

Sekisui House, Ltd.

FY2015

(February 1, 2015 through January 31, 2016)

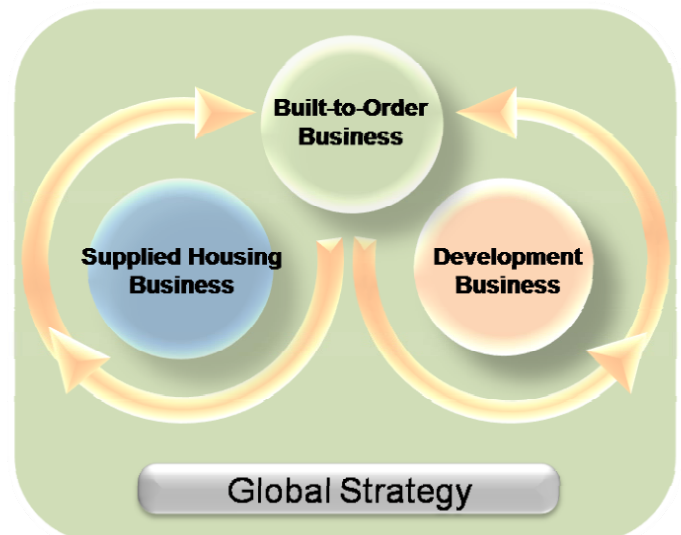
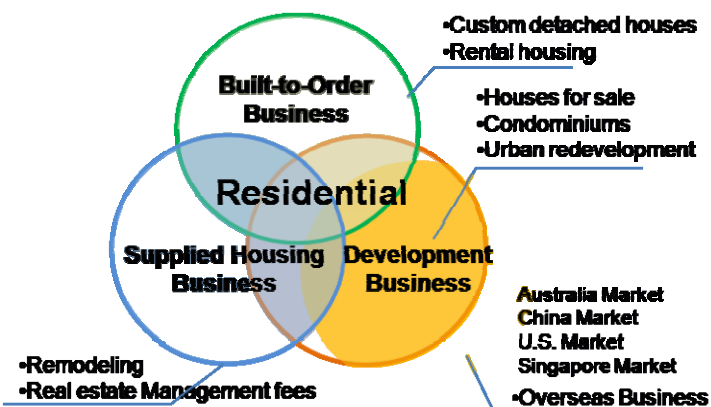
- Summary of Consolidated Financial Results -

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March 10, 2016

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



➤ Overview

Operating income achieved record highs for the third consecutive year, reflecting the enhancement of its profit-making structures.

Net income was 84.3 billion yen due to the posting of extraordinary losses.

The total return ratio stood at 68.6% as a result of share buybacks, as well as an annual dividend of 54 yen with an increase of 4 yen.

➤ Highlights

- **Built-to-Order Business:** The Custom Detached Houses Business was affected by the decreased orders in the previous year. However, the Built-to-Order Business, as a whole, recorded income increases thanks to the improvement of profit-making structures, supported by the Group's comprehensive capabilities in production, logistics, and construction. The situation continued to improve in terms of order acquisition, reflecting efforts focused on the sale of high value-added products such as the Green First Zero and three- and four-story housing. As a result, orders were up 3.1% year on year.
- **Supplied Housing Business:** The sales of the Remodeling Business remained at the same level as the previous year due to the impact of the consumption tax hike. However, orders were strong thanks to the strengthening of operation structures for large-scale renovations and remodeling for conventional wooden houses and condominiums. The Real Estate Management Fees Business achieved an increase in both sales and profits on the back of high-level occupancy rates and an increased number of units under management, thanks to the supply of high quality rental housing.
- **Development Business:** Both the Houses for Sale and the Condominiums Businesses increased their sales and profits significantly. The Urban Redevelopment Business experienced a sales decline as sales from property sales largely decreased. The Overseas Business recorded an operating loss due to the posting of a loss on inventory evaluation for some projects of the Chinese business in consideration of the future business environments, although the North American and Australian businesses remained strong.

