

# Sekisui House, Ltd. FY2014

(February 1, 2014 through January 31, 2015)

## - Summary of Consolidated Financial Results -

### 1. Overview

### 2. Financial Position

### 3. Segment Information

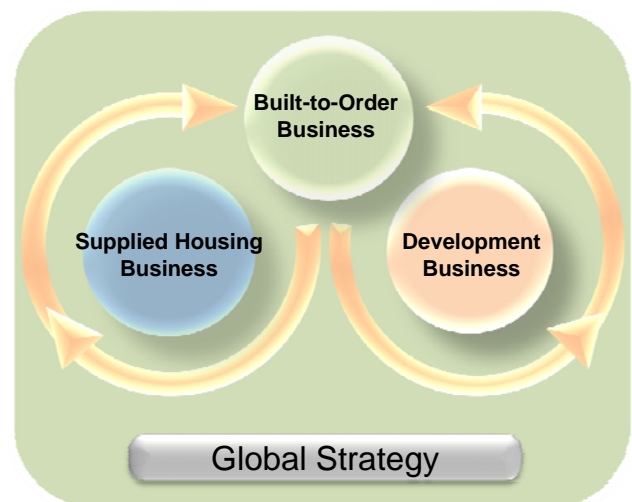
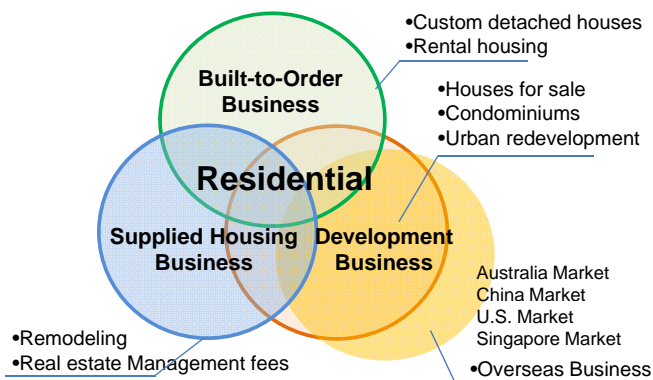
- Built-to-Order Business
- Supplied Housing Business
- Development Business

### 4. Full-Year Forecasts for FY2015

March 5, 2015

## 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 continued to reach record highs.  
A balanced earnings structure was achieved by strengthening group synergies.  
Dividends per share increased 7 yen to 50 yen. Share buybacks of 10 million shares was undertaken.**

(¥ billion)

	FY2013 (13/2-14/1)		FY2014 (14/2-15/1)		
	Results	Margin	Results	Margin	YoY
Net sales	1,805.1		1,912.7		6.0%
Cost of sales	1,446.6		1,544.2		6.8%
Gross profit	358.4	19.9%	368.4	19.3%	2.8%
Selling, general and administrative expenses	226.5		221.8		(2.1%)
Operating income	131.9	7.3%	146.5	7.7%	11.1%
Non-operating income/loss	5.8		9.8		67.6%
Ordinary income	137.7	7.6%	156.4	8.2%	13.5%
Extraordinary income	0.4		6.1		-
Extraordinary loss	5.7		10.3		80.6%
Minority interests in income	3.3		2.0		(37.1%)
Net income	79.8	4.4%	90.2	4.7%	13.1%
Consolidated orders	1,928.5		1,892.6		(1.9%)

Sheet 2

## 1. Overview

- Sales and income increased, driven by efforts to improve proposals for large-scale remodeling, stably increasing the number of units under management in the Supplied Housing Business, and seeking to strengthen the exit strategy of the Urban Redevelopment Business in the Development Business. (Properties amounting to ¥114.3 billion were sold to Sekisui House Reit, Inc., which was listed in December.)
- In the Built-to-Order Business, orders have continued to recover in recent months through efforts focused on sales of products such as zero energy homes, although orders for the Custom Detached Houses Business remained weak, mainly due to the impact of the consumption tax hike. The Rental Housing Business remained solid thanks to increased sales of three- and four-story rental houses.

### 1. Net sales

- (1) The Built-to-Order Business (down ¥48.3 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 ¥28.9 billion year-on-year) and the Development Business (up ¥109.2 billion year-on-year).

