

Consolidated Financial Results for FY2015 (February 1, 2015 through January 31, 2016)

March 10, 2016

Company name	: Sekisui House, Ltd. (URL http://www.sekisuihouse.co.jp)
Listed exchanges	: Tokyo, Nagoya
Stock code	: 1928
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Date of general shareholders' meeting	: April 27, 2016
Date of scheduled payment of dividends	: April 28, 2016
Date of scheduled filing of securities report	: April 28, 2016
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 FY2015 (February 1, 2015 through January 31, 2016)

(1) 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, 2016	1,858,879	(2.8)	149,645	2.1	160,589	2.7	84,302	(6.6)
Year ended January 31, 2015	1,912,721	6.0	146,595	11.1	156,426	13.5	90,224	13.1

(Note) Comprehensive income: Year ended Jan. 2016: ¥51,594 million [-59.6%] Year ended Jan. 2015: ¥127,760 million [-8.0%]

	Net income per share	Fully diluted net income per share	Return on equity	Ordinary income ratio to total assets	Operating income ratio to net sales
	¥	¥	%	%	%
Year ended January 31, 2016	120.16	119.41	7.9	8.1	8.1
Year ended January 31, 2015	130.91	125.22	9.0	8.5	7.7

(Reference) Equity in earnings of affiliates: Year ended Jan. 2016: ¥9,427 million Year ended Jan. 2015: ¥5,307 million

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of January 31, 2016	2,029,794	1,068,428	52.1	1,508.81
As of January 31, 2015	1,929,409	1,079,064	55.4	1,527.52

(Reference) Shareholders' equity As of January 31, 2016: ¥1,057,696 million As of January 31, 2015: ¥1,068,423 million

(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, 2016	45,884	(76,166)	32,084	192,338
Year ended January 31, 2015	117,358	(128,529)	19,611	195,008

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, 2015	-	25.00	-	25.00	50.00	34,799	38.2	3.5%
Year ended January 31, 2016	-	27.00	-	27.00	54.00	37,832	44.9	3.6%
Year ending January 31, 2017 (Forecast)	-	32.00	-	32.00	64.00		39.7	

3. Consolidated Results Forecast for FY2016 (February 1, 2016 through January 31, 2017)

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

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Six months ending July 31, 2016	944,000	1.3	72,000	(11.9)	75,500	(13.5)	46,000	(11.6)	66.75
Year ending January 31, 2017	1,985,000	6.8	170,000	13.6	177,000	10.2	111,000	31.7	161.07

At the Board of Directors meeting held on March 10, 2016, the Company resolved to acquire its own shares under the provisions of Article 156 of the

Companies Act, as applied pursuant to Article 165 (3) of the Companies Act. As a result, the “net income per share” in the forecasts of consolidated results for the fiscal year ending January 31, 2017 is presented, factoring in the acquisition of its own shares.

* Notes

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries that caused a change in scope of consolidation): None

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

(i) Changes in accounting policies due to amendment of accounting standards: Applicable

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

(iii) Changes in accounting estimates: Not applicable

(iv) Restatements: Not applicable

(Note) For details, please refer to “(5) Notes to Consolidated Financial Statements (Changes in Accounting Policies)” in “5. Consolidated Financial Statements” of the “Attached Materials” on page 28.

(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, 2016: 709,683,466 shares As of Jan. 31, 2015: 699,845,934 shares

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

As of Jan. 31, 2016: 8,670,214 shares As of Jan. 31, 2015: 396,443 shares

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

As of Jan. 31, 2016: 701,606,992 shares As of Jan. 31, 2015: 689,205,338 shares

(Reference) Summary of non-consolidated financial results

1. Non-Consolidated Results for the FY2015 (February 1, 2015 through January 31, 2016)

(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, 2016	1,148,631	(6.5)	101,007	11.5	116,519	9.6	67,421	1.9
Year ended January 31, 2015	1,228,135	6.3	90,586	18.9	106,357	19.9	66,168	19.0

	Net income per share	Fully diluted net income per share
	¥	¥
Year ended January 31, 2016	96.07	95.48
Year ended January 31, 2015	95.98	91.81

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of January 31, 2016	1,475,735	778,932	52.7	1,109.98
As of January 31, 2015	1,409,518	771,998	54.7	1,102.67

(Reference) Shareholders' equity As of January 31, 2016: ¥778,310 million As of January 31, 2015: ¥771,461 million

* Implementation Status of Review Processes

At the time of disclosure of this report, the procedures for review of consolidated financial statements, pursuant to the Financial Products and Exchange Law, have not been completed.

* 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 10, 2016. Relevant financial explanatory documents to be handed out at the briefing will be posted on our official website on the same day.

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Appendix 1: Results summary for the year ended January 31, 2016

¥ millions

Consolidated	FY2014	FY2015	YOY (%)	FY2016 forecast	YOY (%)
Net sales	1,912,721	1,858,879	(2.8)	1,985,000	6.8
Gross profit	368,446	373,867	1.5	406,000	8.6
SG&A expenses	221,851	224,222	1.1	236,000	5.3
Operating income	146,595	149,645	2.1	170,000	13.6
Ordinary income *	156,426	160,589	2.7	177,000	10.2
Extraordinary income	6,154	8,995	46.2	-	-
Extraordinary loss	10,373	18,731	80.6	2,000	(89.3)
Net income	90,224	84,302	(6.6)	111,000	31.7
Total orders	1,892,619	1,934,591	2.2	1,993,000	3.0
Accumulated orders	793,006	868,718	9.5	876,718	0.9

* For the FY2016 forecast, net income attributable to owners of parent is shown.

Key management indicators

Consolidated	FY2011	FY2012	FY2013	FY2014	FY2015
Net income per share (¥)	42.90	69.17	118.63	130.91	120.16
Net assets per share (¥)	1,107.43	1,200.63	1,358.60	1,527.52	1,508.81
Operating profit margin	4.63%	5.34%	7.31%	7.66%	8.05%
ROE	3.91%	5.99%	9.19%	9.03%	7.93%
ROA *	5.28%	5.96%	8.15%	8.40%	8.25%

¥ millions

R & D expenditures	4,366	4,318	4,507	4,726	4,772
Capital expenditure (Consolidated)	43,312	60,915	130,243	121,550	81,258
Capital expenditure (Non-consolidated)	24,425	46,275	110,895	108,768	62,390
Depreciation expense (Consolidated)	18,034	19,015	22,581	25,692	24,438
Depreciation expense (Non-consolidated)	14,216	14,102	17,155	19,788	18,547

* 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, 2016**Consolidated** (See page 35)**(1) Sales**

¥ millions

	FY2014	FY2015	YOY(%)	FY2016 forecast	YOY(%)
Custom detached houses	427,044	393,786	(7.8)	383,000	(2.7)
Rental housing	398,483	400,601	0.5	417,000	4.1
Remodeling	134,166	134,458	0.2	146,000	8.6
Real estate management fees	428,227	448,751	4.8	468,000	4.3
Houses for sale	118,730	137,484	15.8	132,000	(4.0)
Condominiums	56,699	81,470	43.7	65,000	(20.2)
Urban redevelopment	178,344	93,038	(47.8)	108,000	16.1
Overseas Business	79,835	89,522	12.1	190,000	112.2
Other businesses	91,190	79,764	(12.5)	76,000	(4.7)
Consolidated	1,912,721	1,858,879	(2.8)	1,985,000	6.8

(2) Operating income and OP margin

¥ millions

	FY2014	FY2015	YOY(%) (Amount)	FY2016 forecast	YOY(%) (Amount)
	Amount OP margin	Amount OP margin		Amount OP margin	
Custom detached houses	48,894 11.4%	47,208 12.0%	(3.4)	45,000 11.7%	(4.7)
Rental housing	45,825 11.5%	51,918 13.0%	13.3	55,000 13.2%	5.9
Remodeling	14,997 11.2%	15,847 11.8%	5.7	18,000 12.3%	13.6
Real estate management fees	23,405 5.5%	26,819 6.0%	14.6	29,000 6.2%	8.1
Houses for sale	8,491 7.2%	11,919 8.7%	40.4	9,000 6.8%	(24.5)
Condominiums	4,738 8.4%	8,031 9.9%	69.5	5,000 7.7%	(37.7)
Urban redevelopment	25,802 14.5%	24,747 26.6%	(4.1)	15,500 14.4%	(37.4)
Overseas Business	4,419 5.5%	(5,673) (6.3%)	-	25,000 13.2%	-
Other businesses	3,123 3.4%	2,511 3.1%	(19.6)	3,000 3.9%	19.5
Eliminations and back office	(33,102)	(33,686)	-	(34,500)	-
Consolidated	146,595 7.7%	149,645 8.1%	2.1	170,000 8.6%	13.6

(3) Orders

¥ millions

	FY2014	FY2015	YOY(%)	FY2016 forecast	YOY(%)
Custom detached houses	388,648	387,533	(0.3)	388,000	0.1
Rental housing	408,525	434,574	6.4	442,000	1.7
Remodeling	125,647	134,114	6.7	146,000	8.9
Real estate management fees	428,227	448,751	4.8	468,000	4.3
Houses for sale	122,260	132,682	8.5	134,000	1.0
Condominiums	65,771	77,756	18.2	68,000	(12.5)
Urban redevelopment	176,114	93,038	(47.2)	108,000	16.1
Overseas Business	94,539	147,051	55.5	160,000	8.8
Other businesses	82,884	79,090	(4.6)	79,000	(0.1)
Consolidated	1,892,619	1,934,591	2.2	1,993,000	3.0

(4) Accumulated orders

¥ millions

	FY2014	FY2015	YOY(%)	FY2016 forecast	YOY(%)
Custom detached houses	215,976	209,722	(2.9)	214,722	2.4
Rental housing	323,018	356,991	10.5	381,991	7.0
Remodeling	22,275	21,931	(1.5)	21,931	0.0
Real estate management fees	-	-	-	-	-
Houses for sale	38,890	34,087	(12.3)	36,087	5.9
Condominiums	70,061	66,348	(5.3)	69,348	4.5
Urban redevelopment	-	-	-	-	-
Overseas Business	75,745	133,273	76.0	103,273	(22.5)
Other businesses	47,037	46,363	(1.4)	49,363	6.5
Consolidated	793,006	868,718	9.5	876,718	0.9

1. Analyses of Business Results and Financial Position

(1) Analysis of Business Results

(Review of Business Performance)

In the fiscal year under review, the Japanese economy saw a continued moderate recovery trend in corporate earnings and solid consumer spending, despite concern over a slowdown in economic growth in emerging countries in Asia and uncertainty over the outlook of stock markets due to the impact of decreased crude oil prices.

In the housing market, interest in purchasing housing showed some signs of recovery, thanks to government measures supporting home purchasing, such as an expansion in tax exemptions for gifts for the purpose of purchasing residential housing, a broader application of preferential interest rates for the Flat 35S, and the implementation of the point program for energy-saving homes, in addition to an improved employment and income environment. Demand remained strong in the rental housing market, mainly in urban areas, reflecting asset utilization in response to the revision of inheritance taxes enforced in January 2015.

