

Sekisui House, Ltd.

First Quarter of FY2017

(February 1, 2017 through April 30, 2017)

- Summary of Consolidated Financial Results -

1. Overview

2. Financial Position

3. Segment Information

Built-to-Order Business

Supplied Housing Business

Development Business

Overseas Business

<Reference> Full-Year Forecasts for FY2016

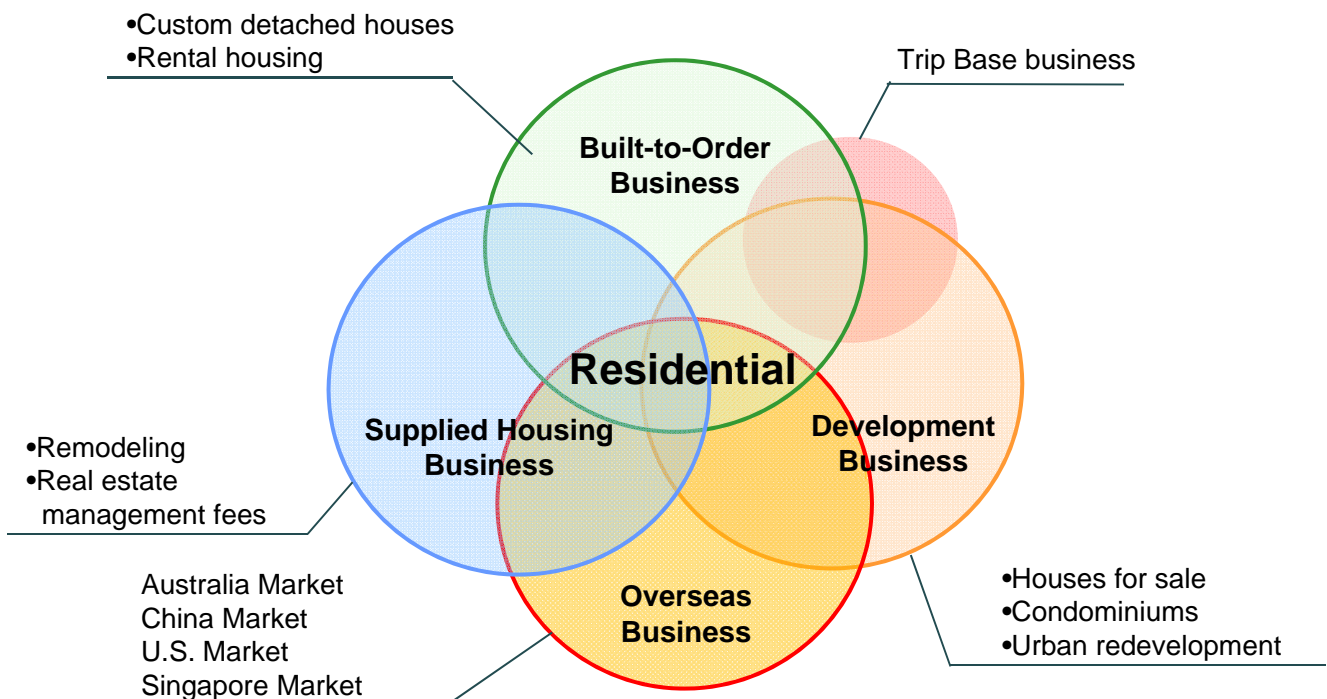
June 9, 2017

Management Direction

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

Basic Policy for Fourth Mid-Term Management Plan

Building the foundation for the “residential” -related business toward BEYOND 2020



➤ Overview

Achieved an increase in both sales and profit in all business models.

The gross margin of the Built-to-Order Business and the Supplied Housing Business improved significantly due to the effects of continuous cost reductions.

