

Sekisui House, Ltd.

First Quarter of FY2018

(February 1, 2018 through April 30, 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

<Reference> Full-Year Forecasts for FY2018

June 8, 2018

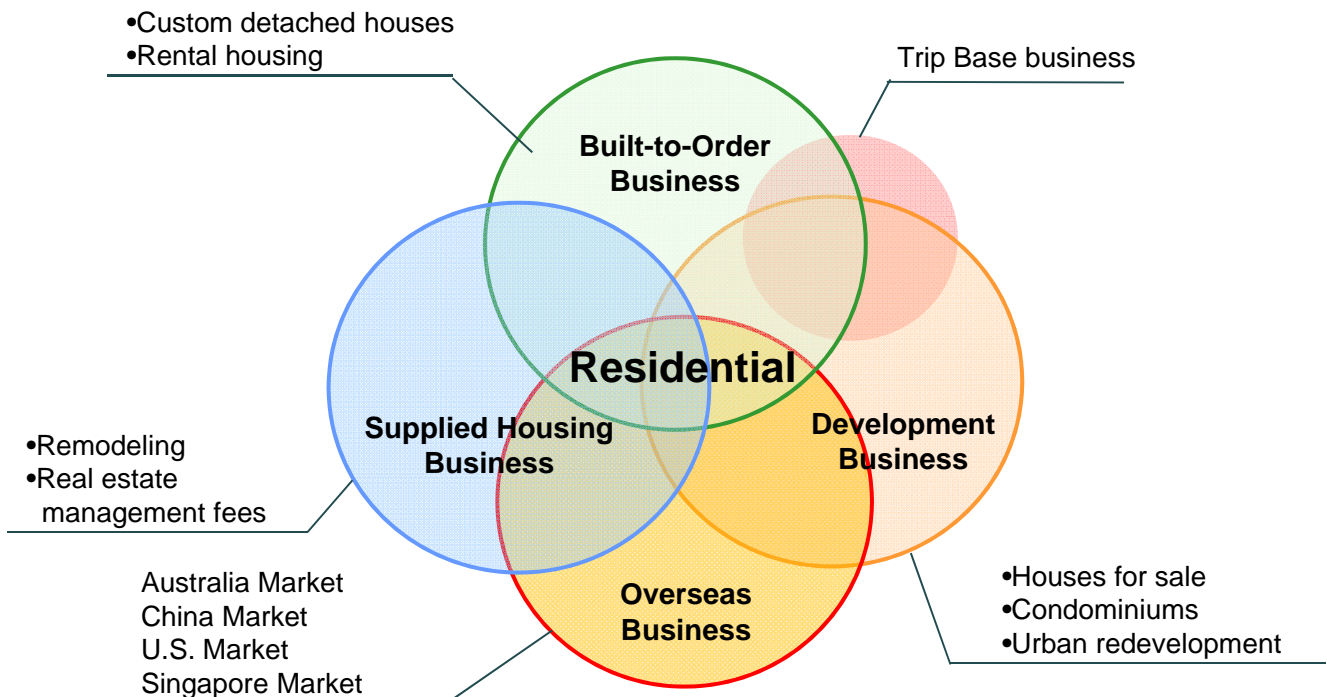
Note: With respect to results in the first quarter of fiscal 2017 in this document, the review of the amount of goodwill, etc. arising from the acquisition of Woodside Homes Company, LLC is reflected. For details, please refer to the matters on page 13 of the "Consolidated Financial Summary for FY2018 First Quarter."

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

While net sales rose to a new record high as the first quarter, operating income declined mainly due to a fall in sales in the Built-to-Order Business.

Results in comparison with the full-year results forecasts are making progress along with the company plan.

➤ Highlights

- **Built-to-Order Business:** Both sales and profits decreased given the impact of a decline in orders. The unit price per building continued to grow reflecting the promotion of sales of high valued-added products. In April, we have strengthened our sales system by undergoing an organizational restructuring to strengthen our sales expertise and respond to demand in non-housing areas. With the ZEH subsidy having begun in May, we will seek to acquire orders.
- **Supplied Housing Business:** In the Remodeling Business, both sales and profit grew, reflecting strong performance in the renovations of rental houses. Profitability also improved, following the strengthening the valued-added remodeling proposals. In the Real Estate Management Fees Business, both sales and profit increased due to a continued high level of occupancy, in addition to an increase in the number of units under management.
- **Development Business:** While both sales and profit declined in the Houses for Sale Business, sales and profit increased thanks to a rise in the handovers of condominiums and steady progress in sales of properties.
- **Overseas Business:** The homebuilding business in the United States remained steady. The handovers of condominiums in the city of Taicang, China also made progress. In Australia, sales declined due to the pre-harvest months of handovers of condominiums. On the profit front, we posted an operating loss as we were unable to absorb the burden of fixed costs in China and Australia.

