

## Consolidated Financial Results for FY2014 (February 1, 2014 through January 31, 2015)

March 5, 2015

Company name	: <b>Sekisui House, Ltd.</b> (URL <a href="http://www.sekisuihouse.co.jp">http://www.sekisuihouse.co.jp</a> )
Listed exchanges	: Tokyo, Nagoya
Stock code	: 1928
Representative	: Toshinori Abe, President and Representative Director
Inquiries	: Hitoshi Kuroyanagi, Chief Manager of Corporate Communications Department Tel +81 6 6440 3111
Date of general shareholders' meeting	: April 23, 2015
Date of scheduled payment of dividends	: April 24, 2015
Date of scheduled filing of securities report	: April 24, 2015
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 FY2014 (February 1, 2014 through January 31, 2015)

#### (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, 2015	1,912,721	6.0	146,595	11.1	156,426	13.5	90,224	13.1
Year ended January 31, 2014	1,805,102	11.9	131,930	53.1	137,794	50.2	79,801	71.8

(Note) Comprehensive income: Year ended Jan. 2015: ¥127,760 million [-8.0%] Year ended Jan. 2014: ¥138,911 million [74.4%]

	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, 2015	130.91	125.22	9.0	8.5	7.7
Year ended January 31, 2014	118.63	110.50	9.2	8.3	7.3

(Reference) Equity in earnings of affiliates: Year ended Jan. 2015: ¥5,307 million Year ended Jan. 2014: ¥2,848 million

#### (2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of January 31, 2015	1,929,409	1,079,064	55.4	1,527.52
As of January 31, 2014	1,769,005	941,415	52.6	1,358.60

(Reference) Shareholders' equity As of January 31, 2015: ¥1,068,423 million As of January 31, 2014: ¥930,944 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, 2015	117,358	(128,529)	19,611	195,008
Year ended January 31, 2014	78,073	(80,637)	(782)	181,324

### 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, 2014	-	20.00	-	23.00	43.00	29,200	36.2	3.4%
Year ended January 31, 2015	-	25.00	-	25.00	50.00	34,799	38.2	3.5%
Year ending January 31, 2016 (Forecast)	-	27.00	-	27.00	54.00		40.6	

### 3. Consolidated Results Forecast for FY2015 (February 1, 2015 through January 31, 2016)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Six months ending July 31, 2015	882,000	(3.1)	58,000	(19.1)	62,000	(17.6)	33,000	(21.8)	47.18
Year ending January 31, 2016	1,930,000	0.9	153,000	4.4	159,000	1.6	93,000	3.1	132.96

## \* 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 “4. 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, 2015: 699,845,934 shares

As of Jan. 31, 2014: 686,895,078 shares

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

As of Jan. 31, 2015: 396,443 shares

As of Jan. 31, 2014: 1,673,647 shares

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

As of Jan. 31, 2015: 689,205,338 shares

As of Jan. 31, 2014: 672,674,097 shares

(Reference) Summary of non-consolidated financial results

1. Non-Consolidated Results for the FY2014 (February 1, 2014 through January 31, 2015)

(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, 2015	1,228,135	6.3	90,586	18.9	106,357	19.9	66,168	19.0
Year ended January 31, 2014	1,155,802	13.1	76,189	70.3	88,721	58.5	55,585	79.1

	Net income per share	Fully diluted net income per share
	¥	¥
Year ended January 31, 2015	95.98	91.81
Year ended January 31, 2014	82.61	76.95

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of January 31, 2015	1,409,518	771,998	54.7	1,102.67
As of January 31, 2014	1,393,396	729,445	52.3	1,063.57

(Reference) Shareholders' equity As of January 31, 2015: ¥771,461 million As of January 31, 2014: ¥728,971 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 5, 2015. 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, 2015

¥ millions

Consolidated	FY2013	FY2014	YOY (%)	FY2015 forecast	YOY (%)
Net sales	1,805,102	1,912,721	6.0	1,930,000	0.9
Gross profit	358,499	368,446	2.8	383,000	4.0
SG&A expenses	226,569	221,851	(2.1)	230,000	3.7
Operating income	131,930	146,595	11.1	153,000	4.4
Ordinary income	137,794	156,426	13.5	159,000	1.6
Extraordinary income	468	6,154	-	-	-
Extraordinary loss	5,742	10,373	80.6	2,000	(80.7)
Net income	79,801	90,224	13.1	93,000	3.1
Total orders	1,928,571	1,892,619	(1.9)	1,947,000	2.9
Accumulated orders	813,108	793,006	(2.5)	810,006	2.1

