

# Sekisui House, Ltd.

## FY2019

(February 1, 2019 through January 31, 2020)

### - Summary of Consolidated Financial Results -

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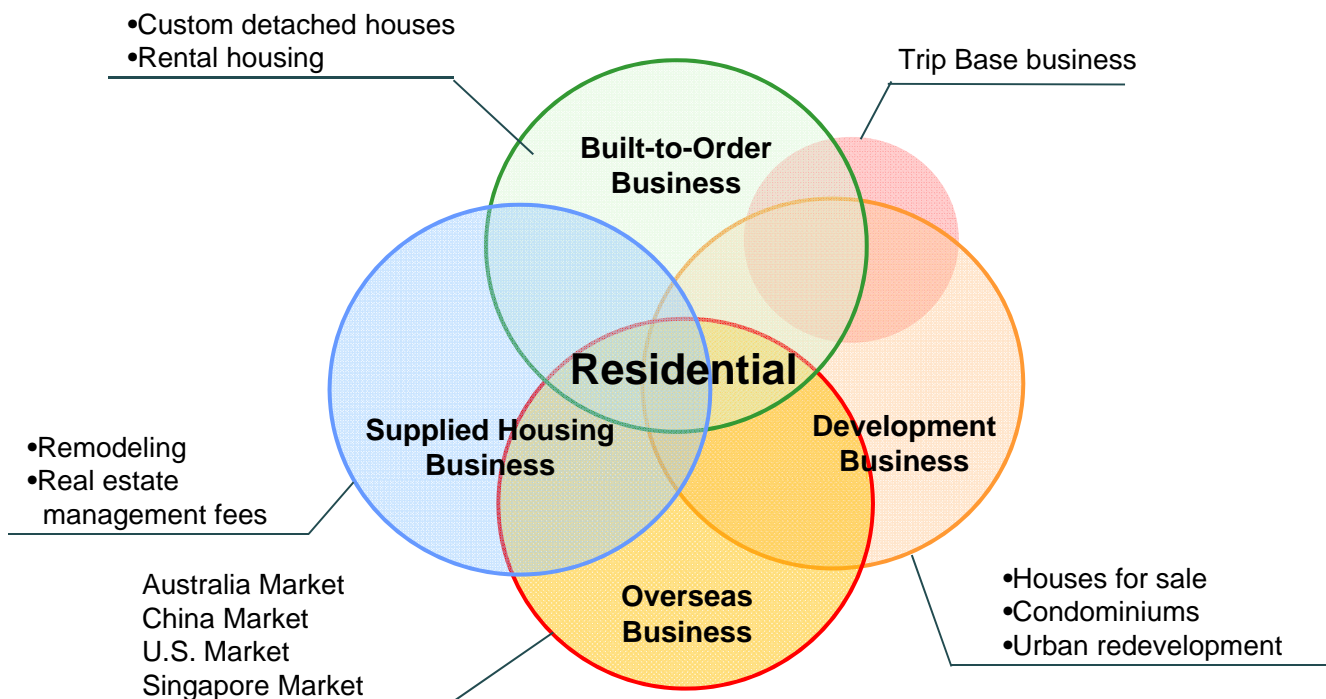
March 5, 2020

## 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

### Record-high sales and profit achieved in the final year of the 4th Mid-Term Management Plan

### A dividend increase for the eighth consecutive year

## ➤ Highlights

Operating income exceeded 200 billion yen for the first time. The D/E ratio was 0.46, which shows an improvement of the financial position.

- **Built-to-Order Business:** Both sales and profit increased. In the Custom Detached Houses Business, the Company promoted sales of high value-added houses, including ZEHs, but orders received fell year on year from the second quarter partly due to the consumption tax hike. In the Rental Housing Business, the Company promoted area marketing for three- and four-story rental housing and expanded the non-residential property business. As a result, orders received were firm.
- **Supplied Housing Business:** Both sales and profit increased. In the Remodeling Business, an improvement in profit margin continued due to success in proposal- 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 decreased. However, sales were posted in line with the Company's plan, and full-year targets were achieved. Sales rose in the Houses for Sale Business and the Condominium Business, but sales in the Urban Redevelopment Business fell due to a decrease in properties for sale.
- **Overseas Business:** Both sales and profit increased. Sales of properties in 7 projects in the U.S. multifamily business and condominium sales in China made contributions.