Under these circumstances, the Company developed its business and expanded the housing and residential-related businesses as a group, while seeking to develop new markets, in accordance with its medium-term management plan formulated in November 2014, the brand vision “SLOW & SMART” and the Group’s basic direction of “Strengthening synergies in the Group and taking on new challenges in the ‘residential’-related business.” The Company also held sales promotion events nationwide, including *Sumai no sankan-bi* (visits to model houses) and Sha Maison Festa, and worked to win orders.

For new initiatives, the municipal authorities of Higashi Matsushima City, Miyagi Prefecture and the Company promoted initiatives on a smart town called Higashi Matsushima City Smart Disaster Prevention Eco-Town to which electricity is provided from micro grids that connect disaster recovery public housing and peripheral hospitals, public facilities, etc. The smart town is the first smart grid in Japan where mutual accommodation of energy among detached houses and across premises will contribute to improving local disaster response capabilities and disaster prevention capabilities.

Furthermore, Urban Renaissance Agency and the Company decided to jointly develop a community consisting of a condominium with units for lease to households with children, a condominium with units for sale to multi-generation families, elderly housing with supportive services, a fee-based nursing home, and a community space. Together, these units will help to create a sustainable community cultivated by several generations on the former site of the public officers’ housing in Egota in Nakano Ward, Tokyo. In addition, the Company established a business alliance with Konoike Construction Co., Ltd. and a capital alliance with Otori Holdings. Co., Ltd., a holding company of Konoike Construction. Seeing residential-related businesses as a growth area, such as a proposal for the advanced community and town development, Konoike Construction and the Company will strengthen their respective proposing abilities and construction capacity by combining the Company’s management resources in residential businesses and those of Konoike Construction in terms of construction and civil engineering.

For another initiative, the Company newly constructed the SEKISUI HOUSE ECO PARK in May, with residential houses for demonstrative trials, which have been presenting the Company’s cutting edge environmental technologies, at the Kanto Factory. With the primary aim being to cultivate the next generation, the park will be made open to public as a place that provides an opportunity to experience and learn about ‘Changes in housing will change society.’

In addition, the Company has been selected as a Competitive IT Strategy Company jointly defined by the Ministry of Economy, Trade and Industry (METI) and the Tokyo Stock Exchange in recognition for its integrated management of information on individual houses in all phases—from sales, design, factory work, and construction all the way to after-sales maintenance—with the use of computer-assisted design (CAD) and other systems. The Company was also recognized for its active use of mobile terminals to achieve operational and production reforms, as well as its efforts to

standardize construction. Along with being selected as a Competitive IT Strategy Company, the Company was also selected by METI and the Tokyo Stock Exchange as a Nadeshiko brand 2015, which signifies it as a company that promotes the advancement of women in the workplace. The Company became the first company in the housing and construction industry selected for the second time as a Nadeshiko brand.

Net sales in FY2015 amounted to ¥1,858,879 million, down 2.8% from the previous fiscal year, reflecting the sales decline in the Custom Detached Houses Business and a decrease in property sales in the Urban Redevelopment Business. Operating income amounted to ¥149,645 million (up 2.1%), ordinary income to ¥160,589 million (up 2.7%), net income to ¥84,302 million (down 6.6%).

Business results by segments are as follows.

(Custom Detached Houses Business)

Aiming to achieve an “improved environment for residents” and “break even in energy” through energy saving and creation, the Company promoted the sale of zero energy houses (ZEH), the Green First Zero of Sekisui House, Ltd., to capture the trend of comfortable living in 2020 in advance and three- to four-story houses in response to the need for multi-family homes in urban areas.

The Company moved forward with efforts to expand sales, adding a new pattern of design that further emphasizes the beauty of deep embossments to the DYNE CONCRETE, an exterior wall of the IS SERIES of luxury homes that celebrated the 30th anniversary of its launch last year, in the steel-frame detached house segment. In the wood-framed SHAWOOD-HOME house segment, the Company made efforts to expand sales by launching innovative products, such as a 20th anniversary model of the Gravis Villa, incorporating the Multilayer System, a new technology that flexibly creates a living room with a ceiling approximately 3.7 meters high as well as multilayered spaces.

In addition, as the whole industry began using domestic materials in earnest, the Company was awarded an excellence prize of the Director-General of the Forestry Agency for the “premium model using genuinely domestic materials” of its wood-framed SHAWOOD-HOME house, in recognition of efforts to enhance the brand value of local materials and visualize product details for customers.

Sales in the Custom Detached Houses Business amounted to ¥393,786 million, decreasing 7.8% year-on-year, and operating income to ¥47,208 million, down 3.4% year-on-year, reflecting the effect of a decrease in orders in the previous fiscal year.

(Rental Housing Business)

In the Rental Housing Business, there is continuously high demand, reflecting increased demand in urban areas and the need to respond to revised inheritance taxes. As a result, sales of the Company’s three- and four-story rental houses that enable multi-purpose uses and adapt flexibly to customer needs made satisfactory progress. In addition, the Company launched the “SHAIDD 50,” a high-level sound insulating flooring system that reduces floor impact noise generated on the upper floor by approximately one-third of that generated in ordinary steel-framed houses in an effort to improve housing performance. It also worked on the acquisition of approvals for the design and construction of four-story houses in a shorter timeframe, as well as cost reductions. These efforts contributed to strengthening the product’s competitiveness.

In addition, the Company positively promoted the Platinum Business for the purpose of offering a comfortable and prosperous living environment to elderly people. As part of this business, the construction of MAST CLERIEN KAGURAZAKA with rental houses for families and houses for households of active elderly residents with living support services was completed for block leasing by Sekiwa Grand Mast, Ltd., a wholly-owned subsidiary of Sekisui House, Ltd.

For the Rental Housing Business amounted to ¥400,601 million (up 0.5% from the previous fiscal year), and operating income to ¥51,918 million (up 13.3%).

(Remodeling Business)

In the Remodeling Business, the Company proactively promoted the renovation business that enhances the value of houses through large scale renovation works to suit new lifestyles and purposes. It also promoted remodeling proposals for

Sha Maison low-rise rental apartments, the number of which under management is steadily increasing. As a result of these business promotions, orders were favorable.

In addition, the Company launched a new common brand, Re:QUEST, for the business for renovating conventional wooden houses and condominiums in an attempt to expand the remodeling business in the general market, building upon its track record as a leader in remodeling and renovation in Japan and its ability to conduct renovation work across the country. As part of this initiative, the Company embarked on the online remodeling business in the *Reform Stores* section newly set up by Amazon Japan K.K.

Sales in the Remodeling Business amounted to ¥134,458 million (up 0.2% from the previous fiscal year), and operating income to ¥15,847 million (up 5.7%).

(Real Estate Management Fees Business)

In the Real Estate Management Fees Business, the number of units of Sha Maison low-rise rental apartments for block leasing and management by Sekiwa Real Estate companies enjoyed steady growth, attributable to steady progress in their supply in the Rental Housing Business. In addition, occupancy rates remained high, reflecting increased demand in urban areas, enhanced cooperation in the Group to encourage occupancy, and efforts to advance penetration of the Sha Maison brand.

Sales in the Real Estate Management Fees Business amounted to ¥448,751 million (up 4.8% from the previous fiscal year) and operating income to ¥26,819 million (up 14.6%).

(Houses for Sale Business)

In the Housing for Sale Business, the Company is promoting community development to create quality social stock that will become more attractive over time based on the concept of “beauty that blooms with time.” In Common Life Musashi Fujisawa Ekimae, launched in April 2015 in Iruma City, Saitama Prefecture, core facilities and public spaces were established to create communities in which multi-generation residents can be involved in child-rearing and exchange events are held to promote mutual aid in child care. It also held *Machinami sankan-bi* promotional events nationwide and worked to expand sales.

Sales in the Houses for Sale Business amounted to ¥137,484 million (up 15.8% from the previous fiscal year), and operating income to ¥11,919 million (up 40.4%).

(Condominium Business)

In the Condominiums Business, the sales were strong as the Grande Maison Kyoto Oike-Dori (Nakagyo-ku, Kyoto), Grande Maison Shirokane Residence (Minato-ku, Tokyo) among others were sold out.

In Naka-ku, Nagoya City, the development of a complex comprising the new MISONOZA Theater that inherits the performing arts and culture of Nagoya, commercial facilities and a condominium for sale with 304 units started.

Sales in the Condominium Business amounted to ¥81,470 million (up 43.7% from the previous fiscal year), and the operating income was ¥8,031 million (up 69.5%), due to the delivery of large-sized properties including the Grande Maison Shirokane no Mori The Tower (Minato-ku, Tokyo).

(Urban Redevelopment Business)

In the Urban Redevelopment Business, occupancy rates of the office buildings and commercial facilities developed by the Company and Sekisui House Group's rental properties, such as its Prime Maison series rental apartments, remained firm. The Company sold part of the Hommachi Garden City that it owned to Sekisui House Reit, Inc., and Prime Maison YOKOHAMA NIHON-ODORI and other properties to Sekisui House SI Residential Investment Corporation.

Sales in the Urban Redevelopment Business amounted to ¥93,038 million (down 47.8% from the previous fiscal year) and operating income to ¥24,747 million (down 4.1%), attributable to a decline in property sales to Sekisui House Reit, Inc. which was listed in the previous fiscal year.

(Overseas Business)

In the United States, the sales of subdivisions were strong, and the Company sold a property it had developed in Westlake Steps in Seattle. In Australia, it delivered the Atlas Building of Wentworth Point, a condominiums development located in Sydney, while achieving the complete sales of Royal Shores, another condominiums development in the same city. In China, it commenced the delivery of condominiums in Taicang and other cities. In Singapore, a high contract rate for all the properties handled, as well as the posting of equity in earnings of affiliates in accordance with construction in progress, contributed to the increase in ordinary income.

Sales in the Overseas Business amounted to ¥89,522 million (up 12.1% from the previous fiscal year). In the meantime, the Company posted a loss on inventory evaluation for some projects in the Chinese business, reflecting the future business environments. As a result, the operating loss stood at 5,673 million yen.

(Other Businesses)

In the Exterior Business, the Company proactively made proposals for planting plans, as a comprehensive gardening scheme for detached and rental housing and outdoor facilities in consideration of the neighboring townscape and even the link between human daily life and nature, such as the “*Gohon no ki*” landscaping concept, in which garden trees are selected from trees native to each area and domestic species.

The “*Gohon no ki*” landscaping received the Minister of Economy, Trade and Industry Award, the highest grand prize in the “Third Platinum Grand Prix” (sponsored by the Platinum Concept Network). This award recognizes the Company’s efforts through its business to make proposals on gardening schemes and urban development that help preserve ecosystems.

Sales in the Other Businesses amounted to ¥79,764 million (down 12.5% from the previous fiscal year), and operating income to ¥2,511 million (down 19.6%).

