

Sekisui House, Ltd.

Third Quarter of FY2014

(February 1, 2014 through October 31, 2014)

- Summary of Consolidated Financial Results -

1. Overview

2. Financial Position

3. Segment Information

Built-to-Order Business

Supplied Housing Business

Development Business

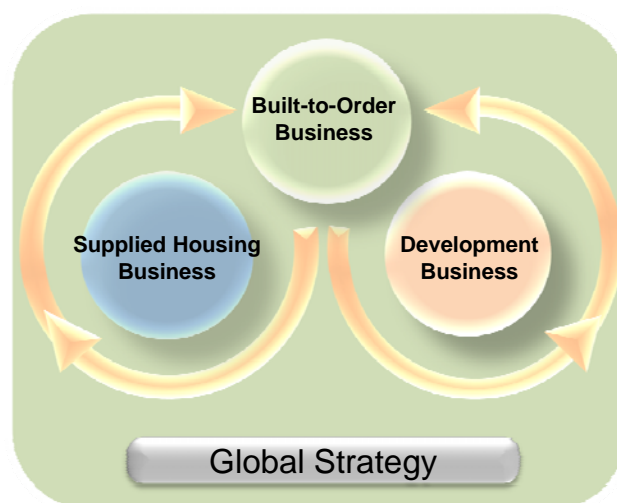
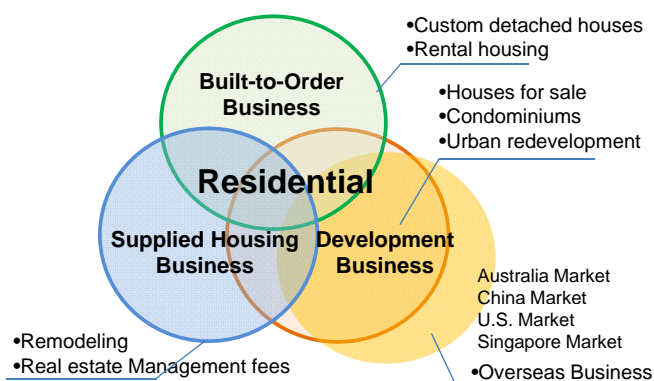
[Details of Real Estate (Buildings and Land) for Sale by Segments]

4. Full-Year Forecasts for FY2014

December 5, 2014

Basic Direction of FY2014 Mid-term Management Plan

Strengthening synergies in the Group and taking on
New challenges in the “residential”-related business



Management Direction

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

1. Overview

Sales and income expanded due to cooperation between companies in the Sekisui House Group, although sales declined in the Custom Detached Houses Business.

The Group expects sales and income to mark record highs once again in FY2014, given the steady performance compared with the full-year plan.

(¥ billion)

	FY2013 (13/2-13/10)		FY2014 (14/2-14/10)		
	Results	Margin	Results	Margin	YoY
Net sales	1,258.0		1,304.0		3.7%
Cost of sales	1,011.5		1,047.6		3.6%
Gross profit	246.4	19.6%	256.4	19.7%	4.0%
Selling, general and administrative expenses	166.0		165.5		(0.3%)
Operating income	80.4	6.4%	90.8	7.0%	12.9%
Non-operating income/loss	3.5		6.5		83.6%
Ordinary income	84.0	6.7%	97.3	7.5%	15.9%
Extraordinary income	0.4		0.3		(34.3%)
Extraordinary loss	0.8		4.0		375.0%
Minority interests in income	1.8		1.2		(31.8%)
Net income	50.8	4.0%	56.1	4.3%	10.5%
Consolidated orders	1,506.4		1,428.7		(5.2%)

Sheet 2

1. Overview

- Sales and income increased. The Supplied Housing Business and the Development Business contributed.
- In the Rental Housing Business, orders remained firm, mainly attributable to requirements for measures to reduce inheritance tax. Meanwhile, orders for Custom Detached Houses declined year-on-year, reflecting the setback of the anticipation of higher interest rates and the impact of the consumption tax hike, among other factors.
- Sekisui House Reit, Inc., a new REIT, was established. The Group strengthened its exit strategy in the Urban Redevelopment Business.

1. Net sales

- (1) The Built-to-Order Business (down ¥10.0 billion year-on-year) Although the Rental Housing Business was firm, sales declined due to a fall in sales in the Custom Detached Houses Business.
- (2) Overall sales increased, driven by the Supplied Housing Business (up ¥21.1 billion year-on-year) and the Development Business (up ¥17.0 billion year-on-year).