(¥ billion)

	FY2018 (18/2-19/1)		FY2019 (19/2-20/1)			
	Results	Margin	Results	Margin	Amount Changed	YOY
<b>Net sales</b>	<b>2,160.3</b>		<b>2,415.1</b>		<b>254.8</b>	<b>11.8%</b>
Built-to-Order	774.0		801.6		27.6	3.6%
Supplied Housing	655.4		687.6		32.1	4.9%
Development	411.8		387.1		(24.6)	(6.0%)
Overseas	245.9		389.8		143.9	58.5%
<b>Gross profit</b>	<b>444.5</b>	<b>20.6%</b>	<b>478.0</b>	<b>19.8%</b>	<b>33.4</b>	<b>7.5%</b>
Built-to-Order	187.5	24.2%	193.3	24.1%	5.7	3.1%
Supplied Housing	118.0	18.0%	124.9	18.2%	6.9	5.9%
Development	82.9	20.1%	65.0	16.8%	(17.9)	(21.6%)
Overseas	48.9	19.9%	79.7	20.4%	30.7	62.9%
<b>SG&amp;A</b>	<b>255.3</b>		<b>272.7</b>		<b>17.4</b>	<b>6.8%</b>
<b>Operating income</b>	<b>189.2</b>	<b>8.8%</b>	<b>205.2</b>	<b>8.5%</b>	<b>16.0</b>	<b>8.5%</b>
Built-to-Order	92.6	12.0%	94.8	11.8%	2.2	2.4%
Supplied Housing	60.5	9.2%	64.5	9.4%	4.0	6.7%
Development	57.9	14.1%	39.4	10.2%	(18.5)	(32.0%)
Overseas	16.3	6.6%	44.5	11.4%	28.2	172.6%
<b>Non-operating income/expenses</b>	<b>5.9</b>		<b>8.6</b>		<b>2.6</b>	<b>44.9%</b>
<b>Ordinary income</b>	<b>195.1</b>	<b>9.0%</b>	<b>213.9</b>	<b>8.9%</b>	<b>18.7</b>	<b>9.6%</b>
<b>Extraordinary income</b>	<b>3.2</b>		<b>12.9</b>		<b>9.6</b>	<b>-</b>
<b>Extraordinary loss</b>	<b>11.0</b>		<b>15.4</b>		<b>4.4</b>	<b>39.8%</b>
<b>Profit attributable to owners of parent</b>	<b>128.5</b>	<b>6.0%</b>	<b>141.2</b>	<b>5.8%</b>	<b>12.6</b>	<b>9.9%</b>
<b>EPS (yen)</b>	<b>186.53</b>		<b>205.79</b>			

(Non-operating income/expenses)  
 -Equity in earnings of affiliates:  
 ¥10.4 billion (up ¥2.7 billion YOY)  
 -Foreign exchange gain:  
 ¥0.7 billion (up ¥1.2 billion YOY)

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

(Extraordinary loss)  
 -Loss on impairment:  
 ¥13.5 billion  
 (of which, hotel in Shenyang (China): ¥11.1 billion)

## ➤ State of Orders

(¥ billion)

Consolidated orders				Accumulated orders			
FY2018 (18/2-19/1)	FY2019 (19/2-20/1)	Amount changed	YOY	FY2018 (Jan. 31, 2019)	FY2019 (Jan. 31, 2020)	Amount Changed	Change
2,177.5	2,480.0	302.5	13.9%	995.8	1,408.4	412.6	41.4%

## 2. Financial Position



### Consolidated Balance Sheets

(¥ billion)

