Consolidated Financial Results for FY2017
(February 1, 2017 through January 31, 2018)

March 8, 2018

Company name	: Sekisui House, Ltd. (URL http://www.sekisuihouse.co.jp)
Listed exchanges	: Tokyo, Nagoya
Stock code	: 1928
Representative	: Yoshihiro Nakai, President and Representative Director
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Date of general shareholders' meeting	: April 26, 2018
Date of scheduled payment of dividends	: April 27, 2018
Date of scheduled filing of securities report	: April 27, 2018
Supplementary explanatory documents	: Yes
Earnings results briefing	: Yes (for institutional investors and analysts, in Japanese)

(Amounts are rounded down to the nearest million yen)

1. Consolidated Results for the FY2017 (February 1, 2017 through January 31, 2018)

(1) Consolidated Financial Results

(% figures represent changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Year ended January 31, 2018	2,159,363	6.5	195,540	6.2	203,678	6.6	133,244	9.3
Year ended January 31, 2017	2,026,931	9.0	184,164	23.1	190,989	18.9	121,853	44.5

(Note) Comprehensive income: Year ended Jan. 2018: ¥147,222 million [30.7%] Year ended Jan. 2017: ¥112,606 million [118.3%]

	Profit per share	Fully diluted Profit per share	Return on equity	Ordinary income ratio to total assets	Operating income ratio to net sales
	¥	¥	%	%	%
Year ended January 31, 2018	193.06	192.82	11.6	8.8	9.1
Year ended January 31, 2017	175.48	175.22	11.3	9.1	9.1

(Reference) Equity in earnings of affiliates: Year ended Jan. 2018: ¥8,183 million Year ended Jan. 2017: ¥10,022 million

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of January 31, 2018	2,419,012	1,208,121	49.4	1,731.60
As of January 31, 2017	2,184,895	1,118,264	50.5	1,598.90

(Reference) Shareholders' equity As of January 31, 2018: ¥1,194,975 million As of January 31, 2017: ¥1,103,359million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents as of end of period
	¥ millions	¥ millions	¥ millions	¥ millions
Year ended January 31, 2018	165,355	(76,150)	30,154	324,693
Year ended January 31, 2017	115,820	(107,397)	5,511	204,701

2. Cash Dividends

	Dividends per share (¥)					Total dividends (annual) (¥ millions)	Dividend payout ratio (Consolidated)	Dividends to net assets (Consolidated)
	1st quarter	2nd quarter	3rd quarter	Year-end	Annual			
Year ended January 31, 2017	-	32.00	-	32.00	64.00	44,243	36.5%	4.1%
Year ended January 31, 2018	-	37.00	-	40.00	77.00	53,151	39.9%	4.6%
Year ending January 31, 2019 (Forecast)	-	39.00	-	40.00	79.00		40.1%	

3. Consolidated Results Forecast for FY2018 (February 1, 2018 through January 31, 2019)

(% figures represent changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Year ending January 31, 2019	2,185,000	1.2	200,000	2.3	206,000	1.1	136,000	2.1	197.07

* Notes

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries that caused a change in scope of consolidation): Applicable

New Consolidated Companies: 3

The Name of Companies:

Sekisui House US Holdings, LLC　SH Residential Holdings, LLC　Woodside Homes Company, LLC

(2) Changes in accounting policies, accounting estimates and restatements

(i) Changes in accounting policies due to amendment of accounting standards: Not applicable

(ii) Changes in accounting policies due other than (i): Not applicable

(iii) Changes in accounting estimates: Not applicable

(iv) Restatements: Not applicable

(3) Number of shares outstanding (common stock)

(i) Number of shares outstanding at the end of each period (including treasury stock):

As of Jan. 31, 2018: 690,683,466 shares　As of Jan. 31, 2017: 709,683,466 shares

(ii) Number of treasury stock at the end of each period:

As of Jan. 31, 2018: 586,249 shares　As of Jan. 31, 2017: 19,610,876 shares

(iii) Average number of shares outstanding in each period:

Year ended Jan. 2018: 690,082,560 shares　Year ended Jan. 2017: 694,392,110 shares

(Reference) Summary of non-consolidated financial results

1. Non-Consolidated Results for the FY2017 (February 1, 2017 through January 31, 2018)

(1) Non-Consolidated Financial Results　(% figures represent changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Year ended January 31, 2018	1,169,671	(1.0)	98,195	5.6	124,643	13.9	86,359	14.2
Year ended January 31, 2017	1,180,901	2.8	92,968	(8.0)	109,430	(6.1)	75,610	12.1

	Net income per share	Fully diluted Net income per share
	¥	¥
Year ended January 31, 2018	125.11	124.96
Year ended January 31, 2017	108.86	108.70

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of January 31, 2018	1,656,052	852,599	51.4	1,234.05
As of January 31, 2017	1,558,172	804,118	51.6	1,163.95

(Reference) Shareholders' equity　As of January 31, 2018: ¥851,837 million　As of January 31, 2017: ¥803,424 million

*** This quarterly financial results report is exempt from quarterly review.**

*** Notes Regarding the Appropriate Use of Results Forecasts and Other Important Matters**

This document contains forward-looking statements based on judgments and estimates derived from information available to the Company at the time of this release, and is therefore subject to risks and uncertainties. Actual future results may differ materially from any projections presented here due to a variety of factors, including economic conditions surrounding the business domain of the Company and Group companies, as well as market trends.

For details of results forecast, please refer to "(1) Analysis of Business Results (Future Outlook)" of "1. Analyses of Business Results and Financial Position" of the "Attached Material" on page 10.

(Obtaining supplementary explanatory documents)

The Company plans to hold a briefing for institutional investors and analysts on March 8, 2018. Relevant financial explanatory documents to be handed out at the briefing will be posted on our official website on the same day.

TABLE OF CONTENTS OF THE ATTACHED MATERIALS

Appendix 1: Results summary for the year ended January 31, 2018

¥ millions

Consolidated	FY2016	FY2017	YOY (%)	FY2018 forecast	YOY (%)
Net sales	2,026,931	2,159,363	6.5	2,185,000	1.2
Gross profit	418,297	445,082	6.4	460,000	3.4
Operating income	184,164	195,540	6.2	200,000	2.3
Ordinary income	190,989	203,678	6.6	206,000	1.1
Profit attributable to owners of parent	121,853	133,224	9.3	136,000	2.1
Total orders	2,052,026	2,244,150	9.4	2,186,000	(2.6)
Accumulated orders	893,813	978,601	9.5	979,601	0.1

Key management indicators

Consolidated	FY2013	FY2014	FY2015	FY2016	FY2017	FY2018 forecast
Profit per share (¥)	118.63	130.91	120.16	175.48	193.06	197.07
Net assets per share (¥)	1,358.60	1,527.52	1,508.81	1,598.90	1,731.60	1,816.04
Dividends per share (¥)	43.00	50.00	54.00	64.00	77.0	79.00
Operating income margin	7.31%	7.66%	8.05%	9.09%	9.06%	9.15%
ROE	9.19%	9.03%	7.93%	11.28%	11.59%	11.10%
ROA *	8.15%	8.40%	8.25%	9.38%	9.03%	8.60%

* ROA: Return on Assets = (Operating income + Interest and Dividends received+ Equity in earnings of affiliates) / Total assets

Appendix 2: Segment breakdown for the year ended January 31, 2018

From FY2017, the Company has taken "Overseas Business" out of its Development Business and classified it as a new business model and thus changed its presentation. Therefore, the subtotal of the Development Business model for FY2016 represents the figure after the reclassification.

