

# Sekisui House, Ltd.

## FY2017

(February 1, 2017 through January 31, 2018)

### - Summary of Consolidated Financial Results -

1. Overview
2. Financial Position
3. Segment Information
  - Built-to-Order Business
  - Supplied Housing Business
  - Development Business
  - Overseas Business
4. Full-Year Forecasts for FY2018

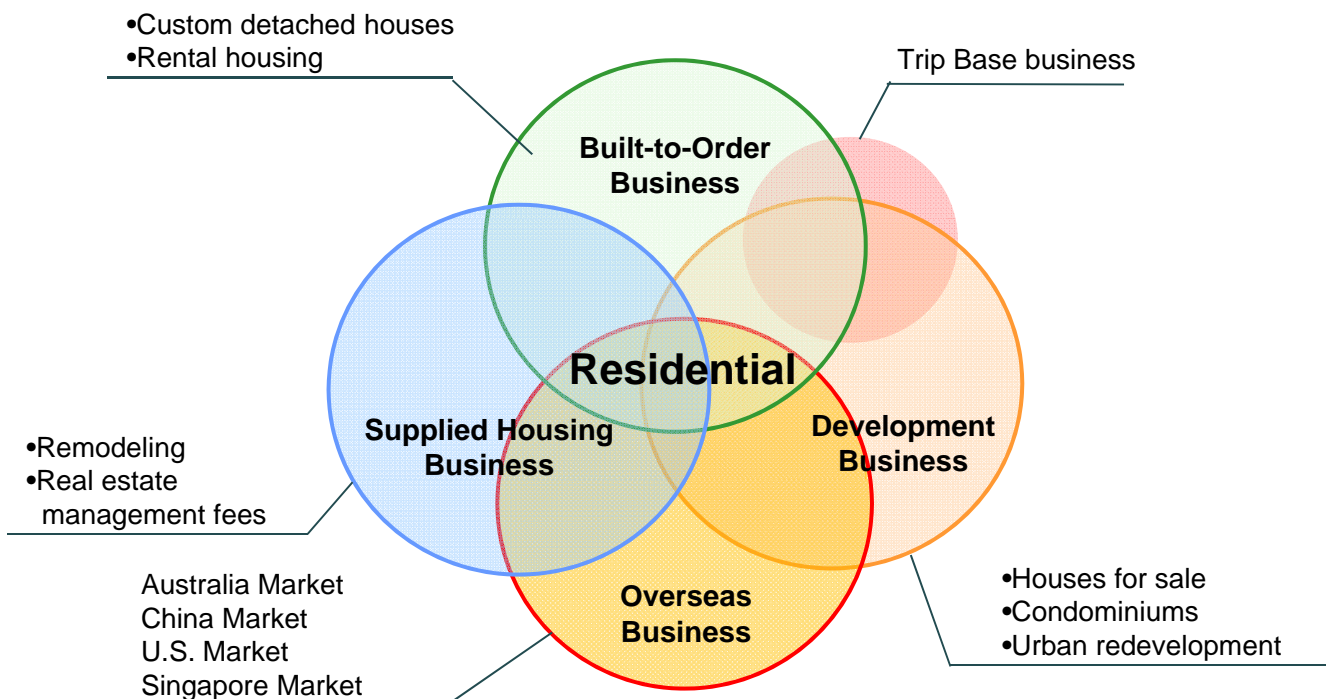
March 8, 2018

## 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



# 1. Overview



## ➤ Overview

**Achieved better-than-expected results in the first year of the Fourth Mid-Term Management Plan.**

**Achieved a new record profit for the 5th consecutive year and increased profit for the 8th consecutive year.**

## ➤ Highlights

- **Built-to-Order Business:** The unit prices of both custom detached houses and rental houses continued to pick up on initiatives to bolster sales of high value-added products such as Green First Zero and three- and four-story houses. Rental houses posted increases in sales and profit with steady performances, while custom detached houses recorded decreases in sales and profit given the impact of a decline in orders.
- **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 contribution through the effects of cost cutting. In the Real Estate Management Fees Business, both sales and profit increased, reflecting a continued high level of occupancy and a continued rise in the number of managed rooms associated with the supply of properties from the Rental Housing Business.
- **Development Business** Orders received for condominiums were strong. The Urban Development Business performed better than the plan, partly reflecting additional sales of properties.
- **Overseas Business:** Sales and profit increased significantly, reflecting steady progress mainly in sales of rental housing development properties in Seattle and Denver in the United States as well as the handover of properties in Australia.

