

# Sekisui House, Ltd.

## First Quarter of FY2016

(February 1, 2016 through April 30, 2016)

### - Summary of Consolidated Financial Results -

1. Overview
2. Financial Position
3. Segment Information

Built-to-Order Business

Supplied Housing Business

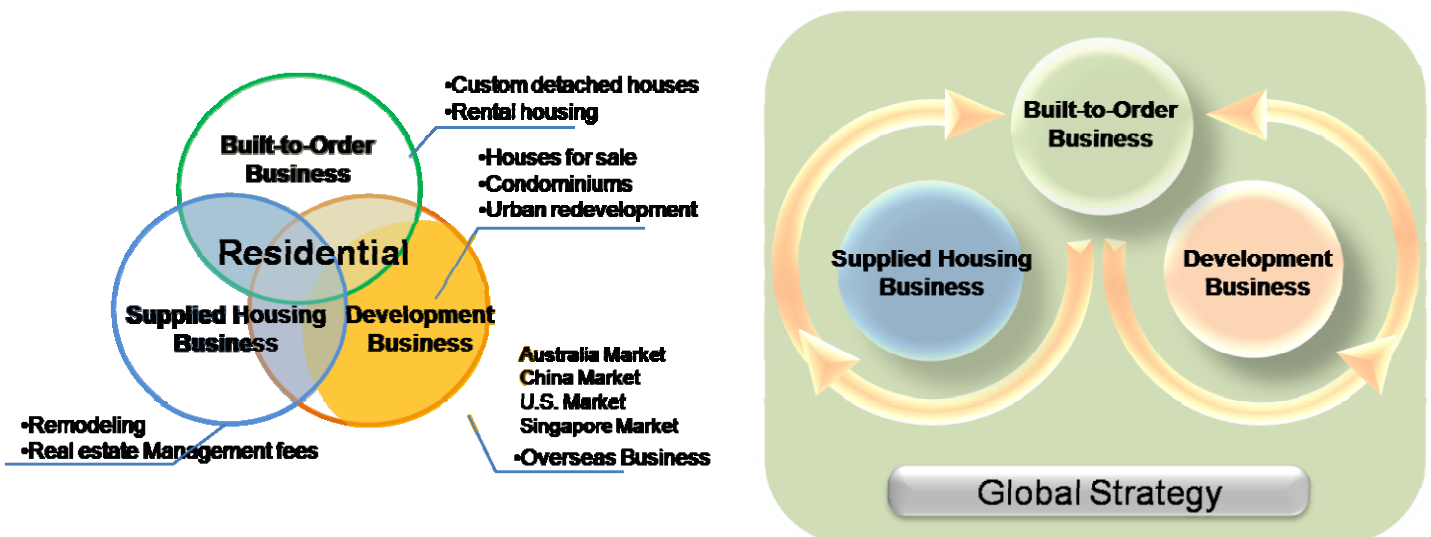
Development Business

<Reference> Full-Year Forecasts for FY2016

June 9, 2016

### Basic Direction of FY2014 Mid-term Management Plan

Strengthening synergies in the Group and taking on  
New challenges in the “residential”-related business



### Management Direction

Deployment of growth strategies focused on  
the “residential” business domain

# 1. Overview



## ➤ Overview

**Both sales and profits increased with steady progress in the construction of rental houses, etc.**

**The gross margin improved with the effects of continuous cost reduction.**

## ➤ Highlights

- Built-to-Order Business:** Although sales declined in the Custom Detached Houses Business, influenced by a fall in orders in the second half of the previous fiscal year, the profit margin improved in the Built-to-Order Business as a whole, thanks to the bolstering of the profit structure by leveraging the Group's strengths in production, construction and logistics, in addition to higher sales in the Rental Housing Business attributable to steady progress in construction works. Total orders increased 3.2% year on year, as the operating environment continued to improve as a result of our continued focus on the sale of high value-added products such as Green First Zero of Sekisui House, Ltd. and three- and four-story houses.
- Supplied Housing Business:** Sales in the Remodeling Business remained unchanged from the previous year, although a fall in sales of solar remodeling was offset by large-scale renovations and the remodeling of rental houses. In the Real Estate Management Fees Business, both sales and profits increased, reflecting a continued rise in the number of managed rooms associated with the strong Rental Housing Business and a continued high level of occupancy.
- Development Business:** Sales and profits remained almost the same as the previous year, as the timing for the delivery of properties will be concentrated in the second half in the Overseas Business, although some properties were sold to REITs in the Urban Redevelopment Business.