(¥ billion)

	FY2017 (17/2-17/4)		FY2018 (18/2-18/4)			
	Results	Margin	Results	Margin	Amount changed	YOY
Net sales	440.7		459.9		19.2	4.4%
Built-to-Order	177.9		170.7		(7.1)	(4.0%)
Supplied Housing	151.0		157.1		6.0	4.0%
Development	59.5		78.9		19.4	32.7%
Overseas	32.8		34.7		1.9	5.8%
Gross profit	91.8	20.8%	92.9	20.2%	1.0	1.1%
Built-to-Order	43.4	24.4%	39.8	23.3%	(3.6)	(8.4%)
Supplied Housing	26.7	17.7%	28.7	18.3%	2.0	7.5%
Development	12.6	21.2%	16.1	20.5%	3.5	28.3%
Overseas	6.9	21.3%	6.6	19.0%	(0.3)	(5.4%)
SG&A	58.3		61.7		3.4	6.0%
Operating income	33.5	7.6%	31.1	6.8%	(2.4)	(7.2%)
Built-to-Order	19.3	10.9%	16.1	9.4%	(3.2)	(16.7%)
Supplied Housing	13.0	8.6%	14.4	9.2%	1.3	10.6%
Development	7.5	12.7%	10.0	12.8%	2.5	33.5%
Overseas	1.7	5.3%	(0.2)	(0.6%)	(1.9)	-
Non-operating income/expenses	1.6		1.0		(0.6)	(40.1%)
Ordinary income	35.2	8.0%	32.1	7.0%	(3.1)	(8.8%)
Extraordinary income	0.8		-		(0.8)	-
Extraordinary loss	0.2		0.2		0.0	4.3%
Profit attributable to owners of parent	25.6	5.8%	22.3	4.9%	(3.3)	(12.9%)
EPS (yen)	37.21		32.42			

(Non-operating income/expenses)
 -Equity in earnings of affiliates:
 ¥1.7billion (down ¥0.3 billion YOY)
 -Foreign exchange loss: ¥0.1
 billion (down ¥0.1 billion YOY)

➤ State of Orders

(¥ billion)

Consolidated orders				Accumulated orders			
FY2017 (17/2-17/4)	FY2018 (18/2-18/4)	Amount changed	YOY	FY2017 (Jan. 31, 2018)	FY2018 1Q (Apr. 30, 2018)	Amount changed	Change
539.6	498.3	(41.3)	(7.7%)	978.6	1,017.0	38.4	3.9%

2. Financial Position



Consolidated Balance Sheets

(¥ billion)

(Assets)	FY2017 (Jan. 31, 2018)	FY2018 1Q (Apr. 30, 2018)	Amount changed	(Liabilities and net assets)	FY2017 (Jan. 31, 2018)	FY2018 1Q (Apr. 30, 2018)	Amount changed
Total current assets	1,572.6	1,424.2	(148.4)	Total current liabilities	706.8	587.7	(119.1)
Real estate for sale *	1,078.1	1,079.8	1.7	Total noncurrent liabilities	503.9	512.6	8.6
Total noncurrent assets	846.3	849.5	3.1	Total liabilities	1,210.8	1,100.3	(110.5)
Total assets	2,419.0	2,273.7	(145.2)	Total net assets	1,208.1	1,173.3	(34.7)
				Total liabilities and net assets	2,419.0	2,273.7	(145.2)

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

[Main factors of change]

- Current assets: Cash and deposits decreased following the payments of notes and accounts payable and income taxes.
- Net assets: Translation adjustments decreased.

State of Interest-bearing Debts

	FY2017 (Jan. 31, 2018)	FY2018 1Q (Apr. 30, 2018)	Amount changed
Interest-bearing debts (¥ billion)	622.0	623.2	1.1
D/E ratio	52.1%	53.7%	1.6p
taking into account hybrid bonds	44.8%	46.1%	1.3p
Equity ratio	49.4%	51.1%	1.7p

State of Cash Flows

(¥ billion)

	FY2017 (17/2-17/4)	FY2018 (18/2-18/4)	Amount changed
Net cash provided by (used in) operating activities	(91.9)	(118.2)	(26.3)
Net cash provided by (used in) investing activities	(52.6)	(17.3)	35.3
Free cash flow	(144.5)	(135.5)	8.9
Net cash provided by (used in) financing activities	123.0	(8.2)	(131.2)
Net increase (decrease) in cash and cash equivalents	(23.4)	(147.8)	(124.4)
Cash and cash equivalents at beginning of period	204.7	324.6	
Cash and cash equivalents at end of period	181.3	176.8	