➤ Highlights

- **Built-to-Order Business:** Sales increased as a result of progress in works in the Rental Housing Business, although sales decreased in the Custom Detached Houses Business due to the effects of a decline in orders. The profit margin continued to increase in both the Custom Detached Houses and Rental Housing Businesses as a result of a bolstered profit structure that harnesses the Group's strengths in areas such as production, construction and logistics. We continued to focus our efforts 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:** In the Remodeling Business, the profit margin increased due to cost reductions as in the Built-to-Order Business, although sales remained at the year-ago level. In the Real Estate Management Fees Business, both sales and profit rose, 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:** The Houses for Sale Business remained strong given active sales of detached houses through the effective use of land, and both sales and profit rose in the Condominiums Business as a result of steady deliveries.
- **Overseas Business:** Both sales and profit increased thanks to steady progress in overseas businesses such as a Community-type Business in the United States and Condominiums Business in Australia.

(¥ billion)

	FY2016 (16/2-16/4)		FY2017 (17/2-17/4)			
	Results	Margin	Results	Margin	Amount changed	YOY
Net sales	405.3		440.7		35.3	8.7%
Built-to-Order	173.4		177.9		4.4	2.6%
Supplied Housing	145.9		151.0		5.1	3.5%
Development	56.4		59.5		3.0	5.4%
Overseas	10.7		32.8		22.0	205.4%
Gross profit	82.6	20.4%	92.2	20.9%	9.5	11.6%
Built-to-Order	41.2	23.8%	43.4	24.4%	2.2	5.4%
Supplied Housing	25.3	17.4%	26.7	17.7%	1.3	5.4%
Development	11.3	20.0%	12.6	21.2%	1.2	11.5%
Overseas	3.1	28.9%	7.3	22.4%	4.2	136.2%
SG&A	55.7		58.3		2.5	4.6%
Operating income	26.8	6.6%	33.8	7.7%	6.9	26.0%
Built-to-Order	17.0	9.8%	19.3	10.9%	2.3	13.7%
Supplied Housing	12.3	8.4%	13.0	8.6%	0.7	5.8%
Development	6.4	11.4%	7.5	12.7%	1.1	17.7%
Overseas	(0.3)	(3.5%)	2.0	6.3%	2.4	-
Non-operating income/expenses	(1.2)		1.5		2.8	-
Ordinary income	25.6	6.3%	35.4	8.0%	9.8	38.4%
Extraordinary income	-		0.8		0.8	-
Extraordinary loss	0.1		0.2		0.0	50.6%
Profit attributable to owners of parent	15.2	3.8%	25.8	5.9%	10.5	68.9%
EPS (yen)	21.83		37.41			

(Non-operating income/expenses)
 · Equity in earnings of affiliates:
 ¥2.1 billion (up ¥0.7billion YOY)
 · Foreign exchange loss: ¥0.3billion
 (down ¥1.8billion YOY)

(Income taxes-deferred)
 · Change in effective tax rates :
 32.8% to 30.7%

➤ State of Orders

(¥ billion)

Consolidated orders				Accumulated orders			
FY2016 (16/2-16/4)	FY2017 (17/2-17/4)	Amount changed	YOY	FY2016 (Jan. 31, 2017)	FY2017 1Q (Apr. 30, 2017)	Amount changed	Change
477.2	539.6	62.4	13.1%	893.8	992.7	98.9	11.1%

2. Financial Position



➤ Consolidated Balance Sheets

(¥ billion)

(Assets)	FY2016 (Jan. 31, 2017)	FY2017 1Q (Apr. 30, 2017)	Amount changed	(Liabilities and net assets)	FY2016 (Jan. 31, 2017)	FY2017 1Q (Apr. 30, 2017)	Amount changed
Total current assets	1,355.0	1,459.4	104.4	Total current liabilities	713.9	841.4	127.4
Real estate for sale *	980.3	1,107.4	127.0	Total noncurrent liabilities	352.6	336.6	(16.0)
Total noncurrent assets	829.8	825.3	(4.5)	Total liabilities	1,066.6	1,178.0	111.3
Total assets	2,184.8	2,284.8	99.9	Total net assets	1,118.2	1,106.7	(11.4)
				Total liabilities and net assets	2,184.8	2,284.8	99.9