(Assets)	As of Jan. 31, 2019	As of Jan. 31, 2020	Amount changed	(Liabilities and net assets)	As of Jan. 31, 2019	As of Jan. 31, 2020	Amount changed
Total current assets	1,569.3	1,816.0	246.6	Total current liabilities	781.3	821.8	40.5
Real estate for sale *	1,079.4	978.9	(100.5)	Total long-term liabilities	434.7	506.0	71.2
Total noncurrent assets	843.7	818.7	(24.9)	<b>Total liabilities</b>	<b>1,216.1</b>	<b>1,327.8</b>	<b>111.7</b>
<b>Total assets</b>	<b>2,413.0</b>	<b>2,634.7</b>	<b>221.7</b>	<b>Total net assets</b>	<b>1,196.9</b>	<b>1,306.8</b>	<b>109.9</b>
				<b>Total liabilities and net assets</b>	<b>2,413.0</b>	<b>2,634.7</b>	<b>221.7</b>

\* 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
<b>Total assets</b>	<b>229.4</b>	<b>Total liabilities</b>	<b>137.7</b>

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	FY2019	Amount changed
Interest-bearing debts (¥ billion)	639.5	586.8	(52.6)
D/E ratio	54.1%	46.4%	(7.7p)
taking into account hybrid bonds	46.6%	39.7%	(6.9p)
Equity ratio	49.0%	48.1%	(0.9p)

### State of Cash Flows

(¥ billion)

	FY2018	FY2019	Amount changed
Net cash provided by (used in) operating activities	125.0	363.7	238.6
Net cash provided by (used in) investing activities	(70.1)	(65.2)	4.9
Free cash flow	54.9	298.5	243.6
Net cash provided by (used in) financing activities	(31.0)	(148.1)	(117.1)
Net increase (decrease) in cash and cash equivalents	18.2	146.4	128.2
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	342.8	583.2	

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

#### [Main factors of change]

- (Increase) decrease in inventories: Previous period ¥4.8 billion, Current period: ¥161.6 billion

### State of Investment

(¥ billion)

	FY2018	FY2019	Amount changed	FY2020 Full-year plan
Capital expenditures	58.6	73.2	14.5	90.0
Depreciation and amortization	22.1	21.5	(0.6)	22.0

### 3. Segment Information



#### ➤ Built-to-Order Business

(¥ billion)

	Net sales			
	FY2018 (18/2-19/1)	FY2019 (19/2-20/1)	Amount changed	YOY
Custom Detached Houses	357.9	390.9	33.0	9.2%
Rental Housing	416.0	410.6	(5.4)	(1.3%)
Total	774.0	801.6	27.6	3.6%

Gross margin		
FY2018 (18/2-19/1)	FY2019 (19/2-20/1)	Amount changed
25.4%	25.4%	0.0p
23.3%	22.9%	(0.4p)
24.2%	24.1%	(0.1p)

	Operating income			
	FY2018 (18/2-19/1)	FY2019 (19/2-20/1)	Amount changed	YOY
Custom Detached Houses	42.2	45.9	3.6	8.7%
Rental Housing	50.3	48.9	(1.4)	(2.9%)
Total	92.6	94.8	2.2	2.4%

OP margin		
FY2018 (18/2-19/1)	FY2019 (19/2-20/1)	Amount changed
11.8%	11.8%	0.0p
12.1%	11.9%	(0.2p)
12.0%	11.8%	(0.2p)

	Orders			
	FY2018 (18/2-19/1)	FY2019 (19/2-20/1)	Amount changed	YOY
Custom Detached Houses	386.7	346.2	(40.4)	(10.5%)
Rental Housing	424.7	435.5	10.8	2.5%
Total	811.5	781.8	(29.6)	(3.7%)

ASP per building (10 thousand yen)		
FY2018 (18/2-19/1)	FY2019 (19/2-20/1)	Amount changed
3,875	3,993	118
10,019	10,241	222

#### ■ Custom Detached Houses Business

Ratio of Green First Zero: 85% (for Apr 2019 through Jan 2020)

