

Sekisui House, Ltd.

Second Quarter of FY2014

(February 1, 2014 through July 31, 2014)

- Summary of Consolidated Financial Results -

1. Overview

2. Financial Position

3. Segment Information

Built-to-Order Business

Supplied Housing Business

Development Business

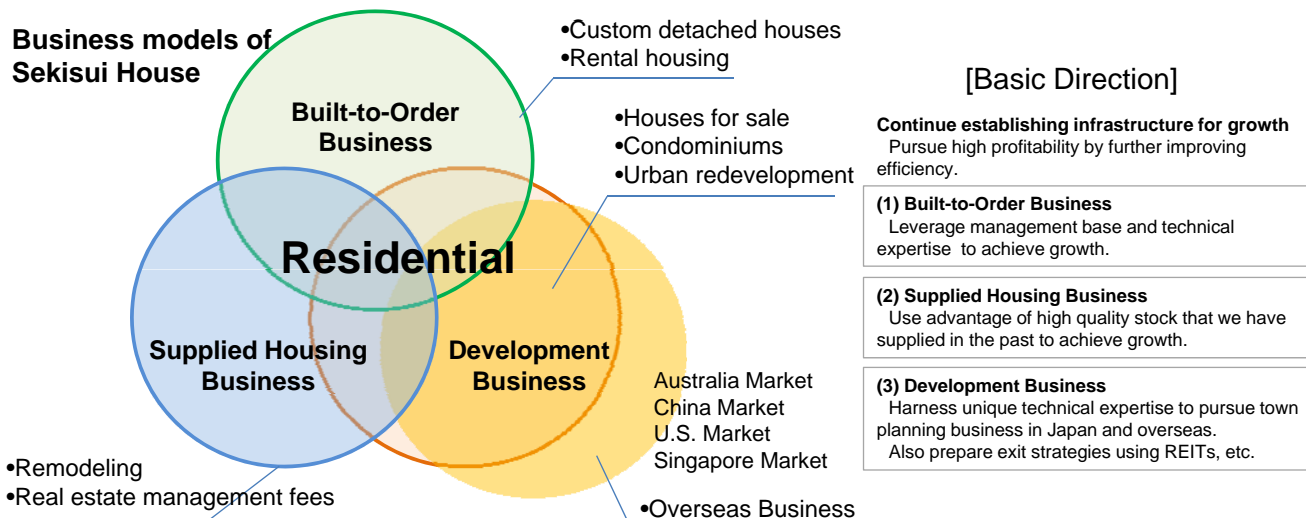
[Details of Real Estate (Buildings and Land) for Sale by Segments]

4. Full-Year Forecasts for FY2014

September 4, 2014

Management Direction

Deployment of growth strategies focused on the “residential” business domain



Brand Vision

SLOW & SMART

Housing innovation to make your heart feel at home

1. Overview

Sales and income expanded with a demonstration of cooperation between companies in the Sekisui House Group.

The Group will secure earnings in the second half by enhancing cooperation.

(¥ billion)

	FY2013 (13/2-13/7)		FY2014 (14/2-14/7)		
	Results	Margin	Results	Margin	YoY
Net sales	845.2		910.1		7.7%
Cost of sales	679.5		728.3		7.2%
Gross profit	165.7	19.6%	181.8	20.0%	9.7%
Selling, general and administrative expenses	110.0		110.1		0.1%
Operating income	55.6	6.6%	71.7	7.9%	28.7%
Non-operating income/loss	1.9		3.4		80.7%
Ordinary income	57.6	6.8%	75.2	8.3%	30.5%
Extraordinary income	-		0.3		-
Extraordinary loss	0.7		3.7		419.2%
Minority interests in income	0.9		0.7		(18.8%)
Net income	34.0	4.0%	42.1	4.6%	23.9%
Consolidated orders	965.4		867.2		(10.2%)