(¥ billion)

	FY2014 (14/2-15/1)		FY2015 (15/2-16/1)			
	Results	Margin	Results	Margin	Amount changed	YOY
Net sales	1,912.7		1,858.8		(53.8)	(2.8%)
Built-to-Order	825.5		794.3		(31.1)	(3.8%)
Supplied Housing	562.3		583.2		20.8	3.7%
Development	433.6		401.5		(32.0)	(7.4%)
Gross profit	368.4	19.3%	373.8	20.1%	5.4	1.5%
Built-to-Order	192.1	23.3%	193.6	24.4%	1.5	0.8%
Supplied Housing	89.1	15.8%	94.8	16.3%	5.7	6.5%
Development	76.9	17.7%	75.6	18.8%	(1.2)	(1.7%)
SG&A	221.8		224.2		2.3	1.1%
Operating income	146.5	7.7%	149.6	8.1%	3.0	2.1%
Built-to-Order	94.7	11.5%	99.1	12.5%	4.4	4.7%
Supplied Housing	38.4	6.8%	42.6	7.3%	4.2	11.1%
Development	43.4	10.0%	39.0	9.7%	(4.4)	(10.2%)
Non-operating income/expenses	9.8		10.9		1.1	11.3%
Ordinary income	156.4	8.2%	160.5	8.6%	4.1	2.7%
Extraordinary income	6.1		8.9		2.8	46.2%
Extraordinary loss	10.3		18.7		8.3	80.6%
Net income	90.2	4.7%	84.3	4.5%	(5.9)	(6.6%)
EPS (yen)	130.91		120.16			

(Cost of sales)
[Appraisal losses on China business: ¥14.4 billion]

(Non-operating income/expenses)
-Equity in earnings of affiliates: ¥9.4 billion (up ¥4.1 billion YOY)
(of which, from Singapore business: ¥5.1 billion)
-Foreign exchange loss: ¥0.4 billion (down ¥3.9 billion YOY)
[Expenses related to China business: ¥0.6 billion]

(Extraordinary income)
-Gain on sales of investment securities: ¥8.9 billion (up ¥2.8 billion YOY)

(Extraordinary loss)
-Impairment loss: ¥10.6 billion (up ¥8.7 billion YOY)
-Loss on retirement of noncurrent assets: ¥3.1 billion (up ¥1.9 billion YOY)
[Loss related to China business: ¥9.9 billion]

(Income taxes-deferred)
· The reversal of deferred tax assets occurred as a result of the change in corporate tax rates: ¥3.8 billion

➤ State of Orders

(¥ billion)

	FY2014 (14/2-15/1)	FY2015 (15/2-16/1)	Amount changed	YOY
Consolidated orders	1,892.6	1,934.5	41.9	2.2%
Accumulated orders	793.0	868.7	75.7	9.5%

➤ Built-to-Order: 822.1 billion (up 24.9 billion YOY)

➤ Built-to-Order: 566.7 billion (up 27.7 billion YOY)

2. Financial Position



➤ Consolidated Balance Sheets

(¥ billion)

(Assets)	As of Jan. 31, 2015	As of Jan. 31, 2016	Amount changed	(Liabilities and net assets)	As of Jan. 31, 2015	As of Jan. 31, 2016	Amount changed
Total current assets	1,129.2	1,264.9	135.6	Total current liabilities	562.2	735.3	173.1
Real estate for sale *	768.9	898.2	129.2	Total noncurrent liabilities	288.1	225.9	(62.1)
Total noncurrent assets	800.1	764.8	(35.2)	Total liabilities	850.3	961.3	111.0
Total assets	1,929.4	2,029.7	100.3	Total net assets	1,079.0	1,068.4	(10.6)
				Total liabilities and net assets	1,929.4	2,029.7	100.3

* Total of Buildings for sale, Land for sale In lots, and Undeveloped land for sale

[Main factors of change]

- Transfer from noncurrent assets to real estate for sale, which is included in real estate for sale: ¥54.7 billion
- Foreign currency translation adjustments: ¥68.7 billion (down ¥22.4 billion YOY)
- Remeasurements of defined benefit plans: ¥25.6 billion (down ¥10.5 billion YOY)

➤ State of Interest-bearing Debts

	FY2014	FY2015	Amount changed
Interest-bearing debts (¥ billion)	351.7	426.0	74.2
DE ratio	32.9%	40.3%	7.4p
Equity ratio	55.4%	52.1%	(3.3p)

➤ State of Cash Flows

(¥ billion)

	FY2014	FY2015	Amount changed
Net cash provided by (used in) operating activities	117.3	45.8	(71.4)
Net cash provided by (used in) investing activities	(128.5)	(76.1)	52.3
Free cash flow	(11.1)	(30.2)	(19.1)
Net cash provided by (used in) financing activities	19.6	32.0	12.4
Net increase (decrease) in cash and cash equivalents	13.6	(2.6)	(16.3)
Cash and cash equivalents at beginning of period	181.3	195.0	
Cash and cash equivalents at end of period	195.0	192.3	

[Main factors of change]