2. Operating income

- (1) Although income declined in the Custom Detached Houses Business (down ¥9.7 billion year-on-year), operating income increased thanks to the contribution of the Rental Housing Business (up ¥8.2 billion year-on-year) and the Urban Development Business (up ¥3.0 billion year-on-year).
- (2) The OP margin improved to 7.0% mainly due to higher production efficiency and continuous cost reduction.

3. Ordinary income

- (1) Loans receivable in Singapore and other factors produced foreign exchange gains of ¥2.4 billion.
- (2) Profits of ¥3.1 billion from Singapore Business were recorded.

4. Net income

- (1) Net income amounted to ¥56.1 billion (up 10.5% year-on-year). EPS was ¥81.57.

Sheet 3

2. Financial Position

Total assets increased ¥174.6 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 increase in translation adjustments. (Equity ratio was 50.0%)

(¥ billion)				(¥ billion)			
Assets	As of Jan. 31, 2014	As of Oct. 31, 2014	Amount changed		FY2013 (13/2-13/10)	FY2014 (14/2-14/10)	Amount changed
Total current assets	1,078.5	1,164.2	85.6	Net cash provided by (used in) operating activities	(25.7)	(88.1)	(62.4)
Total noncurrent assets	690.4	779.4	89.0	Net cash provided by (used in) investing activities	(69.1)	(115.5)	(46.3)
Total assets	1,769.0	1,943.7	174.6	Free cash flow	(94.9)	(203.6)	(108.7)
				Net cash provided by (used in) financing activities	32.4	163.8	131.3
Liabilities and net assets	As of Jan. 31, 2014	As of Oct. 31, 2014	Amount changed	Net increase (decrease) in cash and cash equivalents	(59.1)	(38.1)	20.9
Total current liabilities	502.6	697.1	194.5	Cash and cash equivalents at beginning of period	179.2	181.3	
Total noncurrent liabilities	324.9	265.8	(59.0)	Cash and cash equivalents at end of period	120.0	143.1	
Total liabilities	827.5	963.0	135.4		FY2013 (13/2-13/10)	FY2014 (14/2-14/10)	Amount changed
Total net assets	941.4	980.6	39.2	Capital expenditures	120.7	114.6	(6.1)
				Depreciation and amortization	15.8	19.0	3.2
Total liabilities and net assets	1,769.0	1,943.7	174.6		As of Jan. 31, 2014	As of Oct. 31, 2014	Change
				Interest bearing debts	289.8	486.7	Amounts %
							196.8 67.9%

Sheet 4

3. Segment Information

		FY2013 (13/2-13/10)					FY2014 (14/2-14/10)				
		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	371.4	44.4	12.0%	24.5%	443.0	320.1	34.6	10.8%	24.4%	291.2
	Rental Housing	243.7	21.4	8.8%	20.8%	336.6	285.0	29.6	10.4%	21.2%	303.2
	Subtotal	615.2	65.8	10.7%	23.0%	779.6	605.2	64.3	10.6%	22.9%	594.4
Supplied Housing Business	Remodeling	87.3	8.9	10.3%	24.4%	100.8	94.5	9.6	10.2%	23.4%	94.4
	Real Estate Management Fees	305.8	16.0	5.3%	12.9%	305.8	319.8	17.9	5.6%	13.5%	319.8
	Subtotal	393.2	25.0	6.4%	15.5%	406.7	414.4	27.5	6.6%	15.8%	414.3
Development Business	Houses for Sale	97.8	5.6	5.8%	17.2%	108.3	81.8	6.2	7.6%	18.7%	88.6
	Condominiums	41.1	1.6	4.0%	13.0%	60.3	41.5	3.3	8.1%	17.2%	50.0
	Urban Redevelopment	27.9	6.1	21.9%	25.5%	27.9	37.9	9.2	24.3%	27.6%	164.8
	Overseas Business	33.3	1.8	5.4%	30.3%	50.2	56.0	2.6	4.7%	22.2%	58.2
	Subtotal	200.3	15.2	7.6%	19.7%	246.9	217.3	21.4	9.9%	20.9%	361.9
Other Businesses		49.2	0.1	0.4%	15.7%	73.1	67.0	2.1	3.2%	14.8%	58.0
Eliminations and corporate expenses		-	(25.8)	-	-	-	-	(24.6)	-	-	-
Consolidated		1,258.0	80.4	6.4%	19.6%	1,506.4	1,304.0	90.8	7.0%	19.7%	1,428.7