Sheet 2

1. Overview

- **Sales and income increased in the Built-to-Order Business, the Supplied Housing Business and the Development Business.**
- **Profitability was maintained and improved due to the volume effect, higher production efficiency and continuous cost reduction.**
(Gross margin: Consolidated 19.6%→20.0%, Custom Detached Houses 24.8%→24.9%, Rental Housing 21.2%→21.6%)
- **The Rental Housing Business made good progress against the full-year plan with demand remaining strong. Orders for Custom Detached Houses Business declined, reflecting deteriorating business confidence and the effect of the consumption tax hike. Intends to continue the promotion of high-value added houses including new product of "IS SERIES" and Green First Zero.**

1. Net sales

- (1) The Built-to-Order Business (up ¥18.2 billion year-on-year) The strong rental housing business offset a decline in custom detached houses.
- (2) Sales grew in each of the three business models: the Supplied Housing Business (up ¥17.1 billion year-on-year), the Development Business (up ¥14.4 billion year-on-year)

2. Operating income

- (1) The Rental Housing Business (up ¥7.1 billion year-on-year), the Remodelling Business (up ¥2.0 billion year-on-year) and the Condominiums Business (up ¥2.2 billion year-on-year) contributed to a large increase in operating income.
- (2) The OP margin improved significantly to 7.9% mainly due to growth in sales and cost reduction.

3. Ordinary income

- (1) Loans receivable in Singapore and other factors produced foreign exchange gains of ¥0.9 billion.
- (2) Profits of ¥1.8 billion from Singapore Business were recorded.

4. Net income

- (1) Net income amounted to ¥ 42.1 billion (up 24% year-on-year). EPS was ¥61.46.

Sheet 3

2. Financial Position

Total assets increased ¥85.6 billion from the end of the previous fiscal year.

- Assets grew due to increases in property, plant and equipment and real estate for sale.
- Liabilities increased mainly due to the issue of short-term bonds payable and an increase in short-term loans payable.
- Net assets increased owing to the posting of net income and the issuing of new shares associated with the exercise of subscription rights to shares attached to bonds with subscription rights to shares. (Equity ratio was 51.4%)

(¥ billion)				(¥ billion)			
Assets	As of Jan. 31, 2014	As of Jul. 31, 2014	Amount changed		FY2013 (13/2-13/7)	FY2014 (14/2-14/7)	Amount changed
Total current assets	1,078.5	1,074.2	(4.2)	Net cash provided by (used in) operating activities	4.9	(50.3)	(55.3)
Total noncurrent assets	690.4	780.3	89.8	Net cash provided by (used in) investing activities	(35.5)	(113.7)	(78.2)
Total assets	1,769.0	1,854.6	85.6	Free cash flow	(30.5)	(164.1)	(133.6)
				Net cash provided by (used in) financing activities	3.9	125.8	121.8
Liabilities and net assets	As of Jan. 31, 2014	As of Jul. 31, 2014	Amount changed	Net increase (decrease) in cash and cash equivalents	(23.1)	(39.4)	(16.3)
Total current liabilities	502.6	634.3	131.6	Cash and cash equivalents at beginning of period	179.2	181.3	
Total noncurrent liabilities	324.9	257.7	(67.2)	Cash and cash equivalents at end of period	156.0	141.8	
Total liabilities	827.5	892.0	64.4		FY2013 (13/2-13/7)	FY2014 (14/2-14/7)	Amount changed
Total net assets	941.4	962.5	21.1	Capital expenditures	87.7	106.1	18.3
				Depreciation and amortization	9.8	12.5	2.6
Total liabilities and net assets	1,769.0	1,854.6	85.6		As of Jan. 31, 2014	As of Jul. 31, 2014	Change
				Interest bearing debts	289.8	423.6	Amounts %
							133.8 46.2%

Sheet 4

3. Segment Information

(¥ billion)