(¥ billion)

	FY2015 (15/2-15/4)		FY2016 (16/2-16/4)			
	Results	Margin	Results	Margin	Amount changed	YOY
<b>Net sales</b>	<b>401.8</b>		<b>405.3</b>		<b>3.5</b>	<b>0.9%</b>
Built-to-Order	171.8		173.4		1.5	0.9%
Supplied Housing	140.2		145.9		5.7	4.1%
Development	69.7		67.2		(2.4)	(3.6%)
<b>Gross profit</b>	<b>78.9</b>	<b>19.7%</b>	<b>82.6</b>	<b>20.4%</b>	<b>3.6</b>	<b>4.6%</b>
Built-to-Order	39.3	22.9%	41.2	23.8%	1.8	4.7%
Supplied Housing	23.0	16.4%	25.3	17.4%	2.2	9.8%
Development	14.1	20.4%	14.4	21.5%	0.2	1.7%
<b>SG&amp;A</b>	<b>53.9</b>		<b>55.7</b>		<b>1.7</b>	<b>3.3%</b>
<b>Operating income</b>	<b>25.0</b>	<b>6.2%</b>	<b>26.8</b>	<b>6.6%</b>	<b>1.8</b>	<b>7.5%</b>
Built-to-Order	15.8	9.2%	17.0	9.8%	1.1	7.4%
Supplied Housing	10.3	7.4%	12.3	8.4%	1.9	19.0%
Development	6.1	8.8%	6.0	9.0%	(0.0)	(1.4%)
<b>Non-operating income/expenses</b>	<b>3.1</b>		<b>(1.2)</b>		<b>(4.3)</b>	-
<b>Ordinary income</b>	<b>28.1</b>	<b>7.0%</b>	<b>25.6</b>	<b>6.3%</b>	<b>(2.5)</b>	<b>(8.9%)</b>
<b>Extraordinary income</b>	-		-		-	-
<b>Extraordinary loss</b>	<b>3.8</b>		<b>0.1</b>		<b>(3.6)</b>	<b>(96.0%)</b>
<b>Net income attributable to owners of parent</b>	<b>11.6</b>	<b>2.9%</b>	<b>15.2</b>	<b>3.8%</b>	<b>3.6</b>	<b>31.6%</b>
<b>EPS (yen)</b>	<b>16.54</b>		<b>21.83</b>			

(Non-operating income/expenses)  
 ·Equity in earnings of affiliates:  
 ¥1.3 billion (up ¥0.1 billion YOY)  
 ·Foreign exchange loss: ¥2.1 billion (down ¥3.6 billion YOY)

(Income taxes-deferred)  
 · The reversal of deferred tax assets occurred as a result of the change in corporate tax rates: ¥1.5 billion

## ➤ State of Orders

(¥ billion)

Consolidated orders				Accumulated orders			
FY2015 (15/2-15/4)	FY2016 (16/2-16/4)	Amount changed	YOY	FY2015 (Jan. 31, 2016)	FY2016 1Q (Apr. 30, 2016)	Amount changed	Change
502.9	477.2	(25.7)	(5.1%)	868.7	940.5	71.8	8.3%

## 2. Financial Position

### ➤ Consolidated Balance Sheets

(¥ billion)

