

Sekisui House, Ltd.

Second Quarter of FY2017

(February 1, 2017 through July 31, 2017)

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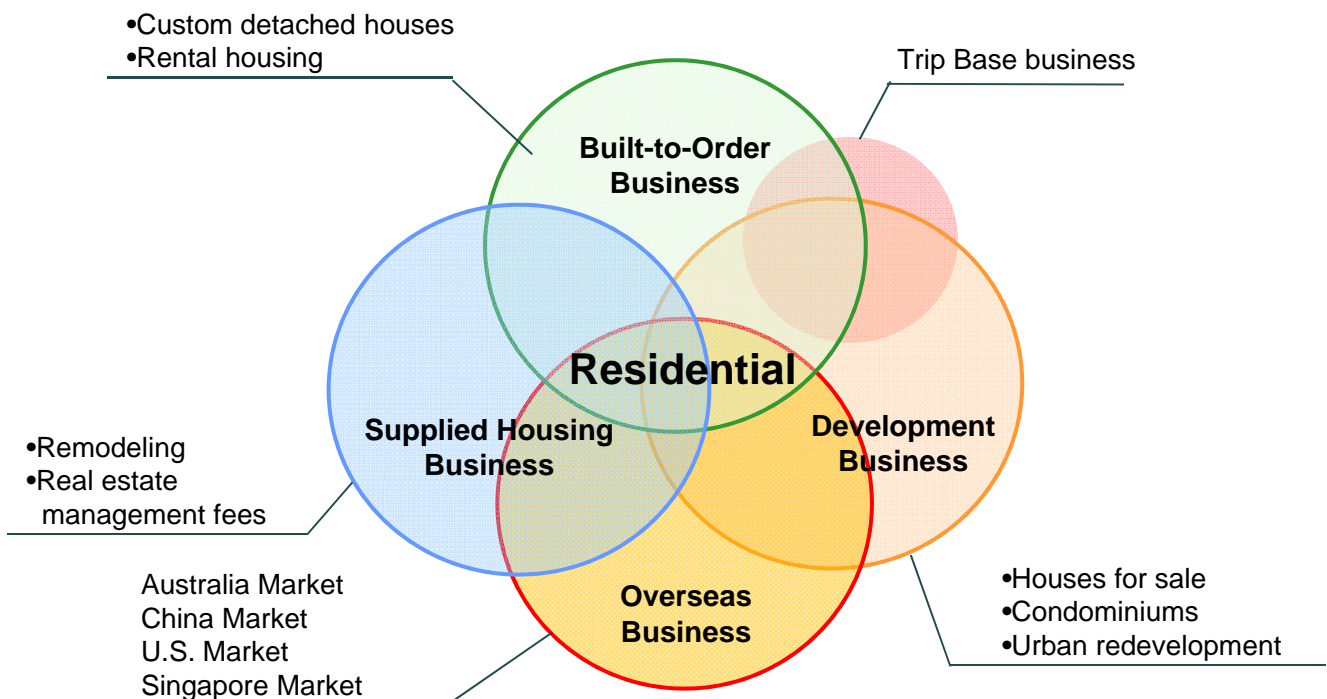
September 7, 2017

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 a record high profit in the second quarter,
while registering an increase in profit in all business models.

➤ Highlights

- **Built-to-Order Business:** In the Custom Detached Houses Business, sales declined due to the impacts of a decrease in orders in latter half of the previous year, although the unit prices of custom detached houses and rental houses rose steadily on initiatives to bolster sales of high value-added products such as Green First Zero of Sekisui House, Ltd. and three- and four-story houses. On the other hand, the profitability of the Built-to-Order Business improved overall as a result of continued efforts to bolster the profit structure by making the most of the Group's strengths in areas such as production, construction and logistics.
- **Supplied Housing Business:** In the Remodeling Business, profitability improved, reflecting the strong performance of the renovations of rental houses as well as effects of cost reductions. 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 supply of properties from the Rental Housing Business and a continued high level of occupancy.
- **Development Business:** Sales remained strong, chiefly in the Condominiums Business. In the Urban Development Business, properties were sold to REITs ahead of schedule.
- **Overseas Business:** Sales surged in the United States, reflecting a revenue contribution by Woodside Homes, a company acquired in March, as well as steady progress in businesses. In Australia, deliveries proceeded steadily. As a result, both sales and profit rose.

