

# Sekisui House, Ltd.

## FY2016

(February 1, 2016 through January 31, 2017)

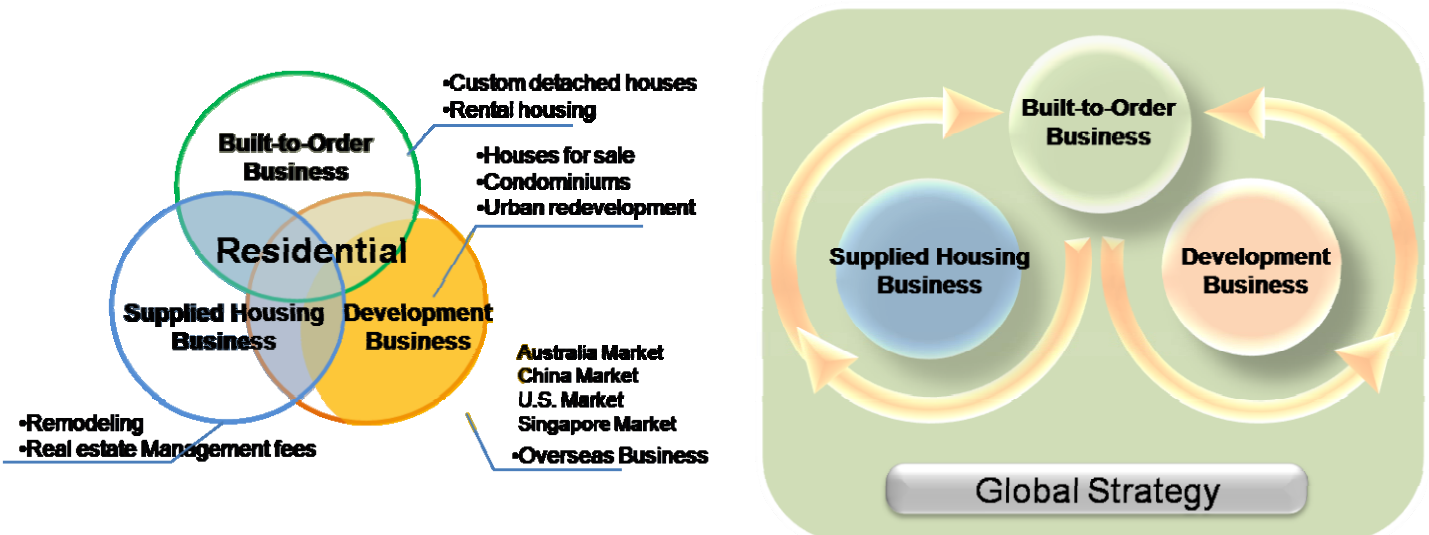
### - Summary of Consolidated Financial Results -

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March 9, 2017

### 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

**Achieved ¥2 trillion in sales for first time and reached a new record high in operating income for 4th consecutive year**

**Achieved ROE of 11.3%, hitting the target of more than 10% in the mid-term management plan**

**Increased dividend by ¥10 to ¥64**

## ➤ Highlights

- Built-to-Order Business:** Despite declining sales in custom detached houses, both custom detached houses and rental housing businesses achieved an increase in profits as a result of the bolstered profit structure utilizing production, construction and IT. In the rental housing business, orders increased substantially thanks to successful measures to sell 3- and 4-story houses through exhaustive area marketing. However, in the custom detached houses business, we actively promoted the Green First Zero and other high value-added houses but orders turned negative owing to a tendency for a postponed start of contracts since 2Q due to economic uncertainty.
- Supplied Housing Business:** In the remodeling business, solid sales of rental house remodeling and an increase in large-scale renovations were not enough to offset the negative balance of solar remodeling, and orders remained at the same level as the previous fiscal year. In the real estate management fees business, both sales and profits increased as a result of high occupancy rates and an increasing number of managed rooms, as well as the supply of quality houses.
- Development Business:** Orders were strong across the development business. In the condominiums business, profit declined due to the write-down of some properties and the off-season delivery of properties. In contrast, the overseas business doubled its sales and posted record-high revenue due mainly to a solid performance in North America and Australia as well as the return to profitability of the Chinese business.

