

Sekisui House, Ltd.

Third Quarter of FY2017

(February 1, 2017 through October 31, 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 FY2017

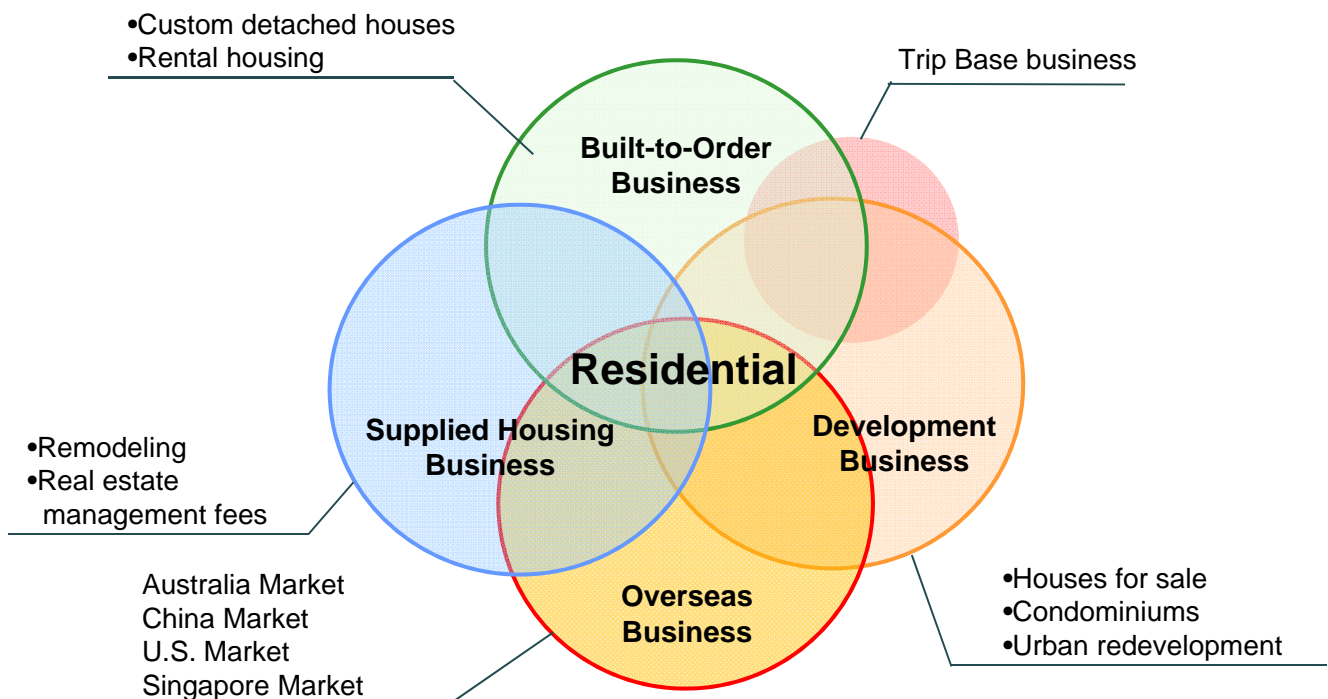
December 8, 2017

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

Every segment made progress as planned toward the full-year plan (record-high net sales and operating income).

➤ Highlights

- **Built-to-Order Business:** The unit prices of custom detached houses and rental houses continued to rise on initiatives to bolster sales of high value-added products such as Green First Zero and three- and four-story houses. The Rental Housing Business made good progress and posted increases in sales and profits. The Custom Detached Houses Business offset the impact of decreased sales with improvement in profitability and higher profits in Houses for Sale Business, and secured profit.
- **Supplied Housing Business:** In the Remodeling Business, profitability improved, reflecting strong performances in value-added proposals and the renovations of rental houses as well as the 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:** Orders received for condominiums were strong. Property sales in the Urban Development Business also progressed according to plan.
- **Overseas Business:** Overseas, progress has been made in the conclusion of contracts for the sale of rental housing development properties in the United States, while the steady handover of properties in Australia has produced increases in sales and profits.