Sheet 5

3. Segment Information Built-to-Order Business

	Net sales			Orders		
	Net sales			Orders		
	FY2013 (13/2-13/10)	FY2014 (14/2-14/10)	Change	FY2013 (13/2-13/10)	FY2014 (14/2-14/10)	Change
Custom Detached Houses	371.4	320.1	(13.8%)	443.0	291.2	(34.3%)
Rental Housing	243.7	285.0	16.9%	336.6	303.2	(9.9%)
Total	615.2	605.2	(1.6%)	779.6	594.4	(23.8%)

	Operating income			OP margin		Gross margin	
	Operating income			OP margin		Gross margin	
	FY2013 (13/2-13/10)	FY2014 (14/2-14/10)	Amount changed	FY2013 (13/2-13/10)	FY2014 (14/2-14/10)	FY2013 (13/2-13/10)	FY2014 (14/2-14/10)
Custom Detached Houses	44.4	34.6	(9.7)	12.0%	10.8%	24.5%	24.4%
Rental Housing	21.4	29.6	8.2	8.8%	10.4%	20.8%	21.2%
Total	65.8	64.3	(1.4)	10.7%	10.6%	23.0%	22.9%

In the Built-to-Order Business, sales and income declined affected by a fall in orders for Custom Detached Houses Business, although Rental Housing Business achieved higher sales and income.

1. Custom Detached Houses Business

- (1) Gross margin remained at the year-ago level mainly through continuous cost reduction and higher production efficiency.
- (2) Orders fell 34.3% year-on-year, partly due to the effect of a wait-and-see attitude toward the development of measures to support the acquisition of housing.
- (3) Aiming to increase orders in the next fiscal year by strengthening the proposals of mid- and high-end products such as 3- and 4-story housing and high value-added housing.

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.

Sheet 6

3. Segment Information Supplied Housing Business

	Net sales			Orders		
	Net sales			Orders		
	FY2013 (13/2-13/10)	FY2014 (14/2-14/10)	Change	FY2013 (13/2-13/10)	FY2014 (14/2-14/10)	Change
Remodeling	87.3	94.5	8.2%	100.8	94.4	(6.3%)
Real Estate Management Fees	305.8	319.8	4.6%	305.8	319.8	4.6%
Total	393.2	414.4	5.4%	406.7	414.3	1.9%

	Operating income			OP margin		Gross margin	
	Operating income			OP margin		Gross margin	
	FY2013 (13/2-13/10)	FY2014 (14/2-14/10)	Amount changed	FY2013 (13/2-13/10)	FY2014 (14/2-14/10)	FY2013 (13/2-13/10)	FY2014 (14/2-14/10)
Remodeling	8.9	9.6	0.6	10.3%	10.2%	24.4%	23.4%
Real Estate Management Fees	16.0	17.9	1.8	5.3%	5.6%	12.9%	13.5%
Total	25.0	27.5	2.4	6.4%	6.6%	15.5%	15.8%

The Supplied Housing Business grew stably as the housing units supplied by the Built-to-Order Business increased steadily.

3. Remodeling Business

- (1) The OP margin was in line with the year-ago level due to an increase in personnel to strengthen construction work and design capabilities in the future.
- (2) Proposal-based remodeling sales were reinforced by establishing the Renovation Planning Center that specializes in planning large projects.

4. Real Estate Management Fees Business

- (1) Sales rose 4.6% year-on-year, the number of units under management was 542 thousand, and the occupancy rate was 96.3% (96.2% at the end of the previous fiscal year).
- (2) The OP margin rose to 5.6% due to contribution of brokerage business, in addition to maintaining high occupancy rate.

Sheet 7

3. Segment Information Development Business

(¥ billion)

(¥ billion)

	Net sales			Orders		
	FY2013 (13/2-13/10)	FY2014 (14/2-14/10)	Change	FY2013 (13/2-13/10)	FY2014 (14/2-14/10)	Change
Houses for Sale	97.8	81.8	(16.3%)	108.3	88.6	(18.1%)
Condominiums	41.1	41.5	1.0%	60.3	50.0	(17.0%)
Urban Redevelopment	27.9	37.9	35.5%	27.9	164.8	488.9%
Overseas Business	33.3	56.0	68.0%	50.2	58.2	15.9%
Total	200.3	217.3	8.5%	246.9	361.9	46.5%