(¥ billion)

	FY2015 (15/2-16/1)		FY2016 (16/2-17/1)			
	Results	Margin	Results	Margin	Amount changed	YOY
<b>Net sales</b>	<b>1,858.8</b>		<b>2,026.9</b>		<b>168.0</b>	<b>9.0%</b>
Built-to-Order	794.3		823.4		29.0	3.7%
Supplied Housing	583.2		602.6		19.4	3.3%
Development	401.5		520.7		119.2	29.7%
<b>Gross profit</b>	<b>373.8</b>	<b>20.1%</b>	<b>418.2</b>	<b>20.6%</b>	<b>44.4</b>	<b>11.9%</b>
Built-to-Order	193.6	24.4%	208.2	25.3%	14.5	7.5%
Supplied Housing	94.8	16.3%	101.8	16.9%	6.9	7.4%
Development	75.6	18.8%	100.2	19.3%	24.5	32.5%
<b>SG&amp;A</b>	<b>224.2</b>		<b>234.1</b>		<b>9.9</b>	<b>4.4%</b>
<b>Operating income</b>	<b>149.6</b>	<b>8.1%</b>	<b>184.1</b>	<b>9.1%</b>	<b>34.5</b>	<b>23.1%</b>
Built-to-Order	99.1	12.5%	110.3	13.4%	11.2	11.3%
Supplied Housing	42.6	7.3%	48.8	8.1%	6.1	14.4%
Development	39.0	9.7%	59.6	11.5%	20.6	52.9%
<b>Non-operating income/expenses</b>	<b>10.9</b>		<b>6.8</b>		<b>(4.1)</b>	<b>(37.6%)</b>
<b>Ordinary income</b>	<b>160.5</b>	<b>8.6%</b>	<b>190.9</b>	<b>9.4%</b>	<b>30.3</b>	<b>18.9%</b>
<b>Extraordinary income</b>	<b>8.9</b>		<b>-</b>		<b>(8.9)</b>	<b>-</b>
<b>Extraordinary loss</b>	<b>18.7</b>		<b>5.6</b>		<b>(13.0)</b>	<b>(69.6%)</b>
<b>Net income attributable to owners of parent</b>	<b>84.3</b>	<b>4.5%</b>	<b>121.8</b>	<b>6.0%</b>	<b>37.5</b>	<b>44.5%</b>
<b>EPS (yen)</b>	<b>120.16</b>		<b>175.48</b>			

(Non-operating income/expenses)  
 -Equity in earnings of affiliates: ¥10.0billion (up ¥0.5billion YOY)  
 -Foreign exchange loss: ¥2.4 billion (down ¥2.0billion YOY)

(Extraordinary loss)  
 -Impairment loss: ¥5.1billion (down ¥5.4 billion YOY)  
 -Loss on retirement of noncurrent assets: ¥0.5billion (down ¥2.6billion YOY)

(Income taxes-deferred)  
 -The reversal of deferred tax assets occurred as a result of the change in corporate tax rates: ¥2.2 billion

## ➤ State of Orders

(¥ billion)

	FY2015 (15/2-16/1)	FY2016 (16/2-17/1)	Amount changed	YOY
Consolidated orders	1,934.5	2,052.0	117.4	6.1%
Accumulated orders	868.7	893.8	25.0	2.9%

➤ Built-to-Order: 843.7 billion (up 21.6 billion YOY)

➤ Built-to-Order: 587.0 billion (up 20.3 billion YOY)

## 2. Financial Position



### ➤ Consolidated Balance Sheets

(¥ billion)

(Assets)	As of Jan. 31, 2016	As of Jan. 31, 2017	Amount changed	(Liabilities and net assets)	As of Jan. 31, 2016	As of Jan. 31, 2017	Amount changed
Total current assets	1,264.9	1,355.0	90.0	Total current liabilities	735.3	713.9	(21.4)
Real estate for sale	898.2	980.3	82.1	Total noncurrent liabilities	225.9	352.6	126.6
Total noncurrent assets	764.8	829.8	65.0	<b>Total liabilities</b>	<b>961.3</b>	<b>1,066.6</b>	<b>105.2</b>
<b>Total assets</b>	<b>2,029.7</b>	<b>2,184.8</b>	<b>155.1</b>	<b>Total net assets</b>	<b>1,068.4</b>	<b>1,118.2</b>	<b>49.8</b>
				<b>Total liabilities and net assets</b>	<b>2,029.7</b>	<b>2,184.8</b>	<b>155.1</b>

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

#### [Main factors of change]

- Breakdown of increases in real estate for sale:  
Domestic: ¥4.4 billion, Overseas: ¥77.7 billion
- Foreign currency translation adjustments: ¥46.9 billion (down ¥21.7 billion YOY)

### ➤ State of Interest-bearing Debts

	FY2015	FY2016	Amount changed
Interest-bearing debts (¥ billion)	426.0	491.0	65.0
DE ratio	40.3%	44.5%	4.2p
Equity ratio	52.1%	50.5%	(1.6p)

### ➤ State of Cash Flows

(¥ billion)