(¥ billion)

	FY2016 (16/2-16/10)		FY2017 (17/2-17/10)			
	Results	Margin	Results	Margin	Amount changed	YOY
Net sales	1,445.7		1,494.7		49.0	3.4%
Built-to-Order	589.9		582.6		(7.2)	(1.2%)
Supplied Housing	444.1		461.2		17.1	3.9%
Development	257.8		231.1		(26.7)	(10.4%)
Overseas	96.4		166.2		69.7	72.3%
Gross profit	299.8	20.7%	309.8	20.7%	9.9	3.3%
Built-to-Order	146.6	24.9%	144.6	24.8%	(1.9)	(1.4%)
Supplied Housing	74.5	16.8%	79.0	17.1%	4.4	6.0%
Development	48.4	18.8%	44.8	19.4%	(3.6)	(7.5%)
Overseas	24.6	25.6%	35.4	21.4%	10.8	43.9%
SG&A	172.5		182.8		10.2	5.9%
Operating income	127.2	8.8%	127.0	8.5%	(0.2)	(0.2%)
Built-to-Order	74.1	12.6%	73.4	12.6%	(0.6)	(0.9%)
Supplied Housing	35.3	8.0%	37.9	8.2%	2.6	7.5%
Development	31.8	12.4%	27.4	11.9%	(4.4)	(13.9%)
Overseas	12.1	12.6%	14.7	8.9%	2.6	21.4%
Non-operating income/expenses	0.1		5.5		5.3	-
Ordinary income	127.4	8.8%	132.5	8.9%	5.1	4.0%
Extraordinary income	-		0.8		0.8	-
Extraordinary loss	0.4		9.8		9.4	-
Profit attributable to owners of parent	83.1	5.8%	85.8	5.7%	2.7	3.3%
EPS (yen)	119.5		124.4			

(Non-operating income/expenses)
 -Equity in earnings of affiliates:
 ¥4.8billion (down ¥1.9billion YOY)
 -Foreign exchange gains:
 ¥1.2billion (up ¥6.7billion 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 (16/2-16/10)	FY2017 (17/2-17/10)	Amount changed	YOY	FY2016 (Jan. 31, 2017)	FY2017 3Q (Oct. 31, 2017)	Amount changed	Change
1,574.3	1,692.0	117.7	7.5%	893.8	1,091.1	197.3	22.1%

2. Financial Position



Consolidated Balance Sheets

(¥ billion)

(Assets)	FY2016 (Jan. 31, 2017)	FY2017 3Q (Oct. 31, 2017)	Amount changed	(Liabilities and net assets)	FY2016 (Jan. 31, 2017)	FY2017 3Q (Oct. 31, 2017)	Amount changed
Total current assets	1,355.0	1,556.8	201.8	Total current liabilities	713.9	746.1	32.1
Real estate for sale *	980.3	1,110.7	130.3	Total noncurrent liabilities	352.6	500.9	148.2
Total noncurrent assets	829.8	848.4	18.5	Total liabilities	1,066.6	1,247.0	180.4
Total assets	2,184.8	2,405.2	220.3	Total net assets	1,118.2	1,158.2	39.9
				Total liabilities and net assets	2,184.8	2,405.2	220.3

* 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
- Issuance of hybrid bonds: ¥120.0 billion
- Increase in foreign currency translation adjustment : ¥2.6 billion

State of Interest-bearing Debts

	FY2016 (Jan. 31, 2017)	FY2017 2Q (Oct. 31, 2017)	Amount changed
Interest-bearing debts (¥ billion)	491.0	692.8	201.8
D/E ratio	44.5%	60.6%	16.1p
Equity ratio	50.5%	47.5%	(3.0p)

State of Cash Flows

(¥ billion)

	FY2016 (16/2-16/10)	FY2017 (17/2-17/10)	Amount changed
Net cash provided by (used in) operating activities	15.6	(3.9)	(19.5)
Net cash provided by (used in) investing activities	(79.8)	(70.6)	9.1
Free cash flow	(64.1)	(74.5)	(10.4)
Net cash provided by (used in) financing activities	57.5	107.8	50.3
Net increase (decrease) in cash and cash equivalents	(16.7)	33.0	49.7
Cash and cash equivalents at beginning of period	192.3	204.7	
Cash and cash equivalents at end of period	175.6	237.7	

[Main factors of change]

- Acquisition of Woodside Homes, LLC
- Issuance of hybrid bonds

State of Investment

(¥ billion)

	FY2016 (16/2-16/10)	FY2017 (17/2-17/10)	Amount changed	FY2017 Full-year plan
Capital expenditures	82.3	43.1	(39.1)	65.0
Depreciation and amortization	17.1	16.4	(0.7)	23.0

3. Segment Information



➤ Built-to-Order Business

(¥ billion)

	Net sales			
	FY2016 (16/2-16/10)	FY2017 (17/2-17/10)	Amount changed	YOY
Custom Detached Houses	280.2	269.0	(11.1)	(4.0%)
Rental Housing	309.6	313.6	3.9	1.3%
Total	589.9	582.6	(7.2)	(1.2%)

Gross margin		
FY2016 (16/2-16/10)	FY2017 (17/2-17/10)	Amount changed
25.8%	25.8%	0.0p
24.0%	24.0%	0.0p
24.9%	24.8%	(0.1p)