[Main factors of change]

- Increases in inventories: ¥42.7 billion

State of Investment

(¥ billion)

	FY2017 (17/2-17/4)	FY2018 (18/2-18/4)	Amount changed	FY2018 Full-year plan
Capital expenditures	11.6	14.7	3.1	60.0
Depreciation and amortization	5.4	5.3	(0.0)	22.0

3. Segment Information



➤ Built-to-Order Business

(¥ billion)

	Net sales			
	FY2017 (17/2-17/4)	FY2018 (18/2-18/4)	Amount changed	YOY
Custom Detached Houses	77.3	72.5	(4.8)	(6.2%)
Rental Housing	100.5	98.2	(2.2)	(2.3%)
Total	177.9	170.7	(7.1)	(4.0%)

Gross margin		
FY2017 (17/2-17/4)	FY2018 (18/2-18/4)	Amount changed
25.2%	24.2%	(1.0p)
23.8%	22.6%	(1.2p)
24.4%	23.3%	(1.1p)

	Operating income			
	FY2017 (17/2-17/4)	FY2018 (18/2-18/4)	Amount changed	YOY
Custom Detached Houses	7.1	5.7	(1.4)	(20.0%)
Rental Housing	12.2	10.4	(1.8)	(14.8%)
Total	19.3	16.1	(3.2)	(16.7%)

OP margin		
FY2017 (17/2-17/4)	FY2018 (18/2-18/4)	Amount changed
9.3%	7.9%	(1.4p)
12.1%	10.6%	(1.5p)
10.9%	9.4%	(1.5p)

	Orders			
	FY2017 (17/2-17/4)	FY2018 (18/2-18/4)	Amount changed	YOY
Custom Detached Houses	91.5	88.3	(3.1)	(3.4%)
Rental Housing	107.7	101.7	(6.0)	(5.6%)
Total	199.3	190.1	(9.1)	(4.6%)

ASP per building (10 thousand yen)		
FY2017 (17/2-18/1)	FY2018 (18/2-18/4)	Amount changed
3,807	3,946	139
9,395	10,510	1,115

■ Custom Detached Houses Business

Ratio of Green First Zero: 83.0%

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

■ Rental Housing Business

Ratio of three- and four-story housing (in value): 68.9%

➤ Supplied Housing Business

(¥ billion)

	Net sales			
	FY2017 (17/2-17/4)	FY2018 (18/2-18/4)	Amount changed	YOY
Remodeling	28.5	28.6	0.1	0.4%
Real Estate Management Fees	122.4	128.4	5.9	4.9%
Total	151.0	157.1	6.0	4.0%

Gross margin		
FY2017 (17/2-17/4)	FY2018 (18/2-18/4)	Amount changed
26.1%	27.3%	1.2p
15.7%	16.3%	0.6p
17.7%	18.3%	0.6p

	Operating income			
	FY2017 (17/2-17/4)	FY2018 (18/2-18/4)	Amount changed	YOY
Remodeling	3.4	3.7	0.2	8.7%
Real Estate Management Fees	9.5	10.6	1.0	11.3%
Total	13.0	14.4	1.3	10.6%

OP margin		
FY2017 (17/2-17/4)	FY2018 (18/2-18/4)	Amount changed
12.0%	13.0%	1.0p
7.8%	8.3%	0.5p
8.6%	9.2%	0.6p

	Orders			
	FY2017 (17/2-17/4)	FY2018 (18/2-18/4)	Amount changed	YOY
Remodeling	34.7	36.5	1.7	5.2%
Real Estate Management Fees	122.4	128.4	5.9	4.9%
Total	157.2	165.0	7.7	4.9%

■ Real Estate Management Fees Business

Number of units under management: 60.7 thousand

Occupancy ratio: 97.9%

Note: In terms of occupancy rates, while we had published the data as of the end of the month, we have presented the data during the month from this fiscal year.