	Operating income			OP margin		Gross margin	
	FY2013 (13/2-13/10)	FY2014 (14/2-14/10)	Amount changed	FY2013 (13/2-13/10)	FY2014 (14/2-14/10)	FY2013 (13/2-13/10)	FY2014 (14/2-14/10)
Houses for Sale	5.6	6.2	0.6	5.8%	7.6%	17.2%	18.7%
Condominiums	1.6	3.3	1.7	4.0%	8.1%	13.0%	17.2%
Urban Redevelopment	6.1	9.2	3.0	21.9%	24.3%	25.5%	27.6%
Overseas Business	1.8	2.6	0.8	5.4%	4.7%	30.3%	22.2%
Total	15.2	21.4	6.2	7.6%	9.9%	19.7%	20.9%

Sheet 8

3. Segment Information Development Business

5. Houses for Sale Business

- (1) Despite the decline in sales, profitability improved and profits rose. Profit margin also grew.
 (2) Orders declined due to sluggish consumer confidence, as in the Custom Detached Houses.

6. Condominiums Business

- (1) Both sales and orders remained in line with the plan. 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 Third Quarter>

(¥ billion)

Country	Sales	Operating income	Ordinary income	Investment balance	Orders	Accumulated orders
Australia	39.3	1.3	1.7	83.7	34.0	36.1
China	-	(2.2)	(2.1)	206.7	2.4	3.3
USA	16.6	4.2	4.5	117.0	21.7	23.7
Singapore *	-	-	3.1	44.9	-	-
Other administrative expense	-	(0.7)	(0.7)	-	-	-
Total	56.0	2.6	6.6	452.4	58.2	63.2

* Accounted for by the equity method

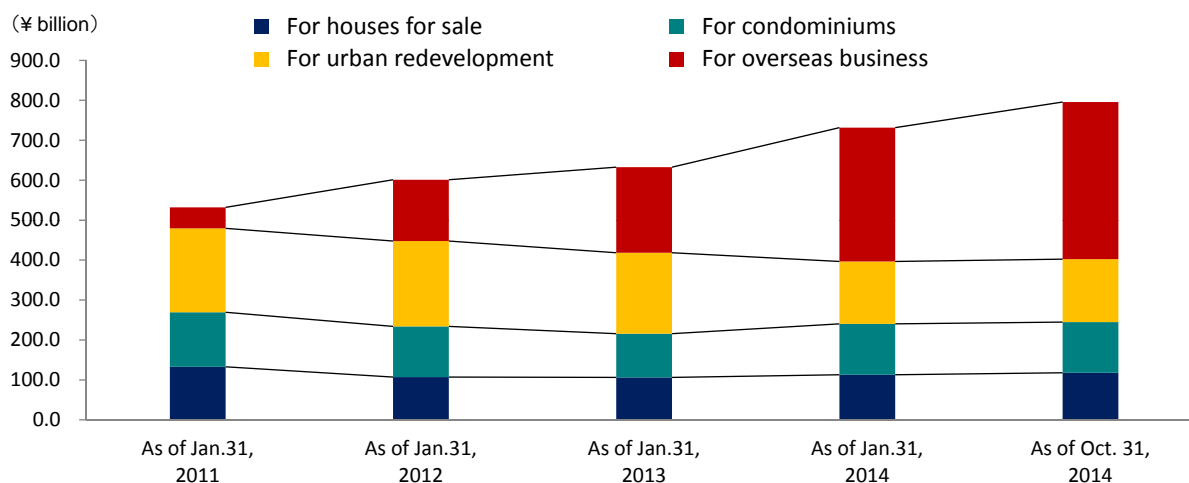
Sales status of major projects

Country	Projects	Units for sale	Of which, contracted units
Australia	Total 2 projects	1,380	1,141
China	Total 4 projects	299	48
Singapore	Total 6 projects	3,775	3,506

Sheet 9

3. Segment Information

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



	As of Jan. 31, 2011	As of Jan. 31, 2012	As of Jan. 31, 2013	As of Jan. 31, 2014	As of Oct. 31, 2014
Overseas Business	52.5	153.3	214.2	335.2	393.4
Urban Redevelopment	210.0	213.8	202.8	156.2	157.7
Condominiums	136.5	126.9	109.3	127.2	126.7
Houses for Sale	132.9	107.0	106.3	113.0	118.0
Total	532.0	601.1	632.7	731.7	795.9

Sheet 10

4. Full-Year Forecasts

The forecasts remain unchanged from the last plan announced on November 13, 2014.