	Operating income			
	FY2016 (16/2-16/10)	FY2017 (17/2-17/10)	Amount changed	YOY
Custom Detached Houses	34.4	32.9	(1.4)	(4.2%)
Rental Housing	39.7	40.4	0.7	2.0%
Total	74.1	73.4	(0.6)	(0.9%)

OP margin		
FY2016 (16/2-16/10)	FY2017 (17/2-17/10)	Amount changed
12.3%	12.2%	(0.1p)
12.8%	12.9%	0.1p
12.6%	12.6%	0.0p

	Orders			
	FY2016 (16/2-16/10)	FY2017 (17/2-17/10)	Amount changed	YOY
Custom Detached Houses	292.2	274.5	(17.7)	(6.1%)
Rental Housing	349.0	346.1	(2.9)	(0.9%)
Total	641.3	620.6	(20.7)	(3.2%)

ASP per building (10 thousand yen)		
FY2016 (16/2-17/1)	FY2017 (17/2-17/10)	Amount changed
3,729	3,807	78
8,361	9,389	1,027

■ Custom Detached Houses Business

Ratio of Green First Zero: 77%

Ratio of three- and four-story housing (in value): 10.5%

■ Rental Housing Business

Ratio of three- and four-story housing (in value): 62.4%

➤ Supplied Housing Business

(¥ billion)

	Net sales			
	FY2016 (16/2-16/10)	FY2017 (17/2-17/10)	Amount changed	YOY
Remodeling	93.1	94.8	1.6	1.8%
Real Estate Management Fees	350.9	366.4	15.4	4.4%
Total	444.1	461.2	17.1	3.9%

Gross margin		
FY2016 (16/2-16/10)	FY2017 (17/2-17/10)	Amount changed
25.2%	26.5%	1.3p
14.6%	14.7%	0.1p
16.8%	17.1%	0.3p

	Operating income			
	FY2016 (16/2-16/10)	FY2017 (17/2-17/10)	Amount changed	YOY
Remodeling	10.8	12.5	1.6	15.4%
Real Estate Management Fees	24.4	25.4	0.9	3.9%
Total	35.3	37.9	2.6	7.5%

OP margin		
FY2016 (16/2-16/10)	FY2017 (17/2-17/10)	Amount changed
11.7%	13.3%	1.6p
7.0%	6.9%	(0.1p)
8.0%	8.2%	0.2p

	Orders			
	FY2016 (16/2-16/10)	FY2017 (17/2-17/10)	Amount changed	YOY
Remodeling	103.1	104.4	1.2	1.2%
Real Estate Management Fees	350.9	366.4	15.4	4.4%
Total	454.0	470.8	16.7	3.7%

■ Real Estate Management Fees Business

Number of units under management: 599 thousand
Occupancy ratio: 96.7% (up 0.2p from the end of the previous year)

3. Segment Information



Development Business

(¥ billion)

	Net sales			
	FY2016 (16/2-16/10)	FY2017 (17/2-17/10)	Amount changed	YOY
Houses for Sale	99.8	110.1	10.3	10.3%
Condominiums	46.9	34.8	(12.1)	(25.8%)
Urban Redevelopment	110.9	86.0	(24.9)	(22.4%)
Total	257.8	231.1	(26.7)	(10.4%)

Gross margin		
FY2016 (16/2-16/10)	FY2017 (17/2-17/10)	Amount changed
18.3%	19.7%	1.4p
16.2%	20.1%	3.9p
20.3%	18.7%	(1.6p)
18.8%	19.4%	0.6p

	Operating income			
	FY2016 (16/2-16/10)	FY2017 (17/2-17/10)	Amount changed	YOY
Houses for Sale	7.8	9.8	1.9	25.4%
Condominiums	3.5	3.6	0.1	3.8%
Urban Redevelopment	20.5	13.9	(6.5)	(31.9%)
Total	31.8	27.4	(4.4)	(13.9%)

OP margin		
FY2016 (16/2-16/10)	FY2017 (17/2-17/10)	Amount changed
7.9%	8.9%	1.0p
7.5%	10.5%	3.0p
18.5%	16.2%	(2.3p)
12.4%	11.9%	(0.5p)

	Orders			
	FY2016 (16/2-16/10)	FY2017 (17/2-17/10)	Amount changed	YOY
Houses for Sale	118.1	118.9	0.7	0.7%
Condominiums	66.5	89.4	22.9	34.5%
Urban Redevelopment	119.4	86.0	(33.4)	(28.0%)
Total	304.1	294.4	(9.6)	(3.2%)