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 (18/2-19/1)	FY2019 (19/2-20/1)	Amount changed	YOY
Remodeling	141.4	152.7	11.3	8.0%
Real Estate Management Fees	514.0	534.8	20.8	4.1%
Total	655.4	687.6	32.1	4.9%

Gross margin		
FY2018 (18/2-19/1)	FY2019 (19/2-20/1)	Amount changed
27.1%	27.5%	0.4p
15.5%	15.5%	0.0p
18.0%	18.2%	0.2p

	Operating income			
	FY2018 (18/2-19/1)	FY2019 (19/2-20/1)	Amount changed	YOY
Remodeling	21.1	23.5	2.4	11.5%
Real Estate Management Fees	39.4	41.0	1.6	4.2%
Total	60.5	64.5	4.0	6.7%

OP margin		
FY2018 (18/2-19/1)	FY2019 (19/2-20/1)	Amount changed
14.9%	15.4%	0.5p
7.7%	7.7%	0.0p
9.2%	9.4%	0.2p

	Orders			
	FY2018 (18/2-19/1)	FY2019 (19/2-20/1)	Amount changed	YOY
Remodeling	148.4	149.7	1.2	0.9%
Real Estate Management Fees	514.0	534.8	20.8	4.1%
Total	662.4	684.5	22.1	3.3%

#### ■ Real Estate Management Fees Business

Number of units under management: 639 thousand  
Occupancy ratio: 97.7% (down 0.1p from the end of the previous year)

### 3. Segment Information



#### Development Business

(¥ billion)

	Net sales			
	FY2018 (18/2-19/1)	FY2019 (19/2-20/1)	Amount changed	YOY
Houses for Sale	148.8	151.2	2.3	1.6%
Condominiums	89.5	103.9	14.4	16.1%
Urban Redevelopment	173.3	131.9	(41.4)	(23.9%)
Total	411.8	387.1	(24.6)	(6.0%)

Gross margin		
FY2018 (18/2-19/1)	FY2019 (19/2-20/1)	Amount changed
18.0%	18.6%	0.6p
13.8%	16.5%	2.7p
25.2%	14.9%	(10.3p)
20.1%	16.8%	(3.3p)

	Operating income			
	FY2018 (18/2-19/1)	FY2019 (19/2-20/1)	Amount changed	YOY
Houses for Sale	11.0	12.2	1.1	10.6%
Condominiums	6.4	10.1	3.6	56.4%
Urban Redevelopment	40.4	17.0	(23.3)	(57.8%)
Total	57.9	39.4	(18.5)	(32.0%)

OP margin		
FY2018 (18/2-19/1)	FY2019 (19/2-20/1)	Amount changed
7.4%	8.1%	0.7p
7.2%	9.7%	2.5p
23.3%	12.9%	(10.4p)
14.1%	10.2%	(3.9p)

	Orders			
	FY2018 (18/2-19/1)	FY2019 (19/2-20/1)	Amount changed	YOY
Houses for Sale	156.2	143.3	(12.9)	(8.3%)
Condominiums	85.9	73.6	(12.2)	(14.2%)
Urban Redevelopment	146.5	160.6	14.1	9.6%
Total	388.6	377.6	(10.9)	(2.8%)

#### Urban Redevelopment Business

Sales from property sales: ¥88.9 billion

Profit from property sales: ¥11.3 billion

#### Overseas Business

	FY2018 (18/2-19/1)	FY2019 (19/2-20/1)	Amount changed	YOY
Net sales	245.9	389.8	143.9	58.5%
Operating income	16.3	44.5	28.2	172.6%
Orders	237.5	500.8	263.3	110.9%

	FY2018 (18/2-19/1)	FY2019 (19/2-20/1)	Amount changed
Gross margin	19.9%	20.4%	0.5p
OP margin	6.6%	11.4%	4.8p

#### Overseas Business / Details by country

##### Results for FY2019

(¥ billion)