(1) Sales

¥ millions

		FY2016	FY2017	YOY(%)	FY2018 forecast	YOY(%)
Built-to-order Business	Custom detached houses	383,129	371,171	(3.1)	361,000	(2.7)
	Rental housing	440,312	442,845	0.6	453,000	2.3
	Subtotal	823,442	814,017	(1.1)	814,000	(0.0)
Supplied Housing Business	Remodeling	133,498	136,843	2.5	144,000	5.2
	Real estate management fees	469,132	489,891	4.4	511,000	4.3
	Subtotal	602,631	626,735	4.0	655,000	4.5
Development Business	Houses for sale	142,014	155,481	9.5	156,000	0.3
	Condominiums	66,125	77,497	17.2	86,000	11.0
	Urban redevelopment	130,491	103,777	(20.5)	94,000	(9.4)
	Subtotal	338,631	336,756	(0.6)	336,000	(0.2)
Overseas Business		182,127	306,716	68.4	300,000	(2.2)
Other businesses		80,099	75,137	(6.2)	80,000	6.5
Consolidated		2,026,931	2,159,363	6.5	2,185,000	1.2

(2) Operating income and OP margin

¥ millions

		FY2016 Amount OP margin	FY2017 Amount OP margin	YOY(%)	FY2018 forecast Amount OP margin	YOY(%)
Built-to-order Business	Custom detached houses	49,514 12.9%	48,043 12.9%	(3.0)	45,000 12.5%	(6.3)
	Rental housing	60,832 13.8%	60,883 13.7%	0.1	62,000 13.7%	1.8
	Subtotal	110,347 13.4%	108,926 13.4%	(1.3)	107,000 13.1%	(1.8)
Supplied Housing Business	Remodeling	17,544 13.1%	19,760 14.4%	12.6	21,500 14.9%	8.8
	Real estate management fees	31,278 6.7%	33,133 6.8%	5.9	35,000 6.8%	5.6
	Subtotal	48,823 8.1%	52,893 8.4%	8.3	56,500 8.6%	6.8
Development Business	Houses for sale	8,822 6.2%	13,460 8.7%	52.6	13,500 8.7%	0.3
	Condominiums	2,248 3.4%	9,229 11.9%	310.4	8,500 9.9%	(7.9)
	Urban redevelopment	23,414 17.9%	16,994 16.4%	(27.4)	18,000 19.1%	5.9
	Subtotal	34,485 10.2%	39,684 11.8%	15.1	40,000 11.9%	0.8
Overseas Business		25,172 13.8%	29,761 9.7%	18.2	33,000 11.0%	10.9
Other businesses		726 0.9%	1,234 1.6%	69.9	1,500 1.9%	21.6
Eliminations and back office		(35,390)	(36,960)	-	(38,000)	-
Consolidated		184,164 9.1%	195,540 9.1%	6.2	200,000 9.2%	2.3

(3) Orders

¥ millions

		FY2016	FY2017	YOY(%)	FY2018 forecast	YOY(%)
Built-to-order Business	Custom detached houses	382,062	362,672	(5.1)	371,000	2.3
	Rental housing	461,722	463,200	0.3	465,000	0.4
	Subtotal	843,784	825,873	(2.1)	836,000	1.2
Supplied Housing Business	Remodeling	134,564	137,835	2.4	145,000	5.2
	Real estate management fees	469,132	489,891	4.4	511,000	4.3
	Subtotal	603,697	627,726	4.0	656,000	4.5
Development Business	Houses for sale	151,887	153,674	1.2	160,000	4.1
	Condominiums	86,474	112,532	30.1	88,000	(21.8)
	Urban redevelopment	130,491	132,532	1.6	66,000	(50.2)
	Subtotal	368,853	398,739	8.1	314,000	(21.3)
Overseas Business		158,850	316,441	99.2	300,000	(5.2)
Other businesses		76,841	75,369	(1.9)	80,000	6.1
Consolidated		2,052,026	2,244,150	9.4	2,186,000	(2.6)

(4) Accumulated orders

¥ millions

		As of January 31, 2017	As of January 31, 2018	YOY(%)	As of January 31, 2019 forecast	YOY(%)
Built-to-order Business	Custom detached houses	208,655	200,156	(4.1)	210,156	5.0
	Rental housing	378,401	398,755	5.4	410,755	3.0
	Subtotal	587,056	598,912	2.0	620,912	3.7
Supplied Housing Business	Remodeling	22,996	23,988	4.3	24,988	4.2
	Real estate management fees	-	-	-	-	-
	Subtotal	22,996	23,988	4.3	24,988	4.2
Development Business	Houses for sale	43,959	42,153	(4.1)	46,153	9.5
	Condominiums	86,697	121,732	40.4	123,732	1.6
	Urban redevelopment	-	28,755	-	755	(97.4)
	Subtotal	130,657	192,640	47.4	170,640	(11.4)
Overseas Business		109,996	119,721	8.8	119,721	0.0
Other businesses		43,106	43,337	0.5	43,338	0.0
Consolidated		893,813	978,601	9.5	979,601	0.1

1. Analyses of Business Results and Financial Position

(1) Analysis of Business Results

(Review of Business Performance)

During the consolidated fiscal year under review, corporate earnings improved and capital spending rose at a moderate pace in Japan, although uncertainty in overseas economies and fluctuations in financial markets required attention. Consumer spending in Japan continued to pick up following household income growth. It was, however, necessary to take note of uncertainties of overseas economies and of the impacts of fluctuations in the financial market. Meanwhile, a steady economic recovery continued in the United States and Asian economies also showed signs of recovery.

In the housing market, people's interest in acquiring their own homes continued to grow, mainly among first-time buyers attracted by low interest rates on housing loans and Japanese government measures to encourage housing purchases. On the other hand, a trend towards the prolongation of negotiations for rebuilding, etc. was observed among second-time buyers. Rental housing remained in solid demand, mainly in urban areas, for the purpose of avoiding the inheritance tax, although current building demand was somewhat weak due to concern about vacancy risks and a changing attitude among financial institutions towards lending. Among overseas housing markets, the market in the United States where the Company operates was brisk.