(¥ billion)

	FY2016 (16/2-16/7)		FY2017 (17/2-17/7)			
	Results	Margin	Results	Margin	Amount changed	YOY
Net sales	949.6		1,009.4		59.8	6.3%
Built-to-Order	395.3		395.8		0.4	0.1%
Supplied Housing	302.0		313.9		11.9	4.0%
Development	177.3		172.8		(4.4)	(2.5%)
Overseas	33.6		88.6		55.0	163.6%
Gross profit	193.6	20.4%	210.9	20.9%	17.2	8.9%
Built-to-Order	98.5	24.9%	99.5	25.1%	0.9	1.0%
Supplied Housing	51.5	17.1%	54.7	17.4%	3.2	6.2%
Development	31.2	17.6%	32.8	19.0%	1.6	5.1%
Overseas	8.3	24.8%	19.5	22.1%	11.2	135.1%
SG&A	114.4		120.5		6.1	5.3%
Operating income	79.2	8.3%	90.3	9.0%	11.1	14.0%
Built-to-Order	49.9	12.6%	52.0	13.2%	2.1	4.2%
Supplied Housing	25.1	8.3%	27.3	8.7%	2.2	8.7%
Development	20.2	11.4%	20.6	11.9%	0.3	1.9%
Overseas	0.5	1.6%	7.3	8.3%	6.7	-
Non-operating income/expenses	(0.6)		5.2		5.9	-
Ordinary income	78.6	8.3%	95.6	9.5%	17.0	21.7%
Extraordinary income	-		0.8		0.8	-
Extraordinary loss	0.3		9.3		8.9	-
Profit attributable to owners of parent	52.0	5.5%	61.0	6.0%	89	17.2%
EPS (yen)	74.63		88.41			

(Non-operating income/expenses)
 -Equity in earnings of affiliates:
 ¥4.1 billion (down ¥0.4 billion YOY)
 -Foreign exchange gains:
 ¥0.4 billion (up ¥5.0 billion YOY)

(Extraordinary loss)
 -Bad debts losses: ¥5.5 billion
 -Loss on valuation of investment securities : ¥2.8 billion

➤ State of Orders

(¥ billion)

Consolidated orders				Accumulated orders			
FY2016 (16/2-16/7)	FY2017 (17/2-17/7)	Amount changed	YOY	FY2016 (Jan. 31, 2017)	FY2017 2Q (Jul. 31, 2017)	Amount changed	Change
1,041.8	1,125.1	83.2	8.0%	893.8	1,009.5	115.6	12.9%

2. Financial Position

➤ Consolidated Balance Sheets

(¥ billion)

(Assets)	FY2016 (Jan. 31, 2017)	FY2017 2Q (Jul. 31, 2017)	Amount changed	(Liabilities and net assets)	FY2016 (Jan. 31, 2017)	FY2017 2Q (Jul. 31, 2017)	Amount changed
Total current assets	1,355.0	1,458.5	103.5	Total current liabilities	713.9	771.9	58.0
Real estate for sale *	980.3	1,083.5	103.1	Total noncurrent liabilities	352.6	378.2	25.5
Total noncurrent assets	829.8	836.8	6.9	Total liabilities	1,066.6	1,150.2	83.6
Total assets	2,184.8	2,295.4	110.5	Total net assets	1,118.2	1,145.2	26.9
				Total liabilities and net assets	2,184.8	2,295.4	110.5

* 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
- Decrease in foreign currency translation adjustments: ¥(7.2) billion

➤ State of Interest-bearing Debts

	FY2016 (Jan. 31, 2017)	FY2017 2Q (Jul. 31, 2017)	Amount changed
Interest-bearing debts (¥ billion)	491.0	626.8	135.8
D/E ratio	44.5%	55.5%	11.0p
Equity ratio	50.5%	49.2%	(1.3p)

