Consolidated Financial Results for FY2018
(February 1, 2018 through January 31, 2019)

March 7, 2019

Company name	: Sekisui House, Ltd. (URL http://www.sekisuihouse.co.jp)
Listed exchanges	: Tokyo, Nagoya
Stock code	: 1928
Representative	: Yoshihiro Nakai, President and Representative Director
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Date of general shareholders' meeting	: April 25, 2019
Date of scheduled payment of dividends	: April 26, 2019
Date of scheduled filing of securities report	: April 26, 2019
Supplementary explanatory documents	: Yes
Earnings results briefing	: Yes (for institutional investors and analysts, in Japanese)

(Amounts are rounded down to the nearest million yen)

1. Consolidated Results for the FY2018 (February 1, 2018 through January 31, 2019)

(1) Consolidated Financial Results

(% figures represent changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Year ended January 31, 2019	2,160,316	0.0	189,223	(3.2)	195,190	(4.2)	128,582	(3.5)
Year ended January 31, 2018	2,159,363	6.5	195,540	6.2	203,678	6.6	133,244	9.3

(Note) Comprehensive income: Year ended Jan. 2019: ¥ 46,691million [(68.3%)] Year ended Jan. 2018: ¥147,222 million [30.7%]

	Profit per share	Fully diluted profit per share	Return on equity	Ordinary income ratio to total assets	Operating income ratio to net sales
	¥	¥	%	%	%
Year ended January 31, 2019	186.53	186.29	10.8	8.1	8.8
Year ended January 31, 2018	193.06	192.82	11.6	8.8	9.1

(Reference) Equity in earnings of affiliates: Year ended Jan. 2019: ¥ 7,750million Year ended Jan. 2018: ¥8,183 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of January 31, 2019	2,413,053	1,196,923	49.0	1,718.82
As of January 31, 2018	2,419,012	1,208,121	49.4	1,731.60

(Reference) Equity capital* As of January 31, 2019: ¥1,182,808 million As of January 31, 2018: ¥1,194,975 million

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

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents as of end of period
	¥ millions	¥ millions	¥ millions	¥ millions
Year ended January 31, 2019	125,088	(70,184)	(31,030)	342,898
Year ended January 31, 2018	165,355	(76,150)	30,154	324,693

2. Cash Dividends

	Dividends per share (¥)					Total dividends (annual) (¥ millions)	Dividend payout ratio (Consolidated)	Dividends to net assets (Consolidated)
	1st quarter	2nd quarter	3rd quarter	Year-end	Annual			
Year ended January 31, 2018	-	37.00	-	40.00	77.00	53,151	39.9	4.6
Year ended January 31, 2019	-	39.00	-	40.00	79.00	54,454	42.4	4.6
Year ending January 31, 2020 (Forecast)	-	40.00	-	41.00	81.00		40.1	

3. Consolidated Results Forecast for FY2019 (February 1, 2019 through January 31, 2020)

(% figures represent changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Year ending January 31, 2020	2,367,000	9.6	205,000	8.3	208,000	6.6	139,000	8.1	201.99

* Notes

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries that caused a change in scope of consolidation): Not applicable

New Consolidated Companies: - Excluded: -

(2) Changes in accounting policies, accounting estimates and restatements

(i) Changes in accounting policies due to amendment of accounting standards: Not applicable

(ii) Changes in accounting policies due other than (i): Not applicable

(iii) Changes in accounting estimates: Not applicable

(iv) Restatements: Not applicable

(3) Number of shares outstanding (common stock)

(i) Number of shares outstanding at the end of each period (including treasury stock):

As of Jan. 31, 2019: 690,683,466 shares As of Jan. 31, 2018: 690,683,466 shares

(ii) Number of treasury stock at the end of each period:

As of Jan. 31, 2019: 2,531,961 shares As of Jan. 31, 2018: 586,249 shares

(iii) Average number of shares outstanding in each period:

Year ended Jan. 2019: 689,337,044 shares Year ended Jan. 2018: 690,082,560 shares

(Reference) Summary of non-consolidated financial results

1. Non-Consolidated Results for the FY2018 (February 1, 2018 through January 31, 2019)

(1) Non-Consolidated Financial Results (% figures represent changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Year ended January 31, 2019	1,172,519	0.2	90,922	(7.4)	117,264	(5.9)	79,710	(7.7)
Year ended January 31, 2018	1,169,671	(1.0)	98,195	5.6	124,643	13.9	86,359	14.2

	Net income per share	Fully diluted Net income per share
	¥	¥
Year ended January 31, 2019	115.60	115.45
Year ended January 31, 2018	125.11	124.96

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of January 31, 2019	1,600,860	859,499	53.6	1,247.50
As of January 31, 2018	1,656,052	852,599	51.4	1,234.05

(Reference) Equity capital* As of January 31, 2019: ¥858,696 million As of January 31, 2018: ¥851,837 million

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

*** This consolidated financial results repot are outside the scope of review by a certified public accountant or an audit firm.**

*** Notes Regarding the Appropriate Use of Results Forecasts and Other Important Matters**

This document contains forward-looking statements based on judgments and estimates derived from information available to the Company at the time of this release, and is therefore subject to risks and uncertainties. Actual future results may differ materially from any projections presented here due to a variety of factors, including economic conditions surrounding the business domain of the Company and Group companies, as well as market trends.

For details of results forecast, please refer to "(1) Analysis of Business Results (Future Outlook)" of "1. Analyses of Business Results and Financial Position" of the "Attached Material" on page 10.

(Obtaining supplementary explanatory documents)

The Company plans to hold a briefing for institutional investors and analysts on March 7, 2019. Relevant financial explanatory documents to be handed out at the briefing will be posted on our official website on the same day.

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Appendix 1: Results summary for the year ended January 31, 2019

¥ millions

Consolidated	FY2017	FY2018	YOY (%)	FY2019 forecast	YOY (%)
Net sales	2,159,363	2,160,316	0.0	2,367,000	9.6
Gross profit	445,082	444,596	(0.1)	475,000	6.8
Operating income	195,540	189,223	(3.2)	205,000	8.3
Ordinary income	203,678	195,190	(4.2)	208,000	6.6
Profit attributable to owners of parent	133,224	128,582	(3.5)	139,000	8.1
Total orders	2,244,150	2,177,557	(3.0)	2,440,000	12.1
Accumulated orders	978,601	995,842	1.8	1,068,842	7.3

Key management indicators

Consolidated	FY2014	FY2015	FY2016	FY2017	FY2018	FY2019 forecast
Profit per share (¥)	130.91	120.16	175.48	193.06	186.53	201.99
Net assets per share (¥)	1,527.52	1,508.81	1,598.90	1,731.60	1,718.82	1,841.34
Dividends per share (¥)	50.00	54.00	64.00	77.0	79.00	81.00
OP margin	7.66%	8.05%	9.09%	9.06%	8.76%	8.66%
ROE	9.03%	7.93%	11.28%	11.59%	10.82%	11.30%
ROA *	8.40%	8.25%	9.38%	9.03%	8.32%	8.60%

* ROA: Return on Assets = (Operating income + Interest and Dividends received+ Equity in earnings of affiliates) / Total assets