		FY2013 (13/2-13/7)					FY2014 (14/2-14/7)				
		Net sales	Operating income	OP margin	Gross margin	Orders	Net sales	Operating income	OP margin	Gross margin	Orders
Built-to-Order Business	Custom Detached Houses	248.6	30.5	12.3%	24.8%	295.0	227.6	27.5	12.1%	24.9%	196.7
	Rental Housing	162.2	15.4	9.5%	21.2%	212.6	201.3	22.6	11.2%	21.6%	200.2
	Subtotal	410.8	45.9	11.2%	23.4%	507.7	429.0	50.1	11.7%	23.3%	397.0
Supplied Housing Business	Remodeling	61.7	6.6	10.8%	23.7%	64.5	70.1	8.7	12.4%	24.1%	62.9
	Real Estate Management Fees	204.1	11.0	5.4%	13.1%	204.1	212.8	11.9	5.6%	13.5%	212.8
	Subtotal	265.8	17.7	6.7%	15.6%	268.6	283.0	20.6	7.3%	16.2%	275.8
Development Business	Houses for Sale	69.8	4.1	6.0%	17.0%	72.3	58.5	5.0	8.6%	18.8%	59.5
	Condominiums	30.3	0.3	1.1%	10.3%	34.0	32.1	2.5	8.0%	16.9%	32.6
	Urban Redevelopment	14.1	3.5	25.1%	29.7%	14.1	27.5	6.0	22.0%	25.3%	25.3
	Overseas Business	19.6	0.5	2.8%	30.4%	27.8	30.0	0.7	2.6%	23.2%	34.8
	Subtotal	133.9	8.6	6.4%	18.8%	148.3	148.4	14.4	9.8%	20.5%	152.4
	Other Businesses	34.5	0.3	1.0%	15.3%	40.7	49.6	2.3	4.8%	15.2%	41.9
	Eliminations and corporate expenses	-	(16.9)	-	-	-	-	(16.0)	-	-	-
	Consolidated	845.2	55.6	6.6%	19.6%	965.4	910.1	71.7	7.9%	20.0%	867.2

Sheet 5

3. Segment Information Built-to-Order Business

	Net sales (¥ billion)			Orders (¥ billion)		
	FY2013 (13/2-13/7)	FY2014 (14/2-14/7)	Change	FY2013 (13/2-13/7)	FY2014 (14/2-14/7)	Change
	Custom Detached Houses	248.6	227.6	(8.4%)	295.0	196.7
Rental Housing	162.2	201.3	24.1%	212.6	200.2	(5.8%)
Total	410.8	429.0	4.4%	507.7	397.0	(21.8%)

	Operating income			OP margin		Gross margin	
	FY2013 (13/2-13/7)	FY2014 (14/2-14/7)	Amount changed	FY2013 (13/2-13/7)	FY2014 (14/2-14/7)	FY2013 (13/2-13/7)	FY2014 (14/2-14/7)
	Custom Detached Houses	30.5	27.5	(2.9)	12.3%	12.1%	24.8%
Rental Housing	15.4	22.6	7.1	9.5%	11.2%	21.2%	21.6%
Total	45.9	50.1	4.2	11.2%	11.7%	23.4%	23.3%

In the Built-to-Order Business, sales and income increased as strong orders for Rental Housing offset a fall in Custom Detached Houses.

1. Custom Detached Houses Business

- (1) Despite lower sales and income, gross margin and the OP margin were maintained mainly through continuous cost reduction and higher production efficiency.
- (2) Aims to expand sales by renovating the IS SERIES that has Dyne Wall, the original exterior wall.
- (3) Orders fell 33.3% mainly due to the consumption tax hike and waning anticipation of higher interest rates.

2. Rental Housing Business

- (1) The Rental Housing Business remained firm given strong sales of 3- and 4-story rental housing and high awareness of the stronger levy of inheritance tax.
- (2) Promoted sales promotion events including Sha-Maison Festa.

