0.0)	(0.2%)	14.0%	41.8	38.9	0.2	0.5%	13.9%	45.3
	Eliminations and corporate expenses	-	(19.3)	-	-	-	-	(20.9)	-	-	-
	Total	1,002.6	78.6	7.8%	20.4%	1,068.7	1,207.8	113.0	9.4%	20.3%	1,325.4

<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	8.8%	8.7%	20.6%	20.1%

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