Appendix 2: Segment breakdown for the year ended January 31, 2019

(1) Sales

¥ millions

		FY2017	FY2018	YOY(%)	FY2019 forecast	YOY(%)
Built-to-order Business	Custom detached houses	371,171	357,994	(3.6)	390,000	9.0
	Rental housing	442,845	416,062	(6.0)	438,000	5.3
	Subtotal	814,017	774,006	(4.9)	828,000	7.0
Supplied Housing Business	Remodeling	136,843	141,416	3.3	152,000	7.5
	Real estate management fees	489,891	514,035	4.9	539,000	4.9
	Subtotal	626,735	655,452	4.6	691,000	5.4
Development Business	Houses for sale	155,481	148,880	(4.2)	162,000	8.8
	Condominiums	77,497	89,581	15.6	90,000	0.5
	Urban redevelopment	103,777	173,391	67.1	126,000	(27.3)
	Subtotal	336,756	411,853	22.3	378,000	(8.2)
Overseas Business		306,716	245,953	(19.8)	331,600	34.8
Other businesses		75,137	73,050	(2.8)	138,400	89.5
Consolidated		2,159,363	2,160,316	0.0	2,367,000	9.6

(2) Operating income and OP margin

¥ millions

		FY2017 Amount OP margin	FY2018 Amount OP margin	YOY(%)	FY2019 forecast Amount OP margin	YOY(%)
Built-to-order Business	Custom detached houses	48,043 12.9%	42,255 11.8%	(12.0)	47,500 12.2%	12.4
	Rental housing	60,883 13.7%	50,376 12.1%	(17.3)	53,500 12.2%	6.2
	Subtotal	108,926 13.4%	92,632 12.0%	(15.0)	101,000 12.2%	9.0
Supplied Housing Business	Remodeling	19,760 14.4%	21,109 14.9%	6.8	23,000 15.1%	9.0
	Real estate management fees	33,133 6.8%	39,407 7.7%	18.9	44,500 8.3%	12.9
	Subtotal	52,893 8.4%	60,516 9.2%	14.4	67,500 9.8%	11.5
Development Business	Houses for sale	13,460 8.7%	11,088 7.4%	(17.6)	14,000 8.6%	26.3
	Condominiums	9,229 11.9%	6,478 7.2%	(29.8)	9,000 10.0%	38.9
	Urban redevelopment	16,994 16.4%	40,403 23.3%	137.7	14,000 11.1%	(65.3)
	Subtotal	39,684 11.8%	57,970 14.1%	46.1	37,000 9.8%	(36.2)
Overseas Business		29,761 9.7%	16,340 (6.6%)	(45.1)	35,000 10.6%	114.2
Other businesses		1,234 1.6%	(44) (0.1%)	-	4,000 (2.9%)	-
Eliminations and back office		(36,960)	(38,192)	-	(39,500)	-
Consolidated		195,540 9.1%	189,223 8.8%	(3.2)	205,000 8.7%	8.3

(3) Orders

¥ millions

		FY2017	FY2018	YOY(%)	FY2019 forecast	YOY(%)
Built-to-order Business	Custom detached houses	362,672	386,792	6.7	415,000	7.3
	Rental housing	463,200	424,709	(8.3)	443,000	4.3
	Subtotal	825,873	811,501	(1.7)	858,000	5.7
Supplied Housing Business	Remodeling	137,835	148,417	7.7	154,000	3.8
	Real estate management fees	489,891	514,035	4.9	539,000	4.9
	Subtotal	627,726	662,453	5.5	693,000	4.6
Development Business	Houses for sale	153,674	156,208	1.6	162,000	3.7
	Condominiums	112,532	85,904	(23.7)	90,000	4.8
	Urban redevelopment	132,532	146,525	10.6	126,000	(14.0)
	Subtotal	398,739	388,637	(2.5)	378,000	(2.7)
Overseas Business		316,441	237,535	(24.9)	369,000	55.3
Other businesses		75,369	77,429	2.7	142,000	83.4
Consolidated		2,244,150	2,177,557	(3.0)	2,440,000	12.1

(4) Accumulated orders

¥ millions

		As of January 31, 2018	As of January 31, 2019	YOY(%)	As of January 31, 2020 forecast	YOY(%)
Built-to-order Business	Custom detached houses	200,156	229,004	14.4	254,004	10.9
	Rental housing	398,755	407,403	2.2	412,403	1.2
	Subtotal	598,912	636,407	6.3	666,408	4.7
Supplied Housing Business	Remodeling	23,988	30,989	29.2	32,989	6.5
	Real estate management fees	-	-	-	-	-
	Subtotal	23,988	30,989	29.2	32,989	6.5
Development Business	Houses for sale	42,153	49,481	17.4	49,481	0.0
	Condominiums	121,732	118,054	(3.0)	118,054	0.0
	Urban redevelopment	28,755	1,888	(93.4)	1,888	0.0
	Subtotal	192,640	169,424	(12.1)	169,424	0.0
Overseas Business		119,721	111,303	(7.0)	148,703	33.6
Other businesses		43,337	47,716	10.1	51,316	7.5
Consolidated		978,601	995,842	1.8	1,068,842	7.3

1. Analyses of Business Results and Financial Position

(1) Analysis of Business Results

(Review of Business Performance)

During the consolidated fiscal year under review, the Japanese economy continued its moderate recovery, as reflected in developments such as corporate performance improvement and capital spending growth, supported by a steady improvement in employment conditions and observed moves toward a consumer spending pickup, although the potential impact of trade issues on the global economy and the effects of fluctuations in financial and capital markets required attention. In the housing market, the number of new housing starts decreased from the previous fiscal year with a decline in the construction of rental housing due mainly to a change in the attitude of financial institutions, in spite of a trend toward recovery observed in the construction of custom detached houses. In the meantime, demand remained firm in overseas housing markets, even though a phase of adjustment including a decrease in the number of supplied houses due to the change of the country's housing policy and other factors was observed in certain countries.

Under these circumstances, the Company stepped up efforts to strengthen housing and residential-related business and expand new business areas under the basic policy adopted in the Fourth Mid-Term Management Plan (2017-2019) of Building the foundations for residential-related businesses BEYOND 2020 in the second year of that Plan, while the Sekisui House Group overall pursued the value that housing can provide to the society.

The Company strengthened the sales system by introducing a new product in the Custom Detached Houses Business, increasing the expertise of sales staff, and actively enhancing the sales of non-housing contract business (hotels, day nurseries, medical institutions, etc.) The Company also established the Human Life R & D Institute, which will study and propose Houses where the more you live, the happier you will be, as part of the Company's efforts in pursuing a sense of happiness such as health and family bonds, in addition to the research themes such as living safety, security, and comfort that it has been working on over many years.

In November 2018, the Company announced the Trip Base Michi-no-Eki Stations Project, a regional revitalization project the Company and Marriott International, Inc. will undertake in cooperation with local governments in Japan. Under this project, roadside hotels that mainly use materials shipped from the Company's factories will be open from fall of 2020 in 15 locations in five prefectures, with the Company in charge of contracted construction. In January 2019, the Company announced the Platform House Concept based on its vision of making home the happiest place in the world. The announcement was made at CES 2019, one of the world's largest consumer electronics shows held in Las Vegas, where the Company exhibited products independently, the first Japanese home builder to do so. As the first step based on the Platform House Concept, the Company is advancing efforts with health as a theme, and plans to launch a product that offers services including responses to acute illness in the spring of 2020.

In the ESG (environment, society, governance) field, which the Company positions as an important management issue, the Company was selected for all of the four ESG indices adopted by GPIF, the world's largest pension fund. In addition, Sekisui House was selected as one of the companies included in the Dow Jones Sustainability World Index (DJSI World), for the third year in a row.