- Increases in inventories: ¥97.6 billion
- Purchase of property, plant and equipment (including Akasaka Garden City): ¥77.8 billion

➤ State of Investment

(¥ billion)

	FY2014	FY2015	Amount changed	FY2016 Full-year plan
Capital expenditures	121.5	81.2	(40.2)	80.0
Depreciation and amortization	25.6	24.4	(1.2)	25.0

3. Segment Information

➤ Built-to-Order Business

(¥ billion)

	Net sales			
	FY2014 (14/2-15/1)	FY2015 (15/2-16/1)	Amount changed	YOY
Custom Detached Houses	427.0	393.7	(33.2)	(7.8%)
Rental Housing	398.4	400.6	2.1	0.5%
Total	825.5	794.3	(31.1)	(3.8%)

Gross margin		
FY2014 (14/2-15/1)	FY2015 (15/2-16/1)	Amount changed
24.8%	25.2%	0.4p
21.7%	23.6%	1.9p
23.3%	24.4%	1.1p

	Operating income			
	FY2014 (14/2-15/1)	FY2015 (15/2-16/1)	Amount changed	YOY
Custom Detached Houses	48.8	47.2	(1.6)	(3.4%)
Rental Housing	45.8	51.9	6.0	13.3%
Total	94.7	99.1	4.4	4.7%

OP margin		
FY2014 (14/2-15/1)	FY2015 (15/2-16/1)	Amount changed
11.4%	12.0%	0.6p
11.5%	13.0%	1.5p
11.5%	12.5%	1.0p

	Orders			
	FY2014 (14/2-15/1)	FY2015 (15/2-16/1)	Amount changed	YOY
Custom Detached Houses	388.6	387.5	(1.1)	(0.3%)
Rental Housing	408.5	434.5	26.0	6.4%
Total	797.1	822.1	24.9	3.1%

ASP per building (10 thousand yen)		
FY2014 (14/2-15/1)	FY2015 (15/2-16/1)	Amount changed
3,565	3,700	135
6,854	7,677	823

■ Custom Detached Houses Business

Ratio of Green First Zero: 71%

Ratio of three- and four-story housing (in value): 10.3%

■ Rental Housing Business

Ratio of three- and four-story housing (in value): 52.0%

➤ Supplied Housing Business

(¥ billion)

	Net sales			
	FY2014 (14/2-15/1)	FY2015 (15/2-16/1)	Amount changed	YOY
Remodeling	134.1	134.4	0.2	0.2%
Real Estate Management Fees	428.2	448.7	20.5	4.8%
Total	562.3	583.2	20.8	3.7%

Gross margin		
FY2014 (14/2-15/1)	FY2015 (15/2-16/1)	Amount changed
23.6%	23.9%	0.3p
13.4%	14.0%	0.6p
15.8%	16.3%	0.5p

	Operating income			
	FY2014 (14/2-15/1)	FY2015 (15/2-16/1)	Amount changed	YOY
Remodeling	14.9	15.8	0.8	5.7%
Real Estate Management Fees	23.4	26.8	3.4	14.6%
Total	38.4	42.6	4.2	11.1%

OP margin		
FY2014 (14/2-15/1)	FY2015 (15/2-16/1)	Amount changed
11.2%	11.8%	0.6p
5.5%	6.0%	0.5p
6.8%	7.3%	0.5p

	Orders			
	FY2014 (14/2-15/1)	FY2015 (15/2-16/1)	Amount changed	YOY
Remodeling	125.6	134.1	8.4	6.7%
Real Estate Management Fees	428.2	448.7	20.5	4.8%
Total	553.8	582.8	28.9	5.2%

■ Real Estate Management Fees Business

Number of units under management: 565 thousand
Occupancy ratio: 96.5% (up 0.1p from the end of the previous year)

3. Segment Information



Development Business

(¥ billion)

	Net sales			
	FY2014 (14/2-15/1)	FY2015 (15/2-16/1)	Amount changed	YOY
Houses for Sale	118.7	137.4	18.7	15.8%
Condominiums	56.6	81.4	24.7	43.7%
Urban Redevelopment	178.3	93.0	(85.3)	(47.8%)
Overseas	79.8	89.5	9.6	12.1%
Total	433.6	401.5	(32.0)	(7.4%)

Gross margin		
FY2014 (14/2-15/1)	FY2015 (15/2-16/1)	Amount changed
17.6%	18.8%	1.2p
17.6%	16.2%	(1.4p)
15.5%	28.7%	13.2p
23.1%	11.2%	(11.9p)
17.7%	18.8%	1.1p