(Future Outlook)

Going forward, consumer confidence is expected to rise in Japan as employment and income improve amid a continued moderate recovery trend in its economy.

Some sectors of the housing market will remain uncertain, however, mainly reflecting a surge in demand associated with the consumption tax hike scheduled for April 2017 as well as an associated backlash. That said, it appears that housing demand will increase on the back of a number of support policies that are being launched in conjunction with new constructions and renovations of eco-friendly houses.

In this environment, the Company will promote business, aiming for a balanced revenue structure among three business models: the Built-to-Order Business, the Supplied Housing Business and the Development Business, in the final year of its mid-term management plan. While offering high value-added products such as Green First Zero and three- and four-story housing, the Company will expand the residential-related business, as well as the renovation business, and strengthen collaborations between all Sekisui House group companies. Through these efforts, it will seek to increase profits.

For the fiscal year ending January 31, 2017, the Company forecasts consolidated net sales of ¥1,985,000 million (up 6.8% from the current fiscal year under review), consolidated operating income of ¥170,000 million (up 13.6%), consolidated ordinary income of ¥177,000 million (up 10.2%), and net income attributable to owners of parent of ¥111,000 million (up 31.7%).

(2) Analysis on Financial Position

Total assets increased by ¥100,384 million to ¥2,029,794 million at the end of the fiscal year under review, primarily owing to the increases in real estate for sale. Liabilities increased by ¥111,021 million to ¥961,366 million, mainly due to an increase in short-term loans payable and the issue of short-term bonds payable. Net assets decreased by ¥10,636 million to ¥1,068,428 million chiefly due to the payment of dividends, the acquisition of treasury stock and a decrease in foreign currency translation adjustment, despite the posting of net income.

Net cash provided by operating activities was ¥45,884 million (a year-on-year decrease of ¥71,474 million in net cash provided), primarily due to posting of net income and the increase in costs on uncompleted construction contracts.

Net cash used in investing activities was ¥76,166 million (a year-on-year increase of ¥52,362 million in net cash

provided), mainly reflecting the purchase of property, plant, and equipment.

Net cash used in financing activities was ¥32,084 million (a year-on-year increase of ¥12,473 million in net cash provided), owing mainly to an increase in short-term loans payable and the issuance of bonds.

Consequently, cash and cash equivalents at the end of the fiscal year under review amounted to ¥192,338 million, decreasing by ¥2,670 million from the end of the previous fiscal year.

(Reference) Trend in cash flow pertinent indicators

	FY2011	FY2012	FY2013	FY2014	FY2015
Equity ratio (%)	51.4	52.4	52.6	55.4	52.1
Equity ratio based on market price (%)	33.3	43.9	55.5	55.3	64.7
Debt service coverage ratio (years)	10.1	3.3	3.7	3.0	9.3
Interest coverage ratio (times)	7.9	31.1	26.2	52.6	31.7

(Note) Equity ratio = equity / total assets

Equity ratio based on market price = market capitalization / total assets

Debt service coverage ratio = interest-bearing debt / cash flow

Interest coverage ratio = Cash flow / interest paid

1. All indicators are calculated from consolidated financial data.
2. Market capitalization = share price at end of period × number of shares outstanding (exclusive treasury stock)
3. Cash flow from operating activities is used for calculation.
4. Interest-bearing debts include all debts subject to interest payments within the liabilities shown on the consolidated balance sheet. Note that this debt also includes interest-free bonds with subscription rights to shares.

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

The Company recognizes the maximization of shareholder value as one of its most important management challenges, and seeks to promote the growth of earnings per share through sustained business growth. In addition, considering such factors as earnings and cash flows in the respective fiscal years, as well as the future outlook, it is working to enhance the profits of shareholders through efforts to improve the asset efficiency, such as investments for growth and dividends, as well as share buybacks and retirement of treasury stocks.

Under the above policy, the Company seeks to accomplish a total return ratio of 60% for shareholders, with the share buybacks equivalent to 20% of net profit, while securing an average payout ratio of a minimum of 40% on a medium- to long-term basis, to achieve high-level profit sharing and maintain sound management for a medium- to long period of time.

For the year ended January 31, 2016, we paid an interim dividend of ¥27 and plan to pay out a year-end dividend of ¥27.

For the next fiscal year ending January 31, 2017, we plan to pay out an interim dividend of ¥32 and a year-end dividend of ¥32, totaling ¥64 for the full year.

(4) Risk factors

This section contains an overview of the major business-related risks and other risks facing Sekisui House, Ltd. and its Group companies (the Group) that could have material bearing on the decisions of investors. These risks include potential risks for the future, which the Group deems to be risks as of the day when these financial statements are issued.

(1) Changes in operating environments

Since the Group's main area of business is housing, its business is vulnerable to trends in private consumption, interest rates, land prices, the government's housing-related policies and taxation system, fluctuations in rents caused by these trends, and trends in local economies. Changes in these operating environments could have a negative impact on the Group's business performance.

(2) Natural disasters, etc.

A major natural disaster can incur a large amount of costs for the Group, including those for initial response and subsequent support activities such as inspection and emergency measures for customers' buildings, as well as those for the repair of damaged equipment and facilities of the Group, real estate for sale, and buildings under construction. Such an occurrence could have a negative impact on the Group's business performance.

(3) Price rise of raw and other materials

A sharp price hike in steel and timber (the Group's main structural elements), as well as fluctuations in oil prices and foreign exchange, can lead to a rise in the purchasing prices of raw and other materials. Such an occurrence could have a negative impact on the Group's business performance.

(4) Assets held by the Group

Securities, real estate for sale, noncurrent assets, and other assets held by the Group can suffer impairment or loss from revaluation due to a decline in market value, etc. Such an occurrence could have a negative impact on the Group's business performance and financial position.

(5) Quality control

The Group makes its best effort to assure the quality of its products and services. Should the Group be held liable for defect warranty to a degree beyond expectation, however, the Group may incur a large amount of expenses and suffer the major degradation of its reputation. Such an occurrence could have a negative impact on the Group's business performance.

(6) General legal and regulatory risks

The Group secures the appropriate business permits and licenses under the Building Lots and Buildings Transaction Business Law, Construction Industry Law, Architect Law, and other applicable laws in Japan, and operates in conformity with the laws and regulations related to land transaction, labor relations, environmental management, and other business undertakings. In the event that these laws and regulations should be revised or repealed, new legal regulations be established, or the Group infringe upon laws or regulations, the Group's business performance could be negatively affected.

(7) Overseas business

The Group is engaged in housing-related business overseas. Unforeseeable changes in social and economic conditions, including trends in laws, regulations, and taxation systems in the respective countries could have a negative effect on the Group's business performance.

(8) Protection of privacy

Because of the nature of its business, the Group handles a large volume of customer data. The Group makes extra efforts to protect such personal information. Leakage, etc. of such personal information would significantly damage the Group's reputation and credit, and thus could have a negative impact on the Group's business performance.

(9) Retirement benefit obligations

The amount of the Group's employee retirement costs and obligations is calculated based on assumptions used in the relevant actuarial calculations, such as the discount rate, and the assumed rates of return on pension assets. In the event of any revisions to these actuarial assumptions, or in case estimates based on the assumed rates on return should differ materially from actual results, the Group's business performance and its financial position could be negatively affected.

(10) Computer viruses

In order to perform its operations efficiently, the Group makes aggressive use of information technology. The unforeseeable occurrence of computer viruses could have a negative impact on the Group's business performance.

(11) Preventive measures against takeover bids

We do not deny third parties' acquisition of our stock as a part of sound economic activities and the subsequent transfer of controlling interest resulting from the exercise of shareholders' rights.

However, we believe that it is necessary to carefully examine any purchase of our stock in a bid to acquire large interest or its offer in terms of the purchaser's business lines and plans, past investment operations, as well as the legitimacy of the purchase, so that we may determine whether the purchase or its offer will help increase our corporate value and contribute to the common interests of our existing shareholders and any and all impacts upon each of our stakeholders.

At this point in time, we are not observing any concrete cases of such a purchase or its offer, and so do not plan to draw up in advance any anti-takeover measures, which will be taken once such a purchaser is identified. Nevertheless, we will always watch the movements of our stock carefully, and, once we have identified a party who intends to acquire a large interest in the company, we will immediately take any and all actions that we deem to be most appropriate, fulfilling the natural duties entrusted to us by our shareholders and investors.

In more concrete terms, we will invite outside specialists to examine and assess the identified purchase or its offer, and negotiate with the purchaser. Should we conclude that the purchase or its offer would damage our corporate value or threaten the common interests of our existing shareholders, we will make prompt decisions as to the need of concrete preventive measures and their contents, and position ourselves to put them into action.

2. Outline of the Sekisui House Group

The Sekisui House Group consists of Sekisui House, Ltd., 205 subsidiaries, and 23 affiliates. Sekisui House group companies are involved in the contract design, construction, and letting of prefabricated houses. They also buy and sell, act as agents for, lease and manage real estate.

The position of each company within the Group is illustrated below.

The following nine sections classify each business division as they are classified in the 'Segment Information' section.

Main group companies within the reporting segments are shown in the chart of business activities.

(1) Custom Detached Houses Business

This division designs, constructs, and contracts for sale detached houses

(2) Rental Housing Business

This division designs, constructs, and contracts for sale rental housing, medical and nursing care facilities, and other buildings.

(3) Remodeling Business

This division is involved with renovating housing.

(4) Real Estate Management Fees Business

This division leases, manages, maintains, and brokerages real estate.

(5) Houses for Sale Business

This division sells houses and real estate, and designs, constructs, and contracts for sale houses on residential land for sale.

(6) Condominiums Business

This division sells condominiums.

(7) Urban Redevelopment Business

This division develops office buildings, commercial facilities, and other facilities, and manages and maintains its own properties.