	FY2015	FY2016	Amount changed
Net cash provided by (used in) operating activities	45.8	115.8	69.9
Net cash provided by (used in) investing activities	(76.1)	(107.3)	(31.2)
Free cash flow	(30.2)	8.4	38.7
Net cash provided by (used in) financing activities	32.0	5.5	(26.5)
Net increase (decrease) in cash and cash equivalents	(2.6)	12.3	15.0
Cash and cash equivalents at beginning of period	195.0	192.3	
Cash and cash equivalents at end of period	192.3	204.7	

#### [Main factors of change]

- Purchase of property, plant and equipment : ¥94.5 billion
- Increases in inventories: ¥62.7billion (FY2015:¥97.6 billion)

### ➤ State of Investment

(¥ billion)

	FY2015	FY2016	Amount changed	FY2017 Full-year plan
Capital expenditures	81.2	98.2	17.0	65.0
Depreciation and amortization	24.4	23.1	(1.3)	23.0

### 3. Segment Information



#### ➤ Built-to-Order Business

(¥ billion)

	Net sales			
	FY2015 (15/2-16/1)	FY2016 (16/2-17/1)	Amount changed	YOY
Custom Detached Houses	393.7	383.1	(10.6)	(2.7%)
Rental Housing	400.6	440.3	39.7	9.9%
Total	794.3	823.4	29.0	3.7%

Gross margin		
FY2015 (15/2-16/1)	FY2016 (16/2-17/1)	Amount changed
25.2%	26.2%	1.0p
23.6%	24.5%	0.9p
24.4%	25.3%	0.9p

	Operating income			
	FY2015 (15/2-16/1)	FY2016 (16/2-17/1)	Amount changed	YOY
Custom Detached Houses	47.2	49.5	2.3	4.9%
Rental Housing	51.9	60.8	8.9	17.2%
Total	99.1	110.3	11.2	11.3%

OP margin		
FY2015 (15/2-16/1)	FY2016 (16/2-17/1)	Amount changed
12.0%	12.9%	0.9p
13.0%	13.8%	0.8p
12.5%	13.4%	0.9p

	Orders			
	FY2015 (15/2-16/1)	FY2016 (16/2-17/1)	Amount changed	YOY
Custom Detached Houses	387.5	382.0	(5.4)	(1.4%)
Rental Housing	434.5	461.7	27.1	6.2%
Total	822.1	843.7	21.6	2.6%

ASP per building (10 thousand yen)		
FY2015 (15/2-16/1)	FY2016 (16/2-17/1)	Amount changed
3,700	3,729	29
7,677	8,361	684

#### ■ Custom Detached Houses Business

Ratio of Green First Zero: 70%

Ratio of three- and four-story housing (in value): 10.4%

#### ■ Rental Housing Business

Ratio of three- and four-story housing (in value): 62.2%

#### ➤ Supplied Housing Business

(¥ billion)

	Net sales			
	FY2015 (15/2-15/1)	FY2016 (16/2-17/1)	Amount changed	YOY
Remodeling	134.4	133.4	(0.9)	(0.7)%
Real Estate Management Fees	448.7	469.1	20.3	4.5%
Total	583.2	602.6	19.4	3.3%

Gross margin		
FY2015 (15/2-16/1)	FY2016 (16/2-17/1)	Amount changed
23.9%	25.6%	1.7p
14.0%	14.4%	0.4p
16.3%	16.9%	0.6p

	Operating income			
	FY2015 (15/2-16/1)	FY2016 (16/2-17/1)	Amount changed	YOY
Remodeling	15.8	17.5	1.6	10.7%
Real Estate Management Fees	26.8	31.2	4.4	16.6%
Total	42.6	48.8	6.1	14.4%

OP margin		
FY2015 (15/2-16/1)	FY2016 (16/2-17/1)	Amount changed
11.8%	13.1%	1.3p
6.0%	6.7%	0.7p
7.3%	8.1%	0.8p

	Orders			
	FY2015 (15/2-16/1)	FY2016 (16/2-17/1)	Amount changed	YOY
Remodeling	134.1	134.5	0.4	0.3%
Real Estate Management Fees	448.7	469.1	20.3	4.5%
Total	582.8	603.6	20.8	3.6%

#### ■ Real Estate Management Fees Business

Number of units under management: 58.4 thousand  
Occupancy ratio: 96.5% (same as the end of FY2015)

### 3. Segment Information

#### Development Business

(¥ billion)