With respect to environmental efforts, the Company made a decarbonization declaration in 2008 to help build a sustainable society with 2050 as the target year. The Company decided to launch Sekisui House Owner Denki, a service for purchasing excess electricity generated by PV systems installed on owner's houses for use in the Sekisui House Group's business activities, in a bid to popularize ZEH (net zero energy housing) and achieve RE100 initiative targets established for covering energy used for businesses with renewable energy at the rate of 100%.

As for the social aspects, the Company has been pursuing a management strategy of diversity to create an environment in which diverse human resources can make the best use of their abilities to their fullest potential. As for the advancement of women in the workplace, the Company was selected for the Nadeshiko Brand 2018 under joint administration of the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange (for the fifth time as only company in the housing and construction industry). As a Kids First Company that leads a society that supports child care and parenting, the Company has announced that all male employees who have children under the age of three will take childcare leave of at least one month.

In the area of governance, the Company bolstered governance by setting up a Management Meeting where important investment projects and other matters are deliberated, reorganizing systems for sharing risk information and facilitating interdivisional cooperation, and reforming the system of submitting draft proposals for endorsement by designated officials to have both drafting and examining divisions analyze risk factors exhaustively. The Company also took steps to develop a more robust corporate culture, including the appointment of female outside directors and reforms to the Board of Directors to make decisions through transparent and active discussions based on the principle of assigning the role of the chairman of the Board of Directors and the role of the convener to different directors.

Net sales in FY2018 amounted to ¥2,160,316 million (up 0.0% year-on-year). Operating income amounted to ¥189,223 million (down 3.2% year-on-year), ordinary income to ¥195,190 million (down 4.2% year-on-year) and profit attributable to owners of parent to ¥128,582 million (down 3.5% year-on-year).

Business results by segments are as follows.

<Built-to-Order Business>

(Custom Detached Houses Business)

In the Custom Detached Houses Business, the Company worked to develop and promote the sales of high value-added products such as ZEHs and houses using original external walls. The Company focused on sales of Green First Zero, our original ZEHs, which achieve an energy balance by saving energy through high insulation and other means and generating energy through methods such as photovoltaic power generation and fuel cells. The ZEH ratio has been shifting steadily toward the target of 76% in 2018 (and 80% in 2020). The Company will accelerate its initiatives for popularizing ZEHs, focusing on the strengths that make a comfortable lifestyle consistent with ZEHs. In addition, the Company expanded the sales of the IS series of steel-frame houses and the GRAVIS series of SHAWOOD-HOME wood-framed houses, the high-end products. In urban areas, the Company focused on selling three- and four-story heavy steel-framed houses offering greater layout flexibility that can meet diverse needs, including demand for multiple-family cohabitation. Meanwhile, the Company introduced Airkis specifications for giving consideration to indoor air quality to the SHAWOOD-HOME series of wood-framed houses, enabling it to propose the specifications in all custom detached house lines. In October, the Company released the IS ROY+E Family Suite featuring the fusion of achievements of a study of Houses where the more you live, the happier you will be and advanced technologies, to propose a large living space in which comfortable personal distances are maintained among family members.

As a result of these efforts, orders received for the Business increased year-on-year, showing signs of recovery from the third quarter of the fiscal 2018.

Sales in the Custom Detached Houses Business amounted to ¥357,944 million (down 3.6% from the previous fiscal year), and operating income to ¥42,255 million (down 12.0%).

(Rental Housing Business)

In the Rental Housing Business, the Company sought to win more orders for rental houses centered on those with three or four-stories by conducting exhaustive marketing in specific areas focused on urban districts and making attractive proposals that lead to stable management in the long term, such as the supply of rental properties of good quality. In addition, the Company sought to meet diverse construction demand and bolster its ability to propose applications, such as houses for combined residential and commercial use, hotels, day nurseries, and medical institutions, using the new flexible β system construction method in which design adaptability and space proposal capability are enhanced. As a result, sales progressed solidly for non-housing segments.

However, orders received for the Business overall fell year-on-year, mainly due to sluggish rental housing results.

Sales in the Rental Housing Business amounted to ¥416,062 million (down 6.0% from the previous fiscal year), and operating income to ¥50,376 million (down 17.3%).

<Supplied Housing Business>

(Remodeling Business)

In the Remodeling Business, the Company promoted its shift from maintenance-based remodeling to proposal-based remodeling, which offers lifestyle ideas, and environment-based remodeling, such as energy-saving renovation, and took steps to bolster its sales structure. In addition, the Company made aggressive proposals that contribute to stable management in the long term, including the maintenance and improvement of rent levels and occupancy rates, to the owners of Sha-Maison rental houses.

In December 2018, the Company introduced Idokoro Dan-netsu products based on the Green First Renovation Concept. This is the idea of partial insulation which narrows heated areas within a house down to family members' whereabouts centered on the living room, the dining room and the kitchen where they spend many hours. The Company will offer a pleasant and comfortable lifestyle by performing insulation repairs and installing comfortable facilities.

Sales in the Remodeling Business amounted to ¥141,416 million (up 3.3% from the previous fiscal year), and operating income to ¥21,109 million (up 6.8%).

(Real Estate Management Fees Business)

In the Real Estate Management Fees Business, the number of Sha-Maison rental housing units for block leasing and that of housing units whose management is commissioned achieved solid growth through a group-based collaboration with Sekiwa Real Estate companies. Under this condition, the Company maintained high occupancy rates by meeting demand for high-quality rental houses featuring hotel-like specifications.

Sales in the Real Estate Management Fees Business amounted to ¥514,035 million (up 4.9% from the previous fiscal year) and operating income to ¥39,407 million (up 18.9%).

<Development Business>

(Houses for Sale Business)

In the Houses for Sale Business, the Company continued to procure land actively for first-time buyers, and at the same time, the Company furthered events and other initiatives to promote sales. In addition, the Company advanced efforts to develop communities of high quality that can be passed on to the next generation in the forms of initiatives for planning and proposing not only individual gardens and external facilities but also integrated rows of houses and activities for supporting community development, adopting the concept of beauty that blooms with time in which attractions and value grow over the years. The Company has been implementing the Fukuoka Island City Teriha no Machizukuri project with the Fukuoka City government and related organizations through a public-private-academia collaboration. The project, whose town opening ceremony was carried out in 2005, received the Asian Townscape Award 2018.

Sales in the Houses for Sale Business amounted to ¥148,880 million (down 4.2% from the previous fiscal year), and operating income to ¥11,088 million (down 17.6%).

(Condominium Business)

In the Condominium Business, the Company advanced its brand strategies by thoroughly enforcing area-specific strategies and integrating homebuilding knowhow gained through custom detached houses. Grande Maison Seaside-no Mori (Shinagawa-ku, Tokyo) were sold out. Looking at properties for sale, orders received were steadily favorable for Grande Maison Uemachidai the Tower (Chuo-ku, Osaka), where Ene Farm fuel cells for household use will be installed in all units. Handovers also progressed according to plan for properties, such as Grande Maison Shin Umeda Tower (Kita-ku, Osaka).

Sales in the Condominium Business amounted to ¥89,581 million (up 15.6% from the previous fiscal year), and the operating income was ¥6,478 million (down 29.8%).