(¥ billion)

	FY2016 (16/2-17/1)		FY2017 (17/2-18/1)			
	Results	Margin	Results	Margin	Amount changed	YOY
<b>Net sales</b>	<b>2,026.9</b>		<b>2,159.3</b>		<b>132.4</b>	<b>6.5%</b>
Built-to-Order	823.4		814.0		(9.4)	(1.1%)
Supplied Housing	602.6		626.7		24.1	4.0%
Development	338.6		336.7		(1.8)	(0.6%)
Overseas	182.1		306.7		124.5	68.4%
<b>Gross profit</b>	<b>418.2</b>	<b>20.6%</b>	<b>445.0</b>	<b>20.6%</b>	<b>26.7</b>	<b>6.4%</b>
Built-to-Order	208.2	25.3%	205.2	25.2%	(3.0)	(1.5%)
Supplied Housing	101.8	16.9%	108.1	17.3%	6.3	6.2%
Development	57.0	16.8%	63.7	18.9%	6.6	11.7%
Overseas	43.2	23.7%	59.8	19.5%	16.6	38.5%
<b>SG&amp;A</b>	<b>234.1</b>		<b>249.5</b>		<b>15.4</b>	<b>6.6%</b>
<b>Operating income</b>	<b>184.1</b>	<b>9.1%</b>	<b>195.5</b>	<b>9.1%</b>	<b>11.3</b>	<b>6.2%</b>
Built-to-Order	110.3	13.4%	108.9	13.4%	(1.4)	(1.3%)
Supplied Housing	48.8	8.1%	52.8	8.4%	4.0	8.3%
Development	34.4	10.2%	39.6	11.8%	5.1	15.1%
Overseas	25.1	13.8%	29.7	9.7%	4.5	18.2%
<b>Non-operating income/expenses</b>	<b>6.8</b>		<b>8.1</b>		<b>1.3</b>	<b>19.3%</b>
<b>Ordinary income</b>	<b>190.9</b>	<b>9.4%</b>	<b>203.6</b>	<b>9.4%</b>	<b>12.6</b>	<b>6.6%</b>
<b>Extraordinary income</b>	-		<b>10.4</b>		<b>10.4</b>	-
<b>Extraordinary loss</b>	<b>5.6</b>		<b>18.1</b>		<b>12.4</b>	<b>219.3%</b>
<b>Profit attributable to owners of parent</b>	<b>121.8</b>	<b>6.0%</b>	<b>133.2</b>	<b>6.2%</b>	<b>11.3</b>	<b>9.3%</b>
<b>EPS (yen)</b>	<b>175.48</b>		<b>193.06</b>			

(Non-operating income/expenses)  
 ·Equity in earnings of affiliates:  
 ¥8.1 billion (down 1.8 billion YOY)  
 ·Foreign exchange gains: ¥1.0 billion (up ¥3.5 billion YOY)

(Extraordinary profit)  
 ·Gain on sale of shares of affiliates : ¥10.4 billion  
 [of which three SPCs in China : ¥9.5 billion]

(Extraordinary loss)  
 ·Impairment loss: ¥7.7 billion  
 ·Bad debt loss: ¥5.5 billion  
 ·Loss on revaluation of investment in securities : ¥2.8 billion

## ➤ State of Orders

(¥ billion)