### 2. Operating income

- (1) Record-high income was achieved, mainly due to the Rental Housing Business (up ¥9.3 billion year-on-year), the Real Estate Management Fees Business (up ¥3.3 billion year-on-year) and the Urban Redevelopment Business (up ¥17.2 billion year-on-year), although the Custom Detached Houses Business (down ¥16.9 billion year-on-year) experienced a decline in income.
- (2) The OP margin increased to 7.7% due to improved production efficiency in the Built-to-Order Business and continuous cost reduction, in addition to improved profitability in the Supplied Housing Business and the Development Business.

### 3. Ordinary income

- (1) Profits of ¥4.9 billion and foreign exchange gains of ¥3.1 billion including loans receivables of Singapore Business were posted.

### 4. Extraordinary income/loss

- (1) Gain on sales of investment securities of ¥6.1 billion, loss on valuation of investment securities of ¥7.1 billion, and impairment loss of ¥1.9 billion were posted.

### 5. Net income

- (1) Net income amounted to ¥90.2 billion (up 13.1% year-on-year). EPS was ¥130.91.

Sheet 3

## 2. Financial Position

Total assets increased ¥160.4 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 bonds payable and an increase in short-term loans payable.
- Net assets increased, mainly due to the posting of net income and an increase in foreign currency translation adjustment. (Equity ratio was 55.4%)

(¥ billion)				(¥ billion)			
Assets	As of Jan. 31, 2014	As of Jan. 31, 2015	Amount changed		FY2013 (13/2-14/1)	FY2014 (14/2-15/1)	Amount changed
Total current assets	1,078.5	1,129.2	50.6	Net cash provided by (used in) operating activities	78.0	117.3	39.2
Total noncurrent assets	690.4	800.1	109.7	Net cash provided by (used in) investing activities	(80.6)	(128.5)	(47.8)
<b>Total assets</b>	<b>1,769.0</b>	<b>1,929.4</b>	<b>160.4</b>	Free cash flow	(2.5)	(11.1)	(8.6)
Liabilities and net assets	As of Jan. 31, 2014	As of Jan. 31, 2015	Amount changed	Net cash provided by (used in) financing activities	(0.7)	19.6	20.3
Total current liabilities	502.6	562.2	59.5	Net increase (decrease) in cash and cash equivalents	2.0	13.6	11.6
Total noncurrent liabilities	324.9	288.1	(36.8)	Cash and cash equivalents at beginning of period	179.2	181.3	
<b>Total liabilities</b>	<b>827.5</b>	<b>850.3</b>	<b>22.7</b>	Cash and cash equivalents at end of period	181.3	195.0	
<b>Total net assets</b>	<b>941.4</b>	<b>1,079.0</b>	<b>137.6</b>		FY2013 (13/2-14/1)	FY2014 (14/2-15/1)	Amount changed
<b>Total liabilities and net assets</b>	<b>1,769.0</b>	<b>1,929.4</b>	<b>160.4</b>	Capital expenditures	130.2	121.5	(8.6)
				Depreciation and amortization	22.5	25.6	3.1
	As of Jan. 31, 2014	As of Jan. 31, 2015	Change				
			Amounts	%			
Interest bearing debts	289.8	351.7	61.8	21.3%			