(Urban Redevelopment Business)

In the Urban Redevelopment Business, the Company undertook development projects aimed at establishing high quality social infrastructure. Occupancy rates for rental properties owned by the Sekisui House Group, such as offices, commercial buildings and Prime Maison rental houses developed by the Company, remained high. Moreover, the Company sold properties, such as the Ritz-Carlton Kyoto (part of the stake) and Prime Maison Shirokanedai Tower, a rental house it had developed, to Sekisui House Reit, Inc., based on a business policy of increasing the asset turnover ratio.

Sales in the Urban Redevelopment Business amounted to ¥173,391 million (up 67.1% from the previous fiscal year) and operating income to ¥40,403 million (up 137.7%).

(Overseas Business)

In the United States, Woodside Homes Company, LLC., which became a consolidated subsidiary in the previous fiscal year, achieved strong housing sales. In Australia, the Central Park project finished delivering condominiums, hotels and other buildings. In China, the condominiums in the city of Taicang sold out and condominiums in the city of Suzhou were steadily delivered as planned. In Singapore, sales of Seaside Residence continued to be strong.

On the other hand, there were no properties delivered in the rental housing development business in the United States and a complex development project in Australia posted a loss on valuation of inventory. As a result of factors including those mentioned above, sales in the Overseas Business amounted to ¥245,953 million (down 19.8% from the previous fiscal year), while operating income was ¥16,340 million (down 45.1%).

<Other Businesses>

In the Exterior Business, the Company worked to step up integrated proposals for houses and external facilities. The Company made aggressively proposals for building original gardens and external facilities in custom detached houses, rental houses and condominiums based on the Gohon no Ki landscaping plan through which garden trees are selected from native, non-cultivated and other plant varieties to match the local climate.

Sales in the Other Businesses amounted to ¥73,050 million (down 2.8% from the previous fiscal year), and operating loss to ¥44 million.

(Future Outlook)

In the Japanese economy, corporate earnings, and employment and income conditions are expected to maintain a moderate improvement. However, future economic prospects, including the effects of the consumption tax hike scheduled for enforcement in October 2019, political risks in respective countries, trade issues and trends in monetary policies, remain unclear.

In the housing market, a number of government policies are likely to alleviate the effects of the consumption tax increase, although it is difficult to be optimistic about the outlook. Trends in the housing market require attention. Moreover, demand is expected to remain firm for the custom detached houses with high added values on which the Company is focusing, as well as high quality rental housing centered on urban areas with diversifying housing needs in the background. In the meantime, changes in conditions surrounding housing are definitely advancing, as demonstrated by issues such as measures to counter global warming that will cause large-scale disasters, quality and technologies sought in houses in an aging society, approaches to expanding inbound tourist demand, and the development of houses that make the most of evolving information technologies.

In this business environment, the Company is working to lay the foundations for residential-related businesses based on the Fourth Mid-Term Management Plan. The Company will expand its market share by proactively proposing houses with high added value in which intangibles are supported by its technical strengths and other tangibles. In the meantime, the Company will further reinforce the cooperation within the group and expand such businesses as remodeling, real estate management, and brokerage to promote the formation of quality housing stock. Moreover, in the overseas business, the Company will keep investment and recovery in balance by promptly grasping market conditions in each country and steadily advancing development projects.

Based on a hard look at the likely situation in 2020 and beyond, the Company will expand its business areas, including new services, to be a partner able to give residents a feeling of happiness based on safety, peace of mind and comfort. The Company will work to realize steady profit growth by strengthening its balanced earnings structure.

For the fiscal year ending January 31, 2020, the Company forecasts consolidated net sales of ¥2,367,000 million (up 9.6% from the current fiscal year under review), consolidated operating income of ¥205,000 million (up 8.3%), consolidated ordinary income of ¥208,000 million (up 6.6%), and profit attributable to owners of parent of ¥139,000 million (up 8.1%).

(2) Analysis on Financial Position

Total assets decreased by ¥5,959 million to ¥2,413,053 million at the end of the fiscal year under review, primarily owing to the decrease in property, plant, and equipment. Liabilities increased ¥5,238 million, to ¥1,216,130 million, mainly due to an increase in loans payable. Net asset, despite posting profit attributable to owners of parent, decreased ¥11,197 million to ¥1,196,923 million, mainly due to payments of dividends and a decrease in translation adjustment.

Cash flows from operating activities was ¥125,088 million (a year-on-year decrease of ¥40,266 million in net cash provided), primarily due to posting of profit before income taxes.

Cash flows used in investing activities was ¥70,184 million (a year-on-year increase of ¥5,966 million in net cash provided), mainly reflecting the purchase of property, plant, and equipment, and purchase of shares of subsidiaries resulting in change in scope of consolidation.

Cash flows used in financing activities was ¥31,030 million (a year-on-year decrease of ¥61,185 million in net cash provided), owing mainly to the issuance of bonds.

Consequently, cash and cash equivalents at the end of the fiscal year under review amounted to ¥342,898 million, increasing by ¥18,205 million from the end of the previous fiscal year.

(3) Basic Policy on Profit Distribution, Dividend for the Current and Next Fiscal Years

The Company regards the maximization of shareholder value as one of the most important management issues. Accordingly, the Company will strive to enhance the shareholder return by increasing earnings per share through sustainable business growth and by improving asset efficiency. In doing so, it will take into comprehensive account the status of profits and cash flows in each fiscal year and future business development, among other factors, as well as making growth investments, implementing a shareholder return targeting a dividend payout ratio of 40% over the medium and long term, and acquiring and canceling its own shares in a timely manner.

For the year ended January 31, 2019, we paid an interim dividend of ¥39 and plan to pay out a year-end dividend of ¥40.

For the next fiscal year ending January 31, 2020, we plan to pay out an interim dividend of ¥40 and a year-end dividend of ¥41, totaling ¥81 for the full year.

2. Management Policy

(1) Basic Management Policy

Since the establishment of Sekisui House we have aimed to create homes and environments with individuality and warmth, as a leading producer of housing in Japan. Providing first class product quality and technical skills is essential, and we aim every day to reflect our philosophy of love of humanity by creating houses that bring satisfaction to our customers. In the future, through rigorous quality control we aim to continue to raise customer satisfaction and to provide full after service to our customers. Housing is characterized by a very long product life and we believe that steadily pursuing these values in our business activities creates a powerful framework of trust that is the key to long-term growth and an essential element of our business. Further our basic stance is that true management of a company is borne out of three concepts: customer satisfaction, shareholder satisfaction and employee satisfaction and we must also fulfill our obligations as a corporate citizen while considering the stability and investment required to ensure continued long term growth while making determined efforts to expand our business.

(2) Targeted Performance Indicators

In order to promote business efficiency we aim to take opportunities to strengthen our balance sheet and raise asset efficiency in each of our businesses. As a result of these initiatives, it aims to improve the rates of return on total assets and net assets, while achieving ROA of 10% and keeping ROE above 10%.

(3) Medium and Long- term Business Strategy

In addition to bringing a wide range of leading-edge technologies and lifestyle proposals that it has worked on to date together under the unified brand vision SLOW & SMART, in its business management policy the Company has also pursued a growth strategy focused on the residential domain, and advanced operations based on its three business models: the Built-to-Order Business, the Supplied Housing Business, and the Development Business. In March 2017, in an effort to further expand its business operations, the company also formulated a new mid-term management plan for the period up until the fiscal year ending January 31, 2021.