➤ State of Cash Flows

(¥ billion)

	FY2016 (16/2-16/7)	FY2017 (17/2-17/7)	Amount changed
Net cash provided by (used in) operating activities	(7.6)	(2.9)	4.7
Net cash provided by (used in) investing activities	(59.2)	(61.6)	(2.4)
Free cash flow	(66.9)	(64.6)	2.2
Net cash provided by (used in) financing activities	51.6	72.5	20.8
Net increase (decrease) in cash and cash equivalents	(22.6)	6.2	28.9
Cash and cash equivalents at beginning of period	192.3	204.7	
Cash and cash equivalents at end of period	169.6	210.9	

[Main factors of change]

- Increases in inventories: ¥(103.6) billion

➤ State of Investment

(¥ billion)

	FY2016 (16/2-16/7)	FY2017 (17/2-17/7)	Amount changed	FY2017 Full-year plan
Capital expenditures	60.4	26.6	(33.7)	65.0
Depreciation and amortization	11.3	10.8	(0.5)	23.0

3. Segment Information



➤ Built-to-Order Business

(¥ billion)

	Net sales			
	FY2016 (16/2-16/7)	FY2017 (17/2-17/7)	Amount changed	YOY
Custom Detached Houses	188.4	185.5	(2.9)	△1.5%
Rental Housing	206.8	210.2	3.3	1.6%
Total	395.3	395.8	0.4	0.1%

Gross margin		
FY2016 (16/2-16/7)	FY2017 (17/2-17/7)	Amount changed
25.7%	26.1%	0.4p
24.2%	24.3%	0.1p
24.9%	25.1%	0.2p

	Operating income			
	FY2016 (16/2-16/7)	FY2017 (17/2-17/7)	Amount changed	YOY
Custom Detached Houses	23.5	24.3	0.8	3.5%
Rental Housing	26.4	27.7	1.2	4.9%
Total	49.9	52.0	2.1	4.2%

OP margin		
FY2016 (16/2-16/7)	FY2017 (17/2-17/7)	Amount changed
12.5%	13.1%	0.6p
12.8%	13.2%	0.4p
12.6%	13.2%	0.6p

	Orders			
	FY2016 (16/2-16/7)	FY2017 (17/2-17/7)	Amount changed	YOY
Custom Detached Houses	206.0	193.7	(12.3)	(6.0%)
Rental Housing	240.7	237.2	(3.4)	(1.4%)
Total	446.7	431.0	(15.7)	(3.5%)

ASP per building (10 thousand yen)		
FY2016 (16/2-17/1)	FY2017 (17/2-17/7)	Amount changed
3,729	3,791	62
8,361	9,296	935

■ Custom Detached Houses Business

Ratio of Green First Zero: 79%

Ratio of three- and four-story housing (in value): 11.3%

■ Rental Housing Business

Ratio of three- and four-story housing (in value): 64.5%

➤ Supplied Housing Business

(¥ billion)

	Net sales			
	FY2016 (16/2-16/7)	FY2017 (17/2-17/7)	Amount changed	YOY
Remodeling	68.4	70.2	1.8	2.7%
Real Estate Management Fees	233.6	243.7	10.0	4.3%
Total	302.0	313.9	11.9	4.0%

Gross margin		
FY2016 (16/2-16/7)	FY2017 (17/2-17/7)	Amount changed
25.2%	26.7%	1.5p
14.7%	14.8%	0.1p
17.1%	17.4%	0.3p

	Operating income			
	FY2016 (16/2-16/7)	FY2017 (17/2-17/7)	Amount changed	YOY
Remodeling	8.7	10.4	1.6	18.7%
Real Estate Management Fees	16.4	16.9	0.5	3.4%
Total	25.1	27.3	2.2	8.7%

OP margin		
FY2016 (16/2-16/7)	FY2017 (17/2-17/7)	Amount changed
12.8%	14.8%	2.0p
7.0%	7.0%	0.0p
8.3%	8.7%	0.4p