(Assets)	FY2015 (Jan. 31, 2016)	FY2016 1Q (Apr. 30, 2016)	Amount changed	(Liabilities and net assets)	FY2015 (Jan. 31, 2016)	FY2016 1Q (Apr. 30, 2016)	Amount changed
Total current assets	1,264.9	1,257.7	(7.1)	Total current liabilities	735.3	729.6	(5.7)
Real estate for sale *	898.2	937.2	38.9	Total noncurrent liabilities	225.9	244.4	18.4
Total noncurrent assets	764.8	753.6	(11.2)	<b>Total liabilities</b>	<b>961.3</b>	<b>974.0</b>	<b>12.7</b>
<b>Total assets</b>	<b>2,029.7</b>	<b>2,011.3</b>	<b>(18.4)</b>	<b>Total net assets</b>	<b>1,068.4</b>	<b>1,037.2</b>	<b>(31.1)</b>
				<b>Total liabilities and net assets</b>	<b>2,029.7</b>	<b>2,011.3</b>	<b>(18.4)</b>

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

#### [Main factors of change]

- Of real estate for sale, the increase in real estate for sale in Japan: ¥40.8 billion
- Decrease in foreign currency translation adjustments: ¥(19.7) billion

### ➤ State of Interest-bearing Debts

	FY2015 (Jan. 31, 2016)	FY2016 1Q (Apr. 30, 2016)	Amount changed
Interest-bearing debts (¥ billion)	426.0	502.0	76.0
DE ratio	40.3%	48.9%	8.6p
Equity ratio	52.1%	51.0%	(1.1p)

### ➤ State of Cash Flows

(¥ billion)

	FY2015 (15/2-15/4)	FY2016 (16/2-16/4)	Amount changed
Net cash provided by (used in) operating activities	(105.1)	(92.1)	13.0
Net cash provided by (used in) investing activities	(9.7)	(21.2)	(11.4)
Free cash flow	(114.9)	(113.3)	1.5
Net cash provided by (used in) financing activities	64.9	61.4	(3.4)
Net increase (decrease) in cash and cash equivalents	(51.1)	(54.7)	(3.6)
Cash and cash equivalents at beginning of period	195.0	192.3	
Cash and cash equivalents at end of period	143.9	137.5	

#### [Main factors of change]

- Increases in inventories: ¥(52.4) billion

### ➤ State of Investment

(¥ billion)

	FY2015 (15/2-15/4)	FY2016 (16/2-16/4)	Amount changed	FY2016 Full-year plan
Capital expenditures	9.6	16.3	6.7	80.0
Depreciation and amortization	5.9	5.6	(0.2)	25.0

### 3. Segment Information



#### ➤ Built-to-Order Business

(¥ billion)

	Net sales			
	FY2015 (15/2-15/4)	FY2016 (16/2-16/4)	Amount changed	YOY
Custom Detached Houses	84.1	79.2	(4.8)	(5.8%)
Rental Housing	87.7	94.1	6.4	7.3%
Total	171.8	173.4	1.5	0.9%

Gross margin		
FY2015 (15/2-15/4)	FY2016 (16/2-16/4)	Amount changed
24.0%	24.8%	0.8p
21.8%	22.9%	1.1p
22.9%	23.8%	0.9p

	Operating income			
	FY2015 (15/2-15/4)	FY2016 (16/2-16/4)	Amount changed	YOY
Custom Detached Houses	6.6	6.5	(0.0)	(1.2%)
Rental Housing	9.1	10.4	1.2	13.6%
Total	15.8	17.0	1.1	7.4%

OP margin		
FY2015 (15/2-15/4)	FY2016 (16/2-16/4)	Amount changed
7.9%	8.3%	0.4p
10.5%	11.1%	0.6p
9.2%	9.8%	0.6p

	Orders			
	FY2015 (15/2-15/4)	FY2016 (16/2-16/4)	Amount changed	YOY
Custom Detached Houses	99.7	100.9	1.1	1.2%
Rental Housing	100.7	105.9	5.1	5.2%
Total	200.5	206.9	6.3	3.2%

ASP per building (10 thousand yen)		
FY2015	FY2016 (16/2-16/4)	Amount changed
3,700	3,762	62
7,677	8,164	487