3. Segment Information Supplied Housing Business

	Net sales (¥ billion)			Orders (¥ billion)		
	FY2013 (13/2-13/7)	FY2014 (14/2-14/7)	Change	FY2013 (13/2-13/7)	FY2014 (14/2-14/7)	Change
	Remodeling	61.7	70.1	13.7%	64.5	62.9
Real Estate Management Fees	204.1	212.8	4.3%	204.1	212.8	4.3%
Total	265.8	283.0	6.5%	268.6	275.8	2.7%

	Operating income			OP margin		Gross margin	
	FY2013 (13/2-13/7)	FY2014 (14/2-14/7)	Amount changed	FY2013 (13/2-13/7)	FY2014 (14/2-14/7)	FY2013 (13/2-13/7)	FY2014 (14/2-14/7)
	Remodeling	6.6	8.7	2.0	10.8%	12.4%	23.7%
Real Estate Management Fees	11.0	11.9	0.9	5.4%	5.6%	13.1%	13.5%
Total	17.7	20.6	2.9	6.7%	7.3%	15.6%	16.2%

The strong performance of the Built-to-Order Business, which provides high quality supplied housing, also spread to the Supplied Housing Business.

3. Remodeling Business

- (1) Achieved large income growth as sales grew. Profitability also improved significantly.
- (2) Reinforced proposal-based remodeling in relation to energy-saving renovation and performance improvement, in addition to solar power generation systems. Actively held sales promotion events.

4. Real Estate Management Fees Business

- (1) Sales rose 4.3% year-on-year, the number of units under management was 537 thousand, and the occupancy rate was 96.2% (96.2% at the end of the previous fiscal year).
- (2) The OP margin rose to 5.6% due to improvements in brokerage fees and other fees business, in addition to maintaining high occupancy rate.

3. Segment Information Development Business

(¥ billion)

(¥ billion)

	Net sales			Orders		
	FY2013 (13/2-13/7)	FY2014 (14/2-14/7)	Change	FY2013 (13/2-13/7)	FY2014 (14/2-14/7)	Change
Houses for Sale	69.8	58.5	(16.1%)	72.3	59.5	(17.6%)
Condominiums	30.3	32.1	6.0%	34.0	32.6	(4.0%)
Urban Redevelopment	14.1	27.5	95.4%	14.1	25.3	79.6%
Overseas Business	19.6	30.0	52.7%	27.8	34.8	25.0%
Total	133.9	148.4	10.8%	148.3	152.4	2.8%

	Operating income			OP margin		Gross margin	
	FY2013 (13/2-13/7)	FY2014 (14/2-14/7)	Amount changed	FY2013 (13/2-13/7)	FY2014 (14/2-14/7)	FY2013 (13/2-13/7)	FY2014 (14/2-14/7)
Houses for Sale	4.1	5.0	0.8	6.0%	8.6%	17.0%	18.8%
Condominiums	0.3	2.5	2.2	1.1%	8.0%	10.3%	16.9%
Urban Redevelopment	3.5	6.0	2.5	25.1%	22.0%	29.7%	25.3%
Overseas Business	0.5	0.7	0.2	2.8%	2.6%	30.4%	23.2%
Total	8.6	14.4	5.8	6.4%	9.8%	18.8%	20.5%

Sheet 8

3. Segment Information Development Business

5. Houses for Sale Business

- (1) Actively sold smart town subdivision lots as a leading smart house company.
- (2) Although sales fell, profitability improved and profits rose. Profit margin also grew.

6. Condominiums Business

- (1) Both sales and income rose sharply as a result of growth in the number of properties handed over. The profit margin improved significantly due to higher profitability.

7. Urban Redevelopment Business

- (1) Sales of ¥8.1 billion and operating income of ¥1.4 billion were posted due to the sale of properties, in addition to an increase in rental income.