Country	Net sales	Operating income	Ordinary income	Investment balance	Orders
Australia	23.4	(2.2)	(2.3)	140.3	29.1
China	57.1	3.6	6.2	116.8	135.8
USA	309.1	44.4	41.2	444.5	335.7
Singapore *	-	-	6.6	43.8	-
Other Administrative expenses	0.1	(1.3)	(1.8)	3.4	0.1
Total	389.8	44.5	46.3	749.0	500.8

\* Including Equity in earnings/loss of affiliates and gain on sale of equity(Extraordinary income)

### 3. Segment Information



(¥ billion)

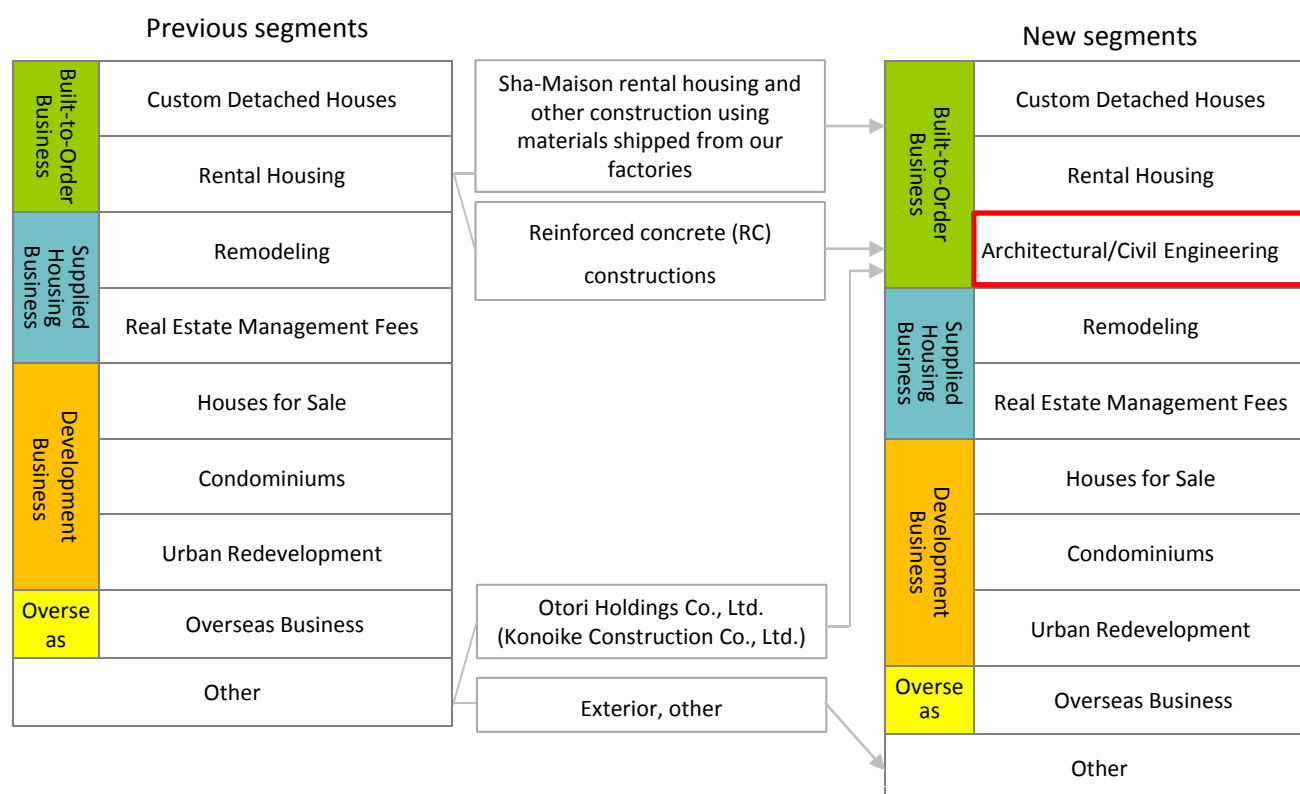
		FY2018 (18/2-19/1)					FY2019 (19/2-20/1)				
		Net sales	Operating income	OP margin	Gross margin	Orders	Net sales	Operating income	OP margin	Gross margin	Orders
Built-to-Order Business	Custom Detached Houses	357.9	42.2	11.8%	25.4%	386.7	390.9	45.9	11.8%	25.4%	346.2
	Rental Housing	416.0	50.3	12.1%	23.3%	424.7	410.6	48.9	11.9%	22.9%	435.5
	Subtotal	774.0	92.6	12.0%	24.2%	811.5	801.6	94.8	11.8%	24.1%	781.8
Supplied Housing Business	Remodeling	141.4	21.1	14.9%	27.1%	148.4	152.7	23.5	15.4%	27.5%	149.7
	Real Estate Management Fees	514.0	39.4	7.7%	15.5%	514.0	534.8	41.0	7.7%	15.5%	534.8
	Subtotal	655.4	60.5	9.2%	18.0%	662.4	687.6	64.5	9.4%	18.2%	684.5
Development Business	Houses for Sale	148.8	11.0	7.4%	18.0%	156.2	151.2	12.2	8.1%	18.6%	143.3
	Condominiums	89.5	6.4	7.2%	13.8%	85.9	103.9	10.1	9.7%	16.5%	73.6
	Urban Redevelopment	173.3	40.4	23.3%	25.2%	146.5	131.9	17.0	12.9%	14.9%	160.6
	Subtotal	411.8	57.9	14.1%	20.1%	388.6	387.1	39.4	10.2%	16.8%	377.6
	Overseas Business	245.9	16.3	6.6%	19.9%	237.5	389.8	44.5	11.4%	20.4%	500.8
	Other	73.0	(0.0)	(0.1%)	14.1%	77.4	148.9	4.2	2.8%	12.1%	135.1
	Eliminations and corporate expenses	-	(38.1)	-	-	-	-	(42.4)	-	-	-
	Total	2,160.3	189.2	8.8%	20.6%	2,177.5	2,415.1	205.2	8.5%	19.8%	2,480.0