#### ■ Custom Detached Houses Business

Ratio of Green First Zero: 70%

Ratio of three- and four-story housing (in value): 10.0%

#### ■ Rental Housing Business

Ratio of three- and four-story housing (in value): 58.1%

#### ➤ Supplied Housing Business

(¥ billion)

	Net sales			
	FY2015 (15/2-15/4)	FY2016 (16/2-16/4)	Amount changed	YOY
Remodeling	28.1	28.5	0.3	1.3%
Real Estate Management Fees	112.0	117.4	5.3	4.8%
Total	140.2	145.9	5.7	4.1%

Gross margin		
FY2015 (15/2-15/4)	FY2016 (16/2-16/4)	Amount changed
22.8%	24.7%	1.9p
14.9%	15.6%	0.7p
16.4%	17.4%	1.0p

	Operating income			
	FY2015 (15/2-15/4)	FY2016 (16/2-16/4)	Amount changed	YOY
Remodeling	2.4	2.9	0.5	22.4%
Real Estate Management Fees	7.9	9.3	1.4	18.0%
Total	10.3	12.3	1.9	19.0%

OP margin		
FY2015 (15/2-15/4)	FY2016 (16/2-16/4)	Amount changed
8.6%	10.3%	1.7p
7.1%	8.0%	0.9p
7.4%	8.4%	1.0p

	Orders			
	FY2015 (15/2-15/4)	FY2016 (16/2-16/4)	Amount changed	YOY
Remodeling	33.0	33.5	0.4	1.4%
Real Estate Management Fees	112.0	117.4	5.3	4.8%
Total	145.1	150.9	5.8	4.0%

#### ■ Real Estate Management Fees Business

Number of units under management: 572 thousand  
Occupancy ratio: 97.0% (up 0.5p from the end of the previous year)

### 3. Segment Information



#### Development Business

(¥ billion)

	Net sales			
	FY2015 (15/2-15/4)	FY2016 (16/2-16/4)	Amount changed	YOY
Houses for Sale	29.4	25.8	(3.5)	(12.2%)
Condominiums	12.4	13.1	0.7	5.7%
Urban Redevelopment	14.9	17.4	2.4	16.5%
Overseas	12.8	10.7	(2.0)	(16.2%)
Total	69.7	67.2	(2.4)	(3.6%)

Gross margin		
FY2015 (15/2-15/4)	FY2016 (16/2-16/4)	Amount changed
19.2%	18.6%	(0.6p)
18.8%	17.7%	(1.1p)
23.2%	23.9%	0.7p
21.2%	28.9%	7.7p
20.4%	21.5%	1.1p

	Operating income			
	FY2015 (15/2-15/4)	FY2016 (16/2-16/4)	Amount changed	YOY
Houses for Sale	2.3	1.3	(0.9)	(40.2%)
Condominiums	1.5	1.2	(0.2)	(17.3%)
Urban Redevelopment	2.8	3.7	0.8	30.8%
Overseas	(0.6)	(0.3)	0.2	-
Total	6.1	6.0	(0.0)	(1.4%)

OP margin		
FY2015 (15/2-15/4)	FY2016 (16/2-16/4)	Amount changed
7.8%	5.3%	(2.5p)
12.5%	9.8%	(2.7p)
19.1%	21.5%	2.4p
(4.7%)	(3.5%)	1.2p
8.8%	9.0%	0.2p

	Orders			
	FY2015 (15/2-15/4)	FY2016 (16/2-16/4)	Amount changed	YOY
Houses for Sale	33.2	34.0	0.8	2.5%
Condominiums	21.4	26.9	5.5	25.7%
Urban Redevelopment	53.5	17.4	(36.1)	(67.4%)
Overseas	32.1	26.5	(5.5)	(17.3%)
Total	140.3	105.0	(35.3)	(25.2%)

■Urban Redevelopment Business  
Sales from property sales: ¥6.8 billion  
Operating income from property sales: ¥1.7 billion

#### Overseas Business / Details by country

##### Results for First Quarter of FY2016

(¥ billion)