	Operating income			
	FY2014 (14/2-15/1)	FY2015 (15/2-16/1)	Amount changed	YOY
Houses for Sale	8.4	11.9	3.4	40.4%
Condominiums	4.7	8.0	3.2	69.5%
Urban Redevelopment	25.8	24.7	(1.0)	(4.1%)
Overseas	4.4	(5.6)	(10.0)	-
Total	43.4	39.0	(4.4)	(10.2%)

OP margin		
FY2014 (14/2-15/1)	FY2015 (15/2-16/1)	Amount changed
7.2%	8.7%	1.5p
8.4%	9.9%	1.5p
14.5%	26.6%	12.1p
5.5%	(6.3%)	(11.8%)
10.0%	9.7%	(0.3p)

	Orders			
	FY2014 (14/2-15/1)	FY2015 (15/2-16/1)	Amount changed	YOY
Houses for Sale	122.2	132.6	10.4	8.5%
Condominiums	65.7	77.7	11.9	18.2%
Urban Redevelopment	176.1	93.0	(83.0)	(47.2%)
Overseas	94.5	147.0	52.5	55.5%
Total	458.6	450.5	(8.1)	(1.8%)

■Urban Redevelopment Business
Sales from property sales: ¥49.2 billion
Operating income from property sales: ¥15.2 billion

Overseas Business / Details by country

Results for FY2015

(¥ billion)

Country	Net sales	Operating income	Ordinary income	Investment balance	Orders	Accumulated orders	Units for sale of major projects	Of which, contracted units *2
Australia	33.0	3.3	2.8	89.6	74.2	88.3	2,241 units	1,984 units
China	5.7	(18.6)	(18.2)	256.4	10.0	9.1	756 units	254 units
USA	50.6	10.7	10.9	215.3	62.7	35.7	-	-
Singapore *1	-	-	5.1	42.3	-	-	3,775 units	3,668 units
Other administrative expenses	-	(1.0)	(1.0)	-	-	-	-	-
Total	89.5	(5.6)	(0.3)	603.7	147.0	133.2	-	-

*1 Accounted for by the equity method

*2 Including units delivered during the current fiscal year

3. Segment Information



(¥ billion)

		FY2014 (14/2-15/1)					FY2015 (15/2-16/1)				
		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	427.0	48.8	11.4%	24.8%	388.6	393.7	47.2	12.0%	25.2%	387.5
	Rental Housing	398.4	45.8	11.5%	21.7%	408.5	400.6	51.9	13.0%	23.6%	434.5
	Subtotal	825.5	94.7	11.5%	23.3%	797.1	794.3	99.1	12.5%	24.4%	822.1
Supplied Housing Business	Remodeling	134.1	14.9	11.2%	23.6%	125.6	134.4	15.8	11.8%	23.9%	134.1
	Real Estate Management Fees	428.2	23.4	5.5%	13.4%	428.2	448.7	26.8	6.0%	14.0%	448.7
	Subtotal	562.3	38.4	6.8%	15.8%	553.8	583.2	42.6	7.3%	16.3%	582.8
Development Business	Houses for Sale	118.7	8.4	7.2%	17.6%	122.2	137.4	11.9	8.7%	18.8%	132.6
	Condominiums	56.6	4.7	8.4%	17.6%	65.7	81.4	8.0	9.9%	16.2%	77.7
	Urban Redevelopment	178.3	25.8	14.5%	15.5%	176.1	93.0	24.7	26.6%	28.7%	93.0
	Overseas	79.8	4.4	5.5%	23.1%	94.5	89.5	(5.6)	(6.3%)	11.2%	147.0
	Subtotal	433.6	43.4	10.0%	17.7%	458.6	401.5	39.0	9.7%	18.8%	450.5
	Other Businesses	91.1	3.1	3.4%	15.1%	82.8	79.7	2.5	3.1%	15.9%	79.0
	Eliminations and corporate expenses	-	(33.1)	-	-	-	-	(33.6)	-	-	-
	Total	1,912.7	146.5	7.7%	19.3%	1,892.6	1,858.8	149.6	8.1%	20.1%	1,934.5

4. Full-Year Forecasts For FY2016

(¥ billion)

	FY2015 (15/2-16/1) Results	FY2016 (16/2-17/1)	
		Forecasts	YOY
Net sales	1,858.8	1,985.0	6.8%
Operating income	149.6	170.0	13.6%
Ordinary income	160.5	177.0	10.2%
Net income attributable to owners of parent	84.3	111.0	31.7%
EPS (yen)	120.16	161.07	34.0%
ROA	8.2%	8.8%	-
ROE	7.9%	10.3%	-
Dividend per share (yen)	54.00	64.00	10.00
Payout ratio	44.9%	39.7%	-