The new mid-term management plan sets the basic policy of building a foundation of residential-related businesses towards BEYOND 2020. In addition to bolstering our residence and residential-related businesses, the management plan also highlights the expansion of new business domains utilizing the Company's factory shipping elements, and identifies the international business operations (which the Company launched in 2009) as one of the major pillars of our business. In accordance this medium-term management plan, we will continue to proactively promote the spread and popularization of high value-added residences and residential environments, based on our four business models.

Built-to-Order Business (Custom Detached Housing / Rental Housing)

The Group will continue to promote the dissemination and sales expansion of Green First Zero (Net Zero Energy House), which has been leading the industry, and will strengthen the product appeal of the IS Series, the steel frame house with the Company's original exterior wall Dyne Concrete, and the Shawood wooden house utilizing the Bellburn original high-grade earthenware exterior wall, and expand the sales of 3- and 4-story houses through the all-out area marketing of rental housing.

The Group will also expand the business domains by taking advantage of the strength of materials shipped from its plants in developing the built-to-order business for accommodations that will be directly linked to inbound demand and respond to various forms and business using the useful land of CRE and PRE.

Supplied Housing Business (Remodeling / Real Estate Management Fees)

The Group will enhance renovation (large-scale remodeling) services that provide not only maintenance-type renovation as before but also lifestyle proposal-type renovation. In custom detached houses, the Group divided Sekisui House Remodeling, Ltd. into three companies in 2016 to conduct more community-based business activities and, at the same time, is strengthening remodeling for rental housing, demand for which is growing mainly in urban areas, with the aim of enhancing business performance by expanding the business base for remodeling.

In the real estate management fees business, the Group aims to increase the asset value of its properties by improving the quality of the management business in order to maintain the high occupation rate and strengthen the SumStock business and the real estate brokerage business, which will respond to the distribution market of existing houses that is expected to expand further in the future.

Development Business (Houses for Sale / Condominiums / Urban Redevelopment)

The Group will promote the business with a focus on development that will increase the asset turnover ratio by carefully selecting valuable land. In houses for sale, the Group will differentiate its products by actively developing smart towns and focusing on becoming more beautiful over time. In the condominiums business, the Group will fully enforce area strategies and work actively to disseminate eco-friendly condominiums at the same time. In the urban redevelopment business, the Group will continue to supply properties stably to the REITs it sponsored, to increase the asset turnover ratio and generate profits.

Overseas Business

The overseas business of the Company remains steady because the earnings base has been built in the United States and Australia as a result of developing the business internationally in the four countries of Australia, the United States, China and Singapore, starting with business advancement in Australia in 2009. In China, the brand value of the Company's high-quality properties has begun penetrating, and in Singapore, its properties available for sale are almost sold out. The Company will continue to expand its business by providing its high-quality housing technologies and landscape development capabilities, etc. in the overseas business while at the same time participating in earnest in the custom detached houses business in the United States by converting Woodside Homes, a homebuilder in the United States, into a wholly owned subsidiary.

3. Basic Approach to the Selection of Accounting Standards

The Sekisui House Group has been compiling its consolidated financial statements according to the Japanese standards. It will adopt international accounting standards appropriately in the future, factoring in the situations both in Japan and abroad.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥ millions)

	As of January 31, 2018	As of January 31, 2019
Assets		
Current assets		
Cash and deposits	325,834	343,358
Notes receivable, accounts receivable from completed construction contracts	45,877	42,503
Short-term investment securities	589	-
Costs on uncompleted construction contracts	9,414	12,168
Buildings for sale	369,124	393,538
Land for sale in lots	599,514	579,000
Undeveloped land for sale	109,480	106,934
Other inventories	7,627	8,546
Deferred income taxes	29,075	24,806
Other	77,402	84,706
Less allowance for doubtful accounts	(1,270)	(1,440)
Total current assets	1,572,669	1,594,124
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	348,783	346,776
Machinery, equipment and vehicles	62,598	63,926
Tools, furniture and fixtures	32,413	32,605
Land	322,502	304,370
Lease assets	1,180	2,544
Construction in progress	26,117	21,888
Less accumulated depreciation	(240,781)	(241,718)
Total property, plant and equipment	552,814	530,394
Intangible assets		
Goodwill	6,167	4,586
Industrial property	517	357
Leasehold right	5,745	5,363
Software	9,044	9,727
Right of using facilities	252	237
Telephone subscription right	289	288
Other	0	6
Total intangible assets	22,016	20,566
Investments and other assets		
Investments in securities	173,802	156,959
Long-term loans receivable	25,341	24,157
Asset for retirement benefits	14,725	382
Deferred income taxes	3,080	12,939
Other	54,994	73,747
Less allowance for doubtful accounts	(431)	(218)
Total investments and other assets	271,512	267,967
Total noncurrent assets	846,343	818,929
Total assets	2,419,012	2,413,053

(¥ millions)

	As of January 31, 2018	As of January 31, 2019
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	104,136	94,001
Electronically recorded obligations-operating	68,677	53,427
Short-term loans	209,707	239,472
Short-term bonds	15,000	20,000
Current portion of long-term loans payable	2,431	64,303
Accrued income taxes	32,200	33,008
Advances received on construction projects in progress	142,690	156,605
Accrued employees' bonuses	28,900	25,527
Accrued directors' and corporate auditors' bonuses	1,560	1,477
Provision for warranties for completed construction	2,980	2,788
Other	98,612	90,706
Total current liabilities	706,898	781,318
Long-term liabilities		
Bonds payable	235,000	215,000
Long-term loans payable	154,201	94,006
Guarantee deposits received	60,508	60,701
Deferred income taxes	12,499	1,108
Accrued retirement benefits for directors and corporate auditors	1,337	1,060
Liabilities for retirement benefits	21,504	49,988
Other	18,941	12,946
Total long-term liabilities	503,993	434,812
Total liabilities	1,210,891	1,216,130
Net assets		
Shareholders' equity		
Common stock	202,591	202,591
Capital surplus	251,563	251,563
Retained earnings	626,961	700,949
Less treasury stock, at cost	(948)	(4,215)
Total shareholders' equity	1,080,167	1,150,888
Accumulated other comprehensive income		
Net unrealized holding gain on securities	48,033	33,146
Deferred (loss) gain on hedges	(68)	(56)
Translation adjustments	50,677	21,269
Retirement benefits liability adjustments	16,166	(22,440)
Total accumulated other comprehensive income	114,807	31,919
Stock subscription rights	761	803
Non-controlling interests	12,384	13,312
Total net assets	1,208,121	1,196,923
Total liabilities and net assets	2,419,012	2,413,053

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income

(Consolidated Statements of Income)

(¥ millions)

	Feb. 1, 2017 – Jan. 31, 2018	Feb. 1, 2018 – Jan. 31, 2019
Net sales	2,159,363	2,160,316
Cost of sales	1,714,281	1,715,719
Gross profit	445,082	444,596
Selling, general and administrative expenses		
Selling expenses	55,111	54,228
General and administrative expenses	194,430	201,145
Total selling, general and administrative expenses	249,541	255,373
Operating income	195,540	189,223
Non-operating income		
Interest income	2,326	2,103
Dividends income	1,710	1,924
Foreign exchange gain	1,091	-
Equity in earnings of affiliates	8,183	7,750
Other	2,755	3,267
Total non-operating income	16,068	15,046
Non-operating expenses		
Interest expenses	3,733	4,722
Foreign exchange loss	-	553
Other	4,196	3,802
Total non-operating expenses	7,929	9,078
Ordinary income	203,678	195,190
Extraordinary income		
Gain on sales of investments in securities	1	3,094
Gain on sales of shares of subsidiaries and affiliates	10,477	181
Total extraordinary income	10,478	3,275
Extraordinary loss		
Loss on impairment of fixed assets	7,791	9,392
Loss on sales or disposal of fixed assets	1,938	1,606
Loss on sales of investments in securities	-	72
Loss on revaluation of investments in securities	2,879	2
Bad debt loss	5,559	-
Total extraordinary losses	18,168	11,074
Profit before income taxes	195,988	187,392
Income taxes-current	51,611	51,300
Income taxes-deferred	5,185	6,473
Total income taxes	56,796	57,774
Profit	139,192	129,618
Profit attributable to non-controlling interests	5,967	1,035
Profit attributable to owners of parent	133,224	128,582