	Orders			
	FY2016 (16/2-16/7)	FY2017 (17/2-17/7)	Amount changed	YOY
Remodeling	69.4	70.4	0.9	1.3%
Real Estate Management Fees	233.6	243.7	10.0	4.3%
Total	303.1	314.1	11.0	3.6%

■ Real Estate Management Fees Business

Number of units under management: 595 thousand
Occupancy ratio: 96.8% (up 0.3p from the end of the previous year)

3. Segment Information



Development Business

(¥ billion)

	Net sales			
	FY2016 (16/2-16/7)	FY2017 (17/2-17/7)	Amount changed	YOY
Houses for Sale	68.4	79.9	11.4	16.8%
Condominiums	31.6	28.8	(2.8)	(8.9%)
Urban Redevelopment	77.2	64.1	(13.1)	(17.1%)
Total	177.3	172.8	(4.4)	(2.5%)

Gross margin		
FY2016 (16/2-16/7)	FY2017 (17/2-17/7)	Amount changed
18.1%	19.9%	1.8p
15.6%	20.6%	5.0p
18.0%	17.2%	(0.8p)
17.6%	19.0%	1.4p

	Operating income			
	FY2016 (16/2-16/7)	FY2017 (17/2-17/7)	Amount changed	YOY
Houses for Sale	5.4	7.7	2.2	42.4%
Condominiums	1.8	3.3	1.4	79.8%
Urban Redevelopment	12.9	9.5	(3.4)	(26.3%)
Total	20.2	20.6	0.3	1.9%

OP margin		
FY2016 (16/2-16/7)	FY2017 (17/2-17/7)	Amount changed
7.9%	9.6%	1.7p
5.9%	11.7%	5.8p
16.7%	14.9%	(1.8p)
11.4%	11.9%	0.5p

	Orders			
	FY2016 (16/2-16/7)	FY2017 (17/2-17/7)	Amount changed	YOY
Houses for Sale	79.6	82.1	2.4	3.1%
Condominiums	46.0	64.3	18.2	39.7%
Urban Redevelopment	86.5	64.1	(22.4)	(26.0%)
Total	212.3	210.6	(1.7)	(0.8%)

Urban Redevelopment Business

Sales from property sales: ¥41.2 billion

Operating income from property sales: ¥6.7 billion

Overseas Business

	FY2016 (16/2-16/7)	FY2017 (17/2-17/7)	Amount changed	YOY
Net sales	33.6	88.6	55.0	163.6%
Operating income	0.5	7.3	6.7	-
Orders	39.6	130.3	90.7	228.9%

	FY2016 (16/2-16/7)	FY2017 (17/2-17/7)	Amount changed
Gross margin	24.8%	22.1%	(2.7p)
OP margin	1.6%	8.3%	6.7p

Overseas Business / Details by country

Results for Second Quarter of FY2017

(¥ billion)

Country	Net sales	Operating income	Ordinary income	Investment balance	Orders
Australia	22.9	3.5	3.6	160.1	20.5
China	13.9	0.3	0.4	206.6	16.3
USA	51.7	4.0	3.5	409.2	93.3
Singapore *	-	-	0.5	37.9	-
Other administrative expenses	-	(0.5)	(0.5)	-	-
Total	88.6	73	7.5	813.9	130.3

* Accounted for by the equity method

3. Segment Information



(¥ billion)