Sheet 4

## 3. Segment Information

		FY2013 (13/2-14/1)					FY2014 (14/2-15/1)				
		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	517.6	65.8	12.7%	24.9%	525.0	427.0	48.8	11.4%	24.8%	388.6
	Rental Housing	356.2	36.4	10.2%	21.3%	426.6	398.4	45.8	11.5%	21.7%	408.5
	Subtotal	873.8	102.3	11.7%	23.4%	951.7	825.5	94.7	11.5%	23.3%	797.1
Supplied Housing Business	Remodeling	125.0	14.0	11.2%	24.5%	135.1	134.1	14.9	11.2%	23.6%	125.6
	Real Estate Management Fees	408.4	20.0	4.9%	12.8%	408.4	428.2	23.4	5.5%	13.4%	428.2
	Subtotal	533.4	34.1	6.4%	15.6%	543.5	562.3	38.4	6.8%	15.8%	553.8
Development Business	Houses for Sale	133.4	8.1	6.1%	16.9%	132.5	118.7	8.4	7.2%	17.6%	122.2
	Condominiums	63.0	3.9	6.3%	14.6%	76.6	56.6	4.7	8.4%	17.6%	65.7
	Urban Redevelopment	42.4	8.5	20.2%	23.7%	44.6	178.3	25.8	14.5%	15.5%	176.1
	Overseas Business	85.3	8.5	10.0%	25.0%	82.5	79.8	4.4	5.5%	23.1%	94.5
	Subtotal	324.3	29.2	9.0%	19.5%	336.4	433.6	43.4	10.0%	17.7%	458.6
Other Businesses		73.4	1.6	2.3%	16.0%	96.9	91.1	3.1	3.4%	15.1%	82.8
Eliminations and corporate expenses		-	(35.4)	-	-	-	-	(33.1)	-	-	-
Consolidated		1,805.1	131.9	7.3%	19.9%	1,928.5	1,912.7	146.5	7.7%	19.3%	1,892.6

Sheet 5

### 3. Segment Information Built-to-Order Business

	Net sales (¥ billion)				Orders (¥ billion)			
	FY2013 (13/2-14/1)	FY2014 (14/2-15/1)	Amount changed	YOY	FY2013 (13/2-14/1)	FY2014 (14/2-15/1)	Amount changed	YOY
Custom Detached Houses	517.6	427.0	(90.6)	(17.5%)	525.0	388.6	(136.4)	(26.0%)
Rental Housing	356.2	398.4	42.2	11.9%	426.6	408.5	(18.1)	(4.2%)
Total	873.8	825.5	(48.3)	(5.5%)	951.7	797.1	(154.5)	(16.2%)

	Operating income				OP margin		Gross margin	
	FY2013 (13/2-14/1)	FY2014 (14/2-15/1)	Amount changed	YOY	FY2013 (13/2-14/1)	FY2014 (14/2-15/1)	FY2013 (13/2-14/1)	FY2014 (14/2-15/1)
Custom Detached Houses	65.8	48.8	(16.9)	(25.7%)	12.7%	11.4%	24.9%	24.8%
Rental Housing	36.4	45.8	9.3	25.6%	10.2%	11.5%	21.3%	21.7%
Total	102.3	94.7	(7.5)	(7.4%)	11.7%	11.5%	23.4%	23.3%

#### 1. Custom Detached Houses Business

- (1) Gross margin remained at the same level as the previous year, mainly due to improved efficiency in operations as a result of the unification of the steel frame two-story house construction method and the realignment of brands.
- (2) Orders fell 26.0% year-on-year. Aiming to increase orders by promoting the proposals of high value-added housing such as Green First Zero and IS SERIES.
- (3) Demand is expected to increase on the back of factors such as an expansion in tax exemption for gifts for the purpose of purchasing residential housing and a broader application of preferential interest rates for the Flat 35.

#### 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) Orders for our platinum business such as houses with support services for elderly people increased, centered on dedicated products made from materials shipped from our factories.

Sheet 6

### 3. Segment Information Supplied Housing Business

	Net sales (¥ billion)				Orders (¥ billion)			
	FY2013 (13/2-14/1)	FY2014 (14/2-15/1)	Amount changed	YOY	FY2013 (13/2-14/1)	FY2014 (14/2-15/1)	Amount changed	YOY
Remodeling	125.0	134.1	9.1	7.3%	135.1	125.6	(9.4)	(7.0%)
Real Estate Management Fees	408.4	428.2	19.8	4.9%	408.4	428.2	19.8	4.9%
Total	533.4	562.3	28.9	5.4%	543.5	553.8	10.3	1.9%

	Operating income				OP margin		Gross margin	
	FY2013 (13/2-14/1)	FY2014 (14/2-15/1)	Amount changed	YOY	FY2013 (13/2-14/1)	FY2014 (14/2-15/1)	FY2013 (13/2-14/1)	FY2014 (14/2-15/1)
Remodeling	14.0	14.9	0.9	6.8%	11.2%	11.2%	24.5%	23.6%
Real Estate Management Fees	20.0	23.4	3.3	16.7%	4.9%	5.5%	12.8%	13.4%
Total	34.1	38.4	4.3	12.6%	6.4%	6.8%	15.6%	15.8%

#### 3. Remodeling Business

- (1) Sales increased 7.3% year-on-year. 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 4.9% year-on-year, the number of units under management was 545 thousand, and the occupancy rate was 96.4% (96.2% at the end of the previous fiscal year).
- (2) The OP margin rose to 5.5% due mainly to maintaining high occupancy rate.