(Consolidated Statements of Comprehensive Income)

(¥ millions)

	Feb. 1, 2017 – Jan. 31, 2018	Feb. 1, 2018 – Jan. 31, 2019
Profit attributable to owners of parent	139,192	129,618
Other comprehensive income (loss)		
Net unrealized holding gain on securities	9,672	(15,001)
Deferred gain (loss) on hedges	-	
Translation adjustments	2,594	(28,303)
Retirement benefits liability adjustments	(5,931)	(38,655)
Share of other comprehensive gain (loss) of affiliates accounted for by the equity method	1,694	(965)
Total other comprehensive income	8,030	(82,926)
Comprehensive income	147,222	46,691
Comprehensive income attributable to		
Owners of the parent	141,239	45,694
Non-controlling interests	5,983	997

(3) Consolidated Statements of Changes in Net Assets

Previous consolidated fiscal year (February 1, 2017 to January 31, 2018)

(¥ millions)

	Equity capital				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Shareholders' equity
Balance at the end of previous period	202,591	253,559	577,663	(37,248)	996,565
Changes of items during the period					
Cash dividends	-	-	(47,627)	-	(47,627)
Profit attributable to owners of parent	-	-	133,224	-	133,224
Purchases of treasury stock	-	-	-	(22)	(22)
Sales of treasury stock	-	-	(45)	68	23
Retirement of treasury stock	-	-	(36,253)	36,253	-
Purchase of shares of consolidated subsidiaries	-	(1,995)	-	-	(1,995)
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes of items during the period	-	(1,995)	49,298	36,299	83,602
Balance at the end of current period	202,591	251,563	626,961	(948)	1,080,167

	Accumulated other comprehensive income					Stock subscription rights	Non-controlling interests	Total net assets
	Net unrealized holding gain on securities	Deferred gain (loss) on hedges	Translation adjustment	Retirement benefits liability adjustments	Total accumulated other comprehensive income			
Balance at the end of previous period	37,839	19	46,975	21,959	106,793	694	14,211	1,118,264
Changes of items during the period								
Cash dividends	-	-	-	-	-	-	-	(47,627)
Profit attributable to owners of parent	-	-	-	-	-	-	-	133,224
Purchase of treasury stock	-	-	-	-	-	-	-	(22)
Sales of treasury stock	-	-	-	-	-	-	-	23
Retirement of treasury stock	-	-	-	-	-	-	-	-
Purchase of shares of consolidated subsidiaries	-	-	-	-	-	-	-	(1,995)
Net changes of items other than shareholders' equity	10,193	(88)	3,702	(5,793)	8,014	67	(1,826)	6,254
Total changes of items during the period	10,193	(88)	3,702	(5,793)	8,014	67	(1,826)	89,856
Balance at the end of current period	48,033	(68)	50,677	16,166	114,807	761	12,384	1,208,121

Current consolidated fiscal year (February 1, 2018 to January 31, 2019)

(¥ millions)

	Equity capital				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Shareholders' equity
Balance at the end of previous period	202,591	251,563	626,961	(948)	1,080,167
Changes of items during the period					
Cash dividends	-	-	(54,532)	-	(54,532)
Profit attributable to owners of parent	-	-	128,582	-	128,582
Purchase of treasury stock	-	-	-	(3,376)	(3,376)
Sales of treasury stock	-	-	(61)	109	47
Retirement of treasury stock	-	-	-	-	-
Purchase of shares of consolidated subsidiaries	-	-	-	-	-
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes of items during the period	-	-	73,988	(3,267)	70,721
Balance at the end of current period	202,591	251,563	700,949	(4,215)	1,150,888

	Accumulated other comprehensive income					Stock subscription rights	Non-controlling interests	Total net assets
	Net unrealized holding gain on securities	Deferred gain (loss) on hedges	Translation adjustment	Retirement benefits liability adjustments	Total accumulated other comprehensive income			
Balance at the end of previous period	48,033	(68)	50,677	16,166	114,807	761	12,384	1,208,121
Changes of items during the period								
Cash dividends	-	-	-	-	-	-	-	(54,532)
Profit attributable to owners of parent	-	-	-	-	-	-	-	128,582
Purchase of treasury stock	-	-						(3,376)
Sales of treasury stock	-	-	-	-	-	-	-	47
Retirement of treasury stock	-	-	-	-	-	-	-	-
Purchase of shares of consolidated subsidiaries	-	-	-	-	-	-	-	-
Net changes of items other than shareholders' equity	(14,886)	12	(29,407)	(38,606)	(82,888)	41	927	(81,919)
Total changes of items during the period	(14,886)	12	(29,407)	(38,606)	(82,888)	41	927	(11,197)
Balance at the end of current period	33,146	(56)	21,269	(22,440)	31,919	803	13,312	1,196,923

(4) Consolidated Statements of Cash Flows

(¥ millions)

	Feb. 1, 2017 – Jan. 31, 2018	Feb. 1, 2018 – Jan. 31, 2019
Cash flows from operating activities		
Profit before income taxes	195,988	187,392
Depreciation and amortization	21,983	22,155
Loss on impairment of fixed assets	7,791	9,392
Increase (decrease) in liability for retirement benefits	376	(9,410)
Increase (decrease) in asset for retirement benefits	(14,280)	(3,383)
Interest and dividend income	(4,037)	(4,027)
Interest expense	3,733	4,722
Equity in earnings of affiliates	(8,183)	(7,750)
Loss (gain) on sales of investment securities	(1)	(3,021)
Loss (gain) on valuation of investments in securities	2,879	2
Gain on sales of shares of subsidiaries and affiliates	(10,477)	(181)
Decrease (increase) in notes and accounts receivable-trade	4,406	3,158
Decrease (increase) in inventories	19,106	4,850
Increase (decrease) in notes and accounts payable-trade	(13,242)	(29,518)
Increase (decrease) in advances received on construction projects in progress	12,260	14,817
Other, net	307	(15,864)
Subtotal	218,611	173,334
Interest and dividends income received	6,547	8,769
Interest expenses paid	(5,336)	(6,522)
Income taxes paid	(54,467)	(50,492)
Net cash provided by (used in) operating activities	165,355	125,088
Cash flows from investing activities		
Proceeds from sales of short-term investments	1,400	589
Purchase of property, plant and equipment	(62,899)	(53,877)
Proceeds from sales of property, plant and equipment	2,832	4,467
Purchases of investments in securities	(5,467)	(5,966)
Proceeds from sales and redemption of investments in securities	2,886	5,831
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(47,787)	-
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	18,108	-
Increase in loans receivable	(262)	(219)
Collection of loans receivable	14,732	1,431
Other, net	306	(22,441)
Net cash provided by (used in) investing activities	(76,150)	(70,184)
Cash flows from financing activities		
Proceeds from issuance of short-term bonds	(35,000)	-
Increase (decrease) in short-term loans, net	55,536	44,221
Proceeds from long-term debt	59,385	48,689
Repayment of long-term debt	(36,384)	(50,806)
Proceeds from issuance of bonds	120,000	-
Redemption of bonds	(76,014)	(15,000)
Cash dividends paid	(47,627)	(54,532)
Purchases of treasury stock	(19)	(3,374)