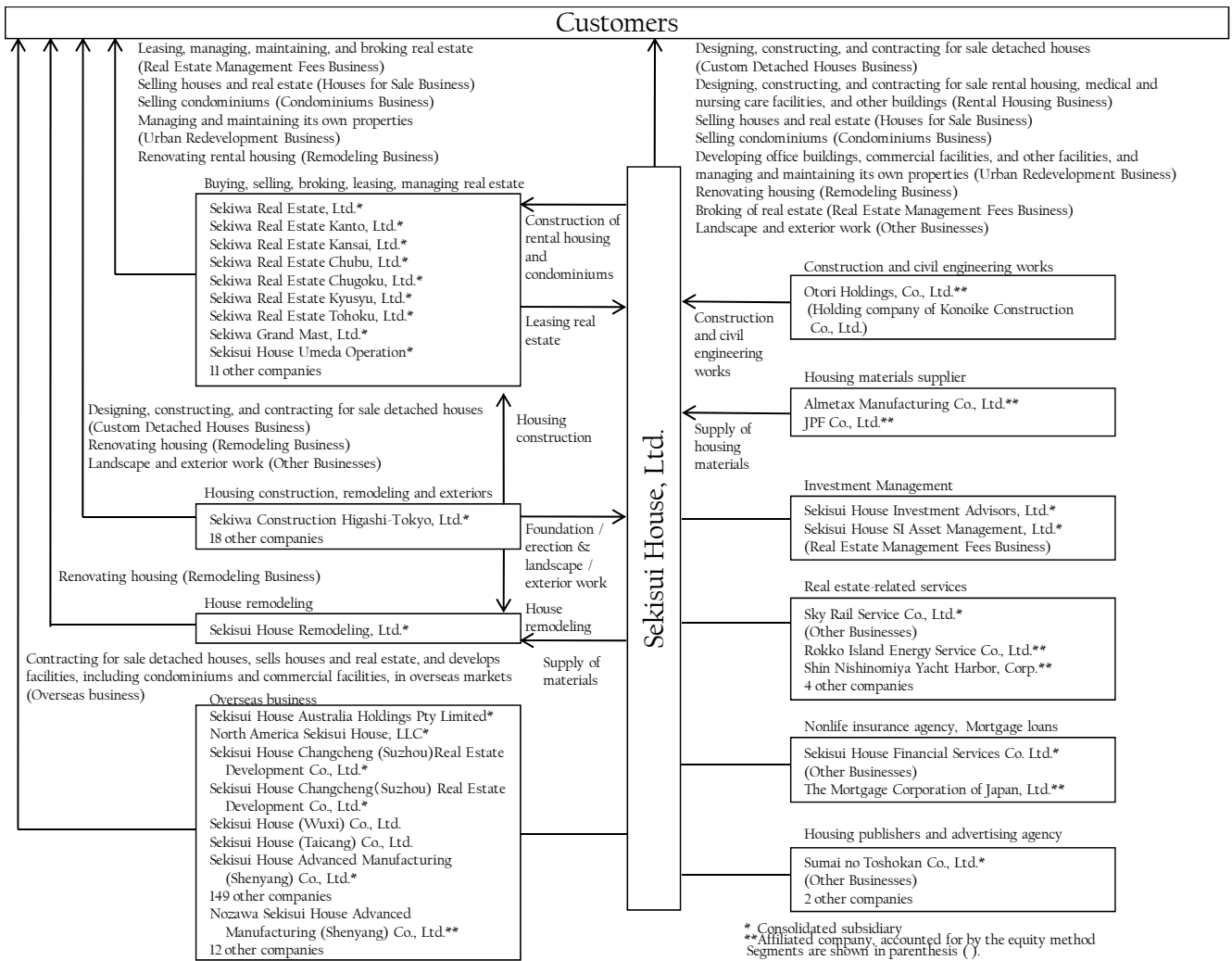
(8) Overseas Business

This division contracts for sale detached houses, sells houses and real estate, and develops facilities, including condominiums and commercial facilities, in overseas markets.

(9) Other Businesses

This division is involved in exterior business, etc.

The following chart shows the position of the group companies within each business segment.



3. 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 such efforts, we aim to improve our returns on assets and equity, with specific targets of 10% for both ROA and ROE.

(3) Medium and Long-term Business Strategy

The Company, while concentrating a wide range of leading-edge technologies that it has worked on as well as lifestyle proposals into the unified brand vision "SLOW & SMART," is promoting a growth strategy focused on the "residential" domain based on its three business models: the Built-to-Order Business, the Supplied Housing Business, and the Development Business. In an effort to further increase profits, we are also promoting business in line with the mid-term management plan for the period up until the fiscal year ending January 31, 2017, which was developed in November 2014.

Under the new mid-term management plan, we will promote business, expanding our housing and housing-related businesses and developing new businesses with our motto "Strengthening synergies in the Group and taking on new challenges in the 'residential'-related business." While strengthening our Built-to-Order Business, we will aggressively expand new operations in the Supplied Housing Business and Development Business. We will seek to achieve growth by building new businesses in these business domains. Meanwhile, we will continue to bolster our management foundation by streamlining our production division and improving efficiency in our use of management resources, in addition to implementing a timely capital policy.

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

We aim to expand sales of high-end and mid-range products mainly by developing new products in the IS SERIES, including IS STAGE, our flagship product. Meanwhile, we will promote sales of Zero Energy Houses (Green First Zero of Sekisui House, Ltd.), which will contribute to the mitigation of global warming and energy problems as part of our social agenda. To meet the needs for rental housing and multifamily housing associated with the increase of the inheritance tax, we will enhance our 3- and 4-story houses that use our original β system construction method, which gives us an advantage, and will promote our Custom Detached Houses Business and Rental Housing Business.

Supplied Housing Business (Remodeling / Real Estate Management Fees)

We will strengthen our remodeling business (large-scale renovations) for custom detached houses and rental housing and, at the same time, develop new businesses, including the renovation of condominiums. To promote the distribution of quality housing, we will aggressively develop our SumStock business.

Moreover, in response to an emerging full-fledged aged society, we will focus on elderly housing with supportive services to expand sales in the business.

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

We will actively promote sales in our Houses for Sale Business, carefully choosing land for development and creating

high-quality communities and towns whose asset value will likely increase. In our Urban Redevelopment Business, the establishment of Sekisui House Reit, Inc. has enabled us to develop a new exit strategy. We will seek to make a profit by increasing the asset turnover ratio. In our Overseas Business, we will promote local brand building to establish a stable business base.

(4) Issues that the Company Needs to Address

In Japan, corporate earnings and employment/income conditions continue to improve despite some uncertain factors such as the impact of economic slowdowns in emerging countries in Asia and geopolitical risks, among other factors. Business is also expected to remain on a recovery path thanks to the expansion of consumer spending and investments attributable to the negative interest policy launched by the Bank of Japan.

On the other hand, Japan is faced with numerous social challenges, and housing is at the center of those challenges as it relates to issues such as how people should live in an aging society with falling birth rates, how communities should function, as well as measures to cope with global warming and energy issues. In this business environment, and under the concept of a “Change in housing will change society,” the Company will take on challenges in its residential-related businesses and seek to expand its business domains, while continuing to provide quality houses, based on the mid-term management plan.

As for overseas, building on technologies relating to environment and community and town development nurtured in Japan, it will also strive to achieve steady growth internationally as well as domestically while continuing to work on cutting costs in the production segment. Through such efforts, it will seek to generate stable profits.

4. 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.

5. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥ millions)

	As of January 31, 2015	As of January 31, 2016
Assets		
Current assets		
Cash and deposits	195,989	195,239
Notes receivable, accounts receivable from completed construction contracts	53,943	50,256
Short-term investment securities	439	2,798
Costs on uncompleted construction contracts	8,647	9,395
Buildings for sale	232,567	301,125
Land for sale in lots	457,693	510,247
Undeveloped land for sale	78,703	86,881
Other inventories	9,742	7,261
Deferred tax assets	35,272	31,176
Other	57,525	71,776
Allowance for doubtful accounts	(1,257)	(1,225)
Total current assets	1,129,266	1,264,933
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	355,501	346,174
Machinery, equipment and vehicles	65,889	62,132
Tools, furniture and fixtures	32,023	31,720
Land	301,088	311,431
Lease assets	1,027	1,122
Construction in progress	7,807	10,329
Accumulated depreciation	(219,625)	(229,736)
Total property, plant and equipment	543,711	533,175
Intangible assets		
Goodwill	337	105
Industrial property	23	26
Leasehold right	4,711	4,517
Software	9,949	9,388
Right of using facilities	238	242
Telephone subscription right	858	495
Other	5	3
Total intangible assets	16,123	14,779
Investments and other assets		
Investment securities	109,428	115,541
Long-term loans receivable	57,578	50,627
Net defined benefit asset	28,780	3,228
Deferred tax assets	2,327	2,291
Other	42,783	45,760
Allowance for doubtful accounts	(591)	(543)
Total investments and other assets	240,307	216,905
Total noncurrent assets	800,143	764,861
Total assets	1,929,409	2,029,794

	(¥ millions)	
	As of January 31, 2015	As of January 31, 2016
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	103,191	107,249
Electronically recorded obligations-operating	57,638	58,836
Short-term bonds payable	20,000	60,000
Short-term loans payable	67,975	146,188
Current portion of bonds	70,000	-
Current portion of bonds with subscription rights to shares	-	1,130
Current portion of long-term loans payable	11,035	97,283
Income taxes payable	23,390	33,008
Advances received on uncompleted construction contracts	102,324	117,253
Provision for bonuses	25,460	26,627
Provision for directors' bonuses	1,054	1,062
Provision for warranties for completed construction	3,244	2,795
Other	76,919	83,940
Total current liabilities	562,235	735,376
Noncurrent liabilities		
Bonds payable	60,000	90,000
Bonds with subscription rights to shares	12,300	-
Long-term loans payable	106,726	27,850
Long-term lease and guarantee deposited	59,908	59,141
Deferred tax liabilities	12,915	1,434
Provision for directors' retirement benefits	1,056	1,151
Net defined benefit liability	17,550	19,292
Other	17,651	27,119
Total noncurrent liabilities	288,109	225,990
Total liabilities	850,345	961,366
Net assets		
Shareholders' equity		
Capital stock	197,716	202,591
Capital surplus	248,684	253,559
Retained earnings	466,950	498,094
Treasury stock	(500)	(17,577)
Total shareholders' equity	912,850	936,667
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	28,202	26,671
Deferred gains or losses on hedges	0	(13)
Foreign currency translation adjustment	91,168	68,747
Remeasurements of defined benefit plans	36,202	25,622
Total accumulated other comprehensive income	155,573	121,028
Subscription rights to shares	536	622
Minority interests	10,104	10,108
Total net assets	1,079,064	1,068,428
Total liabilities and net assets	1,929,409	2,029,794

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

(¥ millions)

	Feb. 1, 2014 – Jan. 31, 2015	Feb. 1, 2015 – Jan. 31, 2016
Net sales	1,912,721	1,858,879
Cost of sales	1,544,275	1,485,011
Gross profit	368,446	373,867
Selling, general and administrative expenses		
Selling expenses	49,008	49,872
General and administrative expenses	172,843	174,349
Total selling, general and administrative expenses	221,851	224,222
Operating income	146,595	149,645
Non-operating income		
Interest income	1,914	2,495
Dividends income	1,529	1,651
Equity in earnings of affiliates	5,307	9,427
Foreign exchange gains	3,477	-
Other	2,559	3,252
Total non-operating income	14,787	16,828
Non-operating expenses		
Interest expenses	1,107	1,030
Other	3,849	4,852
Total non-operating expenses	4,957	5,883
Ordinary income	156,426	160,589
Extraordinary income		
Gain on sales of investment securities	6,154	8,995
Total extraordinary income	6,154	8,995
Extraordinary loss		
Impairment loss	1,912	10,616
Loss on change of project plans	-	4,443
Loss on sales and retirement of noncurrent assets	1,274	3,189
Loss on valuation of investment securities	7,185	482
Total extraordinary losses	10,373	18,731
Income before income taxes and minority interests	152,207	150,853
Income taxes-current	43,759	54,588
Income taxes-deferred	16,130	10,077
Total income taxes	59,889	64,666
Income before minority interests	92,318	86,187
Minority interests in income	2,093	1,884
Net income	90,224	84,302