Country	Net sales	Operating income	Ordinary income	Investment balance	Orders	Accumulated orders	Units for sale of major projects	Of which, contracted units *2
Australia	2.9	(0.5)	(0.5)	93.0	7.7	93.1	2,036 units	1,919 units
China	0.6	(0.8)	(0.9)	244.9	6.4	14.9	1,019 units	319 units
USA	7.2	1.2	1.3	224.6	12.3	40.9	-	-
Singapore *1	-	-	0.3	46.3	-	-	3,281 units	3,166 units
Other administrative expenses	-	(0.2)	(0.2)	-	-	-	-	-
Total	10.7	(0.3)	(0.0)	609.0	26.5	149.0	-	-

\*1 Accounted for by the equity method

\*2 Including units delivered during the current fiscal year

### 3. Segment Information



(¥ billion)

		FY2015 (15/2-15/4)					FY2016 (16/2-16/4)				
		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	84.1	6.6	7.9%	24.0%	99.7	79.2	6.5	8.3%	24.8%	100.9
	Rental Housing	87.7	9.1	10.5%	21.8%	100.7	94.1	10.4	11.1%	22.9%	105.9
	Subtotal	171.8	15.8	9.2%	22.9%	200.5	173.4	17.0	9.8%	23.8%	206.9
Supplied Housing Business	Remodeling	28.1	2.4	8.6%	22.8%	33.0	28.5	2.9	10.3%	24.7%	33.5
	Real Estate Management Fees	112.0	7.9	7.1%	14.9%	112.0	117.4	9.3	8.0%	15.6%	117.4
	Subtotal	140.2	10.3	7.4%	16.4%	145.1	145.9	12.3	8.4%	17.4%	150.9
Development Business	Houses for Sale	29.4	2.3	7.8%	19.2%	33.2	25.8	1.3	5.3%	18.6%	34.0
	Condominiums	12.4	1.5	12.5%	18.8%	21.4	13.1	1.2	9.8%	17.7%	26.9
	Urban Redevelopment	14.9	2.8	19.1%	23.2%	53.5	17.4	3.7	21.5%	23.9%	17.4
	Overseas	12.8	(0.6)	(4.7%)	21.2%	32.1	10.7	(0.3)	(3.5%)	28.9%	26.5
	Subtotal	69.7	6.1	8.8%	20.4%	140.3	67.2	6.0	9.0%	21.5%	105.0
	Other Businesses	19.9	0.3	1.7%	16.1%	16.8	18.7	(0.4)	(2.3%)	13.5%	14.2
	Eliminations and corporate expenses	-	(7.6)	-	-	-	-	(8.0)	-	-	-
	Total	401.8	25.0	6.2%	19.7%	502.9	405.3	26.8	6.6%	20.4%	477.2

### <Reference> Full-Year Forecasts For FY2016

(¥ billion)

	FY2015 (15/2-16/1) Results	FY2016 (16/2-17/1)	
		Forecasts	YOY
Net sales	1,858.8	<b>1,985.0</b>	6.8%
Operating income	149.6	<b>170.0</b>	13.6%
Ordinary income	160.5	<b>177.0</b>	10.2%
Net income attributable to owners of parent	84.3	<b>111.0</b>	31.7%
EPS (yen)	120.16	<b>161.07</b>	34.0%
ROA	8.2%	<b>8.8%</b>	-
ROE	7.9%	<b>10.3%</b>	-
Dividend per share (yen)	54.00	<b>64.00</b>	10.00
Payout ratio	44.9%	<b>39.7%</b>	-

# <Reference> Full-Year Forecasts For FY2016 by Segment



## ■ Sales

(¥ billion)

