

Sekisui House, Ltd.

Third Quarter of FY2019

(February 1, 2019 through October 31, 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

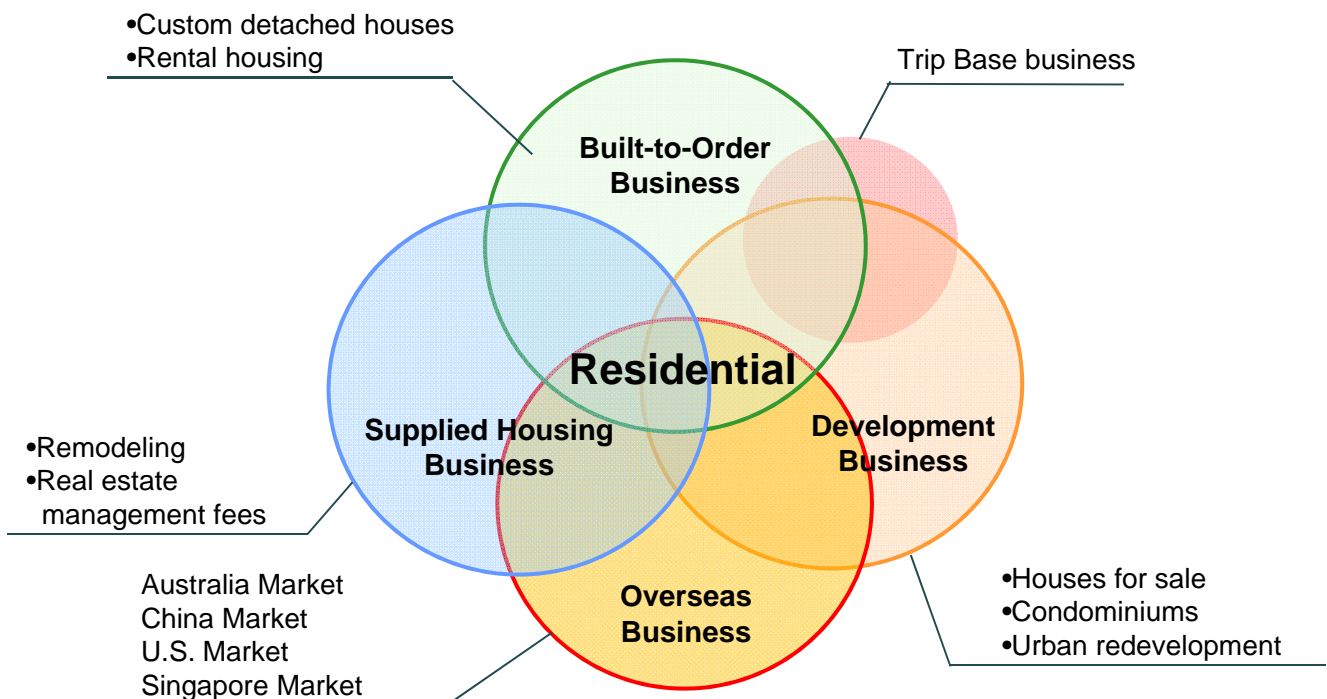
December 6, 2019

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

Record-high sales and profit renewed for the first nine-month period. Consolidation of Otori Holdings, Co., Ltd. on October 1, 2019

➤ Highlights

- **Built-to-Order Business:** Growth in profit was achieved both in the Custom Detached Houses Business and the Rental Housing Business. Orders received of the Built-to-Order Business as a whole remained the same year on year. In the Custom Detached Houses Business, the Company has promoted sales activities for high value-added houses, including ZEHs. In the Rental Housing Business, marketing activities for those with 3- and 4-stories rental housing and non-residential properties were promoted and the Trip Base Michi-no-Eki Stations Project has also made a contribution. Meanwhile, the recurring typhoons and other natural disasters had a certain impact on some of the Company's sales activities during the period.
- **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 profit increased in the Houses for Sale Business. The Company mostly achieved full-year targets for the Urban Redevelopment Business, aided by the progress on properties sales. In the Condominium Business, property handovers are scheduled for the fourth quarter, which is on schedule for the entire fiscal year.
- **Overseas Business:** Both sales and profits increased significantly, reflecting sales of properties in all seven projects planned to be sold during the current fiscal year in the U.S. multifamily business. Condominium sales in China also remained strong.