Sheet 7

### 3. Segment Information Development Business

(¥ billion)

(¥ billion)

	Net sales				Orders			
	FY2013 (13/2-14/1)	FY2014 (14/2-15/1)	Amount changed	YOY	FY2013 (13/2-14/1)	FY2014 (14/2-15/1)	Amount changed	YOY
Houses for Sale	133.4	118.7	(14.6)	(11.0%)	132.5	122.2	(10.2)	(7.7%)
Condominiums	63.0	56.6	(6.3)	(10.1%)	76.6	65.7	(10.8)	(14.2%)
Urban Redevelopment	42.4	178.3	135.9	320.3%	44.6	176.1	131.4	294.4%
Overseas Business	85.3	79.8	(5.5)	(6.5%)	82.5	94.5	11.9	14.5%
Total	324.3	433.6	109.2	33.7%	336.4	458.6	122.2	36.3%

	Operating income				OP margin		Gross margin	
	FY2013 (13/2-14/1)	FY2014 (14/2-15/1)	Amount changed	YOY	FY2013 (13/2-14/1)	FY2014 (14/2-15/1)	FY2013 (13/2-14/1)	FY2014 (14/2-15/1)
Houses for Sale	8.1	8.4	0.3	4.3%	6.1%	7.2%	16.9%	17.6%
Condominiums	3.9	4.7	0.7	19.1%	6.3%	8.4%	14.6%	17.6%
Urban Redevelopment	8.5	25.8	17.2	201.4%	20.2%	14.5%	23.7%	15.5%
Overseas Business	8.5	4.4	(4.1)	(48.5%)	10.0%	5.5%	25.0%	23.1%
Total	29.2	43.4	14.1	48.5%	9.0%	10.0%	19.5%	17.7%

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.

#### 6. Condominiums Business

(1) Grande Maison Komae and Grande Maison Ikeshita the Tower among others were delivered.  
 (2) The OP margin continued to rise to 8.4%.

#### 7. Urban Redevelopment Business

(1) Sales of ¥137.3 billion and operating income of ¥16.5 billion were posted due to the sale of properties, in addition to an increase in rental income.

#### 8. Overseas Business

&lt;FY2014&gt;

(¥ billion)

Country	Sales	Operating income	Ordinary income	Investment balance	Orders	Accumulated orders
Australia	54.6	2.8	3.1	86.9	60.3	47.2
China	-	(3.3)	(3.3)	253.6	3.9	4.8
USA	25.2	5.8	6.2	140.4	30.2	23.6
Singapore *	-	-	4.9	44.9	-	-
Other administrative expense	-	(0.9)	(0.9)	-	-	-
Total	79.8	4.4	10.0	526.0	94.5	75.7

\* Accounted for by the equity method

#### Sales status of major projects

Country	Projects	Units for sale	Of which, contracted units
Australia	Total 2 projects	664	452
China	Total 5 projects	550	70
Singapore	Total 6 projects	3,775	3,545

Sheet 9

## 4. Full-Year Forecasts

(¥ billion)

	FY2014 (14/2-15/1) Results	FY2015 (15/2-16/1)	
		Forecasts	YoY
Net sales	1,912.7	1,930.0	0.9%
Operating income	146.5	153.0	4.4%
Ordinary income	156.4	159.0	1.6%
Net income	90.2	93.0	3.1%
EPS (yen)	130.91	132.96	1.6%
ROA	8.4%	8.3%	-
ROE	9.0%	8.7%	-
Dividend per share (yen)	50.00	54.00	4.00
Payout ratio	38.2%	40.6%	-

Sheet 10

## 4. Full-Year Forecasts

### Sales

(¥ billion)