Consolidated orders				Accumulated orders			
FY2016 (16/2-17/1)	FY2017 (17/2-18/1)	Amount changed	YOY	FY2016 (Jan. 31, 2017)	FY2017 (Jan 31, 2018)	Amount changed	Change
2,052.0	2,244.1	192.1	9.4%	893.8	978.6	84.7	9.5%

## 2. Financial Position

### ➤ Consolidated Balance Sheets

(¥ billion)

(Assets)	As of Jan. 31, 2017	As of Jan. 31, 2018	Amount changed	(Liabilities and net assets)	As of Jan. 31, 2017	As of Jan. 31, 2018	Amount changed
Total current assets	1,355.0	1,572.6	217.6	Total current liabilities	713.9	706.8	(7.0)
Real estate for sale *	980.3	1,078.1	97.7	Total noncurrent liabilities	352.6	503.9	151.3
Total noncurrent assets	829.8	846.3	16.4	<b>Total liabilities</b>	<b>1,066.6</b>	<b>1,210.8</b>	<b>144.2</b>
<b>Total assets</b>	<b>2,184.8</b>	<b>2,419.0</b>	<b>234.1</b>	<b>Total net assets</b>	<b>1,118.2</b>	<b>1,208.1</b>	<b>89.8</b>
				<b>Total liabilities and net assets</b>	<b>2,184.8</b>	<b>2,419.0</b>	<b>234.1</b>

\* 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 : ¥3.7billion

### ➤ State of Interest-bearing Debts

	FY2016	FY2017	Amount changed
Interest-bearing debts (¥ billion)	491.0	622.0	131.0
D/E ratio	44.5%	52.1%	7.6p
*taking into account hybrid bonds		*44.8%	
Equity ratio	50.5%	49.4%	(1.1p)

### ➤ State of Cash Flows

(¥ billion)

	FY2016	FY2017	Amount changed
Net cash provided by (used in) operating activities	115.8	165.3	49.5
Net cash provided by (used in) investing activities	(107.3)	(76.1)	31.2
Free cash flow	8.4	89.2	80.7
Net cash provided by (used in) financing activities	5.5	30.1	24.6
Net increase (decrease) in cash and cash equivalents	12.3	119.9	107.6
Cash and cash equivalents at beginning of period	192.3	204.7	
Cash and cash equivalents at end of period	204.7	324.6	

#### [Main factors of change]

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

### ➤ State of Investment

(¥ billion)

	FY2016	FY2017	Amount changed	FY2018 Full-year plan
Capital expenditures	98.2	68.7	(29.4)	60.0
Depreciation and amortization	23.1	21.9	(1.1)	22.0

### 3. Segment Information



#### ➤ Built-to-Order Business

(¥ billion)

	Net sales			
	FY2016 (16/2-17/1)	FY2017 (17/2-18/1)	Amount changed	YOY
Custom Detached Houses	383.1	371.1	(11.9)	(3.1%)
Rental Housing	440.3	442.8	2.5	0.6%
Total	823.4	814.0	(9.4)	(1.1%)

Gross margin		
FY2016 (16/2-17/1)	FY2017 (17/2-18/1)	Amount changed
26.2%	26.2%	±0.0p
24.5%	24.4%	(0.1p)
25.3%	25.2%	(0.1p)

	Operating income			
	FY2016 (16/2-17/1)	FY2017 (17/2-18/1)	Amount changed	YOY
Custom Detached Houses	49.5	48.0	(1.4)	(3.0%)
Rental Housing	60.8	60.8	0.0	0.1%
Total	110.3	108.9	(1.4)	(1.3%)

OP margin		
FY2016 (16/2-17/1)	FY2017 (17/2-18/1)	Amount changed
12.9%	12.9%	±0.0p
13.8%	13.7%	(0.1p)
13.4%	13.4%	±0.0p

	Orders			
	FY2016 (16/2-17/1)	FY2017 (17/2-18/1)	Amount changed	YOY
Custom Detached Houses	382.0	362.6	(19.3)	(5.1%)
Rental Housing	461.7	463.2	1.4	0.3%
Total	843.7	825.8	(17.9)	(2.1%)