(¥ billion)

	FY2018 (18/2-18/10)		FY2019 (19/2-19/10)			
	Results	Margin	Results	Margin	Amount Changed	YOY
Net sales	1,488.1		1,735.2		247.1	16.6%
Built-to-Order	546.7		588.1		41.4	7.6%
Supplied Housing	481.2		514.6		33.3	6.9%
Development	265.2		278.4		13.2	5.0%
Overseas	144.0		298.3		154.3	107.2%
Gross profit	302.2	20.3%	353.1	20.4%	50.9	16.8%
Built-to-Order	128.4	23.5%	139.7	23.8%	11.3	8.8%
Supplied Housing	85.7	17.8%	94.8	18.4%	9.0	10.6%
Development	53.2	20.1%	47.4	17.0%	(5.8)	(11.0%)
Overseas	30.0	20.9%	65.6	22.0%	35.6	118.5%
SG&A	188.2		198.1		9.9	5.3%
Operating income	114.0	7.7%	154.9	8.9%	40.9	35.9%
Built-to-Order	58.3	10.7%	66.6	11.3%	8.3	14.2%
Supplied Housing	43.2	9.0%	49.4	9.6%	6.2	14.4%
Development	34.6	13.1%	29.4	10.6%	(5.2)	(15.2%)
Overseas	7.6	5.3%	41.2	13.8%	33.5	439.2%
Non-operating income/expenses	4.3		6.0		1.6	38.7%
Ordinary income	118.3	8.0%	161.0	9.3%	42.6	36.0%
Extraordinary income	0.4		12.2		11.8	-
Extraordinary loss	0.9		1.1		0.1	18.7%
Profit attributable to owners of parent	82.9	5.6%	117.4	6.8%	34.5	41.7%
EPS (yen)	120.2		170.9			

(Non-operating income/expenses)
 -Equity in earnings of affiliates: ¥7.9 billion (up ¥2.6 billion YOY)
 -Interest expenses: ¥3.9 billion (up ¥0.5 billion YOY)
 -Foreign exchange losses: ¥0.5 billion (down ¥0.3 billion YOY)

(Extraordinary income)
 -Gain on step acquisition associated with the consolidation of Otori Holdings Co., Ltd.: ¥8.5 billion

➤ State of Orders

(¥ billion)

Consolidated orders				Accumulated orders			
FY2018 (18/2-18/10)	FY2019 (19/2-19/10)	Amount changed	YOY	FY2018 (Jan. 31, 2019)	FY2019 3Q (Oct. 31, 2019)	Amount Changed	Change
1,582.3	1,873.2	290.8	18.4%	995.8	1,481.5	485.7	48.8%

2. Financial Position



Consolidated Balance Sheets

(¥ billion)

(Assets)	FY2018 (Jan. 31, 2019)	FY2019 3Q (Oct. 31, 2019)	Amount changed	(Liabilities and net assets)	FY2018 (Jan. 31, 2019)	FY2019 3Q (Oct. 31, 2019)	Amount changed
Total current assets	1,569.3	1,777.7	208.4	Total current liabilities	781.3	873.1	91.8
Real estate for sale *	1,079.4	973.7	(105.6)	Total long-term liabilities	434.7	483.6	48.8
Total noncurrent assets	843.7	852.3	8.5	Total liabilities	1,216.1	1,356.8	140.7
Total assets	2,413.0	2,630.0	217.0	Total net assets	1,196.9	1,273.2	76.3
				Total liabilities and net assets	2,413.0	2,630.0	217.0

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

(¥ billion)

[Main factors of change]

- Increases in assets and liabilities associated with the consolidation of Otori Holdings Co., Ltd.
- Increases in cash and deposits due to property sales and an increase in advances received.

Assets and liabilities of Otori Holdings Co., Ltd. as of the consolidation			
Current assets	187.2	Current liabilities	117.8
Noncurrent assets	42.1	Long-term liabilities	19.8
Total assets	229.4	Total liabilities	137.7

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 3Q (Oct. 31, 2019)	Amount changed
Interest-bearing debts (¥ billion)	639.5	627.8	(11.6)
D/E ratio	54.1%	51.6%	(2.5p)
taking into account hybrid bonds	46.6%	44.5%	(2.1p)
Equity ratio	49.0%	46.3%	(2.7p)

State of Cash Flows

(¥ billion)

	FY2018 (18/2-18/10)	FY2019 (19/2-19/10)	Amount changed
Net cash provided by (used in) operating activities	(88.8)	268.0	356.8
Net cash provided by (used in) investing activities	(42.3)	(52.8)	(10.5)
Free cash flow	(131.2)	215.1	346.3
Net cash provided by (used in) financing activities	(23.7)	(91.1)	(67.3)
Net increase (decrease) in cash and cash equivalents	(158.5)	115.4	273.9
Cash and cash equivalents at beginning of period	324.6	342.8	
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	93.9	
Cash and cash equivalents at end of period	166.1	552.3	

* Associated with the consolidation of Otori Holdings Co., Ltd.