Under these circumstances, the Company advanced efforts to strengthen housing and residential-related businesses and expand new business areas under the basic policy of "building foundations for residential-related businesses BEYOND 2020" adopted in the Fourth Mid-Term Management Plan (2017-2019) that it formulated and announced in March 2017. In the Custom Detached Houses and Rental Housing Businesses, in which the Company leads the industry as the holder of the leading brand, the Company stepped up sales of eco-friendly and other high value-added houses and took advantage of the high quality elements supplied by its own factories to build hotels, nursery homes and medical facilities. Thus, the Company worked to diversify built-to-order operations. In the overseas business, which is positioned as a pillar of its new business model, the Company acquired Woodside Homes Company, LLC, a custom detached housing business operator in the United States, in March last year to enter the homebuilding business. The Company thus sought to enlarge its business to achieve continued growth.

As part of its initiatives for expanding its business areas, the Company commenced construction of Four Points by Sheraton, a Marriot International hotel, with operations slated to begin in the fall of 2018, at the Chubu Centrair International Airport, which is witnessing growth of demand among overseas visitors in the Trip Base business in response to the rise in domestic and international visitors seeking overnight accommodations. The Company also decided to inaugurate a W hotel, under one of the top-rated brands of Marriott International, in 2021 on Midosuji street in Osaka.

While environmental, social and governance (ESG) management drawing attention, the Company was selected for the second year in a row for inclusion in the Dow Jones Sustainability Indices (DJSI) World Index. This is a major stock index for ESG investments that takes into consideration the financial, environmental, and social aspects of a company. With respect to environmental efforts, the Company became the second Japanese firm to join the RE100 initiative, which unites the world's most influential businesses, with the goal of sourcing 100% of the electric power used in its business activities from renewable energy. The Company will speed up the shift to renewable energy, with the goal that 100% of electricity consumed in its business activities will be derived from renewable energy sources by 2040.

Moreover, the Company was selected for the New Diversity Management Selection 100 project and won a prize from the Minister of State for Special Missions in the Award for Advanced Enterprises in which Women Shine in recognition of its efforts to change its ways of working and to position the advancement of women in the workplace as a management strategy, in a bid to enable diverse employees to display their individual abilities. It was also selected for Nadeshiko Brand designation.

Net sales in FY2017 amounted to ¥2,159,363 million (up 6.5%). operating income amounted to ¥195,540 million (up 6.2%), ordinary income to ¥203,678million (up 6.6%) and profit attributable to owners of parent to ¥133,224 million (up 9.3%).

Business results by segments are as follows.

<Built-to-Order Business>

(Custom Detached Houses Business)

In the Custom Detached Houses Business, the Company promoted sales of zero energy houses (ZEHs) (Green First Zero of Sekisui House, Ltd.) and aimed to bring the energy balance to zero, while maintaining a comfortable lifestyle with energy conservation using high-insulation and LED lighting facilities and generating energy with solar power, among other means. While working to raise the ZEH ratio to the 2020 target of 80%, the Company is making steady progress towards popularization of ZEH as the ratio for fiscal 2016 exceeded 74%.

In the IS SERIES of steel-frame houses, the Company strengthened its proposal for a slow living space, a large pillar-free space with a large opening and a ceiling height of 2.74 meters and a maximum width of 7 meters that spreads vertically and horizontally by introducing a new construction method called the Dynamic Frame System. The Company achieved ZEHs, a large space and a large opening at the same time by additionally adopting ultra-high insulation window sashes. Moreover, the Company focused on expanding the sales of houses adopting original exterior walls, such as the SHAWOOD-HOME SERIES of wood-framed houses featuring BELLBURN earthenware exterior walls, and on selling three- or four-story heavy steel-framed detached houses offering greater layout flexibility and meeting diverse demand.

Apart from that, the Company made use of the latest virtual reality (VR) technology to develop a sales tool that gives a 360-degree 3D experience of original plans for individual housing projects and introduce it across the country a bid to increase customer satisfaction in sales negotiations and design proposals.

Sales in the Custom Detached Houses Business amounted to ¥371,171 million (down 3.1% from the previous fiscal year), and operating income to ¥48,043 million (down 3.0%).

(Rental Housing Business)

In the Rental Housing Business, the Company sought to win more orders for rental houses centered on those with three or four stories by making attractive rental housing proposals that lead to stable management in the long term, through area marketing that makes the most of Group's strengths, including collaboration with Sekiwa Real Estate companies. The Company sought to differentiate itself with flexible proposals based on the β system construction method and hotel-like specifications, and sought to expand orders received especially for three- or four-story rental housing.

The Company also developed the new flexible β system construction method. It has delivered large apertures and pillar-less open space with a maximum width of nine meters and increased design adaptability in small lots in urban areas and elsewhere. This has enhanced the Company's ability to make proposals to meet diversifying construction needs, not only in its custom-detached houses and rental housing businesses but also in other areas such as houses also used as commercial property, homes for the elderly, childcare centers, hospitals, and hotels, and strengthening its competitiveness.

Having promoted ZEH mainly in the custom-detached housing business, the Company embarked on its efforts to spread ZEH in the area of collective houses. Subsequent to the condominium in Nagoya, in the city of Kanazawa in Ishikawa Prefecture the Company built Japan's first rental house in which all the housing units complied with the ZEH standards.

Sales in the Rental Housing Business amounted to ¥442,845 million (up 0.6% from the previous fiscal year), and operating income to ¥60,883 million (up 0.1%).

<Supplied Housing Business>

(Remodeling Business)

In the Remodeling Business, the Company advanced proposals for renovations that enhance the value of houses through large-scale renovation work that agrees with purposes such as new lifestyles and energy conservation while bolstering its sales structure based on collaboration throughout the Sekisui House Group in order to remodel not only its own properties but also general existing houses and condominiums. The Company worked to expand sales for the Business with initiatives including the step-by-step establishment of a zone for experiencing renovation at five Sumai-no Yume Kojo facilities throughout Japan, offering experiences related to homebuilding. Furthermore, the Company proactively advanced proposals for remodeling Sha-Maison rental houses that contribute to their stable management over the long term.

Sales in the Remodeling Business amounted to ¥136,843 million (up 2.5% from the previous fiscal year), and operating income to ¥19,760 million (up 12.6%).

(Real Estate Management Fees Business)

In the Real Estate Management Fees Business, the number of Sha-Maison rental apartment units for blockleasing and management by Sekiwa Real Estate companies on a commissioned basis rose firmly, supported in part by a stable supply of rental properties. At the same time, occupancy rates remained high. Under these conditions, the Company sought to strengthen the real estate brokerage business, including SumStock that rates superior supplied houses using an original assessment method, as an approach to trading markets for existing houses.

In August, the Company also began providing mainly real estate management trust services to support rental housing owners with asset management and smooth succession via Sekisui House Trust, Ltd.

Sales in the Real Estate Management Fees Business amounted to ¥489,891 million (up 4.4% from the previous fiscal year) and operating income to ¥33,133 million (up 5.9%).

<Development Business>

(Houses for Sale Business)

In the Houses for Sale Business, sales remained strong as the Company continued to procure land actively, as well as due to such efforts as the holding of Machinami sankan-bi promotional events. It also promoted the creation of high-quality towns that can be passed on to future generations through support activities conducted jointly with the inhabitants for the establishment of communities, while adopting the concept of "beauty that blooms with time," the creation of high-grade social stock that is richly verdant and will become more attractive over time.