(¥ billion)

	FY2013 (13/2-14/1) Results	FY2014 (14/2-15/1)	
		Forecasts	YoY
Net sales	1,805.1	1,910.0	5.8%
Operating income	131.9	145.0	9.9%
Ordinary income	137.7	153.5	11.4%
Net income	79.8	89.0	11.5%
EPS (yen)	118.63	130.46	10.0%
ROA	8.2%	8.4%	—
ROE	9.2%	9.3%	—
Dividend per share (yen)	43.00	50.00	7.00
Payout ratio	36.2%	38.3%	—

Sheet 11

4. Full-Year Forecasts

The forecasts remain unchanged from the last plan announced on November 13, 2014.

Sales

		(¥ billion)			
		FY2013 (13/2-14/1) Results	FY2014 (Full-Year) (14/2-15/1)		
			Forecasts	Change	YoY
Built-to-Order Business	Custom Detached Houses	517.6	410.0	(107.6)	(20.8%)
	Rental Housing	356.2	410.0	53.7	15.1%
	Subtotal	873.8	820.0	(53.8)	(6.2%)
Supplied Housing Business	Remodeling	125.0	137.0	11.9	9.6%
	Real Estate Management Fees	408.4	426.0	17.5	4.3%
	Subtotal	533.4	563.0	29.5	5.5%
Development Business	Houses for Sale	133.4	116.0	(17.4)	(13.0%)
	Condominiums	63.0	58.0	(5.0)	(8.1%)
	Urban Redevelopment	42.4	178.0	135.5	319.5%
	Overseas Business	85.3	80.0	(5.3)	(6.3%)
	Subtotal	324.3	432.0	107.6	33.2%
Other Businesses		73.4	95.0	21.5	29.3%
Consolidated		1,805.1	1,910.0	104.8	5.8%

Orders

		(¥ billion)			
		FY2013 (13/2-14/1) Results	FY2014 (Full-Year) (14/2-15/1)		
			Forecasts	Change	YoY
		525.0	418.0	(107.0)	(20.4%)
		426.6	408.0	(18.6)	(4.4%)
		951.7	826.0	(125.7)	(13.2%)
		135.1	134.0	(1.1)	(0.8%)
		408.4	426.0	17.5	4.3%
		543.5	560.0	16.4	3.0%
		132.5	122.0	(10.5)	(7.9%)
		76.6	63.0	(13.6)	(17.8%)
		44.6	175.7	131.1	293.6%
		82.5	85.0	2.4	2.9%
		336.4	445.7	109.3	32.5%
		96.9	88.2	(8.6)	(9.0%)
		1,928.5	1,920.0	(8.5)	(0.4%)

Sheet 12

4. Full-Year Forecasts

The forecasts remain unchanged from the last plan announced on November 13, 2014.

(¥ billion)

		Operating income				OP margin		Gross margin	
		FY2013 (13/2-14/1) Results	FY2014 (Full-Year) (14/2-15/1)			FY2013 (13/2-14/1) Results	FY2014 (14/2-15/1) Forecasts	FY2013 (13/2-14/1) Results	FY2014 (14/2-15/1) Forecasts
			Forecasts	Change	YoY				
Built-to-Order Business	Custom Detached Houses	65.8	44.0	(21.8)	(33.1%)	12.7%	10.7%	24.9%	24.6%
	Rental Housing	36.4	48.0	11.5	31.5%	10.2%	11.7%	21.3%	22.4%
	Subtotal	102.3	92.0	(10.3)	(10.1%)	11.7%	11.2%	23.4%	23.5%
Supplied Housing Business	Remodeling	14.0	16.0	1.9	14.0%	11.2%	11.7%	24.5%	24.5%
	Real Estate Management Fees	20.0	23.0	2.9	14.6%	4.9%	5.4%	12.8%	13.4%
	Subtotal	34.1	39.0	4.8	14.4%	6.4%	6.9%	15.6%	16.1%
Development Business	Houses for Sale	8.1	8.0	(0.1)	(1.8%)	6.1%	6.9%	16.9%	17.2%
	Condominiums	3.9	5.0	1.0	25.7%	6.3%	8.6%	14.6%	19.0%
	Urban Redevelopment	8.5	24.0	15.4	180.3%	20.2%	13.5%	23.7%	14.6%
	Overseas Business	8.5	5.0	(3.5)	(41.7%)	10.0%	6.3%	25.0%	23.1%
	Subtotal	29.2	42.0	12.7	43.5%	9.0%	9.7%	19.5%	17.5%
Other Businesses		1.6	4.5	2.8	166.3%	2.3%	4.7%	16.0%	15.3%
Eliminations and corporate expenses		(35.4)	(32.5)	2.9	-	-	-	-	-
Consolidated		131.9	145.0	13.0	9.9%	7.3%	7.6%	19.9%	19.4%

Sheet 13

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