\* "Other" for FY2019 includes revenue at Otori Holdings Co, Ltd., which became a consolidated subsidiary on October 1, 2019.

## 4. Change in Segments

### From FY2020, Architectural and Civil Engineering will be added in the Built-to-Order Business.

Revenue from RC building contracts, which was included in Rental Housing, and revenue at Otori Holdings Co., Ltd., which was included in Other, will be included in the new segment Architectural and Civil Engineering.



## 5. Full-Year Forecasts For FY2020

	FY2019 (19/2-20/1) Results	FY2020 (20/2-21/1) (¥ billion)	
		Forecasts	YOY
		Net sales	2,415.1
Gross margin	478.0	506.0	5.8%
Operating income	205.2	206.0	0.4%
Ordinary income	213.9	205.0	(4.2%)
Profit attributable to owners of parent	141.2	137.0	(3.0%)
EPS (yen)	205.79	202.52	(1.6%)
ROA	8.8%	8.0%	-
ROE	11.5%	10.6%	-
Dividend per share (yen)	81.00	86.00*	5.00
Payout ratio	39.4%	42.5%	-

\* Including commemorative dividend of 5 yen for our 60th anniversary of Company foundation.

## 5. Full-Year Forecasts For FY2020 by Segment



### ■ Sales

(¥ billion)