(Consolidated Statements of Comprehensive Income)

(¥ millions)

	Feb. 1, 2014 – Jan. 31, 2015	Feb. 1, 2015 – Jan. 31, 2016
Income before minority interests	92,318	86,187
Other comprehensive income		
Valuation difference on available-for-sale securities	588	(1,542)
Deferred gains or losses on hedges	(46)	(12)
Foreign currency translation adjustment	34,182	(21,830)
Remeasurements of defined benefit plans	-	(10,579)
Share of other comprehensive income of associates accounted for using equity method	718	(627)
Total other comprehensive income	35,442	(34,593)
Comprehensive income	127,760	51,594
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	125,494	49,758
Comprehensive income attributable to minority interests	2,266	1,835

(3) Consolidated Statements of Changes in Net Assets

Previous consolidated fiscal year (February 1, 2014 to January 31, 2015)

(¥ millions)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the end of previous period	191,559	243,217	413,446	(1,379)	846,843
Cumulative effects of changes in accounting policies	-	-	-	-	-
Restated balance	191,559	243,217	413,446	(1,379)	846,843
Changes of items during the period					
Issuance of new shares	6,157	6,732	-	-	12,890
Dividends from surplus	-	-	(33,073)	-	(33,073)
Net income	-	-	90,224	-	90,224
Purchase of treasury shares	-	-	-	(15,266)	(15,266)
Disposal of treasury shares	-	(1,266)	(3,648)	16,145	11,231
Other	-	(0)	-	-	(0)
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes of items during the period	6,157	5,466	53,503	879	66,006
Balance at the end of current period	197,716	248,684	466,950	(500)	912,850

	Other accumulated comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total other accumulated comprehensive income			
Balance at the end of previous period	27,612	47	56,440	-	84,101	474	9,996	941,415
Cumulative effects of changes in accounting policies	-	-	-	-	-	-	-	-
Restated balance	27,612	47	56,440	-	84,101	474	9,996	941,415
Changes of items during the period								
Issuance of new shares	-	-	-	-	-	-	-	12,890
Dividends from surplus	-	-	-	-	-	-	-	(33,073)
Net income	-	-	-	-	-	-	-	90,224
Purchase of treasury shares	-	-	-	-	-	-	-	(15,266)
Disposal of treasury shares	-	-	-	-	-	-	-	11,231
Other	-	-	-	-	-	-	-	(0)
Net changes of items other than shareholders' equity	590	(47)	34,727	36,202	71,472	62	108	71,642
Total changes of items during the period	590	(47)	34,727	36,202	71,472	62	108	137,649
Balance at the end of current period	28,202	0	91,168	36,202	155,573	536	10,104	1,079,064

Current consolidated fiscal year (February 1, 2015 to January 31, 2016)

(¥ millions)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the end of previous period	197,716	248,684	466,950	(500)	912,850
Cumulative effects of changes in accounting policies	-	-	(15,236)	-	(15,236)
Restated balance	197,716	248,684	451,713	(500)	897,613
Changes of items during the period					
Issuance of new shares	4,875	4,875	-	-	9,750
Dividends from surplus	-	-	(36,390)	-	(36,390)
Net income	-	-	84,302	-	84,302
Purchase of treasury shares	-	-	-	(20,036)	(20,036)
Disposal of treasury shares	-	-	(1,531)	2,960	1,429
Other	-	-	-	-	-
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes of items during the period	4,875	4,875	46,380	(17,076)	39,054
Balance at the end of current period	202,591	253,559	498,094	(17,577)	936,667

	Other accumulated comprehensive income					Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total other accumulated comprehensive income			
Balance at the end of previous period	28,202	0	91,168	36,202	155,573	536	10,104	1,079,064
Cumulative effects of changes in accounting policies	-	-	-	-	-	-	-	(15,236)
Restated balance	28,202	0	91,168	36,202	155,573	536	10,104	1,063,827
Changes of items during the period								
Issuance of new shares	-	-	-	-	-	-	-	9,750
Dividends from surplus	-	-	-	-	-	-	-	(36,390)
Net income	-	-	-	-	-	-	-	84,302
Purchase of treasury shares	-	-	-	-	-	-	-	(20,036)
Disposal of treasury shares	-	-	-	-	-	-	-	1,429
Other	-	-	-	-	-	-	-	-
Net changes of items other than shareholders' equity	(1,530)	(13)	(22,420)	(10,579)	(34,544)	86	3	(34,454)
Total changes of items during the period	(1,530)	(13)	(22,420)	(10,579)	(34,544)	86	3	4,600
Balance at the end of current period	26,671	(13)	68,747	25,622	121,028	622	10,108	1,068,428

(4) Consolidated Statements of Cash Flows

(¥ millions)

	Feb. 1, 2014 – Jan. 31, 2015	Feb. 1, 2015 – Jan. 31, 2016
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	152,207	150,853
Depreciation and amortization	25,692	24,438
Impairment loss	1,912	10,616
Increase (decrease) in net defined benefit liability	(8,589)	74
Increase (decrease) in net defined benefit asset	(461)	(13,517)
Interest and dividends income	(3,443)	(4,147)
Interest expenses	1,107	1,030
Equity in (earnings) losses of affiliates	(5,307)	(9,427)
Loss (gain) on sales of investment securities	(6,154)	(8,995)
Loss (gain) on valuation of investment securities	7,185	482
Decrease (increase) in notes and accounts receivable-trade	(7,463)	3,599
Decrease (increase) in inventories	28,970	(97,632)
Increase (decrease) in notes and accounts payable-trade	(10,793)	6,132
Increase (decrease) in advances received on uncompleted construction contracts	(14,580)	15,296
Other, net	7,313	9,313
Subtotal	167,594	88,117
Interest and dividends income received	3,354	4,151
Interest expenses paid	(2,232)	(1,447)
Income taxes paid	(51,357)	(44,937)
Net cash provided by (used in) operating activities	117,358	45,884
Net cash provided by (used in) investing activities		
Proceeds from redemption of securities	1,045	440
Purchase of property, plant and equipment	(119,997)	(77,817)
Proceeds from sales of property, plant and equipment	246	143
Purchase of investment securities	(15,249)	(9,913)
Proceeds from sales and redemption of investment securities	16,699	13,600
Payments of loans receivable	(12,164)	(1,359)
Collection of loans receivable	3,403	4,850
Other, net	(2,512)	(6,110)
Net cash provided by (used in) investing activities	(128,529)	(76,166)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term bonds payable	20,000	40,000
Net increase (decrease) in short-term loans payable	21,642	78,331
Proceeds from long-term loans payable	46,679	100,991
Repayment of long-term loans payable	(57,625)	(89,723)
Proceeds from issuance of bonds	40,000	30,000
Redemption of bonds	-	(70,000)
Cash dividends paid	(33,073)	(36,390)
Purchase of treasury stock	(15,265)	(20,035)
Other, net	(2,746)	(1,088)
Net cash provided by (used in) financing activities	19,611	32,084

(¥ millions)

	Feb. 1, 2014 – Jan. 31, 2015	Feb. 1, 2015 – Jan. 31, 2016
Effect of exchange rate change on cash and cash equivalents	5,242	(4,472)
Net increase (decrease) in cash and cash equivalents	13,683	(2,670)
Cash and cash equivalents at beginning of period	181,324	195,008
Cash and cash equivalents at end of period	*1 195,008	*1 192,338

(5) Notes to Consolidated Financial Statements (Notes Regarding Assumption of Going Concerns)

Not applicable

(Basic Important Matters for Preparation of Consolidated Financial Statements)

1. Scope of Consolidation

Consolidated subsidiaries: 205, including Sekiwa Real Estate, Ltd., Sekiwa Real Estate Kanto, Ltd., Sekiwa Real Estate Kansai, Ltd., Sekiwa Real Estate Chubu, Ltd., Sekiwa Real Estate Chugoku, Ltd., Sekiwa Real Estate Kyushu, Ltd., and Sekiwa Real Estate Tohoku, Ltd.

Changes in scope of consolidation: Newly included: 16 Excluded: 5

All 205 subsidiaries are consolidated.

2. Scope of application of equity method

Affiliated companies accounted for by the equity method: 23 including Otori Holdings, Co., Ltd., Almetax Manufacturing Co., Ltd., JPF Co., Ltd.

Changes in scope of equity method: Newly included: 3

Investment in 23 affiliated companies is accounted for by the equity method.

3. Term-ends of consolidated subsidiaries

The end of the fiscal year is March 31 for Sekisui House SI Asset Management, Ltd. and other two subsidiaries. In addition, there are two companies whose fiscal years end on May 31 and November 30, respectively. When preparing consolidated financial statements, the Company utilizes the provisional financial statements compiled as of January 31.

Fiscal year ends on December 31 for Sekisui House Australia Holdings Pty Limited and 157 other consolidated subsidiaries. When preparing consolidated financial statements, the Company uses the financial statements of those consolidated subsidiaries as of their respective balance sheet dates. For material transactions before the date of fiscal year-end of consolidated group, necessary adjustments have been implemented.

4. Matters regarding accounting standards

(1) Basis and method for valuation for significant assets

(a) Securities:

(i) Debt securities expected to be held to maturity: Amortized cost (straight-line) method

(ii) Other securities:

• Stocks with market value: Based on closing market price on the last day of period (Valuation gains and losses resulting are calculated by the full net assets costing method; cost of disposal is calculated by the moving average method)

• Stocks with no available market value: At cost, based on the moving average method

(b) Derivatives: Market value method

(c) Inventories:

Inventories are valued at cost (cost method whereby the book value is written down to the net realizable value in cases where there has been a material decline in value).

Semi-finished goods, raw materials, work in process and supplies are valued at cost based on moving average method.

Costs on uncompleted construction contracts, buildings for sale, land for sale in lots, and undeveloped land for sale are valued at cost based on individual cost method.

(2) Depreciation and amortization methods used for main depreciable and amortizable assets

(a) Property, plant and equipment (excluding lease assets):

The Company applies the straight-line method to buildings (excluding attached structures), and uses the declining-balance method for other property, plant and equipment.

(b) Intangible assets (excluding lease assets): Straight-line method

(c) Lease assets:

Leased assets for finance lease transactions other than those involving a transfer of title

The Company applies the straight-line method to such finance leases, where the useful lives of the assets are the terms of leases and the residual values of the assets are deemed zero. Finance lease transactions other than those involving a transfer of title that began prior to January 31, 2009 are accounted for using the same method as operating leases.

(3) Basis for accounting for significant allowances

(a) Allowance for doubtful accounts

The Company makes provisions for general debtors based on actual historical collection rates and for specific debtors where collection is doubtful based on estimates of the amount collectible.