Sales in the Houses for Sale Business amounted to ¥155,481 million (up 9.5% from the previous fiscal year), and operating income to ¥13,460 million (down 52.6%).

(Condominium Business)

In the Condominium Business, the Company advanced its brand strategies by thoroughly enforcing area-specific strategies and integrating homebuilding knowhow gained through custom detached houses. Grand Maison Shin Umeda Tower (Kita-ku, Osaka) was completed, and the Company received steady orders for new properties for sale, including Grand Maison Shinagawa Seaside-no Mori (Shinagawa-ku, Tokyo). Property handovers, including that of the Grand Maison Misonoza Tower in Naka-ku, Nagoya, took place smoothly.

Sales in the Condominium Business amounted to ¥77,497 million (up 17.2% from the previous fiscal year), and the operating income was ¥9,229 million (up 310.4%).

(Urban Redevelopment Business)

In the Urban Redevelopment Business, the Company undertook development projects aimed at establishing high quality social infrastructure. Occupancy rates for rental properties owned by the Sekisui House Group, such as offices, commercial buildings and Prime Maison rental houses developed by the Company, remained high. Meanwhile, the Company sold two properties, the floors in the Honmachi Garden City used by the St. Regis Osaka as a hotel facility and part of the Garden City Shinagawa Gotenyama.

Sales in the Urban Redevelopment Business amounted to ¥103,777 million (down 20.5% from the previous fiscal year) and operating income to ¥16,994 million (down 27.4%).

(Overseas Business)

In the United States, sales of subdivisions were bullish and urban rental houses, namely Westlake Steps in Seattle and Belleview Station in Denver, were sold. Sales of Woodside Homes Company, LLC, which became a consolidated subsidiary for the fiscal year under review, contributed to consolidated results. In Australia, development of Central Park in Sydney in the second phase and handovers of condominium units in Wentworth Point and in Jewel progressed as planned. In China, handovers of condominiums in the city of Taicang continued to advance as in the preceding fiscal year. In Singapore, sales remained strong for condominium units in the new Seaside Residence development.

Sales in the Overseas Business amounted to ¥306,716 million (up 68.4% from the previous fiscal year) and operating income to ¥29,761 million (up 18.2%).

<Other Businesses>

In the Exterior Business, the Company sought to strengthen integrated construction proposals for external facilities and houses by developing and deploying employees with an emphasis on their specialization. At the same time, the Company advanced proposals for original landscaping and external facilities for custom detached houses, rental houses and condominiums based mainly on the "Gohon no ki" landscaping concept through which garden trees are selected from native, non-cultivated and other plant varieties adapted to the local climate.

Sales in the Other Businesses amounted to ¥75,137 million (down 6.2% from the previous fiscal year), and operating income to ¥1,234 million (up 69.9%).

(Future Outlook)

The Japanese economy is expected to continue to recover moderately amid continued improvements in corporate earnings and the employment and income environments, despite uncertainties about the outlook of certain factors such as the policy impact in countries overseas. In addition, economic conditions are expected to continue to recover in the United States, given increases in corporate earnings and capital spending supported by the recent tax reform.

In the housing market, with a further diversification of housing needs, demand will remain firm for custom detached houses with high added value and high quality rental houses mainly for urban areas, which are prioritized by the Company.

Looking beyond 2020, the housing environment is set to change significantly, reflecting the situation in Japan. Discussions are underway at many institutions, including the government of Japan, with respect to the reutilization of existing houses, whose role and value are being reviewed. Other developments will include the rapid progress in IT technologies, the evolution of houses in response to global warming countermeasures and a much older society, together with a further increase in inbound demand.

In this business environment, the Company, while working on building the foundations for residential-related businesses under the Fourth Mid-Term Management Plan, will accelerate the strengthening of its business areas, taking advantage of elements supplied by its own factories, and the expansion of the overseas business that has emerged as one of its main pillars. In addition, the Company will undertake initiatives across the Sekisui House Group to pursue the value that houses provide for the society, and will work on forming a housing stock of good quality, thereby facilitating a steady increase in profit.

For the fiscal year ending January 31, 2019, the Company forecasts consolidated net sales of ¥2,185,000 million (up 1.2% from the current fiscal year under review), consolidated operating income of ¥200,000 million (up 2.3%), consolidated ordinary income of ¥206,000 million (up 1.1%), and profit attributable to owners of parent of ¥136,000 million (up 2.1%).

(2) Analysis on Financial Position

Total assets increased by ¥234,117 million to ¥2,419,012 million at the end of the fiscal year under review, primarily owing to the increases in real estate for sale by the acquisition of Woodside Homes Company, LLC. Liabilities increased ¥144,260 million, to ¥1,210,891 million, mainly due to an increase in loans and the issue of bonds. Net asset increased ¥89,856 million to ¥1,208,121 million, mainly due to posting profit attributable to owners of parent.

Cash flows from operating activities was ¥165,355 million (a year-on-year increase of ¥49,534 million in net cash provided), primarily due to posting of profit before income taxes.

Cash flows from investing activities was ¥76,150 million (a year-on-year increase of ¥31,246 million in net cash provided), mainly reflecting the purchase of property, plant, and equipment, and purchase of shares of subsidiaries resulting in change in scope of consolidation.

Cash flows from financing activities was ¥30,154 million (a year-on-year increase of ¥24,642 million in net cash provided), owing mainly to the issuance of bonds.

Consequently, cash and cash equivalents at the end of the fiscal year under review amounted to ¥324,693 million, increasing by ¥119,991 million from the end of the previous fiscal year.

(3) Basic Policy on Profit Distribution, Dividend for the Current and Next Fiscal Years

The Company regards the maximization of shareholder value as one of the most important management issues. Accordingly, the Company will strive to enhance the shareholder return by increasing earnings per share through sustainable business growth and by improving asset efficiency. In doing so, it will take into comprehensive account the status of profits and cash flows in each fiscal year and future business development, among other factors, as well as making growth investments, implementing a shareholder return targeting a dividend payout ratio of 40% over the medium and long term, and acquiring and canceling its own shares in a timely manner.

For the year ended January 31, 2018, we paid an interim dividend of ¥37 and plan to pay out a year-end dividend of ¥40.

For the next fiscal year ending January 31, 2019, we plan to pay out an interim dividend of ¥39 and a year-end dividend of ¥40, totaling ¥79 for the full year.

2. Management Policy

(1) Basic Management Policy

Since the establishment of Sekisui House we have aimed to create homes and environments with individuality and warmth, as a leading producer of housing in Japan. Providing first class product quality and technical skills is essential, and we aim every day to reflect our philosophy of `love of humanity` by creating houses that bring satisfaction to our customers. In the future, through rigorous quality control we aim to continue to raise customer satisfaction and to provide full after service to our customers. Housing is characterized by a very long product life and we believe that steadily pursuing these values in our business activities creates a powerful framework of trust that is the key to long-term growth and an essential element of our business. Further our basic stance is that true management of a company is borne out of three concepts: customer satisfaction, shareholder satisfaction and employee satisfaction and we must also fulfill our obligations as a corporate citizen while considering the stability and investment required to ensure continued long term growth while making determined efforts to expand our business.