4. Full-Year Forecasts For FY2016 by Segment



■ Sales

(¥ billion)

	FY2015 (15/2-16/1) Results	FY2016 (Full-Year) (16/2-17/1)			
		Forecasts	Amount changed	YOY	
Built-to-Order Business	Custom Detached Houses	393.7	383.0	(10.7)	(2.7%)
	Rental Housing	400.6	417.0	16.3	4.1%
	Subtotal	794.3	800.0	5.6	0.7%
Supplied Housing Business	Remodeling	134.4	146.0	11.5	8.6%
	Real Estate Management Fees	448.7	468.0	19.2	4.3%
	Subtotal	583.2	614.0	30.7	5.3%
Development Business	Houses for Sale	137.4	132.0	(5.4)	(4.0%)
	Condominiums	81.4	65.0	(16.4)	(20.2%)
	Urban Redevelopment	93.0	108.0	14.9	16.1%
	Overseas	89.5	190.0	100.4	112.2%
Subtotal	401.5	495.0	93.4	23.3%	
Other Businesses	79.7	76.0	(3.7)	(4.7%)	
Total	1,858.8	1,985.0	126.1	6.8%	

■ Orders

(¥ billion)

	FY2015 (15/2-16/1) Results	FY2016 (Full-Year) (16/2-17/1)		
		Forecasts	Amount changed	YOY
Built-to-Order Business	387.5	388.0	0.4	0.1%
Supplied Housing Business	434.5	442.0	7.4	1.7%
Development Business	822.1	830.0	7.8	1.0%
Other Businesses	134.1	146.0	11.8	8.9%
Total	448.7	468.0	19.2	4.3%
Built-to-Order Business	132.6	134.0	1.3	1.0%
Supplied Housing Business	77.7	68.0	(9.7)	(12.5%)
Development Business	93.0	108.0	14.9	16.1%
Other Businesses	147.0	160.0	12.9	8.8%
Total	450.5	470.0	19.4	4.3%
Other Businesses	79.0	79.0	(0.0)	(0.1%)
Total	1,934.5	1,993.0	58.4	3.0%

■ Operating income

(¥ billion)

	FY2015 (15/2-16/1) Results	FY2016 (Full-Year) (16/2-17/1)			
		Forecasts	Amount changed	YOY	
Built-to-Order Business	Custom Detached Houses	47.2	45.0	(2.2)	(4.7%)
	Rental Housing	51.9	55.0	3.0	5.9%
	Subtotal	99.1	100.0	0.8	0.9%
Supplied Housing Business	Remodeling	15.8	18.0	2.1	13.6%
	Real Estate Management Fees	26.8	29.0	2.1	8.1%
	Subtotal	42.6	47.0	4.3	10.2%
Development Business	Houses for Sale	11.9	9.0	(2.9)	(24.5%)
	Condominiums	8.0	5.0	(3.0)	(37.7%)
	Urban Redevelopment	24.7	15.5	(9.2)	(37.4%)
	Overseas	(5.6)	25.0	30.6	-
Subtotal	39.0	54.5	15.4	39.7%	
Other Businesses	2.5	3.0	0.4	19.5%	
Eliminations and corporate expenses	(33.6)	(34.5)	(0.8)	-	
Total	149.6	170.0	20.3	13.6%	

■ OP margin

■ Gross margin

	FY2015 (15/2-16/1) Results	FY2016 (16/2-17/1) Forecasts	FY2015 (15/2-16/1) Results	FY2016 (16/2-17/1) Forecasts
Built-to-Order Business	12.0%	11.7%	25.2%	25.6%
Supplied Housing Business	13.0%	13.2%	23.6%	24.0%
Development Business	12.5%	12.5%	24.4%	24.8%
Other Businesses	11.8%	12.3%	23.9%	24.0%
Total	6.0%	6.2%	14.0%	14.1%
Built-to-Order Business	7.3%	7.7%	16.3%	16.4%
Supplied Housing Business	8.7%	6.8%	18.8%	17.4%
Development Business	9.9%	7.7%	16.2%	16.9%
Other Businesses	26.6%	14.4%	28.7%	16.2%
Total	(6.3%)	13.2%	11.2%	23.7%
Other Businesses	9.7%	11.0%	18.8%	19.5%
Eliminations and corporate expenses	3.1%	3.9%	15.9%	17.1%
Total	-	-	-	-
Total	8.1%	8.6%	20.1%	20.5%

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