(b) Provision for bonuses

To prepare for bonus payments to employees, the Company provides for the estimated appropriate amount in that financial period.

(c) Provision for directors' bonuses

To prepare for bonus payments to directors and corporate auditors, the Company provides for the estimated amount.

(d) Provision for warranties for completed construction

Provisions for losses and guarantee expenses due to post-completion defects are recorded based on historical repair and other costs arising from completed structures and detached housing.

(e) Provision for directors' retirement benefits

To allow for retirement payments to directors and corporate auditors, the Company provides the required amounts at the end of the current term based on internal regulations.

(4) Method of Accounting for Retirement Benefits

(a) Method for reflecting the expected retirement benefit in the period

In conjunction with the calculation of retirement benefit obligations, straight-line attribution is adopted as the method for reflecting the expected retirement benefit in the period up until the end of the consolidated fiscal year under review.

(b) Method of accounting for actuarial calculation differences and past service obligations

In conjunction with actuarial calculation differences and past service obligations, pro rata amounts calculated from the 5-year fixed amount method are to be reflected as expenses in the year following the consolidated fiscal year in which such expenses are accrued.

(5) Basis for accounting for income and expenses

(a) Accounting standard for recognition of income and expenses of completed works

(i) For the portion of works certain to be completed by the end of the current consolidated fiscal year

Percentage-of-completion method (estimate for level of completion based on the percentage of direct costs)

(ii) Other construction contracts

Completed-contract method

(b) Basis for accounting for income from finance leases

The Company records net sales and cost of sales upon receipt of lease charges.

(6) Basis for converting significant foreign currency-denominated assets and liabilities into yen

For foreign currency-denominated monetary claims and debts, the Company converts into yen at the rates of exchange prevailing on the consolidated balance sheet date. Translation differences are included in the statements of income. Assets and liabilities of overseas subsidiaries are converted into yen at the rates of exchange prevailing on the balance sheet date of the overseas subsidiaries, and the income and expenses of overseas subsidiaries are converted into yen at average exchange rates during the fiscal year under review. Exchange differences are recorded by including them in foreign currency translation adjustment and minority interests under net assets.

(7) Main hedge accounting methods

(a) Hedge accounting methods

The Company accounts for hedging activities under deferral hedge accounting. *Furiate-shori* (accounting method in which the current and forward rate difference is allocated by period length for the calculation at the accounting period) is applied to forward foreign exchange contracts which conform to the requirements of such hedge accounting.

(b) Hedging instruments and targets

- (i) The Company hedges foreign currency cash debts and forward transactions with exchange contracts.
- (ii) Interest swaps are used as an instrument to hedge targeted borrowings.

(c) Hedging policies

The Company uses derivatives transactions with the aim of avoiding losses from fluctuations in exchange. The use of exchange contracts does not exceed the amount of foreign currency transactions. The assumed principal balance subject to interest-swap transaction does not exceed the relevant interest bearing debts outstanding.

(d) Methods of assessing hedge effectiveness

The Company assesses if the percentage changes of hedge targets and hedge instruments approximately range from 80% to 125%, where hedging transactions are considered to be effective, while it does not assess the effectiveness of hedging where the main conditions match with regard to the relevant transactions and hedge targets, and where the cash flow is fixed.

(8) Amortization of goodwill

Goodwill are amortized over 5 years using the straight-line method, beginning in the fiscal year in which they arise, except for cases where useful life can be estimated, in which case they are amortized over the estimated useful life based on a substantive analysis by the company, and with the exception of minor amounts, which are charged to income as it accrues.

(9) Scope of amounts in consolidated statements of cash flows

The funds (cash and cash equivalents) in the consolidated statements of cash flows comprise cash and equivalents (except fixed term deposits exceeding 3 months) and short-term investments with redemption periods of less than 3 months that are easily convertible into cash, with insignificant risk of losses from price fluctuations.

(10) Other basic important matters for preparation of consolidated financial statements

(a) Accounting for consumption taxes

The tax exclusion method is used to account for consumption taxes.

Consumption taxes not subject to noncurrent asset related deductions at consolidated subsidiaries whose main business is real estate for leasing are recorded in "Other" under the "Investments and other assets" on the relevant balance sheets and are amortized on a straight line basis over 5 years. Other consumption taxes not subject to deductions are expensed in the consolidated accounting period in which they arise.

(b) Inclusion of interest paid in acquisition cost

In conformity with the accounting standards of relevant countries, overseas consolidated subsidiaries include interest paid with regard to borrowed funds for the real estate development business in acquisition cost. For the previous period, interest expenses of ¥6,485 million, ¥825 million and ¥1,038 million are included in "Buildings for sale", "Land for sale in lots" and "Undeveloped land for sale," respectively. For the current period under, interest expenses of ¥9,764 million, ¥1,597 million and ¥1,023 million are included in "Buildings for sale", "Land for sale in lots" and "Undeveloped land for sale," respectively.

(Changes in Accounting Policies)

(Application of accounting standards for retirement benefits)

The "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26 of May 17, 2012, hereinafter called the "Retirement Benefits Accounting Standard") and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No. 25 of May 17, 2012, hereinafter called the "Retirement Benefits Application Guidance) were applied from the current consolidated financial year under review, in accordance with the provisions of Article 35 of Retirement Benefits Accounting Standard and Article 67 of Retirement Benefits Application Guidance. As a result, the methods for calculating retirement benefit obligations and service costs have been revised, and accordingly, the method for attributing projected benefits to periods was changed from the straight-line basis to the benefit formula basis, and the method of determining the discount rate was changed to a single weighted

average discount rate, reflecting the estimated period of the payment of retirement benefits as well as the amount thereof in the estimated period.

In conjunction with the application of the Retirement Benefits Accounting Standard, pursuant to transitional accounting as stipulated in Article 37 of the Retirement Benefits Accounting Standard, the effect of changes in accounting policies arising from the change in the calculation of retirement benefit obligations and service costs is reflected in retained earnings at the beginning of the consolidated fiscal year under review.

As a result, at the beginning of the consolidated fiscal year under review, net defined benefit liability increased ¥968 million, while net defined benefit asset and retained earnings decreased ¥21,463 million and ¥15,236 million, respectively. However, the effect of this change on income and loss for the consolidated fiscal year under review is immaterial.

(Additional Information)

(Effects due to Changes in Corporate Tax Rates)

According to the promulgation of the “Act on Partial Revision of the Income Tax Act (Law No.9 of 2015)” and the “Act on Partial Revision of the Local Tax Act (Law No.2 of 2015)” on March 31, 2015, corporate taxes were reduced, effective for the consolidated fiscal year starting on April 1, 2015 or after. As a result, the effective legal tax rates used for calculating deferred tax assets and deferred tax liabilities were changed from 35.4% to 32.8%, pertaining to temporary differences that are expected to be eliminated in the consolidated fiscal year starting from February 1, 2016, and to 32.1%, pertaining to temporary differences that are expected to be eliminated in a consolidated fiscal year starting from February 1, 2017, respectively.

As a result of the change in tax rates, deferred tax assets (the amount after deducting deferred tax liabilities) decreased ¥1,520 million, while income taxes-deferred, valuation difference on available-for-sale securities, and remeasurements of retirement benefits increased ¥3,891 million, ¥1,125 million, and ¥1,245 million, respectively.

(Notes to Consolidated Balance Sheets)

	As of Jan. 31, 2015	As of Jan. 31, 2016
1. Collateralized assets	157,762	136,302
2. Liabilities guaranteed	89,543	85,536
3. Shareholdings in related companies included in investment securities	17,398	31,127
4. Interest bearing liabilities	351,731	426,013
5. Change in the purpose of holding assets		

(As of January 31, 2015)

¥344 million of real estate for sale that appeared under “Land for sale in lots” and “Undeveloped land for sale” at the end of the previous fiscal year have been reclassified as “Land.” Meanwhile, investment properties of ¥17,283 million, which were reported under “Buildings and Structures” and “Land” etc. at the end of the previous fiscal year, have been reclassified under “Buildings for sale” and “Land for sale in lots”.

(As of January 31, 2016)

¥71 million of real estate for sale that appeared under “Undeveloped land for sale” at the end of the previous fiscal year have been reclassified as “Land.” Meanwhile, investment properties of ¥54,735 million, which were reported under “Buildings and Structures” and “Land” etc. at the end of the previous fiscal year, have been reclassified under “Buildings for sale” and “Land for sale in lots”.

(Notes to Consolidated Statements of Income)

(1) Impairment loss

Impairment loss of the following group of assets was recorded.

Previous consolidated fiscal year (February 1, 2014 – January 31, 2015)

Location	Usage	Type
Nakamura-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	475
Machinery and equipment	15
Tools, furniture and fixtures	0
Land	1,421
Total	1,912

For these assets, the recoverable value is the net selling price. The net selling price is determined based on the real estate appraisal value and other.

Current consolidated fiscal year (February 1, 2015 – January 31, 2016)

Location	Usage	Type
Shenyang City, Liaoning, China, etc.	Factory	Buildings, machinery and equipment, etc.
Osaka City, Osaka, 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 factory and 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	6,859
Machinery and equipment	1,737
Land	1,602
Other	416
Total	10,616

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) Loss on change of project plans

A loss due to a loss on evaluation of inventory held by the Company, chiefly as a result of a change in the business plan and the reduction of business for some projects in China.

(Notes to Consolidated Statements of Cash Flows)

*1 Cash and cash equivalents at the end of fiscal year and relationship with amounts recorded in consolidated balance sheets

	Previous consolidated fiscal year Feb. 1, 2014 – Jan. 31, 2015	Current consolidated fiscal year Feb. 1, 2015 – Jan. 31, 2016
Cash and deposits	¥195,989 millions	¥195,239 millions
Time deposits with terms in excess of three months	(980)	(2,900)
Cash and cash equivalents	195,008	192,338

2 Significant non-fund transactions

Exercise of stock acquisition rights in bonds attached to convertible bond type bonds with stock acquisition rights

	Previous consolidated fiscal year Feb. 1, 2014 – Jan. 31, 2015	Current consolidated fiscal year Feb. 1, 2015 – Jan. 31, 2016
Increase in capital as a result of the exercise of stock acquisition rights	¥6,157 millions	¥4,875 millions

Increase in capital surplus as a result of the exercise of stock acquisition rights	6,732	4,875
Gains on disposal of treasury stock as a result of the exercise of stock acquisition rights	246	-
Losses on disposal of treasury stock as a result of the exercise of stock acquisition rights	(5,157)	(1,517)
Decrease in treasury stock as a result of the exercise of stock acquisition rights	16,111	2,937
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Decrease in bonds with stock acquisition rights as a result of the exercise of stock acquisition rights	24,090	11,170
<hr/>		

(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, 2014 to January 31, 2015)

(¥ 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	427,044	398,483	134,166	428,227	118,730	56,699	178,344
(2) Inter-group sales and transfers	0	2,532	457	3,131	-	-	129
Net sales	427,044	401,015	134,623	431,359	118,730	56,699	178,473
Operating income	48,894	45,825	14,997	23,405	8,491	4,738	25,802
Assets	72,170	46,738	13,168	96,792	142,246	135,612	556,704
Other items							
Depreciations	4,995	2,587	113	989	995	80	10,958
Net increase in property, plant and equipment, and intangible assets	3,737	709	18	558	569	2	112,245

	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	79,835	1,821,531	91,190	1,912,721	-	1,912,721
(2) Inter-group sales and transfers	-	6,250	5,681	11,932	(11,932)	-
Net sales	79,835	1,827,781	96,872	1,924,654	(11,932)	1,912,721
Operating income	4,419	176,574	3,123	179,697	(33,102)	146,595
Assets	631,559	1,694,992	14,285	1,709,278	220,131	1,929,409
Other items						
Depreciations	1,514	22,235	1,042	23,277	2,414	25,692
Net increase in property, plant and equipment, and intangible assets	410	118,252	156	118,408	3,142	121,550

Notes

1. Other Businesses principally include the exterior business.

2. Adjustments are as follows:

(1) An adjustment of ¥33,102 million for segment income includes an elimination of inter-segment transactions of ¥3,519 million and corporate expenses of ¥29,582 million 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 ¥220,131 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 ¥2,414 million for depreciation and amortization is depreciation related to corporate assets.