[Main factors of change]

- (Increase) decrease in inventories: Previous period ¥(86.0) billion, Current period: ¥114.0 billion

State of Investment

(¥ billion)

	FY2018 (18/2-18/10)	FY2019 (19/2-19/10)	Amount changed	FY2019 Full-year plan
Capital expenditures	42.9	57.8	14.8	70.0
Depreciation and amortization	16.5	15.7	(0.8)	22.0

3. Segment Information



➤ Built-to-Order Business

(¥ billion)

	Net sales			
	FY2018 (18/2-18/10)	FY2019 (19/2-19/10)	Amount changed	YOY
Custom Detached Houses	251.2	293.1	41.8	16.7%
Rental Housing	295.4	295.0	(0.3)	(0.1%)
Total	546.7	588.1	41.4	7.6%

Gross margin		
FY2018 (18/2-18/10)	FY2019 (19/2-19/10)	Amount changed
24.5%	25.0%	0.5p
22.6%	22.6%	0.0p
23.5%	23.8%	0.3p

	Operating income			
	FY2018 (18/2-18/10)	FY2019 (19/2-19/10)	Amount changed	YOY
Custom Detached Houses	26.6	33.5	6.8	25.6%
Rental Housing	31.6	33.1	1.4	4.7%
Total	58.3	66.6	8.3	14.2%

OP margin		
FY2018 (18/2-18/10)	FY2019 (19/2-19/10)	Amount changed
10.6%	11.4%	0.8p
10.7%	11.2%	0.5p
10.7%	11.3%	0.6p

	Orders			
	FY2018 (18/2-18/10)	FY2019 (19/2-19/10)	Amount changed	YOY
Custom Detached Houses	284.7	268.6	(16.0)	(5.7%)
Rental Housing	311.7	332.7	21.0	6.8%
Total	596.4	601.4	4.9	0.8%

ASP per building (10 thousand yen)		
FY2018 (18/2-19/1)	FY2019 (19/2-19/10)	Amount changed
3,875	3,978	103
10,019	10,078	59

■ Custom Detached Houses Business

Ratio of Green First Zero: 85% (April through October)
Ratio of three- and four-story housing (in value): 11.1%

■ Rental Housing Business

Ratio of three- and four-story housing (in value): 73.4%

➤ Supplied Housing Business

(¥ billion)

	Net sales			
	FY2018 (18/2-18/10)	FY2019 (19/2-19/10)	Amount changed	YOY
Remodeling	97.1	114.5	17.3	17.8%
Real Estate Management Fees	384.1	400.1	16.0	4.2%
Total	481.2	514.6	33.3	6.9%

Gross margin		
FY2018 (18/2-18/10)	FY2019 (19/2-19/10)	Amount changed
26.8%	27.5%	0.7p
15.6%	15.8%	0.2p
17.8%	18.4%	0.6p

	Operating income			
	FY2018 (18/2-18/10)	FY2019 (19/2-19/10)	Amount changed	YOY
Remodeling	13.1	17.6	4.5	34.2%
Real Estate Management Fees	30.0	31.7	1.7	5.7%
Total	43.2	49.4	6.2	14.4%

OP margin		
FY2018 (18/2-18/10)	FY2019 (19/2-19/10)	Amount changed
13.5%	15.4%	1.9p
7.8%	7.9%	0.1p
9.0%	9.6%	0.6p

	Orders			
	FY2018 (18/2-18/10)	FY2019 (19/2-19/10)	Amount changed	YOY
Remodeling	110.6	113.8	3.2	2.9%
Real Estate Management Fees	384.1	400.1	16.0	4.2%
Total	494.7	514.0	19.2	3.9%

■ Real Estate Management Fees Business

Number of units under management: 634 thousand
Occupancy ratio: 97.7% (down 0.1p from the end of the previous year)

3. Segment Information



Development Business

(¥ billion)

	Net sales			
	FY2018 (18/2-18/10)	FY2019 (19/2-19/10)	Amount changed	YOY
Houses for Sale	103.8	113.8	10.0	9.6%
Condominiums	65.3	52.0	(13.2)	(20.3%)
Urban Redevelopment	96.0	112.5	16.4	17.1%
Total	265.2	278.4	13.2	5.0%

Gross margin		
FY2018 (18/2-18/10)	FY2019 (19/2-19/10)	Amount changed
18.7%	19.1%	0.4p
18.8%	19.4%	0.6p
22.5%	13.8%	(8.7p)
20.1%	17.0%	(3.1p)