(2) Targeted Performance Indicators

In order to promote business efficiency we aim to take opportunities to strengthen our balance sheet and raise asset efficiency in each of our businesses. As a result of these initiatives, it aims to improve the rates of return on total assets and net assets, while achieving ROA of 10% and keeping ROE above 10%.

(3) Medium and Long- term Business Strategy

In addition to bringing a wide range of leading-edge technologies and lifestyle proposals that it has worked on to date together under the unified brand vision “SLOW & SMART,” in its business management policy the Company has also pursued a growth strategy focused on the “residential” domain, and advanced operations based on its three business models: the Built-to-Order Business, the Supplied Housing Business, and the Development Business. In March 2017, in an effort to further expand its business operations, the company also formulated a new mid-term management plan for the period up until the fiscal year ending January 31, 2021.

The new mid-term management plan sets the basic policy of building a foundation of “residential” related businesses towards BEYOND 2020. In addition to bolstering our residence and residential-related businesses, the management plan also highlights the expansion of new business domains utilizing the Company’s factory shipping elements, and identifies the international business operations (which the Company launched in 2009) as one of the major pillars of our business. In accordance this medium-term management plan, we will continue to proactively promote the spread and popularization of high value-added residences and residential environments, based on our four business models.

Built-to-Order Business (Custom Detached Housing / Rental Housing)

The Group will continue to promote the dissemination and sales expansion of Green First Zero (Net Zero Energy House), which has been leading the industry, and will strengthen the product appeal of the IS Series, the steel frame house with the Company's original exterior wall Dyne Concrete, and the Shawood wooden house utilizing the Bellburn original high-grade earthenware exterior wall, and expand the sales of 3- and 4-story houses through the all-out area marketing of rental housing.

The Group will also expand the business domains by taking advantage of the strength of materials shipped from its plants in developing the built-to-order business for accommodations that will be directly linked to inbound demand and respond to various forms and business using the useful land of CRE and PRE.

Supplied Housing Business (Remodeling / Real Estate Management Fees)

The Group will enhance renovation (large-scale remodeling) services that provide not only maintenance-type renovation as before but also lifestyle proposal-type renovation. In custom detached houses, the Group divided Sekisui House Remodeling, Ltd. into three companies in 2016 to conduct more community-based business activities and, at the same time, is strengthening remodeling for rental housing, demand for which is growing mainly in urban areas, with the aim of enhancing business performance by expanding the business base for remodeling.

In the real estate management fees business, the Group aims to increase the asset value of its properties by improving the quality of the management business in order to maintain the high occupation rate and strengthen the SumStock business and the real estate brokerage business, which will respond to the distribution market of existing houses that is expected to expand further in the future.

Development Business (Houses for Sale / Condominiums / Urban Redevelopment)

The Group will promote the business with a focus on development that will increase the asset turnover ratio by carefully selecting valuable land. In houses for sale, the Group will differentiate its products by actively developing smart towns and focusing on becoming more beautiful over time. In the condominiums business, the Group will fully enforce area strategies and work actively to disseminate eco-friendly condominiums at the same time. In the urban redevelopment business, the Group will continue to supply properties stably to the REITs it sponsored, to increase the asset turnover ratio and generate profits.

Overseas Business

The overseas business of the Company remains steady because the earnings base has been built in the United States and Australia as a result of developing the business internationally in the four countries of Australia, the United States, China and Singapore, starting with business advancement in Australia in 2009. In China, the brand value of the Company's high-quality properties has begun penetrating, and in Singapore, its properties available for sale are almost sold out. The Company will continue to expand its business by providing its high-quality housing technologies and landscape development capabilities, etc. in the overseas business while at the same time participating in earnest in the custom detached houses business in the United States by converting Woodside Homes, a homebuilder in the United States, into a wholly owned subsidiary.

3. Basic Approach to the Selection of Accounting Standards

The Sekisui House Group has been compiling its consolidated financial statements according to the Japanese standards. It will adopt international accounting standards appropriately in the future, factoring in the situations both in Japan and abroad.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥ millions)

	As of January 31, 2017	As of January 31, 2018
Assets		
Current assets		
Cash and deposits	212,808	325,834
Notes receivable, accounts receivable from completed construction contracts	49,031	45,877
Short-term investment securities	1,399	589
Costs on uncompleted construction contracts	10,150	9,414
Buildings for sale	321,682	369,124
Land for sale in lots	566,018	599,514
Undeveloped land for sale	92,682	109,480
Other inventories	7,210	7,627
Deferred tax assets	30,229	29,075
Other	64,987	77,402
Less allowance for doubtful accounts	(1,172)	(1,270)
Total current assets	1,355,029	1,572,669
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	354,011	348,783
Machinery, equipment and vehicles	63,590	62,598
Tools, furniture and fixtures	32,851	32,413
Land	325,073	322,502
Lease assets	1,124	1,180
Construction in progress	24,950	26,117
Less accumulated depreciation	(237,919)	(240,781)
Total property, plant and equipment	563,682	552,814
Intangible assets		
Goodwill	48	6,167
Industrial property	27	517
Leasehold right	4,288	5,745
Software	8,446	9,044
Right of using facilities	243	252
Telephone subscription right	289	289
Other	1	0
Total intangible assets	13,345	22,016
Investments and other assets		
Investments in securities	149,515	173,802
Long-term loans receivable	40,645	25,341
Asset for retirement benefits	8,117	14,725
Deferred tax assets	2,727	3,080
Other	52,292	54,994
Less allowance for doubtful accounts	(460)	(431)
Total investments and other assets	252,837	271,512
Total noncurrent assets	829,865	846,343
Total assets	2,184,895	2,419,012

(¥ millions)

	As of January 31, 2017	As of January 31, 2018
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	108,835	104,136
Electronically recorded obligations-operating	70,202	68,677
Short-term bonds payable	35,000	-
Short-term loans payable	150,863	209,707
Current portion of bonds	40,000	15,000
Current portion of long-term loans payable	22,373	2,431
Accrued income taxes	34,311	32,200
Advances received on construction contracts in progress	129,783	142,690
Accrued employees' bonuses	28,005	28,900
Accrued directors' and corporate auditors' bonuses	1,290	1,560
Provision for warranties for completed construction	2,800	2,980
Other	90,477	98,612
Total current liabilities	713,945	706,898
Noncurrent liabilities		
Bonds payable	130,000	235,000
Long-term loans payable	108,355	154,201
Guarantee deposits received	59,951	60,508
Deferred income taxes	6,460	12,499
Accrued retirement benefits for directors and corporate auditors	1,197	1,337
Liabilities for retirement benefits	20,266	21,504
Other	26,453	18,941
Total noncurrent liabilities	352,685	503,993
Total liabilities	1,066,630	1,210,891
Net assets		
Shareholders' equity		
Common stock	202,591	202,591
Capital surplus	253,559	251,563
Retained earnings	577,663	626,961
Less treasury stock, at cost	(37,248)	(948)
Total shareholders' equity	996,565	1,080,167
Accumulated other comprehensive income		
Net unrealized holding gain on securities	37,839	48,033
Deferred gain (loss) on hedges	19	(68)
Translation adjustments	46,975	50,677
Retirement benefits liability adjustments	21,959	16,166
Total accumulated other comprehensive income	106,793	114,807
Stock subscription rights	694	761
Non-controlling interests	14,211	12,384
Total net assets	1,118,264	1,208,121
Total liabilities and net assets	2,184,895	2,419,012