ASP per building (10 thousand yen)		
FY2016 (16/2-17/1)	FY2017 (17/2-18/1)	Amount changed
3,729	3,807	78
8,361	9,395	1,034

#### ■ Custom Detached Houses Business

Ratio of Green First Zero: 76.6%

Ratio of three- and four-story housing (in value): 10.7%

#### ■ Rental Housing Business

Ratio of three- and four-story housing (in value): 63.3%

#### ➤ Supplied Housing Business

(¥ billion)

	Net sales			
	FY2016 (16/2-17/1)	FY2017 (17/2-18/1)	Amount changed	YOY
Remodeling	133.4	136.8	3.3	2.5%
Real Estate Management Fees	469.1	489.8	20.7	4.4%
Total	602.6	626.7	24.1	4.0%

Gross margin		
FY2016 (16/2-17/1)	FY2017 (17/2-18/1)	Amount changed
25.6%	26.8%	1.2p
14.4%	14.6%	0.2p
16.9%	17.3%	0.4p

	Operating income			
	FY2016 (16/2-17/1)	FY2017 (17/2-18/1)	Amount changed	YOY
Remodeling	17.5	19.7	2.2	12.6%
Real Estate Management Fees	31.2	33.1	1.8	5.9%
Total	48.8	52.8	4.0	8.3%

OP margin		
FY2016 (16/2-17/1)	FY2017 (17/2-18/1)	Amount changed
13.1%	14.4%	1.3p
6.7%	6.8%	0.1p
8.1%	8.4%	0.3p

	Orders			
	FY2016 (16/2-17/1)	FY2017 (17/2-18/1)	Amount changed	YOY
Remodeling	134.5	137.8	3.2	2.4%
Real Estate Management Fees	469.1	489.8	20.7	4.4%
Total	603.6	627.7	24.0	4.0%

#### ■ Real Estate Management Fees Business

Number of units under management: 60.1 thousand

Occupancy ratio: 96.7% (up 0.2p from the end of the previous year)

### 3. Segment Information



#### Development Business

(¥ billion)

	Net sales			
	FY2016 (16/2-17/1)	FY2017 (17/2-18/1)	Amount changed	YOY
Houses for Sale	142.0	155.4	13.4	9.5%
Condominiums	66.1	77.4	11.3	17.2%
Urban Redevelopment	130.4	103.7	(26.7)	(20.5%)
Total	338.6	336.7	(1.8)	(0.6%)

Gross margin		
FY2016 (16/2-17/1)	FY2017 (17/2-18/1)	Amount changed
16.3%	18.8%	2.5p
12.1%	19.0%	6.9p
19.8%	19.1%	(0.7p)
16.8%	18.9%	2.1p

	Operating income			
	FY2016 (16/2-17/1)	FY2017 (17/2-18/1)	Amount changed	YOY
Houses for Sale	8.8	13.4	4.6	52.6%
Condominiums	2.2	9.2	6.9	310.4%
Urban Redevelopment	23.4	16.9	(6.4)	(27.4%)
Total	34.4	39.6	5.1	15.1%

OP margin		
FY2016 (16/2-17/1)	FY2017 (17/2-18/1)	Amount changed
6.2%	8.7%	2.5p
3.4%	11.9%	8.5p
17.9%	16.4%	(1.5p)
10.2%	11.8%	1.6p

	Orders			
	FY2016 (16/2-17/1)	FY2017 (17/2-18/1)	Amount changed	YOY
Houses for Sale	151.8	153.6	1.7	1.2%
Condominiums	86.4	112.5	26.0	30.1%
Urban Redevelopment	130.4	132.5	2.0	1.6%
Total	368.8	398.7	29.8	8.1%