	Net sales			
	FY2015 (15/2-16/1)	FY2016 (16/2-17/1)	Amount changed	YOY
Houses for Sale	137.4	142.0	4.5	3.3%
Condominiums	81.4	66.1	(15.3)	(18.8%)
Urban Redevelopment	93.0	130.4	37.4	40.3%
Overseas	89.5	182.1	92.6	103.4%
Total	401.5	520.7	119.2	29.7%

Gross margin		
FY2015 (15/2-16/1)	FY2016 (16/2-17/1)	Amount changed
18.8%	16.3%	(2.5p)
16.2%	12.1%	(4.1p)
28.7%	19.8%	(8.9p)
11.2%	23.7%	12.5p
18.8%	19.3%	0.5p

	Operating income			
	FY2015 (15/2-16/1)	FY2016 (16/2-17/1)	Amount changed	YOY
Houses for Sale	11.9	8.8	(3.0)	(26.0%)
Condominiums	8.0	2.2	(5.7)	(72.0%)
Urban Redevelopment	24.7	23.4	(1.3)	(5.4%)
Overseas	(5.6)	25.1	30.8	-
Total	39.0	59.6	20.6	52.9%

OP margin		
FY2015 (15/2-16/1)	FY2016 (16/2-17/1)	Amount changed
8.7%	6.2%	(2.5p)
9.9%	3.4%	(6.5p)
26.6%	17.9%	(8.7p)
(6.3%)	13.8%	20.1p
9.7%	11.5%	1.8p

	Orders			
	FY2015 (15/2-16/1)	FY2016 (16/2-17/1)	Amount changed	YOY
Houses for Sale	132.6	151.8	19.2	14.5%
Condominiums	77.7	86.4	8.7	11.2%
Urban Redevelopment	93.0	130.4	37.4	40.3%
Overseas	147.0	158.8	11.7	8.0%
Total	450.5	527.7	77.1	17.1%

■Urban Redevelopment Business  
Sales from property sales: ¥86.7billion  
Operating income from property sales: ¥15.7billion

#### Overseas Business / Details by country

##### Results for FY2016

(¥ billion)

Country	Net sales	Operating income	Ordinary income	Investment balance	Orders
Australia	45.2	6.9	6.7	159.0	12.3
China	41.6	0.5	0.3	218.5	43.7
USA	95.1	18.7	18.2	273.6	102.7
Singapore *	-	-	3.0	42.7	-
Other administrative expenses	-	(1.0)	(1.0)	-	-
Total	182.1	25.1	27.4	694.0	158.8

\* Accounted for by the equity method

### 3. Segment Information



(¥ billion)

		FY2015 (15/2-16/1)					FY2016 (16/2-17/1)				
		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	393.7	47.2	12.0%	25.2%	387.5	383.1	49.5	12.9%	26.2%	382.0
	Rental Housing	400.6	51.9	13.0%	23.6%	434.5	440.3	60.8	13.8%	24.5%	461.7
	Subtotal	794.3	99.1	12.5%	24.4%	822.1	823.4	110.3	13.4%	25.3%	843.7
Supplied Housing Business	Remodeling	134.4	15.8	11.8%	23.9%	134.1	133.4	17.5	13.1%	25.6%	134.5
	Real Estate Management Fees	448.7	26.8	6.0%	14.0%	448.7	469.1	31.2	6.7%	14.4%	469.1
	Subtotal	583.2	42.6	7.3%	16.3%	582.8	602.6	48.8	8.1%	16.9%	603.6
Development Business	Houses for Sale	137.4	11.9	8.7%	18.8%	132.6	142.0	8.8	6.2%	16.3%	151.8
	Condominiums	81.4	8.0	9.9%	16.2%	77.7	66.1	2.2	3.4%	12.1%	86.4
	Urban Redevelopment	93.0	24.7	26.6%	28.7%	93.0	130.4	23.4	17.9%	19.8%	130.4
	Overseas	89.5	(5.6)	(6.3%)	11.2%	147.0	182.1	25.1	13.8%	23.7%	158.8
	Subtotal	401.5	39.0	9.7%	18.8%	450.5	520.7	59.6	11.5%	19.3%	527.7
	Other Businesses	79.7	2.5	3.1%	15.9%	79.0	80.0	0.7	0.9%	14.0%	76.8
	Eliminations and corporate expenses	-	(33.6)	-	-	-	-	(35.3)	-	-	-
	Total	1,858.8	149.6	8.1%	20.1%	1,934.5	2,026.9	184.1	9.1%	20.6%	2,052.0

### 4. Full-Year Forecasts For FY2016

(¥ billion)