3. Segment Information



Development Business

(¥ billion)

	Net sales			
	FY2017 (17/2-17/4)	FY2018 (18/2-18/4)	Amount changed	YOY
Houses for Sale	30.0	28.6	(1.4)	(4.9%)
Condominiums	17.2	33.9	16.6	96.7%
Urban Redevelopment	12.1	16.4	4.2	34.9%
Total	59.5	78.9	19.4	32.7%

Gross margin		
FY2017 (17/2-17/4)	FY2018 (18/2-18/4)	Amount changed
19.9%	18.5%	(1.4p)
21.3%	19.6%	(1.7p)
24.3%	25.8%	1.5p
21.2%	20.5%	(0.7p)

	Operating income			
	FY2017 (17/2-17/4)	FY2018 (18/2-18/4)	Amount changed	YOY
Houses for Sale	2.4	1.6	(0.8)	(35.0%)
Condominiums	2.5	4.8	2.2	87.9%
Urban Redevelopment	2.5	3.6	1.1	45.6%
Total	7.5	10.0	2.5	33.5%

OP margin		
FY2017 (17/2-17/4)	FY2018 (18/2-18/4)	Amount changed
8.2%	5.6%	(2.6p)
14.9%	14.2%	(0.7p)
20.6%	22.2%	1.6p
12.7%	12.8%	0.1p

	Orders			
	FY2017 (17/2-17/4)	FY2018 (18/2-18/4)	Amount changed	YOY
Houses for Sale	42.9	41.9	(0.9)	(2.3%)
Condominiums	31.6	22.6	(9.0)	(28.6%)
Urban Redevelopment	19.5	16.6	(2.8)	(14.5%)
Total	94.1	81.3	(12.8)	(13.7%)

Urban Redevelopment Business

Sales from property sales: ¥4.6 billion

Operating income from property sales: ¥1.4 billion

Overseas Business

	FY2017 (17/2-17/4)	FY2018 (18/2-18/4)	Amount changed	YOY
Net sales	32.8	34.7	1.9	5.8%
Operating income	1.7	(0.2)	(1.9)	-
Orders	71.7	46.0	(25.6)	(35.8%)

	FY2017 (17/2-17/4)	FY2018 (18/2-18/4)	Amount changed
Gross margin	21.3%	19.0%	(2.3p)
OP margin	5.3%	(0.6%)	(5.9p)

Overseas Business / Details by country

Results for First Quarter of FY2018

(¥ billion)

Country	Net sales	Operating income	Ordinary income	Investment balance	Orders
Australia	1.4	(0.4)	(0.3)	154.0	1.5
China	5.3	(0.4)	(0.3)	185.9	3.8
USA	27.9	0.9	0.5	398.1	40.6
Singapore *	-	-	1.0	31.7	-
Other administrative expenses	-	(0.2)	(0.2)	-	-
Total	34.7	(0.2)	0.6	769.8	46.0

* Accounted for by the equity method

3. Segment Information



(¥ billion)

		FY2017 (17/2-17/4)					FY2018 (18/2-18/4)				
		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	77.3	7.1	9.3%	25.2%	91.5	72.5	5.7	7.9%	24.2%	88.3
	Rental Housing	100.5	12.2	12.1%	23.8%	107.7	98.2	10.4	10.6%	22.6%	101.7
	Subtotal	177.9	19.3	10.9%	24.4%	199.3	170.7	16.1	9.4%	23.3%	190.1
Supplied Housing Business	Remodeling	28.5	3.4	12.0%	26.1%	34.7	28.6	3.7	13.0%	27.3%	36.5
	Real Estate Management Fees	122.4	9.5	7.8%	15.7%	122.4	128.4	10.6	8.3%	16.3%	128.4
	Subtotal	151.0	13.0	8.6%	17.7%	157.2	157.1	14.4	9.2%	18.3%	165.0
Development Business	Houses for Sale	30.0	2.4	8.2%	19.9%	42.9	28.6	1.6	5.6%	18.5%	41.9
	Condominiums	17.2	2.5	14.9%	21.3%	31.6	33.9	4.8	14.2%	19.6%	22.6
	Urban Redevelopment	12.1	2.5	20.6%	24.3%	19.5	16.4	3.6	22.2%	25.8%	16.6
	Subtotal	59.5	7.5	12.7%	21.2%	94.1	78.9	10.0	12.8%	20.5%	81.3
Overseas Business		32.8	1.7	5.3%	21.3%	71.7	34.7	(0.2)	(0.6%)	19.0%	46.0
Other Businesses		19.3	0.0	0.3%	15.1%	17.1	18.2	(0.4)	(2.5%)	13.2%	15.7
Eliminations and corporate expenses		-	(8.1)	-	-	-	-	(8.8)	-	-	-
Total		440.7	33.5	7.6%	20.8%	539.6	459.9	31.1	6.8%	20.2%	498.3

<Reference> Full-Year Forecasts For FY2018

(¥ billion)

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

<Reference> 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	16.9	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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