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

[Main factors of change]

- Increase in real estate for sale : mainly due to the acquisition of Woodside Homes, LLC
- Payment of dividends : ¥(22.0)billion
- Decrease in foreign currency translation adjustments: ¥(9.9) billion

➤ State of Interest-bearing Debts

	FY2016 (Jan. 31, 2017)	FY2017 1Q (Apr. 30, 2017)	Amount changed
Interest-bearing debts (¥ billion)	491.0	674.8	183.8
D/E ratio	44.5%	61.8%	17.3p
Equity ratio	50.5%	47.8%	(2.7p)

➤ State of Cash Flows

(¥ billion)

	FY2016 (16/2-16/4)	FY2017 (17/2-17/4)	Amount changed
Net cash provided by (used in) operating activities	(92.1)	(91.9)	0.2
Net cash provided by (used in) investing activities	(21.2)	(52.6)	(31.4)
Free cash flow	(113.3)	(144.5)	(31.2)
Net cash provided by (used in) financing activities	61.4	123.0	61.5
Net increase (decrease) in cash and cash equivalents	(54.7)	(23.4)	31.3
Cash and cash equivalents at beginning of period	192.3	204.7	
Cash and cash equivalents at end of period	137.5	181.3	

[Main factors of change]

- Increases in inventories: ¥(51.6) billion

➤ State of Investment

(¥ billion)

	FY2016 (16/2-16/4)	FY2017 (17/2-17/4)	Amount changed	FY2017 Full-year plan
Capital expenditures	16.3	11.6	(4.7)	65.0
Depreciation and amortization	5.6	5.3	(0.2)	23.0

3. Segment Information



➤ Built-to-Order Business

(¥ billion)

	Net sales			
	FY2016 (16/2-16/4)	FY2017 (17/2-17/4)	Amount changed	YOY
Custom Detached Houses	79.2	77.3	(1.9)	(2.4%)
Rental Housing	94.1	100.5	6.3	6.8%
Total	173.4	177.9	4.4	2.6%

Gross margin		
FY2016 (16/2-16/4)	FY2017 (17/2-17/4)	Amount changed
24.8%	25.2%	0.4p
22.9%	23.8%	0.9p
23.8%	24.4%	0.6p

	Operating income			
	FY2016 (16/2-16/4)	FY2017 (17/2-17/4)	Amount changed	YOY
Custom Detached Houses	6.5	7.1	0.5	8.7%
Rental Housing	10.4	12.2	1.7	16.8%
Total	17.0	19.3	2.3	13.7%

OP margin		
FY2016 (16/2-16/4)	FY2017 (17/2-17/4)	Amount changed
8.3%	9.3%	1.0p
11.1%	12.1%	1.0p
9.8%	10.9%	1.1p

	Orders			
	FY2016 (16/2-16/4)	FY2017 (17/2-17/4)	Amount changed	YOY
Custom Detached Houses	100.9	91.5	(9.4)	(9.3%)
Rental Housing	105.9	107.7	1.8	1.7%
Total	206.9	199.3	(7.5)	(3.7%)

ASP per building (10 thousand yen)		
FY2016 (16/2-17/1)	FY2017 (17/2-17/4)	Amount changed
3,729	3,811	82
8,361	9,568	1,207

■ Custom Detached Houses Business

Ratio of Green First Zero: 77.0%

Ratio of three- and four-story housing (in value): 10.9%

■ Rental Housing Business

Ratio of three- and four-story housing (in value): 63.1%

➤ Supplied Housing Business

(¥ billion)

	Net sales			
	FY2016 (16/2-16/4)	FY2017 (17/2-17/4)	Amount changed	YOY
Remodeling	28.5	28.5	0.0	0.1%
Real Estate Management Fees	117.4	122.4	5.0	4.3%
Total	145.9	151.0	5.1	3.5%