	Operating income			
	FY2018 (18/2-18/10)	FY2019 (19/2-19/10)	Amount changed	YOY
Houses for Sale	7.1	9.4	2.3	32.1%
Condominiums	8.1	6.2	(1.9)	(23.5%)
Urban Redevelopment	19.3	13.6	(5.6)	(29.3%)
Total	34.6	29.4	(5.2)	(15.2%)

OP margin		
FY2018 (18/2-18/10)	FY2019 (19/2-19/10)	Amount changed
6.9%	8.3%	1.4p
12.5%	12.0%	(0.5p)
20.2%	12.2%	(8.0p)
13.1%	10.6%	(2.5p)

	Orders			
	FY2018 (18/2-18/10)	FY2019 (19/2-19/10)	Amount changed	YOY
Houses for Sale	122.2	111.6	(10.5)	(8.6%)
Condominiums	65.0	54.8	(10.2)	(15.8%)
Urban Redevelopment	69.4	121.7	52.3	75.4%
Total	256.7	288.2	31.4	12.3%

Urban Redevelopment Business

Sales from property sales: ¥80.3 billion

Profit from property sales: ¥9.6 billion

Overseas Business

	FY2018 (18/2-18/10)	FY2019 (19/2-19/10)	Amount changed	YOY
Net sales	144.0	298.3	154.3	107.2%
Operating income	7.6	41.2	33.5	439.2%
Orders	179.2	409.4	230.2	128.4%

	FY2018 (18/2-18/10)	FY2019 (19/2-19/10)	Amount changed
Gross margin	20.9%	22.0%	1.1p
OP margin	5.3%	13.8%	8.5p

Overseas Business / Details by country

Results for Third Quarter of FY2019

(¥ billion)

Country	Net sales	Operating income	Ordinary income	Investment balance	Orders
Australia	11.1	(0.8)	(0.9)	139.0	21.0
China	36.3	2.0	2.7	134.2	114.2
USA	250.7	41.0	38.1	424.0	274.1
Singapore *	-	-	2.1	43.8	-
Other Administrative expenses	0.0	(0.9)	(1.2)	3.4	0.0
Total	298.3	41.2	40.9	744.5	409.4

* Accounted for by the equity method

3. Segment Information



(¥ billion)

	FY2018 (18/2-18/10)					FY2019 (19/2-19/10)					
	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	251.2	26.6	10.6%	24.5%	284.7	293.1	33.5	11.4%	25.0%	268.6
	Rental Housing	295.4	31.6	10.7%	22.6%	311.7	295.0	33.1	11.2%	22.6%	332.7
	Subtotal	546.7	58.3	10.7%	23.5%	596.4	588.1	66.6	11.3%	23.8%	601.4
Supplied Housing Business	Remodeling	97.1	13.1	13.5%	26.8%	110.6	114.5	17.6	15.4%	27.5%	113.8
	Real Estate Management Fees	384.1	30.0	7.8%	15.6%	384.1	400.1	31.7	7.9%	15.8%	400.1
	Subtotal	481.2	43.2	9.0%	17.8%	494.7	514.6	49.4	9.6%	18.4%	514.0
Development Business	Houses for Sale	103.8	7.1	6.9%	18.7%	122.2	113.8	9.4	8.3%	19.1%	111.6
	Condominiums	65.3	8.1	12.5%	18.8%	65.0	52.0	6.2	12.0%	19.4%	54.8
	Urban Redevelopment	96.0	19.3	20.2%	22.5%	69.4	112.5	13.6	12.2%	13.8%	121.7
	Subtotal	265.2	34.6	13.1%	20.1%	256.7	278.4	29.4	10.6%	17.0%	288.2
	Overseas Business	144.0	7.6	5.3%	20.9%	179.2	298.3	41.2	13.8%	22.0%	409.4
	Other Businesses	50.8	(0.9)	(1.8%)	13.8%	55.1	55.5	(0.5)	(1.0%)	13.6%	60.0
	Eliminations and corporate expenses	-	(28.8)	-	-	-	-	(31.1)	-	-	-
	Total	1,488.1	114.0	7.7%	20.3%	1,582.3	1,735.2	154.9	8.9%	20.4%	1,873.2

<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	202.51	8.6%
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%	-

Note: The Company conducted a share repurchase based on a resolution at a meeting of the Board of Directors held on September 5, 2019. As a result, EPS forecast for the FY2019 is presented in consideration of the relevant share repurchase.

<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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