#### Urban Redevelopment Business

Sales from property sales: ¥57.8 billion

Operating income from property sales: ¥9.9 billion

#### Overseas Business

	FY2016 (16/2-17/1)	FY2017 (17/2-18/1)	Amount changed	YOY
Net sales	182.1	306.7	124.5	68.4%
Operating income	25.1	29.7	4.5	18.2%
Orders	158.8	316.4	157.5	99.2%

	FY2016 (16/2-17/1)	FY2017 (17/2-18/1)	Amount changed
Gross margin	23.7%	19.5%	(4.2p)
OP margin	13.8%	9.7%	(4.1p)

#### Overseas Business / Details by country

##### Results for FY2017

(¥ billion)

Country	Net sales	Operating income	Ordinary income	Investment balance	Orders
Australia	61.5	9.9	10.0	157.6	45.2
China	37.9	2.4	2.5	192.9	36.3
USA	207.1	18.3	16.4	400.3	234.8
Singapore *	-	-	0.7	31.9	-
Other administrative expenses	-	(1.0)	(1.0)	-	-
Total	306.7	29.7	28.7	782.9	316.4

\* Accounted for by the equity method

### 3. Segment Information



(¥ billion)

		FY2016 (16/2-17/1)					FY2017 (17/2-18/1)				
		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	383.1	49.5	12.9%	26.2%	382.0	371.1	48.0	12.9%	26.2%	362.6
	Rental Housing	440.3	60.8	13.8%	24.5%	461.7	442.8	60.8	13.7%	24.4%	463.2
	Subtotal	823.4	110.3	13.4%	25.3%	843.7	814.0	108.9	13.4%	25.2%	825.8
Supplied Housing Business	Remodeling	133.4	17.5	13.1%	25.6%	134.5	136.8	19.7	14.4%	26.8%	137.8
	Real Estate Management Fees	469.1	31.2	6.7%	14.4%	469.1	489.8	33.1	6.8%	14.6%	489.8
	Subtotal	602.6	48.8	8.1%	16.9%	603.6	626.7	52.8	8.4%	17.3%	627.7
Development Business	Houses for Sale	142.0	8.8	6.2%	16.3%	151.8	155.4	13.4	8.7%	18.8%	153.6
	Condominiums	66.1	2.2	3.4%	12.1%	86.4	77.4	9.2	11.9%	19.0%	112.5
	Urban Redevelopment	130.4	23.4	17.9%	19.8%	130.4	103.7	169.0	16.4%	19.1%	132.5
	Subtotal	338.6	34.4	10.2%	16.8%	368.8	336.7	39.6	11.8%	18.9%	398.7
	Overseas Business	182.1	25.1	13.8%	23.7%	158.8	306.7	29.7	9.7%	19.5%	316.4
	Other Businesses	80.0	0.7	0.9%	14.0%	76.8	75.1	1.2	1.6%	15.2%	75.3
	Eliminations and corporate expenses	-	(35.3)	-	-	-	-	(36.9)	-	-	-
	Total	2,026.9	184.1	9.1%	20.6%	2,052.0	2,159.3	195.5	9.1%	20.6%	2,244.1

### 4. Full-Year Forecasts for FY2018

(¥ billion)

	FY2017 (17/2-18/1) Results	FY2018 (18/2-19/1)	
		Forecasts	YOY
Net sales	2,159.3	<b>2,185.0</b>	1.2%
Gross margin	445.0	<b>460.0</b>	3.4%
Operating income	195.5	<b>200.0</b>	2.3%
Ordinary income	203.6	<b>206.0</b>	1.1%
Profit attributable to owners of parent	133.2	<b>136.0</b>	2.1%
EPS (yen)	193.06	<b>197.07</b>	2.0%
ROA	9.0%	<b>8.6%</b>	-
ROE	11.6%	<b>11.1%</b>	-
Dividend per share (yen)	77.00	<b>79.00</b>	2.00
Payout ratio	39.9%	<b>40.1%</b>	-

## 4. Full-Year Forecasts For FY2018 by Segment



### ■ Sales

(¥ billion)