	FY2019 (19/2-20/1) Results (Recombined)	FY2020 (Full-Year) (20/2-21/1)			
		Forecasts	Amount changed	YOY	
Built-to-Order Business	Custom Detached Houses	390.9	346.0	(44.9)	(11.5%)
	Rental Housing	360.0	380.0	19.9	5.5%
	Architectural/Civil Engineering	120.9	325.0	204.0	168.6%
	Subtotal	872.0	1,051.0	178.9	20.5%
Supplied Housing Business	Remodeling	152.7	162.5	9.7	6.4%
	Real Estate Management Fees	534.8	556.5	21.6	4.0%
	Subtotal	687.6	719.0	31.3	4.6%
Development Business	Houses for Sale	151.2	139.0	(12.2)	(8.1%)
	Condominiums	103.9	84.0	(19.9)	(19.2%)
	Urban Redevelopment	131.9	107.0	(24.9)	(18.9%)
	Subtotal	387.1	330.0	(57.1)	(14.8%)
Overseas Business	389.8	410.0	20.1	5.2%	
Other	78.5	75.0	(3.5)	(4.5%)	
Total	2,415.1	2,585.0	169.8	7.0%	

### ■ Orders

(¥ billion)

	FY2019 (19/2-20/1) Results (Recombined)	FY2020 (Full-Year) (20/2-21/1)		
		Forecasts	Amount changed	YOY
	346.2	366.0	19.7	5.7%
	391.9	410.0	18.0	4.6%
	96.9	347.0	250.0	257.8%
	835.2	1,123.0	287.7	34.4%
	149.7	165.0	15.2	10.2%
	534.8	556.5	21.6	4.0%
	684.5	721.5	36.9	5.4%
	143.3	145.0	1.7	1.2%
	73.6	86.0	12.3	16.7%
	160.6	77.0	(83.6)	(52.1%)
	377.6	308.0	(69.6)	(18.4%)
	500.8	355.0	(145.8)	(29.1%)
	81.6	75.0	(6.6)	(8.2%)
Total	2,480.0	2,582.5	102.4	4.1%

### ■ Operating income

(¥ billion)

	FY2019 (19/2-20/1) Results (Recombined)	FY2020 (Full-Year) (20/2-21/1)			
		Forecasts	Amount changed	YOY	
Built-to-Order Business	Custom Detached Houses	45.9	27.5	(18.4)	(40.1%)
	Rental Housing	49.7	50.0	0.2	0.6%
	Architectural/Civil Engineering	3.7	16.5	12.7	342.4%
	Subtotal	99.3	94.0	(5.3)	(5.4%)
Supplied Housing Business	Remodeling	23.5	25.0	1.4	6.2%
	Real Estate Management Fees	41.0	46.0	4.9	12.0%
	Subtotal	64.5	71.0	6.4	9.9%
Development Business	Houses for Sale	12.2	9.0	(3.2)	(26.6%)
	Condominiums	10.1	10.0	(0.1)	(1.3%)
	Urban Redevelopment	17.0	20.0	2.9	17.3%
	Subtotal	39.4	39.0	(0.4)	(1.1%)
Overseas Business	44.5	46.0	1.4	3.3%	
Other	(0.2)	1.0	1.2	-	
Eliminations and corporate expenses	(42.4)	(45.0)	(2.5)	-	
Total	205.2	206.0	0.7	0.4%	

### ■ OP margin

### ■ Gross margin

	FY2019 (19/2-20/1) Results (Recombined)	FY2020 (20/2-21/1) Forecasts	FY2019 (19/2-20/1) Results (Recombined)	FY2020 (20/2-21/1) Forecasts
	11.8%	7.9%	25.4%	24.1%
	13.8%	13.2%	25.0%	25.0%
	3.1%	5.1%	9.7%	10.3%
	11.4%	8.9%	23.0%	20.2%
	15.4%	15.4%	27.5%	27.7%
	7.7%	8.3%	15.5%	16.4%
	9.4%	9.9%	18.2%	18.9%
	8.1%	6.5%	18.6%	19.4%
	9.7%	11.9%	16.5%	20.2%
	12.9%	18.7%	14.9%	21.5%
	10.2%	11.8%	16.8%	20.3%
	11.4%	11.2%	20.4%	20.4%
	(0.3%)	1.3%	13.4%	15.3%
	-	-	-	-
Total	8.5%	8.0%	19.8%	19.6%

\* Figures recombined based on the new segments are stated for FY2019.



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