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)

(¥ millions)

	Feb. 1, 2016 – Jan. 31, 2017	Feb. 1, 2017 – Jan. 31, 2018
Net sales	2,026,931	2,159,363
Cost of sales	1,608,634	1,714,281
Gross profit	418,297	445,082
Selling, general and administrative expenses		
Selling expenses	51,545	55,111
General and administrative expenses	182,587	194,430
Total selling, general and administrative expenses	234,132	249,541
Operating income	184,164	195,540
Non-operating income		
Interest income	2,131	2,326
Dividends income	1,425	1,710
Foreign exchange gains	-	1,091
Equity in earnings of affiliates	10,022	8,183
Other	2,771	2,755
Total non-operating income	16,350	16,068
Non-operating expenses		
Interest expenses	2,326	3,733
Foreign exchange losses	2,482	-
Other	4,717	4,196
Total non-operating expenses	9,526	7,929
Ordinary income	190,989	203,678
Extraordinary income		
Gain on sales of shares of subsidiaries and affiliates	-	10,477
Gain on sales of investment securities	-	1
Total extraordinary income	-	10,478
Extraordinary loss		
Loss on impairment of fixed assets	5,154	7,791
Bad debt loss	-	5,559
Loss on revaluation of investments in securities	-	2,879
Loss on sales or disposal of fixed assets	535	1,938
Total extraordinary losses	5,690	18,168
Profit before income taxes	185,299	195,988
Income taxes-current	54,485	51,611
Income taxes-deferred	3,917	5,185
Total income taxes	58,402	56,796
Profit	126,896	139,192
Profit attributable to non-controlling interests	5,043	5,967
Profit attributable to owners of parent	121,853	133,224

(Consolidated Statements of Comprehensive Income)

(¥ millions)

	Feb. 1, 2016 – Jan. 31, 2017	Feb. 1, 2017 – Jan. 31, 2018
Profit attributable to owners of parent	126,896	139,192
Other comprehensive income		
Net unrealized holding gain on securities	11,453	9,672
Deferred gain (loss) on hedges	13	-
Translation adjustment	(21,225)	2,594
Retirement benefits liability adjustments	(3,625)	(5,931)
Share of other comprehensive income (loss) of affiliates accounted for by the equity method	(905)	1,694
Total other comprehensive income	(14,289)	8,030
Comprehensive income	112,606	147,222
Comprehensive income attributable to		
Owners of the parent	107,617	141,239
Non-controlling shareholders' interests	4,988	5,983

(3) Consolidated Statements of Changes in Net Assets

Previous consolidated fiscal year (February 1, 2016 to January 31, 2017)

(¥ millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at the end of previous period	202,591	253,559	498,094	(17,577)	936,667
Changes of items during the period					
Cash dividends	-	-	(41,087)	-	(41,087)
Profit attributable to owners of parent	-	-	121,853	-	121,853
Purchase of treasury stock	-	-	-	(22,018)	(22,018)
Sales of treasury stock	-	-	(1,197)	2,347	1,149
Retirement of treasury stock	-	-	-	-	-
Purchase of shares of consolidated subsidiaries	-	-	-	-	-
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes of items during the period	-	-	79,568	(19,671)	59,897
Balance at the end of current period	202,591	253,559	577,663	(37,248)	996,565

	Accumulated other comprehensive income					Stock subscription rights	Non-controlling interests	Total net assets
	Net unrealized holding gain on securities	Deferred gain (loss) on hedges	Translation adjustment	Retirement benefits liability adjustments	Total accumulated other comprehensive income			
Balance at the end of previous period	26,671	(13)	68,747	25,622	121,028	622	10,108	1,068,428
Changes of items during the period								
Cash dividends	-	-	-	-	-	-	-	(41,087)
Profit attributable to owners of parent	-	-	-	-	-	-	-	121,853
Purchase of treasury stock	-	-	-	-	-	-	-	(22,018)
Sales of treasury stock	-	-	-	-	-	-	-	1,149
Retirement of treasury stock	-	-	-	-	-	-	-	-
Purchase of shares of consolidated subsidiaries	-	-	-	-	-	-	-	-
Net changes of items other than shareholders' equity	11,168	32	(21,772)	(3,663)	(14,235)	71	4,102	(10,060)
Total changes of items during the period	11,168	32	(21,772)	(3,663)	(14,235)	71	4,102	49,836
Balance at the end of current period	37,839	19	46,975	21,959	106,793	694	14,211	1,118,264

Current consolidated fiscal year (February 1, 2017 to January 31, 2018)

(¥ millions)

	Shareholders' equity				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Total shareholders' equity
Balance at the end of previous period	202,591	253,559	577,663	(37,248)	996,565
Changes of items during the period					
Cash dividends	-	-	(47,627)	-	(47,627)
Profit attributable to owners of parent	-	-	133,224	-	133,224
Purchase of treasury stock	-	-	-	(22)	(22)
Sales of treasury stock	-	-	(45)	68	23
Retirement of treasury stock	-	-	(36,253)	36,253	-
Purchase of shares of consolidated subsidiaries	-	(1,995)	-	-	(1,995)
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes of items during the period	-	(1,995)	49,298	36,299	83,602
Balance at the end of current period	202,591	251,563	626,961	(948)	1,080,167

	Accumulated other comprehensive income					Stock subscription rights	Non-controlling interests	Total net assets
	Net unrealized holding gain on securities	Deferred gain (loss) on hedges	Translation adjustment	Retirement benefits liability adjustments	Total accumulated other comprehensive income			
Balance at the end of previous period	37,839	19	46,975	21,959	106,793	694	14,211	1,118,264
Changes of items during the period								
Cash dividends	-	-	-	-	-	-	-	(47,627)
Profit attributable to owners of parent	-	-	-	-	-	-	-	133,224
Purchase of treasury stock	-	-	-	-	-	-	-	(22)
Sales of treasury stock	-	-	-	-	-	-	-	23
Retirement of treasury stock	-	-	-	-	-	-	-	-
Purchase of shares of consolidated subsidiaries	-	-	-	-	-	-	-	(1,995)
Net changes of items other than shareholders' equity	10,193	(88)	3,702	(5,793)	8,014	67	(1,826)	6,254
Total changes of items during the period	10,193	(88)	3,702	(5,793)	8,014	67	(1,826)	89,856
Balance at the end of current period	48,033	(68)	50,677	16,166	114,807	761	12,384	1,208,121

(4) Consolidated Statements of Cash Flows

(¥ millions)