(4) An adjustment of ¥3,142 million for increases in property, plant, and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.

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

Current consolidated fiscal year (February 1, 2015 to January 31, 2016)

(¥ 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	393,786	400,601	134,458	448,751	137,484	81,470	93,038
(2) Inter-group sales and transfers	0	4,807	232	3,160	-	-	123
Net sales	393,786	405,409	134,691	451,911	137,484	81,470	93,161
Operating income (loss)	47,208	51,918	15,847	26,819	11,919	8,031	24,747
Assets	64,218	44,812	14,577	95,669	164,910	149,139	556,931
Other items							
Depreciations	4,506	2,735	94	885	1,141	19	10,214
Net increase in property, plant and equipment, and intangible assets	2,628	591	12	828	600	28	72,317

	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	89,522	1,779,114	79,764	1,858,879	-	1,858,879
(2) Inter-group sales and transfers	-	8,323	4,704	13,028	(13,028)	-
Net sales	89,522	1,787,438	84,469	1,871,908	(13,028)	1,858,879
Operating income (loss)	(5,673)	180,819	2,511	183,331	(33,686)	149,645
Assets	721,320	1,811,580	17,345	1,828,925	200,869	2,029,794
Other items						
Depreciations	1,635	21,233	961	22,194	2,243	24,438

Net increase in property, plant and equipment, and intangible assets	331	77,339	41	77,380	3,878	81,258
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Notes

- Other Businesses principally include the exterior business.
- Adjustments are as follows:
 - An adjustment of ¥33,686 million for segment income (loss) includes an elimination of inter-segment transactions of ¥3,084 million and corporate expenses of ¥30,602 million 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.
 - An adjustment of ¥200,869 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.
 - An adjustment of ¥2,243 million for depreciation and amortization is depreciation related to corporate assets.
 - An adjustment of ¥3,878 million for increases in property, plant, and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.
- Operating income (loss) by business segment is adjusted to correspond to operating income in the consolidated statements of income.

(Per Share Information)

	Feb. 1, 2014 – Jan. 31, 2015	Feb. 1, 2015 – Jan. 31, 2016
Net assets per share	¥1,527.52	¥1,508.81
Net income per share	¥130.91	¥120.16
Fully diluted net income per share	¥125.22	¥119.41

(Note) Basis for Calculation

1. Net assets per share

¥ millions, except where noted	As of January 31, 2015	As of January 31, 2016
Net assets recorded on balance sheet	1,079,064	1,068,428
Difference between net assets in consolidated balance sheet and net assets attributable to ordinary shares	10,641	10,731
Subscription rights to shares	536	622
Minority interests	10,104	10,108
Net assets attributable to ordinary shares	1,068,423	1,057,696
Number of ordinary shares outstanding (1,000 shares)	699,845	709,683
Number of ordinary shares held in treasury (1,000 shares)	396	8,670
Number of ordinary shares used to calculate shareholders' equity per share (1,000 shares)	699,449	701,013

2. Net income per share and fully diluted income per share

¥ millions, except where noted	Previous fiscal year (Feb. 1, 2014 - Jan. 31, 2015)	Current fiscal year (Feb. 1, 2015 - Jan. 31, 2016)
Net income per share		
Net income recorded on statement of income	90,224	84,302
Amount not attributable to ordinary shares	-	-
Net income attributable to ordinary shares	90,224	84,302
Average number of ordinary shares outstanding during period (1,000 shares)	689,205	701,606
Fully diluted net income per share		
Adjustment to net income	-	-

Number of ordinary shares increased (shares)	31,309	4,374
Bonds with subscription rights to shares	30,600	3,599
Subscription rights to shares	708	774
Overview of residual securities not included in the calculation of fully diluted net income per share as they have no dilutive effect	-	-

(Significant Subsequent Event)

At the Board of Directors meeting held on March 10, 2016, the Company resolved to acquire its own shares under the provisions of Article 156 of the Companies Act, as applied pursuant to Article 165 (3) of the Companies Act.

(1) Reason for share repurchase

To implement flexible capital policies in accordance with the business environment and to improve capital efficiency to increase shareholder value

(2) Type of shares

Common stock of Sekisui House, Ltd.

(3) Aggregate number of shares to be repurchased

Up to 13,000,000 shares

(4) Aggregate price of shares to be repurchased

Up to 22,000,000,000 yen

(5) Period for share repurchase

From March 11, 2016 to January 31, 2017

(6) Method of share repurchase

Market purchases (including Off-Auction Own Share Repurchase Trading (N-NET3) of the Nagoya Stock Exchange)

(Omission of disclosure)

Notes concerning lease and derivative transactions, transactions with related parties, tax effect accounting, financial products, marketable securities, retirement benefits, stock options, business combinations, asset retirement obligations, real estate for leasing etc. are omitted, as we believe that they hold no significant bearing in terms of the necessity of disclosure of financial reports.

6. Non-Consolidated Financial Statements

(1) Balance Sheets

(¥ millions)

	As of January 31, 2015	As of January 31, 2016
Assets		
Current assets		
Cash and deposits	64,893	57,846
Notes receivable-trade	413	608
Accounts receivable from completed construction contracts	39,580	33,056
Accounts receivable-real estate business	4,270	6,131
Short-term investment securities	249	2,748
Costs on uncompleted construction contracts	2,489	2,162
Buildings for sale	47,603	48,239
Land for sale in lots	189,259	205,884
Undeveloped land for sale	32,821	36,608
Semi-finished goods	2,877	2,794
Raw materials	2,917	1,755
Work in process	708	612
Supplies	630	656
Advance payments-trade	67	153
Prepaid expenses	3,920	4,221
Short-term loans receivable	6,482	8,359
Accounts receivable-other	12,804	13,422
Deferred tax assets	28,243	24,327
Other	12,837	14,239
Allowance for doubtful accounts	(981)	(949)
Total current assets	452,091	462,879
Noncurrent assets		
Property, plant and equipment		
Buildings	241,761	231,537
Accumulated depreciation	(100,312)	(105,669)
Buildings, net	141,449	125,867
Structures	13,365	13,534
Accumulated depreciation	(10,046)	(10,293)
Structures, net	3,319	3,241
Machinery and equipment	58,248	56,287
Accumulated depreciation	(47,840)	(48,011)
Machinery and equipment, net	10,407	8,276
Vehicles	728	677
Accumulated depreciation	(652)	(628)
Vehicles, net	75	49
Tools, furniture and fixtures	24,647	24,895
Accumulated depreciation	(20,271)	(20,764)
Tools, furniture and fixtures, net	4,376	4,130
Land	270,185	280,859

	(¥ millions)	
	As of January 31, 2015	As of January 31, 2016
Lease assets	450	547
Accumulated depreciation	(280)	(353)
Lease assets, net	169	193
Construction in progress	5,074	4,966
Total property, plant and equipment	435,057	427,585
Intangible assets		
Goodwill	236	33
Industrial property	18	18
Leasehold right	1,608	1,608
Software	9,513	9,054
Lease assets	0	-
Right of using facilities	70	65
Telephone subscription right	676	317
Total intangible assets	12,124	11,097
Investments and other assets		
Investment securities	91,847	80,951
Stocks of subsidiaries and affiliates	328,385	394,405
Investments in other securities of subsidiaries and associates	818	5,442
Long-term loans receivable	3,217	2,643
Long-term loans receivable from employees	10,466	8,389
Long-term loans receivable from subsidiaries and affiliates	53,011	53,618
Lease and guarantee deposits	13,912	15,444
Long-term prepaid expenses	1,432	1,229
Deferred tax assets	3,002	7,007
Other	4,486	5,253
Allowance for doubtful accounts	(337)	(215)
Total investments and other assets	510,245	574,172
Total noncurrent assets	957,427	1,012,855
Total assets	1,409,518	1,475,735
Liabilities		
Current liabilities		
Notes payable-trade	12,648	13,643
Electronically recorded obligations-operating	57,638	58,836
Accounts payable-trade	21,575	21,423
Accounts payable for construction contracts	42,533	41,139
Short-term bonds payable	20,000	60,000
Short-term loans payable	-	30,000
Current portion of bonds	70,000	-
Current portion of bonds with subscription rights to shares	-	1,130
Current portion of long-term loans payable	-	50,000
Lease obligations	68	79
Accounts payable-other	1,288	1,937
Accrued expenses	13,246	13,745
Income taxes payable	11,618	20,011
Accrued consumption taxes	7,716	13,427
Advances received on uncompleted construction contracts	48,853	57,887

	As of January 31, 2015	As of January 31, 2016
Advances received	9,141	7,574
Deposits received	112,465	117,260
Provision for bonuses	18,179	19,304
Provision for directors' bonuses	380	380
Provision for warranties for completed construction	3,240	2,789
Asset retirement obligations	480	516
Other	1,207	1,149
Total current liabilities	452,281	532,235
Noncurrent liabilities		
Bonds payable	60,000	90,000
Bond with subscription rights to shares	12,300	-
Long-term loans payable	50,000	6,000
Lease obligations	115	130
Long-term lease and guarantee deposited	15,861	14,519
Long-term accounts payable-other	608	631
Provision for retirement benefits	42,069	50,208
Asset retirement obligations	1,094	1,098
Other	3,189	1,978
Total noncurrent liabilities	185,239	164,567
Total liabilities	637,520	696,802
Net assets		
Shareholders' equity		
Capital stock	197,716	202,591
Capital surplus		
Legal capital surplus	253,469	258,344
Total capital surpluses	253,469	258,344
Retained earnings		
Legal retained earnings	23,128	23,128
Other retained earnings		
Reserve for dividends	18,000	18,000
Reserve for special depreciation	952	832
General reserve	185,800	210,800
Retained earnings brought forward	64,554	55,390
Total retained earnings	292,435	308,151
Treasury stock	(329)	(17,404)
Total shareholders' equity	743,291	751,682
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	28,169	26,627
Total valuation and translation adjustments	28,169	26,627
Subscription rights to shares	536	622
Total net assets	771,998	778,932
Total liabilities and net assets	1,409,518	1,475,735