	FY2016 (16/2-17/1) Results	FY2017 (17/2-18/1)	
		Forecasts	YOY
Net sales	2,026.9	<b>2,144.0</b>	5.8%
Operating income	184.1	<b>192.0</b>	4.3%
Ordinary income	190.9	<b>196.0</b>	2.6%
Net income attributable to owners of parent	121.8	<b>128.0</b>	5.0%
EPS (yen)	175.48	<b>185.49</b>	5.7%
ROA	9.4%	<b>9.1%</b>	-
ROE	11.3%	<b>11.3%</b>	-
Dividend per share (yen)	64.00	<b>75.00</b>	11.00
Payout ratio	36.5%	<b>40.4%</b>	-

## 4. Full-Year Forecasts For FY2016 by Segment



### ■ Sales

(¥ billion)

		FY2016 (16/2-17/1) Results	FY2017 (Full-Year) (17/2-18/1)		
			Forecasts	Amount changed	YOY
Built-to-Order Business	Custom Detached Houses	383.1	381.0	(2.1)	(0.6%)
	Rental Housing	440.3	446.0	5.6	1.3%
	Subtotal	823.4	827.0	3.5	0.4%
Supplied Housing Business	Remodeling	133.4	140.0	6.5	4.9%
	Real Estate Management Fees	469.1	488.0	18.8	4.0%
	Subtotal	602.6	628.0	25.3	4.2%
Development Business	Houses for Sale	142.0	143.0	0.9	0.7%
	Condominiums	66.1	76.0	9.8	14.9%
	Urban Redevelopment	130.4	90.0	(40.4)	(31.0%)
	Subtotal	338.6	309.0	(29.6)	(8.8%)
	Overseas	182.1	300.0	117.8	64.7%
	Other Businesses	80.0	80.0	(0.0)	(0.1%)
	Total	2,026.9	2,144.0	117.0	5.8%

### ■ Orders

(¥ billion)

		FY2016 (16/2-17/1) Results	FY2017 (Full-Year) (17/2-18/1)		
			Forecasts	Amount changed	YOY
		382.0	387.0	4.9	1.3%
		461.7	471.0	9.2	2.0%
		843.7	858.0	14.2	1.7%
		134.5	141.0	6.4	4.8%
		469.1	488.0	18.8	4.0%
		603.6	629.0	25.3	4.2%
		151.8	145.0	(6.8)	(4.5%)
		86.4	80.0	(6.4)	(7.5%)
		130.4	90.0	(40.4)	(31.0%)
		368.8	315.0	(53.8)	(14.6%)
		158.8	290.0	131.1	82.6%
		76.8	80.0	3.1	4.1%
		2,052.0	2,172.0	119.9	5.8%

### ■ Operating income

(¥ billion)

		FY2016 (16/2-17/1) Results	FY2017 (Full-Year) (17/2-18/1)		
			Forecasts	Amount changed	YOY
Built-to-Order Business	Custom Detached Houses	49.5	48.5	(1.0)	(2.0%)
	Rental Housing	60.8	62.5	1.6	2.7%
	Subtotal	110.3	111.0	0.6	0.6%
Supplied Housing Business	Remodeling	17.5	18.0	0.4	2.6%
	Real Estate Management Fees	31.2	34.0	2.7	8.7%
	Subtotal	48.8	52.0	3.1	6.5%
Development Business	Houses for Sale	8.8	13.0	4.1	47.4%
	Condominiums	2.2	8.0	5.7	255.9%
	Urban Redevelopment	23.4	12.5	(10.9)	(46.6%)
	Subtotal	34.4	33.5	(0.9)	(2.9%)
	Overseas	25.1	30.0	4.8	19.2%
	Other Businesses	0.7	0.5	(0.2)	(31.1%)
	Eliminations and corporate expenses	(35.3)	(35.0)	0.3	-
	Total	184.1	192.0	7.8	4.3%

### ■ OP margin

### ■ Gross margin

	FY2016 (16/2-17/1) Results	FY2017 (17/2-18/1) Forecasts	FY2016 (16/2-17/1) Results	FY2017 (17/2-18/1) Forecasts
	12.9%	12.7%	26.2%	26.6%
	13.8%	14.0%	24.5%	24.7%
	13.4%	13.4%	25.3%	25.6%
	13.1%	12.9%	25.6%	25.7%
	6.7%	7.0%	14.4%	14.8%
	8.1%	8.3%	16.9%	17.2%
	6.2%	9.1%	16.3%	18.9%
	3.4%	10.5%	12.1%	18.4%
	17.9%	13.9%	19.8%	16.3%
	10.2%	10.8%	16.8%	18.0%
	13.8%	10.0%	23.7%	19.4%
	0.9%	0.6%	14.0%	14.6%
	-	-	-	-
	9.1%	9.0%	20.6%	20.6%

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