8. Overseas Business

<FY2014 Second Quarter>

(¥ billion)

Country	Sales	Operating income	Ordinary income	Investment balance	Orders	Accumulated orders
Australia	19.0	0.1	0.3	91.8	21.3	43.7
China	-	(1.4)	(1.1)	178.9	1.4	2.3
USA	10.9	2.4	2.6	96.4	12.1	19.7
Singapore *	-	-	1.8	43.5	-	[60.4]
Other administrative expense	-	(0.4)	(0.4)	-	-	-
Total	30.0	0.7	3.2	410.8	348	65.7

* Accounted for by the equity method

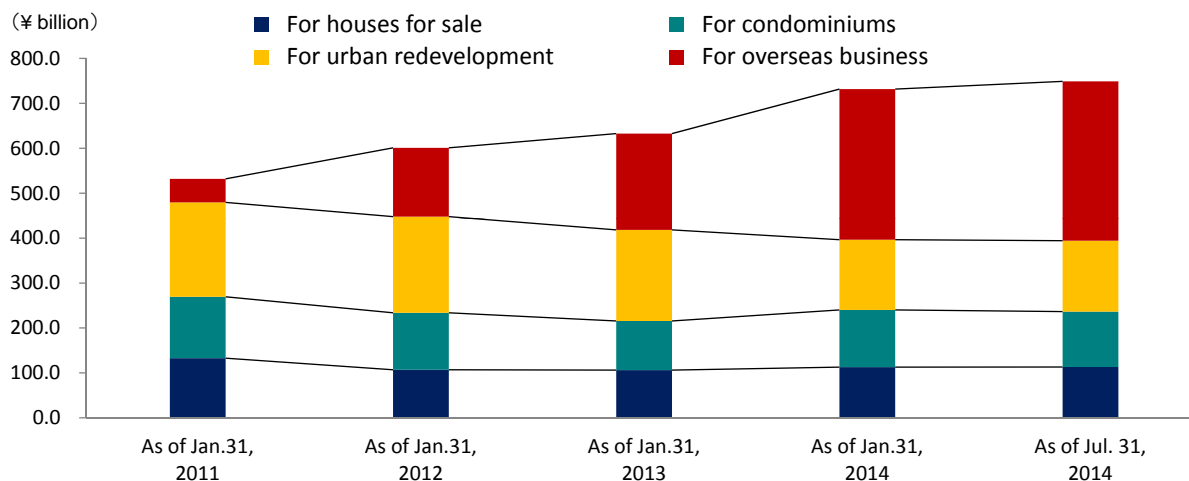
Sales status of major projects

Country	Projects	Units for sale	Of which, contracted units
Australia	Total 2 projects	1,245	1,204
China	Total 4 projects	299	37
Singapore	Total 6 projects	3,775	3,459

Sheet 9

3. Segment Information

[Details of Real Estate (Buildings and Land) for Sale by Segment]



(¥ billion)

	As of Jan. 31, 2011	As of Jan. 31, 2012	As of Jan. 31, 2013	As of Jan. 31, 2014	As of Jul. 31, 2014
Overseas Business	52.5	153.3	214.2	335.2	354.7
Urban Redevelopment	210.0	213.8	202.8	156.2	157.7
Condominiums	136.5	126.9	109.3	127.2	123.3
Houses for Sale	132.9	107.0	106.3	113.0	113.2
Total	532.0	601.1	632.7	731.7	748.9

Sheet 10

4. Full-Year Forecasts

(¥ billion)

	FY2013 (13/2-14/1) Results	FY2014 (14/2-15/1)		
		Initial forecasts	Revised forecasts	Revised YoY
Net sales	1,805.1	1,860.0	1,820.0	0.8%
Operating income	131.9	142.0	142.0	7.6%
Ordinary income	137.7	149.0	149.0	8.1%
Net income	79.8	89.0	86.0	7.8%
EPS (yen)	118.63	129.89	124.24	4.7%
ROA	8.2%	8.0%	8.1%	-
ROE	9.2%	9.3%	9.0%	-
Dividend per share (yen)	43.00	50.00	50.00	7.00
Payout ratio	36.2%	38.5%	40.2%	-

Sheet 11

4. Full-Year Forecasts

Sales

(¥ billion)