	Feb. 1, 2016 – Jan. 31, 2017	Feb. 1, 2017 – Jan. 31, 2018
Cash flows from operating activities		
Profit before income taxes	185,299	195,988
Depreciation and amortization	23,125	21,983
Loss on impairment of fixed assets	5,154	7,791
Increase (decrease) in liability for retirement benefits	531	376
Increase (decrease) in asset for retirement benefits	(10,530)	(14,280)
Interest and dividends income	(3,556)	(4,037)
Interest expenses	2,326	3,733
Equity in (earnings) losses of affiliates	(10,022)	(8,183)
Loss (gain) on sales of investment securities	-	(1)
Loss (gain) on valuation of investments in securities	-	2,879
Loss (gain) on sales of shares of subsidiaries and affiliates	-	(10,477)
Decrease (increase) in notes and accounts receivable-trade	792	4,406
Decrease (increase) in inventories	(62,732)	19,106
Increase (decrease) in notes and accounts payable-trade	34,692	(13,242)
Increase (decrease) in advances received on construction projects in progress	13,277	12,260
Other, net	(12,802)	307
Subtotal	165,553	218,611
Interest and dividends income received	7,092	6,547
Interest expenses paid	(2,598)	(5,336)
Income taxes paid	(54,225)	(54,467)
Net cash provided by (used in) operating activities	115,820	165,355
Cash flows from investing activities		
Proceeds from sales of short-term investments	2,800	1,400
Purchase of property, plant and equipment	(94,588)	(62,899)
Proceeds from sales of property, plant and equipment	448	2,832
Purchase of investments in securities	(6,462)	(5,467)
Proceeds from sales and redemption of investments in securities	909	2,886
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(47,787)
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	18,108
Increase in loans receivable	(8,874)	(262)
Collection of loans receivable	9,724	14,732
Other, net	(11,354)	306
Net cash provided by (used in) investing activities	(107,397)	(76,150)
Cash flows from financing activities		
Proceeds from issuance of short-term bonds	(25,000)	(35,000)
Increase (decrease) in short-term loans, net	6,636	55,536
Proceeds from long-term debt	155,594	59,385
Repayment of long-term debt	(145,600)	(36,384)
Proceeds from issuance of bonds	80,000	120,000
Redemption of bonds	-	(76,014)
Cash dividends paid	(41,087)	(47,627)
Purchase of treasury stock	(22,015)	(19)

(¥ millions)

	Feb. 1, 2016 – Jan. 31, 2017	Feb. 1, 2017 – Jan. 31, 2018
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	-	(2,220)
Other, net	(3,015)	(7,500)
Net cash provided by (used in) financing activities	5,511	30,154
Effect of exchange rate changes on cash and cash equivalents	(1,572)	632
Net increase (decrease) in cash and cash equivalents	12,363	119,991
Cash and cash equivalents at beginning of period	192,338	204,701
Cash and cash equivalents at end of period	204,701	324,693

(5) Notes to Consolidated Financial Statements

(Notes Regarding Assumption of Going Concerns)

Not applicable

(Additional Information)

(Application of the Implementation Guidance on Recoverability of Deferred Tax Assets)

The Company applied the Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standard Board of Japan Implementation Guidance No. 26 issued on March 28, 2016) from the consolidated fiscal year starting from February 1, 2017.

(Notes to Consolidated Statements of Income)

(1) Loss on impairment of fixed assets

Impairment loss of the following group of assets was recorded.

Previous consolidated fiscal year (February 1, 2016 – January 31, 2017)

Location	Usage	Type
Naka-ku, Nagoya City, etc.	Real estate for leasing, etc.	Buildings and land, etc.

The Sekisui House Group recognizes impairment loss by grouping investment properties by project and grouping other assets by operating unit, which allow us to manage gains and losses in a rational manner. As a result, for the group of real estate for leasing, the book value was impaired down to the recoverable value, and this decrease was recorded as impairment loss under "Extraordinary loss."

(Breakdown of impairment loss)

Type	Amount (¥ millions)
Buildings and structures	994
Machinery and equipment	112
Land	3,841
Other	206
Total	5,154

For these assets, the Company calculates the recoverable value of the relevant assets based on their use value or net selling prices. The use value is determined based on future cash flows, and the net selling price is determined based on the real estate appraisal value and other.

Current consolidated fiscal year (February 1, 2017 – January 31, 2018)

Location	Usage	Type
Hodogaya-ku, Yokohama City, etc.	Real estate for leasing, etc.	Buildings and land, etc.

The Sekisui House Group recognizes impairment loss by grouping investment properties by project and grouping other assets by operating unit, which allow us to manage gains and losses in a rational manner. As a result, for the group of real estate for leasing, the book value was impaired down to the recoverable value, and this decrease was recorded as impairment loss under "Extraordinary loss."

(Breakdown of impairment loss)

Type	Amount (¥ millions)
Buildings and structures	2,486
Machinery and equipment	331
Land	4,468
Other	505
Total	7,791

For these assets, the Company calculates the recoverable value of the relevant assets based on their use value or net selling prices. The use value is determined based on future cash flows, and the net selling price is determined based on the real estate appraisal value and other.

(2) Bad debt loss

An extraordinary loss is posted in conjunction with the uncollected amount arisen from a transaction incident that occurred when purchasing land for condominiums.

(Segment Information)

Segment Information

1. Summary of reportable segments

The reportable segments of the Sekisui House Group are its constituent units for which separate financial information is obtained and examined on a regular basis by its manager to determine the allocation of management resources and evaluate business performance.

The Sekisui House Group operates comprehensive housing businesses as a proactive creator of comfortable living environments. To achieve sustainable growth by optimizing its management resources, the Group has established business domains. Each domain operates by developing its own business strategies.

Consequently, the Group comprises segments based on the products and services provided by each business domain. The Group considers the Custom Detached Houses Business, the Rental Housing Business, the Remodeling Business, the Real Estate Management Fees Business, the Houses for Sale Business, the Condominiums Business, the Urban Redevelopment Business, and the Overseas Business, excluding Other Businesses, as its reportable segments.

Details of the reportable segments are as follows:

Custom Detached Houses Business:	Designing, constructing, and contracting for sale detached houses
Rental Housing Business:	Designing, constructing, and contracting for sale rental housing, medical and nursing care facilities, and other buildings
Remodeling Business:	Renovating housing
Real Estate Management Fees Business:	Leasing, managing, maintaining, and brokering real estate.
Houses for Sale Business:	Selling houses and real estate, and designing, constructing, and contracting for sale houses on residential land for sale
Condominiums Business:	Selling condominiums
Urban Redevelopment Business:	Developing office buildings, commercial facilities, and other facilities, and managing and maintaining its own properties
Overseas Business:	Contracting for sale detached houses, sells houses and real estate, and develops facilities, including condominiums and commercial facilities, in overseas markets

2. Method of calculation for sales, income and loss, asset, liabilities and other items by each segment

The accounting treatment used for all reporting segments is basically the same as that stated in “Basic Important Matters for Preparation of Consolidated Financial Statements.”