	FY2015 (15/2-16/1) Results	FY2016 (Full-Year) (16/2-17/1)			
		Forecasts	Amount changed	YOY	
Built-to-Order Business	Custom Detached Houses	393.7	383.0	(10.7)	(2.7%)
	Rental Housing	400.6	417.0	16.3	4.1%
	Subtotal	794.3	800.0	5.6	0.7%
Supplied Housing Business	Remodeling	134.4	146.0	11.5	8.6%
	Real Estate Management Fees	448.7	468.0	19.2	4.3%
	Subtotal	583.2	614.0	30.7	5.3%
Development Business	Houses for Sale	137.4	132.0	(5.4)	(4.0%)
	Condominiums	81.4	65.0	(16.4)	(20.2%)
	Urban Redevelopment	93.0	108.0	14.9	16.1%
	Overseas	89.5	190.0	100.4	112.2%
	Subtotal	401.5	495.0	93.4	23.3%
Other Businesses	79.7	76.0	(3.7)	(4.7%)	
Total	1,858.8	1,985.0	126.1	6.8%	

## ■ Orders

(¥ billion)

	FY2015 (15/2-16/1) Results	FY2016 (Full-Year) (16/2-17/1)		
		Forecasts	Amount changed	YOY
Built-to-Order Business	387.5	388.0	0.4	0.1%
Supplied Housing Business	434.5	442.0	7.4	1.7%
Development Business	822.1	830.0	7.8	1.0%
Other Businesses	134.1	146.0	11.8	8.9%
Total	448.7	468.0	19.2	4.3%
Built-to-Order Business	132.6	134.0	1.3	1.0%
Supplied Housing Business	77.7	68.0	(9.7)	(12.5%)
Development Business	93.0	108.0	14.9	16.1%
Other Businesses	147.0	160.0	12.9	8.8%
Total	450.5	470.0	19.4	4.3%
Other Businesses	79.0	79.0	(0.0)	(0.1%)
Total	1,934.5	1,993.0	58.4	3.0%

## ■ Operating income

(¥ billion)

	FY2015 (15/2-16/1) Results	FY2016 (Full-Year) (16/2-17/1)			
		Forecasts	Amount changed	YOY	
Built-to-Order Business	Custom Detached Houses	47.2	45.0	(2.2)	(4.7%)
	Rental Housing	51.9	55.0	3.0	5.9%
	Subtotal	99.1	100.0	0.8	0.9%
Supplied Housing Business	Remodeling	15.8	18.0	2.1	13.6%
	Real Estate Management Fees	26.8	29.0	2.1	8.1%
	Subtotal	42.6	47.0	4.3	10.2%
Development Business	Houses for Sale	11.9	9.0	(2.9)	(24.5%)
	Condominiums	8.0	5.0	(3.0)	(37.7%)
	Urban Redevelopment	24.7	15.5	(9.2)	(37.4%)
	Overseas	(5.6)	25.0	30.6	-
	Subtotal	39.0	54.5	15.4	39.7%
Other Businesses	2.5	3.0	0.4	19.5%	
Eliminations and corporate expenses	(33.6)	(34.5)	(0.8)	-	
Total	149.6	170.0	20.3	13.6%	

## ■ OP margin

## ■ Gross margin

	FY2015 (15/2-16/1) Results	FY2016 (16/2-17/1) Forecasts	FY2015 (15/2-16/1) Results	FY2016 (16/2-17/1) Forecasts
Built-to-Order Business	12.0%	11.7%	25.2%	25.6%
Supplied Housing Business	13.0%	13.2%	23.6%	24.0%
Development Business	12.5%	12.5%	24.4%	24.8%
Other Businesses	11.8%	12.3%	23.9%	24.0%
Total	6.0%	6.2%	14.0%	14.1%
Built-to-Order Business	7.3%	7.7%	16.3%	16.4%
Supplied Housing Business	8.7%	6.8%	18.8%	17.4%
Development Business	9.9%	7.7%	16.2%	16.9%
Other Businesses	26.6%	14.4%	28.7%	16.2%
Total	(6.3%)	13.2%	11.2%	23.7%
Other Businesses	9.7%	11.0%	18.8%	19.5%
Eliminations and corporate expenses	3.1%	3.9%	15.9%	17.1%
Total	-	-	-	-
Total	8.1%	8.6%	20.1%	20.5%

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