	FY2014 (14/2-15/1) Results	FY2015 (Full-Year) (15/2-16/1)			
		Forecasts	Change	YoY	
Built-to-Order Business	Custom Detached Houses	427.0	410.0	(17.0)	(4.0%)
	Rental Housing	398.4	418.0	19.5	4.9%
	Subtotal	825.5	828.0	2.4	0.3%
Supplied Housing Business	Remodeling	134.1	142.0	7.8	5.8%
	Real Estate Management Fees	428.2	448.0	19.7	4.6%
	Subtotal	562.3	590.0	27.6	4.9%
Development Business	Houses for Sale	118.7	120.0	1.2	1.1%
	Condominiums	56.6	84.0	27.3	48.2%
	Urban Redevelopment	178.3	114.0	(64.3)	(36.1%)
	Overseas Business	79.8	110.0	30.1	37.8%
	Subtotal	433.6	428.0	(5.6)	(1.3%)
Other Businesses	91.1	84.0	(7.1)	(7.9%)	
Consolidated	1,912.7	1,930.0	17.2	0.9%	

### Orders

(¥ billion)

	FY2014 (14/2-15/1) Results	FY2015 (Full-Year) (15/2-16/1)		
		Forecasts	Change	YoY
	388.6	418.0	29.3	7.6%
	408.5	420.0	11.4	2.8%
	797.1	838.0	40.8	5.1%
	125.6	145.0	19.3	15.4%
	428.2	448.0	19.7	4.6%
	553.8	593.0	39.1	7.1%
	122.2	122.0	(0.2)	(0.2%)
	65.7	74.0	8.2	12.5%
	176.1	114.0	(62.1)	(35.3%)
	94.5	120.0	25.4	26.9%
	458.6	430.0	(28.6)	(6.3%)
	82.8	86.0	3.1	3.8%
	1,892.6	1,947.0	54.3	2.9%

Sheet 11

## 4. Full-Year Forecasts

(¥ billion)

		Operating income				OP margin		Gross margin	
		FY2014 (14/2-15/1) Results	FY2015 (Full-Year) (15/2-16/1)			FY2014 (14/2-15/1) Results	FY2015 (15/2-16/1) Forecasts	FY2014 (14/2-15/1) Results	FY2015 (15/2-16/1) Forecasts
			Forecasts	Change	YoY				
Built-to-Order Business	Custom Detached Houses	48.8	45.0	(3.8)	(8.0%)	11.4%	11.0%	24.8%	24.6%
	Rental Housing	45.8	49.0	3.1	6.9%	11.5%	11.7%	21.7%	22.5%
	Subtotal	94.7	94.0	(0.7)	(0.8%)	11.5%	11.4%	23.3%	23.6%
Supplied Housing Business	Remodeling	14.9	16.0	1.0	6.7%	11.2%	11.3%	23.6%	23.9%
	Real Estate Management Fees	23.4	26.5	3.0	13.2%	5.5%	5.9%	13.4%	13.6%
	Subtotal	38.4	42.5	4.0	10.7%	6.8%	7.2%	15.8%	16.1%
Development Business	Houses for Sale	8.4	9.0	0.5	6.0%	7.2%	7.5%	17.6%	17.9%
	Condominiums	4.7	7.5	2.7	58.3%	8.4%	8.9%	17.6%	16.1%
	Urban Redevelopment	25.8	20.0	(5.8)	(22.5%)	14.5%	17.5%	15.5%	19.3%
	Overseas Business	4.4	8.0	3.5	81.0%	5.5%	7.3%	23.1%	23.6%
	Subtotal	43.4	44.5	1.0	2.4%	10.0%	10.4%	17.7%	19.4%
Other Businesses	3.1	3.5	0.3	12.1%	3.4%	4.2%	15.1%	15.5%	
Eliminations and corporate expenses	(33.1)	(31.5)	1.6	-	-	-	-	-	
Consolidated	146.5	153.0	6.4	4.4%	7.7%	7.9%	19.3%	19.8%	

Sheet 12

Although the document is prepared on the information believed to be credible, Sekisui House does not guarantee the accuracy or the completeness of such information. Also the information herein contains forward-looking statements regarding the company's plan, outlook, strategies and results for the future. The Company undertakes no obligation to publicly update any forward-looking statements. All the forward-looking statements are based on judgments derived from information available to the Company at the time for this release. Certain risks and uncertainties could cause the company's actual results to differ materially from any projections presented here.

Sheet 13