Gross margin		
FY2016 (16/2-16/4)	FY2017 (17/2-17/4)	Amount changed
24.7%	26.1%	1.4p
15.6%	15.7%	0.1p
17.4%	17.7%	0.3p

	Operating income			
	FY2016 (16/2-16/4)	FY2017 (17/2-17/4)	Amount changed	YOY
Remodeling	2.9	3.4	0.4	16.5%
Real Estate Management Fees	9.3	9.5	0.2	2.4%
Total	12.3	13.0	0.7	5.8%

OP margin		
FY2016 (16/2-16/4)	FY2017 (17/2-17/4)	Amount changed
10.3%	12.0%	1.7p
8.0%	7.8%	(0.2p)
8.4%	8.6%	0.2p

	Orders			
	FY2016 (16/2-16/4)	FY2017 (17/2-17/4)	Amount changed	YOY
Remodeling	33.5	34.7	1.1	3.6%
Real Estate Management Fees	117.4	122.4	5.0	4.3%
Total	150.9	157.2	6.2	4.2%

■ Real Estate Management Fees Business

Number of units under management: 591 thousand
Occupancy ratio: 97.2% (up 0.7p from the end of the previous year)

3. Segment Information



Development Business

(¥ billion)

	Net sales			
	FY2016 (16/2-16/4)	FY2017 (17/2-17/4)	Amount changed	YOY
Houses for Sale	25.8	30.0	4.2	16.3%
Condominiums	13.1	17.2	4.1	31.4%
Urban Redevelopment	17.4	12.1	(5.2)	(30.2%)
Total	56.4	59.5	3.0	5.4%

Gross margin		
FY2016 (16/2-16/4)	FY2017 (17/2-17/4)	Amount changed
18.6%	19.9%	1.3p
17.7%	21.3%	3.6p
23.9%	24.3%	0.4p
20.0%	21.2%	1.2p

	Operating income			
	FY2016 (16/2-16/4)	FY2017 (17/2-17/4)	Amount changed	YOY
Houses for Sale	1.3	2.4	1.0	79.4%
Condominiums	1.2	2.5	1.2	99.3%
Urban Redevelopment	3.7	2.5	(1.2)	(33.1%)
Total	6.4	7.5	1.1	17.7%

OP margin		
FY2016 (16/2-16/4)	FY2017 (17/2-17/4)	Amount changed
5.3%	8.2%	2.9p
9.8%	14.9%	5.1p
21.5%	20.6%	(0.9p)
11.4%	12.7%	1.3p

	Orders			
	FY2016 (16/2-16/4)	FY2017 (17/2-17/4)	Amount changed	YOY
Houses for Sale	34.0	42.9	8.8	26.1%
Condominiums	26.9	31.6	4.7	17.5%
Urban Redevelopment	17.4	19.5	2.0	11.8%
Total	78.4	94.1	15.6	20.0%

Overseas Business

	FY2016 (16/2-16/4)	FY2017 (17/2-17/4)	Amount changed	YOY
Net sales	10.7	32.8	22.0	205.4%
Operating income	(0.3)	2.0	2.4	-
Orders	26.5	71.7	45.2	170.4%

	FY2016 (16/2-16/4)	FY2017 (17/2-17/4)	Amount changed
Gross margin	28.9%	22.4%	(6.5p)
OP margin	(3.5%)	6.3%	9.8p

Overseas Business / Details by country

Results for First Quarter of FY2017

(¥ billion)

Country	Net sales	Operating income	Ordinary income	Investment balance	Orders
Australia	8.9	0.7	0.8	161.5	16.9
China	5.9	0.0	0.0	209.1	6.3
USA	17.9	1.5	1.2	388.4	48.5
Singapore *	-	-	0.6	37.8	-
Other administrative expenses	-	(0.3)	(0.3)	-	-
Total	32.8	2.0	2.5	796.9	71.7

* Accounted for by the equity method

3. Segment Information



(¥ billion)