Urban Redevelopment Business

Sales from property sales: ¥51.7billion

Operating income from property sales: ¥8.9 billion

Overseas Business

	FY2016 (16/2-16/10)	FY2017 (17/2-17/10)	Amount changed	YOY
Net sales	96.4	166.2	69.7	72.3%
Operating income	12.1	14.7	2.6	21.4%
Orders	118.9	251.4	132.5	111.4%

	FY2016 (16/2-16/10)	FY2017 (17/2-17/10)	Amount changed
Gross margin	25.6%	21.4%	(4.2p)
OP margin	12.6%	8.9%	(3.7p)

Overseas Business / Details by country

Results for Third Quarter of FY2017

(¥ billion)

Country	Net sales	Operating income	Ordinary income	Investment balance	Orders
Australia	49.5	9.4	9.6	156.6	25.7
China	23.2	0.5	0.7	207.9	30.5
USA	93.4	5.6	4.6	423.2	195.2
Singapore *	-	-	0.6	34.7	-
Other administrative expenses	-	(0.8)	(0.8)	-	-
Total	166.2	14.7	14.7	822.5	251.4

* Accounted for by the equity method

3. Segment Information



(¥ billion)

		FY2016 (16/2-16/10)					FY2017 (17/2-17/10)				
		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	280.2	34.4	12.3%	25.8%	292.2	269.0	32.9	12.2%	25.8%	274.5
	Rental Housing	309.6	39.7	12.8%	24.0%	349.0	313.6	40.4	12.9%	24.0%	346.1
	Subtotal	589.9	74.1	12.6%	24.9%	641.3	582.6	73.4	12.6%	24.8%	620.6
Supplied Housing Business	Remodeling	93.1	10.8	11.7%	25.2%	103.1	94.8	12.5	13.3%	26.5%	104.4
	Real Estate Management Fees	350.9	24.4	7.0%	14.6%	350.9	366.4	25.4	6.9%	14.7%	366.4
	Subtotal	444.1	35.3	8.0%	16.8%	454.0	461.2	37.9	8.2%	17.1%	470.8
Development Business	Houses for Sale	99.8	7.8	7.9%	18.3%	118.1	110.1	9.8	8.9%	19.7%	118.9
	Condominiums	46.9	3.5	7.5%	16.2%	66.5	34.8	3.6	10.5%	20.1%	89.4
	Urban Redevelopment	110.9	20.5	18.5%	20.3%	119.4	86.0	13.9	16.2%	18.7%	86.0
	Subtotal	257.8	31.8	12.4%	18.8%	304.1	231.1	27.4	11.9%	19.4%	294.4
	Overseas Business	96.4	12.1	12.6%	25.6%	118.9	166.2	14.7	8.9%	21.4%	251.4
	Other Businesses	57.4	(0.1)	(0.2%)	13.9%	55.7	53.4	0.4	0.8%	15.4%	54.6
	Eliminations and corporate expenses	-	(26.1)	-	-	-	-	(27.0)	-	-	-
	Total	1,445.7	127.2	8.8%	20.7%	1,574.3	1,494.7	127.0	8.5%	20.7%	1,692.0

<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	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%	-

<Reference> Full-Year Forecasts for FY2017



■ 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%
Supplied Housing Business	461.7	471.0	9.2	2.0%
Development Business	843.7	858.0	14.2	1.7%
Overseas Business	134.5	141.0	6.4	4.8%
Other Businesses	469.1	488.0	18.8	4.0%
Total	603.6	629.0	25.3	4.2%
Built-to-Order Business	151.8	161.0	9.1	6.0%
Supplied Housing Business	86.4	106.0	19.5	22.6%
Development Business	368.8	357.0	(11.8)	(3.2%)
Overseas Business	130.4	90.0	(40.4)	(31.0%)
Other Businesses	158.8	290.0	131.1	82.6%
Total	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

■ 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%	13.1%	26.2%	26.6%
Supplied Housing Business	13.8%	14.0%	24.5%	24.7%
Development Business	13.4%	13.6%	25.3%	25.5%
Overseas Business	13.1%	14.3%	25.6%	26.4%
Other Businesses	6.7%	6.6%	14.4%	14.5%
Total	8.1%	8.3%	16.9%	17.2%
Built-to-Order Business	6.2%	8.5%	16.3%	18.9%
Supplied Housing Business	3.4%	10.5%	12.1%	18.4%
Development Business	17.9%	13.9%	19.8%	16.4%
Overseas Business	10.2%	10.5%	16.8%	18.1%
Other Businesses	13.8%	10.0%	23.7%	19.4%
Eliminations and corporate expenses	0.9%	0.7%	14.0%	16.0%
Total	-	-	-	-
Total	9.1%	9.0%	20.6%	20.6%

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