		FY2013 (13/2-14/1) Results	FY2014 (Full-Year) (14/2-15/1)		
			Initial forecasts	Revised forecasts	YoY
Built-to-Order Business	Custom Detached Houses	517.6	490.0	440.0	(15.0%)
	Rental Housing	356.2	370.0	410.0	15.1%
	Subtotal	873.8	860.0	850.0	(2.7%)
Supplied Housing Business	Remodeling	125.0	137.0	137.0	9.6%
	Real Estate Management Fees	408.4	429.0	426.0	4.3%
	Subtotal	533.4	566.0	563.0	5.5%
Development Business	Houses for Sale	133.4	127.0	116.0	(13.0%)
	Condominiums	63.0	62.0	58.0	(8.1%)
	Urban Redevelopment	42.4	47.0	58.0	36.7%
	Overseas Business	85.3	121.0	80.0	(6.3%)
	Subtotal	324.3	357.0	312.0	(3.8%)
	Other Businesses	73.4	77.0	95.0	29.3%
	Consolidated	1,805.1	1,860.0	1,820.0	0.8%

Orders

(¥ billion)

		FY2013 (13/2-14/1) Results	FY2014 (Full-Year) (14/2-15/1)		
			Initial forecasts	Revised forecasts	YoY
		525.0	504.0	418.0	(20.4%)
		426.6	391.0	408.0	(4.4%)
		951.7	895.0	826.0	(13.2%)
		135.1	149.0	134.0	(0.8%)
		408.4	429.0	426.0	4.3%
		543.5	578.0	560.0	3.0%
		132.5	127.0	122.0	(7.9%)
		76.6	63.0	63.0	(17.8%)
		44.6	44.7	55.7	24.9%
		82.5	125.0	85.0	2.9%
		336.4	359.7	325.7	(3.2%)
		96.9	82.2	88.2	(9.0%)
		1,928.5	1,915.0	1,800.0	(6.7%)

Sheet 12

4. Full-Year Forecasts

(¥ billion)

		FY2013 (13/2-14/1) Results	Operating income			OP margin		Gross margin	
			FY2014 (Full-Year) (14/2-15/1)			FY2013 (13/2-14/1) Results	FY2014 (14/2-15/1) Revised forecasts	FY2013 (13/2-14/1) Results	FY2014 (14/2-15/1) Revised forecasts
			Initial forecasts	Revised forecasts	YoY				
Built-to-Order Business	Custom Detached Houses	65.8	62.0	53.0	(19.5%)	12.7%	12.0%	24.9%	25.1%
	Rental Housing	36.4	43.0	48.0	31.5%	10.2%	11.7%	21.3%	22.3%
	Subtotal	102.3	105.0	101.0	(1.3%)	11.7%	11.9%	23.4%	23.8%
Supplied Housing Business	Remodeling	14.0	16.0	16.0	14.0%	11.2%	11.7%	24.5%	24.5%
	Real Estate Management Fees	20.0	23.0	23.0	14.6%	4.9%	5.4%	12.8%	13.4%
	Subtotal	34.1	39.0	39.0	14.4%	6.4%	6.9%	15.6%	16.1%
Development Business	Houses for Sale	8.1	8.0	8.0	(1.8%)	6.1%	6.9%	16.9%	17.2%
	Condominiums	3.9	5.0	5.0	25.7%	6.3%	8.6%	14.6%	19.0%
	Urban Redevelopment	8.5	8.5	12.0	40.2%	20.2%	20.7%	23.7%	24.1%
	Overseas Business	8.5	9.5	5.0	(41.7%)	10.0%	6.3%	25.0%	23.1%
	Subtotal	29.2	31.0	30.0	2.5%	9.0%	9.6%	19.5%	20.4%
	Other Businesses	1.6	2.0	4.5	166.3%	2.3%	4.7%	16.0%	15.3%
	Eliminations and corporate expenses	(35.4)	(35.0)	(32.5)	-	-	-	-	-
	Consolidated	131.9	142.0	142.0	7.6%	7.3%	7.8%	19.9%	20.2%

Sheet 13

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