(2) Statements of Income

(¥ millions)

	Feb. 1, 2014 – Jan. 31, 2015	Feb. 1, 2015 – Jan. 31, 2016
Net sales of completed construction contracts	970,030	935,323
Cost of sales of completed construction contracts	767,461	729,998
Gross profit on completed construction contracts	202,568	205,324
Sales on real estate business	258,105	213,307
Cost of sales on real estate business	221,622	170,953
Gross profit -real estate business	36,483	42,354
Total net sales	1,228,135	1,148,631
Total cost of sales	989,083	900,952
Gross profit	239,052	247,679
Selling, general and administrative expenses		
Advertising expenses	18,887	18,166
Promotion expenses	11,411	11,680
Servicing fee	11,193	11,492
Provision of allowance for doubtful accounts	78	-
Directors' compensations	540	567
Employees' salaries and allowances	40,928	42,120
Employees' bonuses	8,772	8,843
Provision for bonuses	9,797	10,349
Provision for directors' bonuses	380	380
Retirement benefit expenses	1,623	(2,131)
Legal welfare expenses	8,640	8,810
Welfare expenses	3,206	3,257
Traveling and transportation expenses	5,478	5,466
Rent expenses	3,329	3,285
Heating and lighting expenses	1,063	1,027
Depreciation	6,903	6,296
Supplies expenses	1,715	1,632
Experiment and research expenses	355	320
Investigation expenses	307	313
Insurance expenses	73	161
Taxes and dues	3,646	3,980
Communication expenses	1,139	1,003
Entertainment expenses	1,270	1,331
Trademark fee	180	180
Miscellaneous expenses	7,541	8,136
Total selling, general and administrative expenses	148,465	146,672
Operating income	90,586	101,007

(¥ millions)

	Feb. 1, 2014 – Jan. 31, 2015	Feb. 1, 2015 – Jan. 31, 2016
Non-operating income		
Interest income	1,615	2,292
Dividends income	11,724	15,326
Foreign currency exchange gains	3,669	-
Other	1,919	2,504
Total non-operating income	18,929	20,123
Non-operating expenses		
Interest expenses	348	258
Interest on bonds	636	333
Foreign currency exchange loss	-	1,256
Other	2,172	2,762
Total non-operating expenses	3,158	4,610
Ordinary income	106,357	116,519
Extraordinary income		
Gain on sales of investment securities	6,145	8,995
Total extraordinary income	6,145	8,995
Extraordinary loss		
Loss on valuation of shares of subsidiaries and associates	-	9,067
Impairment loss	1,659	4,563
Loss on sales and retirement of noncurrent assets	598	2,875
Loss on valuation of investment securities	7,185	482
Other	-	1,000
Total extraordinary losses	9,444	17,988
Income before income taxes	103,059	107,526
Income taxes-current	22,044	31,174
Income taxes-deferred	14,847	8,931
Total income taxes	36,891	40,105
Net income	66,168	67,421

(3) Statements of Changes in Net Assets

Previous consolidated fiscal year (February 1, 2014 to January 31, 2015)

(¥ millions)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						Reserve for dividends	Reserve for special depreciation	General reserve	Retained earnings brought forward	
Balance at the end of previous period	191,559	247,312	690	248,003	23,128	18,000	1,098	165,800	54,960	262,988
Cumulative effects of changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Restated balance	191,559	247,312	690	248,003	23,128	18,000	1,098	165,800	54,960	262,988
Changes of items during the period										
Issuance of new shares	6,157	6,157	575	6,732	-	-	-	-	-	-
Dividends from surplus	-	-	-	-	-	-	-	-	(33,073)	(33,073)
Reversal of reserve for special depreciation	-	-	-	-	-	-	(146)	-	146	-
Provision of general reserve	-	-	-	-	-	-	-	20,000	(20,000)	-
Net income	-	-	-	-	-	-	-	-	66,168	66,168
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-
Disposal of treasury stock	-	-	(1,266)	(1,266)	-	-	-	-	(3,648)	(3,648)
Net changes of items other than shareholders' equity	-	-	-	-	-	-	-	-	-	-
Total changes of items during the period	6,157	6,157	(690)	5,466	-	-	(146)	20,000	9,594	29,447
Balance at the end of current period	197,716	253,469	-	253,469	23,128	18,000	952	185,800	64,554	292,435

	Shareholders' equity		Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at the end of previous period	(1,209)	701,340	27,584	45	27,630	474	729,445
Cumulative effects of changes in accounting policies	-	-	-	-	-	-	-
Restated balance	(1,209)	701,340	27,584	45	27,630	474	729,445
Changes of items during the period							
Issuance of new shares	-	12,890	-	-	-	-	12,890
Dividends from surplus	-	(33,073)	-	-	-	-	(33,073)
Reversal of reserve for special depreciation	-	-	-	-	-	-	-
Provision of general reserve	-	-	-	-	-	-	-
Net income	-	66,168	-	-	-	-	66,168
Purchase of treasury shares	(15,265)	(15,265)	-	-	-	-	(15,265)
Disposal of treasury shares	16,145	11,231	-	-	-	-	11,231
Net changes of items other than shareholders' equity	-	-	584	(45)	539	62	601
Total changes of items during the period	879	41,951	584	(45)	539	62	42,552
Balance at the end of current period	(329)	743,291	28,169	-	28,169	536	771,998

Current consolidated fiscal year (February 1, 2015 to January 31, 2016)

(¥ millions)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						Reserve for dividends	Reserve for special depreciation	General reserve	Retained earnings brought forward	
Balance at the end of previous period	197,716	253,469	-	253,469	23,128	18,000	952	185,800	64,554	292,435
Cumulative effects of changes in accounting policies	-	-	-	-	-	-	-	-	(13,784)	(13,784)
Restated balance	197,716	253,469	-	253,469	23,128	18,000	952	185,800	50,770	278,651
Changes of items during the period										
Issuance of new shares	4,875	4,875	-	4,875	-	-	-	-	-	-
Dividends from surplus	-	-	-	-	-	-	-	-	(36,390)	(36,390)
Reversal of reserve for special depreciation	-	-	-	-	-	-	(119)	-	119	-
Provision of general reserve	-	-	-	-	-	-	-	25,000	(25,000)	-
Net income	-	-	-	-	-	-	-	-	67,421	67,421
Purchase of treasury shares	-	-	-	-	-	-	-	-	-	-
Disposal of treasury shares	-	-	-	-	-	-	-	-	(1,531)	(1,531)
Net changes of items other than shareholders' equity	-	-	-	-	-	-	-	-	-	-
Total changes of items during the period	4,875	4,875	-	4,875	-	-	(119)	25,000	4,619	29,499
Balance at the end of current period	202,591	258,344	-	258,344	23,128	18,000	832	210,800	55,390	308,151

	Shareholders' equity		Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at the end of previous period	(329)	743,291	28,169	-	28,169	536	771,998
Cumulative effects of changes in accounting policies	-	(13,784)	-	-	-	-	(13,784)
Restated balance	(329)	729,507	28,169	-	28,169	536	758,213
Changes of items during the period							
Issuance of new shares	-	9,750	-	-	-	-	9,750
Dividends from surplus	-	(36,390)	-	-	-	-	(36,390)
Reversal of reserve for special depreciation	-	-	-	-	-	-	-
Provision of general reserve	-	-	-	-	-	-	-
Net income	-	67,421	-	-	-	-	67,421
Purchase of treasury stock	(20,035)	(20,035)	-	-	-	-	(20,035)
Disposal of treasury stock	2,960	1,429	-	-	-	-	1,429
Net changes of items other than shareholders' equity	-	-	(1,542)	-	(1,542)	86	(1,456)
Total changes of items during the period	(17,074)	22,175	(1,542)	-	(1,542)	86	20,718
Balance at the end of current period	(17,404)	751,682	26,627	-	26,627	622	778,932

7. Others

Changes to Directors, Auditors, and Executive Officers

(1) New Director Candidates (April 27, 2016)

Yosuke Horiuchi	Currently Managing Officer in charge of Sha Maison Sales Administration (East Japan), General Manager of East Japan Sha Maison Sales Administration Headquarters
Yoshihiro Nakai	Currently Executive Officer, Chief Manager of Corporate Management Planning Department

(2) Planned Retirement of Directors (including executive officer) (April 27, 2016)

Director (Executive Vice President & Executive Officer)	Sumio Wada To be Corporate Auditor of Sekisui House, Ltd.
Director (Senior Managing Officer)	Fumiaki Hirabayashi To be Senior Advisor of Sekisui House, Ltd.

(3) Promoted Director (April 27, 2016)

Executive Vice President & Director	Tetsuo Iku (Currently, Director (Senior Managing Officer) in charge of Design, Technology development, and Construction, General Manager of Technology Headquarters)
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(4) New Corporate Auditor Candidate (April 27, 2016)

Sumio Wada	Currently Director (Executive Vice President & Executive Officer, Management of Technology, in charge of Purchasing and International Business Department)
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(5) Planned to be elected by mutual vote of auditor after shareholders meeting

Standing Corporate Auditor	Sumio Wada
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(6) Planned Retirement of Auditor (April 27, 2016)

Standing Corporate Auditor	Tadashi Iwasaki To be Advisor of Sekisui House, Ltd.
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(7) New Executive Officers (April 1, 2016)

Hitoshi Kuroyanagi	Currently Chief Manager of Corporate Communications Department and Investor Relations Office
Takakazu Koi	Currently Chief Manager of Construction Department
Yutaka Amemiya	Currently Chief Manager of Technology Systems Promotion Department and Design System Office
Masayoshi Ishii	Currently Superintendent of Comprehensive Housing R & D Institute

(8) Promoted Executive Officers (April 1, 2016)

Senior Managing Officer	Fumiyasu Suguro Currently Managing Officer
Managing Officer	Yoshihiro Nakai Currently Executive Officer
Managing Officer	Kazushi Mitani Currently Executive Officer
Managing Officer	Haruyuki Iwata Currently Executive Officer

Managing Officer	Daisuke Akamatsu Currently Executive Officer
Managing Officer	Kenichi Ishida Currently Executive Officer
Managing Officer	Noriaki Ogata Currently Executive Officer
Managing Officer	Kazuchika Uchiyama Currently Executive Officer
Managing Officer	Toshiharu Miura Currently Executive Officer
Managing Officer	Toru Ishii Currently Executive Officer

(9) Planned Retirement of Executive Officers (March 31, 2016)

Managing Officer	Osamu Otani To be President and Representative Director of Sekisui House Remodeling Nishinohon, Ltd.
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