(¥ millions)

	Feb. 1, 2017 – Jan. 31, 2018	Feb. 1, 2018 – Jan. 31, 2019
Purchase of shares of subsidiary that do not result in change in scope of consolidation	(2,220)	-
Other, net	(7,500)	(227)
Net cash provided by (used in) financing activities	30,154	(31,030)
Effect of exchange rate changes on cash and cash equivalents	632	(5,668)
Net increase (decrease) in cash and cash equivalents	119,991	18,205
Cash and cash equivalents at beginning of period	204,701	324,693
Cash and cash equivalents at end of period	324,693	342,898

(5) Notes to Consolidated Financial Statements

(Notes Regarding Assumption of Going Concerns)

Not applicable

(Notes to Consolidated Statements of Income)

(1) Loss on impairment of fixed assets

Impairment loss of the following group of assets was recorded.

Previous consolidated fiscal year (February 1, 2017 – January 31, 2018)

Location	Usage	Type
Hodogaya-ku, Yokohama City, etc.	Real estate for leasing, etc.	Buildings and land, etc.

The Sekisui House Group recognizes impairment loss by grouping investment properties by project and grouping other assets by operating unit, which allow us to manage gains and losses in a rational manner. As a result, for the group of real estate for leasing, the book value was impaired down to the recoverable value, and this decrease was recorded as impairment loss under "Extraordinary loss."

(Breakdown of impairment loss)

Type	Amount (¥ millions)
Buildings and structures	2,486
Machinery and equipment	331
Land	4,468
Other	505
Total	7,791

For these assets, the Company calculates the recoverable value of the relevant assets based on their use value or net selling prices. The use value is determined based on future cash flows, and the net selling price is determined based on the real estate appraisal value and other.

Current consolidated fiscal year (February 1, 2018 – January 31, 2019)

Location	Usage	Type
Nakamura-ku, Nagoya City, etc.	Real estate for leasing, etc.	Buildings and land, etc.

The Sekisui House Group recognizes impairment loss by grouping investment properties by project and grouping other assets by operating unit, which allow us to manage gains and losses in a rational manner. As a result, for the group of real estate for leasing, the book value was impaired down to the recoverable value, and this decrease was recorded as impairment loss under "Extraordinary loss."

(Breakdown of impairment loss)

Type	Amount (¥ millions)
Buildings and structures	1,071
Machinery and equipment	415

Land	7,874
Other	31
Total	9,392

For these assets, the Company calculates the recoverable value of the relevant assets based on their use value or net selling prices. The use value is determined based on future cash flows, and the net selling price is determined based on the real estate appraisal value and other.

(Segment Information)

Segment Information

1. Summary of reportable segments

The reportable segments of the Sekisui House Group are its constituent units for which separate financial information is obtained and examined on a regular basis by its manager to determine the allocation of management resources and evaluate business performance.

The Sekisui House Group operates comprehensive housing businesses as a proactive creator of comfortable living environments. To achieve sustainable growth by optimizing its management resources, the Group has established business domains. Each domain operates by developing its own business strategies.

Consequently, the Group comprises segments based on the products and services provided by each business domain. The Group considers the Custom Detached Houses Business, the Rental Housing Business, the Remodeling Business, the Real Estate Management Fees Business, the Houses for Sale Business, the Condominiums Business, the Urban Redevelopment Business, and the Overseas Business, excluding Other Businesses, as its reportable segments.

Details of the reportable segments are as follows:

Custom Detached Houses Business:	Designing, constructing, and contracting for sale detached houses
Rental Housing Business:	Designing, constructing, and contracting for sale rental housing, medical and nursing care facilities, and other buildings
Remodeling Business:	Renovating housing
Real Estate Management Fees Business:	Leasing, managing, maintaining, and brokering real estate.
Houses for Sale Business:	Selling houses and real estate, and designing, constructing, and contracting for sale houses on residential land for sale
Condominiums Business:	Selling condominiums
Urban Redevelopment Business:	Developing office buildings, commercial facilities, and other facilities, and managing and maintaining its own properties
Overseas Business:	Contracting for sale detached houses, sells houses and real estate, and develops facilities, including condominiums and commercial facilities, in overseas markets

2. Method of calculation for sales, income and loss, asset, liabilities and other items by each segment

The accounting treatment used for all reporting segments is basically the same as that stated in "Basic Important Matters for Preparation of Consolidated Financial Statements."

3. Segment information on sales, income or loss, assets, liabilities and other items by reporting segment

Previous consolidated fiscal year (February 1, 2017 to January 31, 2018)

(¥ million)

	Reportable Business Segments						
	Custom Detached Houses	Rental Housing	Remodeling	Real Estate Management Fees	Houses for Sale	Condominiums	Urban Redevelopment
Sales							
(1) Sales to third parties	371,171	442,845	136,843	489,891	155,481	77,497	103,777
(2) Inter-group sales and transfers	-	8,191	247	3,369	-	-	91
Net sales	371,171	451,037	137,091	493,261	155,481	77,497	103,868
Operating income (loss)	48,043	60,883	19,760	33,133	13,460	9,229	16,994
Assets	55,616	46,371	15,517	112,272	142,903	176,859	582,974
Other items							
Depreciations	3,941	2,588	112	978	1,161	32	8,907
Net increase in property, plant and equipment, and intangible assets	3,325	929	199	1,253	841	2	52,742

	Reportable Business Segments		Other Businesses (Note: 1)	Total	Adjustments (Note:2)	Amounts on the consolidated financial statements (Note: 3)
	Overseas Business	Total				
Sales						
(1) Sales to third parties	306,716	2,084,225	75,137	2,159,363	-	2,159,363
(2) Inter-group sales and transfers	-	11,899	5,574	17,474	(17,474)	-
Net sales	306,716	2,096,125	80,712	2,176,837	(17,474)	2,159,363
Operating income (loss)	29,761	231,266	1,234	232,500	(36,960)	195,540
Assets	929,306	2,061,823	15,084	2,076,908	342,104	2,419,012
Other items						
Depreciations	862	18,585	776	19,361	2,621	21,983
Net increase in property, plant and equipment, and intangible assets	5,473	64,768	63	64,831	3,967	68,799

1. Other Businesses principally include the exterior business.
2. Adjustments are as follows:

(1) An adjustment of ¥36,960 million for segment income includes an elimination of inter-segment transactions of ¥3,274 million and corporate expenses of ¥33,686million that have not been allocated to each segment. Corporate expenses mainly include selling, general and administration expenses and experiment and research expenses that do not belong to any reportable segments.

(2) An adjustment of ¥342,104 million for assets is corporate assets. Corporate assets are mainly parent company surplus operating funds (cash and short-term investment securities), long-term investment funds (investment securities) and assets of the administration division.

(3) An adjustment of ¥2,621 million for depreciation and amortization is depreciation related to corporate assets.

(4) An adjustment of ¥3,967 million for increases in property, plant, and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.

3. Operating income (loss) by business segment is adjusted to correspond to operating income in the consolidated statements of income.