	FY2017 (17/2-18/1) Results	FY2018 (Full-Year) (18/2-19/1)			
		Forecasts	Amount changed	YOY	
Built-to-Order Business	Custom Detached Houses	371.1	361.0	(10.1)	(2.7%)
	Rental Housing	442.8	453.0	10.1	2.3%
	Subtotal	814.0	814.0	(0.0)	(0.0%)
Supplied Housing Business	Remodeling	136.8	144.0	7.1	5.2%
	Real Estate Management Fees	489.8	511.0	21.1	4.3%
	Subtotal	626.7	655.0	28.2	4.5%
Development Business	Houses for Sale	155.4	156.0	0.5	0.3%
	Condominiums	77.4	86.0	8.5	11.0%
	Urban Redevelopment	103.7	94.0	(9.7)	(9.4%)
Subtotal	336.7	336.0	(0.7)	(0.2%)	
Overseas Business	306.7	300.0	(6.7)	(2.2%)	
Other Businesses	75.1	80.0	4.8	6.5%	
Total	2,159.3	2,185.0	25.6	1.2%	

### ■ Orders

(¥ billion)

	FY2017 (17/2-18/1) Results	FY2018 (Full-Year) (18/2-19/1)		
		Forecasts	Amount changed	YOY
	362.6	371.0	8.3	2.3%
	463.2	465.0	1.8	0.4%
	825.8	836.0	10.1	1.2%
	137.8	145.0	7.1	5.2%
	489.8	511.0	21.1	4.3%
	627.7	656.0	28.2	4.5%
	153.6	160.0	6.3	4.1%
	112.5	88.0	(24.5)	(21.8%)
	132.5	66.0	(66.5)	(50.2%)
	398.7	314.0	(84.7)	(21.3%)
	316.4	300.0	(16.4)	(5.2%)
	75.3	80.0	4.6	6.1%
	2,244.1	2,186.0	(58.1)	(2.6%)

### ■ Operating income

(¥ billion)

	FY2017 (17/2-18/1) Results	FY2018 (Full-Year) (18/2-19/1)			
		Forecasts	Amount changed	YOY	
Built-to-Order Business	Custom Detached Houses	48.0	45.0	(3.0)	(6.3%)
	Rental Housing	60.8	62.0	1.1	1.8%
	Subtotal	108.9	107.0	(1.9)	(1.8%)
Supplied Housing Business	Remodeling	19.7	21.5	1.7	8.8%
	Real Estate Management Fees	33.1	35.0	1.8	5.6%
	Subtotal	52.8	56.5	3.6	6.8%
Development Business	Houses for Sale	13.4	13.5	0.0	0.3%
	Condominiums	9.2	8.5	(0.7)	(7.9%)
	Urban Redevelopment	169.0	18.0	1.0	5.9%
Subtotal	39.6	40.0	0.3	0.8%	
Overseas Business	29.7	33.0	3.2	10.9%	
Other Businesses	1.2	1.5	0.2	21.6%	
Eliminations and corporate expenses	(36.9)	(38.0)	(1.0)	-	
Total	195.5	200.0	4.4	2.3%	

### ■ OP margin

### ■ Gross margin

FY2017 (17/2-18/1) Results	FY2018 (18/2-19/1) Forecasts	FY2017 (17/2-18/1) Results	FY2018 (18/2-19/1) Forecasts
12.9%	12.5%	26.2%	26.3%
13.7%	13.7%	24.4%	24.5%
13.4%	13.1%	25.2%	25.3%
14.4%	14.9%	26.8%	27.1%
6.8%	6.8%	14.6%	14.7%
8.4%	8.6%	17.3%	17.4%
8.7%	8.7%	18.8%	18.9%
11.9%	9.9%	19.0%	17.4%
16.4%	19.1%	19.1%	21.8%
11.8%	11.9%	18.9%	19.3%
9.7%	11.0%	19.5%	22.0%
1.6%	1.9%	15.2%	15.6%
-	-	-	-
9.1%	9.2%	20.6%	21.1%

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