		FY2016 (16/2-16/7)					FY2017 (17/2-17/7)				
		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	188.4	23.5	12.5%	25.7%	206.0	185.5	24.3	13.1%	26.1%	193.7
	Rental Housing	206.8	26.4	12.8%	24.2%	240.7	210.2	27.7	13.2%	24.3%	237.2
	Subtotal	395.3	49.9	12.6%	24.9%	446.7	395.8	52.0	13.2%	25.1%	431.0
Supplied Housing Business	Remodeling	68.4	8.7	12.8%	25.2%	69.4	70.2	10.4	14.8%	26.7%	70.4
	Real Estate Management Fees	233.6	16.4	7.0%	14.7%	233.6	243.7	16.9	7.0%	14.8%	243.7
	Subtotal	302.0	25.1	8.3%	17.1%	303.1	313.9	27.3	8.7%	17.4%	314.1
Development Business	Houses for Sale	68.4	5.4	7.9%	18.1%	79.6	79.9	7.7	9.6%	19.9%	82.1
	Condominiums	31.6	1.8	5.9%	15.6%	46.0	28.8	3.3	11.7%	20.6%	64.3
	Urban Redevelopment	77.2	12.9	16.7%	18.0%	86.5	64.1	9.5	14.9%	17.2%	64.1
	Subtotal	177.3	20.2	11.4%	17.6%	212.3	172.8	20.6	11.9%	19.0%	210.6
	Overseas Business	33.6	0.5	1.6%	24.8%	39.6	88.6	7.3	8.3%	22.1%	130.3
	Other Businesses	41.2	0.2	0.7%	13.7%	40.0	38.1	0.7	1.8%	15.4%	39.0
	Eliminations and corporate expenses	-	(16.9)	-	-	-	-	(17.7)	-	-	-
	Total	949.6	79.2	8.3%	20.4%	1,041.8	1,009.4	90.3	9.0%	20.9%	1,125.1

4. 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	200.0	4.7%
Profit attributable to owners of parent	121.8	128.0	5.0%
EPS (yen)	175.48	185.48	5.7%
ROA	9.4%	9.0%	-
ROE	11.3%	11.3%	-
Dividend per share (yen)	64.00	75.00	11.00
Payout ratio	36.5%	40.4%	-

4. 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	370.0	(13.1)	(3.4%)
	Rental Housing	440.3	446.0	5.6	1.3%
	Subtotal	823.4	816.0	(7.4)	(0.9%)
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	159.0	16.9	12.0%
	Condominiums	66.1	76.0	9.8	14.9%
	Urban Redevelopment	130.4	90.0	(40.4)	(31.0%)
	Subtotal	338.6	325.0	(13.6)	(4.0%)
Overseas Business	182.1	300.0	117.8	64.7%	
Other Businesses	80.0	75.0	(5.0)	(6.4%)	
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	382.0	387.0	4.9	1.3%
	461.7	471.0	9.2	2.0%
	843.7	858.0	14.2	1.7%
Supplied Housing Business	134.5	141.0	6.4	4.8%
	469.1	488.0	18.8	4.0%
	603.6	629.0	25.3	4.2%
Development Business	151.8	161.0	9.1	6.0%
	86.4	106.0	19.5	22.6%
	130.4	90.0	(40.4)	(31.0%)
	368.8	357.0	(11.8)	(3.2%)
Overseas Business	158.8	290.0	131.1	82.6%
Other Businesses	76.8	80.0	3.1	4.1%
Total	2,052.0	2,214.0	161.9	7.9%

■ 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	20.0	2.4	14.0%
	Real Estate Management Fees	31.2	32.0	0.7	2.3%
	Subtotal	48.8	52.0	3.1	6.5%
Development Business	Houses for Sale	8.8	13.5	4.6	53.0%
	Condominiums	2.2	8.0	5.7	255.9%
	Urban Redevelopment	23.4	12.5	(10.9)	(46.6%)
	Subtotal	34.4	34.0	(0.4)	(1.4%)
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)	(35.5)	(0.1)	-	
Total	184.1	192.0	7.8	4.3%	

■ OP margin

FY2016 (16/2-17/1) Results	FY2017 (17/2-18/1) Forecasts
12.9%	13.1%
13.8%	14.0%
13.4%	13.6%
13.1%	14.3%
6.7%	6.6%
8.1%	8.3%
6.2%	8.5%
3.4%	10.5%
17.9%	13.9%
10.2%	10.5%
13.8%	10.0%
0.9%	0.7%
-	-
9.1%	9.0%

■ Gross margin

FY2016 (16/2-17/1) Results	FY2017 (17/2-18/1) Forecasts
26.2%	26.6%
24.5%	24.7%
25.3%	25.5%
25.6%	26.4%
14.4%	14.5%
16.9%	17.2%
16.3%	18.9%
12.1%	18.4%
19.8%	16.4%
16.8%	18.1%
23.7%	19.4%
14.0%	16.0%
-	-
20.6%	20.6%

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