		FY2016 (16/2-16/4)					FY2017 (17/2-17/4)				
		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	79.2	6.5	8.3%	24.8%	100.9	77.3	7.1	9.3%	25.2%	91.5
	Rental Housing	94.1	10.4	11.1%	22.9%	105.9	100.5	12.2	12.1%	23.8%	107.7
	Subtotal	173.4	17.0	9.8%	23.8%	206.9	177.9	19.3	10.9%	24.4%	199.3
Supplied Housing Business	Remodeling	28.5	2.9	10.3%	24.7%	33.5	28.5	3.4	12.0%	26.1%	34.7
	Real Estate Management Fees	117.4	9.3	8.0%	15.6%	117.4	122.4	9.5	7.8%	15.7%	122.4
	Subtotal	145.9	12.3	8.4%	17.4%	150.9	151.0	13.0	8.6%	17.7%	157.2
Development Business	Houses for Sale	25.8	1.3	5.3%	18.6%	34.0	30.0	2.4	8.2%	19.9%	42.9
	Condominiums	13.1	1.2	9.8%	17.7%	26.9	17.2	2.5	14.9%	21.3%	31.6
	Urban Redevelopment	17.4	3.7	21.5%	23.9%	17.4	12.1	2.5	20.6%	24.3%	19.5
	Subtotal	56.4	6.4	11.4%	20.0%	78.4	59.5	7.5	12.7%	21.2%	94.1
	Overseas Business	10.7	(0.3)	(3.5%)	28.9%	26.5	32.8	2.0	6.3%	22.4%	71.7
	Other Businesses	18.7	(0.4)	(2.3%)	13.5%	14.2	19.3	0.0	0.3%	15.1%	17.1
	Eliminations and corporate expenses	-	(8.0)	-	-	-	-	(8.1)	-	-	-
	Total	405.3	26.8	6.6%	20.4%	477.2	440.7	33.8	7.7%	20.9%	539.6

<Reference> Full-Year Forecasts For FY2017

(¥ billion)

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

<Reference> Full-Year Forecasts For FY2017 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 Business	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	
Built-to-Order Business	Custom Detached Houses	382.0	387.0	4.9	1.3%
	Rental Housing	461.7	471.0	9.2	2.0%
	Subtotal	843.7	858.0	14.2	1.7%
Supplied Housing Business	Remodeling	134.5	141.0	6.4	4.8%
	Real Estate Management Fees	469.1	488.0	18.8	4.0%
	Subtotal	603.6	629.0	25.3	4.2%
Development Business	Houses for Sale	151.8	145.0	(6.8)	(4.5%)
	Condominiums	86.4	80.0	(6.4)	(7.5%)
	Urban Redevelopment	130.4	90.0	(40.4)	(31.0%)
	Subtotal	368.8	315.0	(53.8)	(14.6%)
Overseas Business	158.8	290.0	131.1	82.6%	
Other Businesses	76.8	80.0	3.1	4.1%	
Total	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 Business	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
Built-to-Order Business	12.9%	12.7%	26.2%	26.6%
Rental Housing	13.8%	14.0%	24.5%	24.7%
Subtotal	13.4%	13.4%	25.3%	25.6%
Supplied Housing Business	13.1%	12.9%	25.6%	25.7%
Real Estate Management Fees	6.7%	7.0%	14.4%	14.8%
Subtotal	8.1%	8.3%	16.9%	17.2%
Development Business	6.2%	9.1%	16.3%	18.9%
Condominiums	3.4%	10.5%	12.1%	18.4%
Urban Redevelopment	17.9%	13.9%	19.8%	16.3%
Subtotal	10.2%	10.8%	16.8%	18.0%
Overseas Business	13.8%	10.0%	23.7%	19.4%
Other Businesses	0.9%	0.6%	14.0%	14.6%
Eliminations and corporate expenses	-	-	-	-
Total	9.1%	9.0%	20.6%	20.6%

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