Current consolidated fiscal year (February 1, 2018 to January 31, 2019)

(¥ million)

	Reportable Business Segments						
	Custom Detached Houses	Rental Housing	Remodeling	Real Estate Management Fees	Houses for Sale	Condominiums	Urban Redevelopment
Sales							
(1) Sales to third parties	357,944	416,062	141,416	514,035	148,880	89,581	173,391
(2) Inter-group sales and transfers	-	3,217	178	3,207	-	-	105
Net sales	357,944	419,279	141,594	517,243	148,880	89,581	173,497
Operating income (loss)	42,255	50,376	21,109	39,407	11,088	6,478	40,403
Assets	57,419	47,313	16,849	138,004	141,446	173,102	539,327
Other items							
Depreciations	3,899	2,463	116	756	1,108	14	8,419
Net increase in property, plant and equipment, and intangible assets	3,734	1,193	21	1,394	788	25	45,603

	Reportable Business Segments		Other Businesses (Note: 1)	Total	Adjustments (Note:2)	Amounts on the consolidated financial statements (Note: 3)
	Overseas Business	Total				
Sales						
(1) Sales to third parties	245,953	2,087,265	73,050	2,160,316	-	2,160,316
(2) Inter-group sales and transfers	-	6,708	5,799	12,507	(12,507)	-
Net sales	245,953	2,093,974	78,850	2,172,824	(12,507)	2,160,316
Operating income (loss)	16,340	227,459	(44)	227,415	(38,192)	189,223
Assets	943,695	2,057,159	15,189	2,072,349	340,703	2,413,053
Other items						,
Depreciations	1,848	18,628	769	19,397	2,757	22,155
Net increase in property, plant and equipment, and intangible assets	921	53,683	175	53,858	4,821	58,680

Notes

1. Other Businesses principally include the exterior business.
2. Adjustments are as follows:

(1) An adjustment of ¥38,192 million for segment income (loss) includes an elimination of inter-segment transactions of ¥3,114 million and corporate expenses of ¥35,077 million that have not been allocated to each segment. Corporate expenses mainly include selling, general and administration expenses and experiment and research expenses that do not belong to any reportable segments.

(2) An adjustment of ¥340,703 million for assets is corporate assets. Corporate assets are mainly parent company surplus operating funds (cash and short-term investment securities), long-term investment funds (investment securities) and assets of the administration division.

(3) An adjustment of ¥2,757 million for depreciation and amortization is depreciation related to corporate assets.

(4) An adjustment of ¥4,821 million for increases in property, plant, and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.

3. Operating income (loss) by business segment is adjusted to correspond to operating income in the consolidated statements of income.

(Per Share Information)

	Feb. 1, 2017 – Jan. 31, 2018	Feb. 1, 2018 – Jan. 31, 2019
Net assets per share	¥1,731.60	¥1,718.82
Profit per share	¥193.06	¥186.53
Fully diluted Profit per share	¥192.82	¥186.29

(Note) Basis for Calculation

1. Net assets per share

¥ millions, except where noted	As of January 31, 2018	As of January 31, 2019
Net assets recorded on balance sheet	1,208,121	1,196,923
Difference between net assets in consolidated balance sheet and net assets attributable to ordinary shares	13,146	14,115
Subscription rights to shares	761	803
Minority interests	12,384	13,312
Net assets attributable to ordinary shares	1,194,975	1,182,808
Number of ordinary shares outstanding (1,000 shares)	690,683	690,683
Number of ordinary shares held in treasury (1,000 shares)	586	2,531
Number of ordinary shares used to calculate shareholders' equity per share (1,000 shares)	690,097	688,151

2. Profit per share and fully diluted income per share

¥ millions, except where noted	Previous fiscal year (Feb. 1, 2017 - Jan. 31, 2018)	Current fiscal year (Feb. 1, 2018 - Jan. 31, 2019)
Profit per share		
Profit attributable to owners of parent	133,224	128,582
Amount not attributable to ordinary shares	-	-
Profit attributable to ordinary shares	133,224	128,582
Average number of ordinary shares outstanding during period (1,000 shares)	690,082	689,337
Fully diluted profit per share		
Adjustment to profit attributable to owners of parent	-	-
Number of ordinary shares increased (shares)		
Subscription rights to shares	862	894

Overview of residual securities not included in the calculation of fully diluted profit per share as they have no dilutive effect	-	-

(Significant Subsequent Event)

(Consolidation of equity method affiliate)

The Company decided at the Board of Directors Meeting held on March 7, 2019 that the Company will consolidate Otori Holdings, Co., Ltd. (hereinafter “Otori Holdings”) (Note), an affiliate accounted for by the equity method.

The Company currently owns Class A Preferred Shares issued by Otori Holdings. Class A Preferred Shares do include an option to convert the preferred shares into common shares, exercisable on or after October 1, 2019. When fully exercised, the Company’s voting rights will rise to 45.7% in total, including common shares held already (voting rights 33.3%). The Company will make Otori Holdings a consolidated subsidiary of the Company by acquisition common shares in Otori Holdings held by its existing shareholders in such a way that the resulting percentage of the Company’s voting rights will be in excess of 50% and exercise an option to convert all of the Class A Preferred Shares.

(Note) Otori Holdings is a holding company that owns outstanding shares issued by Konoike Construction Co., Ltd. (hereinafter “Konoike Construction”).

1.Reasons for consolidation

The Sekisui House Group has been taking consistent actions with the aim of building the foundation for the residential-related business toward BEYOND 2020, a basic policy for the fourth mid-term management plan ending in the fiscal year to January 2020, in view of business developments that are expected to unfold in the years beyond 2020.

Konoike Construction is a well-established general contractor that will mark its 150th year in business in 2021, and has shown consistent growth in business leveraging its highly sophisticated expertise and technical knowhow that have been developed over a number of years. Konoike Construction is taking forward-looking steps based on the customer trust and achievements that have been accumulated to date.

Since the start of business alliance with Konoike Construction in November 2015, the Company has succeeded in producing synergies in a number of collaborative areas, including condominium and hotel development projects as well as joint initiatives to acquire subcontractor contracts by sharing market intelligence. The two companies have been working together, leveraging the combination of the Company’s management resources related to the residential-related business and the expertise possessed by Konoike Construction in the construction and civil engineering business. The Company will step up its collaborative initiatives with Konoike Construction, seeking to respond quickly to business opportunities in the coming years. The initiatives will include not only the Development-oriented projects that have played a primary part of the partnership business, but also our Built-to-Order-oriented projects seeking to grow the CRE / PRE strategic solution business, helping to further bolster the value of real estate assets owned by corporations and public organizations.

Given this situation, the Company has decided to consolidate Otori Holdings (and its subsidiary Konoike Construction), believing that it will be necessary for the Company to strengthen the existing business partnership in order to develop and expand the collaborative relationship between the two companies.

With the affiliate consolidation, the Company aims to achieve further enhancement in the partnership with Konoike Construction in pursuit of further growth of the Sekisui House Group, promoting group-wide initiatives aimed at producing synergistic results in business along with streamlining measures.

2. Name, scope of business and scale of the company consolidated

(1) Company name: Otori Holdings, Co., Ltd.

(2) Scope of business: Holding company that owns outstanding shares issued by Konoike Construction Co., Ltd.

(3) Scale: Consolidated net assets: ¥ 80,669 million, Consolidated total assets: ¥ 210,061 million (as of Sep 30, 2018)