3. Segment information on sales, income or loss, assets, liabilities and other items by reporting segment

Previous consolidated fiscal year (February 1, 2016 to January 31, 2017)

(¥ million)

	Reportable Business Segments						
	Custom Detached Houses	Rental Housing	Remodeling	Real Estate Management Fees	Houses for Sale	Condominiums	Urban Redevelopment
Sales							
(1) Sales to third parties	383,129	440,312	133,498	469,132	142,014	66,125	130,491
(2) Inter-group sales and transfers	-	5,638	246	3,380	-	-	99
Net sales	383,129	445,951	133,745	472,512	142,014	66,125	130,590
Operating income (loss)	49,514	60,832	17,544	31,278	8,822	2,248	23,414
Assets	59,798	48,616	14,720	100,125	144,109	158,890	590,984
Other items							
Depreciations	4,319	2,866	92	908	1,063	23	9,753
Net increase in property, plant and equipment, and intangible assets	3,952	1,996	58	971	901	53	82,598

	Reportable Business Segments		Other Businesses (Note: 1)	Total	Adjustments (Note:2)	Amounts on the consolidated financial statements (Note: 3)
	Overseas Business	Total				
Sales						
(1) Sales to third parties	182,127	1,946,832	80,099	2,026,931	-	2,026,931
(2) Inter-group sales and transfers	-	9,364	5,497	14,861	(14,861)	-
Net sales	182,127	1,956,197	85,596	2,041,793	(14,861)	2,026,931
Operating income (loss)	25,172	218,828	726	219,555	(35,390)	184,164
Assets	825,507	1,942,753	18,015	1,960,768	224,126	2,184,895
Other items						
Depreciations	672	19,699	912	20,612	2,512	23,125
Net increase in property, plant and equipment, and intangible assets	4,112	94,646	70	94,716	3,560	98,277

1. Other Businesses principally include the exterior business.
2. Adjustments are as follows:

(1) An adjustment of ¥35,390 million for segment income (loss) includes an elimination of inter-segment transactions of ¥3,298 million and corporate expenses of ¥32,091million that have not been allocated to each segment. Corporate expenses mainly include selling, general and administration expenses and experiment and research expenses that do not belong to any reportable segments.

(2) An adjustment of ¥224,126 million for assets is corporate assets. Corporate assets are mainly parent company surplus operating funds (cash and short-term investment securities), long-term investment funds (investment securities) and assets of the administration division.

(3) An adjustment of ¥2,512 million for depreciation and amortization is depreciation related to corporate assets.

(4) An adjustment of ¥3,560 million for increases in property, plant, and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.

3. Operating income (loss) by business segment is adjusted to correspond to operating income in the consolidated statements of income.

Current consolidated fiscal year (February 1, 2017 to January 31, 2018)

(¥ million)

	Reportable Business Segments						
	Custom Detached Houses	Rental Housing	Remodeling	Real Estate Management Fees	Houses for Sale	Condominiums	Urban Redevelopment
Sales							
(1) Sales to third parties	371,171	442,845	136,843	489,891	155,481	77,497	103,777
(2) Inter-group sales and transfers	-	8,191	247	3,369	-	-	91
Net sales	371,171	451,037	137,091	493,261	155,481	77,497	103,868
Operating income (loss)	48,043	60,883	19,760	33,133	13,460	9,229	16,994
Assets	55,616	46,371	15,517	112,272	142,903	176,859	582,974
Other items							
Depreciations	3,941	2,588	112	978	1,161	32	8,907
Net increase in property, plant and equipment, and intangible assets	3,325	929	199	1,253	841	2	52,742

	Reportable Business Segments		Other Businesses (Note: 1)	Total	Adjustments (Note:2)	Amounts on the consolidated financial statements (Note: 3)
	Overseas Business	Total				
Sales						
(1) Sales to third parties	306,716	2,084,225	75,137	2,159,363	-	2,159,363
(2) Inter-group sales and transfers	-	11,899	5,574	17,474	(17,474)	-
Net sales	306,716	2,096,125	80,712	2,176,837	(17,474)	2,159,363
Operating income (loss)	29,761	231,266	1,234	232,500	(36,960)	195,540
Assets	929,306	2,061,823	15,084	2,076,908	342,104	2,419,012
Other items						,
Depreciations	862	18,585	776	19,361	2,621	21,983
Net increase in property, plant and equipment, and intangible assets	5,473	64,768	63	64,831	3,967	68,799

Notes

1. Other Businesses principally include the exterior business.
2. Adjustments are as follows:

(1) An adjustment of ¥36,960 million for segment income (loss) includes an elimination of inter-segment transactions of ¥3,274 million and corporate expenses of ¥33,686million that have not been allocated to each segment. Corporate expenses mainly include selling, general and administration expenses and experiment and research expenses that do not belong to any reportable segments.

(2) An adjustment of ¥342,104 million for assets is corporate assets. Corporate assets are mainly parent company surplus operating funds (cash and short-term investment securities), long-term investment funds (investment securities) and assets of the administration division.

(3) An adjustment of ¥2,621 million for depreciation and amortization is depreciation related to corporate assets.

(4) An adjustment of ¥3,967 million for increases in property, plant, and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.

3. Operating income (loss) by business segment is adjusted to correspond to operating income in the consolidated statements of income.

(Per Share Information)

	Feb. 1, 2016 – Jan. 31, 2017	Feb. 1, 2017 – Jan. 31, 2018
Net assets per share	¥1,598.90	¥1,731.60
Profit per share	¥175.48	¥193.06
Fully diluted Profit per share	¥175.22	¥192.82

(Note) Basis for Calculation

1. Net assets per share

¥ millions, except where noted	As of January 31, 2017	As of January 31, 2018
Net assets recorded on balance sheet	1,118,264	1,208,121
Difference between net assets in consolidated balance sheet and net assets attributable to ordinary shares	14,905	13,146
Subscription rights to shares	694	761
Minority interests	14,211	12,384
Net assets attributable to ordinary shares	1,103,359	1,194,975
Number of ordinary shares outstanding (1,000 shares)	709,683	690,683
Number of ordinary shares held in treasury (1,000 shares)	19,610	586
Number of ordinary shares used to calculate shareholders' equity per share (1,000 shares)	690,072	690,097

2. Profit per share and fully diluted income per share

¥ millions, except where noted	Previous fiscal year (Feb. 1, 2016 - Jan. 31, 2017)	Current fiscal year (Feb. 1, 2017 - Jan. 31, 2018)
Profit per share		
Profit attributable to owners of parent	121,853	133,224
Amount not attributable to ordinary shares	-	-
Profit attributable to ordinary shares	121,853	133,224
Average number of ordinary shares outstanding during period (1,000 shares)	694,392	690,082
Fully diluted profit per share		
Adjustment to profit attributable to owners of parent	-	-
Number of ordinary shares increased (shares)	1,039	862
Bonds with subscription rights to shares	224	-

Subscription rights to shares	814	862
Overview of residual securities not included in the calculation of fully diluted profit per share as they have no dilutive effect	-	-

(Significant Subsequent Event)

Not applicable