## Key management indicators

Consolidated	FY2010	FY2011	FY2012	FY2013	FY2014
Net income per share (¥)	45.02	42.90	69.17	118.63	130.91
Net assets per share (¥)	1,090.67	1,107.43	1,200.63	1,358.60	1,527.52
Operating profit margin	3.79%	4.63%	5.34%	7.31%	7.66%
ROE	4.19%	3.91%	5.99%	9.19%	9.03%
ROA *	4.34%	5.28%	5.96%	8.15%	8.40%

¥ millions

R & D expenditures	4,657	4,366	4,318	4,507	4,726
Capital expenditure (Consolidated)	32,690	43,312	60,915	130,243	121,550
Capital expenditure (Non-consolidated)	22,501	24,425	46,275	110,895	108,768
Depreciation expense (Consolidated)	16,383	18,034	19,015	22,581	25,692
Depreciation expense (Non-consolidated)	12,809	14,216	14,102	17,155	19,788

\* 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, 2015

Consolidated (See page 35)

(1) Sales ¥ millions

	FY2013	FY2014	YOY(%)	FY2015 forecast	YOY(%)
Custom detached houses	517,691	427,044	(17.5)	410,000	(4.0)
Rental housing	356,202	398,483	11.9	418,000	4.9
Remodeling	125,046	134,166	7.3	142,000	5.8
Real estate management fees	408,403	428,227	4.9	448,000	4.6
Houses for sale	133,405	118,730	(11.0)	120,000	1.1
Condominiums	63,083	56,699	(10.1)	84,000	48.2
Urban redevelopment	42,428	178,344	320.3	114,000	(36.1)
Overseas Business	85,392	79,835	(6.5)	110,000	37.8
Other businesses	73,447	91,190	24.2	84,000	(7.9)
Consolidated	1,805,102	1,912,721	6.0	1,930,000	0.9

(2) Operating income and OP margin ¥ millions

	FY2013	FY2014	YOY(%) (Amount)	FY2015 forecast	YOY(%) (Amount)
	Amount OP margin	Amount OP margin		Amount OP margin	
Custom detached houses	65,813 12.7%	48,894 11.4%	(25.7)	45,000 11.0%	(8.0)
Rental housing	36,492 10.2%	45,825 11.5%	25.6	49,000 11.7%	6.9
Remodeling	14,037 11.2%	14,997 11.2%	6.8	16,000 11.3%	6.7
Real estate management fees	20,064 4.9%	23,405 5.5%	16.7	26,500 5.9%	13.2
Houses for sale	8,143 6.1%	8,491 7.2%	4.3	9,000 7.5%	6.0
Condominiums	3,978 6.3%	4,738 8.4%	19.1	7,500 8.9%	58.3
Urban redevelopment	8,561 20.2%	25,802 14.5%	201.4	20,000 17.5%	(22.5)
Overseas Business	8,581 10.0%	4,419 5.5%	(48.5)	8,000 7.3%	81.0
Other businesses	1,690 2.3%	3,123 3.4%	84.7	3,500 4.2%	12.1
Eliminations and back office	(35,434)	(33,102)	-	(31,500)	-
Consolidated	131,930 7.3%	146,595 7.7%	11.1	153,000 7.9%	4.4

## (3) Orders

¥ millions

	FY2013	FY2014	YOY(%)	FY2015 forecast	YOY(%)
Custom detached houses	525,072	388,648	(26.0)	418,000	7.6
Rental housing	426,644	408,525	(4.2)	420,000	2.8
Remodeling	135,123	125,647	(7.0)	145,000	15.4
Real estate management fees	408,403	428,227	4.9	448,000	4.6
Houses for sale	132,511	122,260	(7.7)	122,000	(0.2)
Condominiums	76,649	65,771	(14.2)	74,000	12.5
Urban redevelopment	44,658	176,114	294.4	114,000	(35.3)
Overseas Business	82,599	94,539	14.5	120,000	26.9
Other businesses	96,907	82,884	(14.5)	86,000	3.8
Consolidated	1,928,571	1,892,619	(1.9)	1,947,000	2.9

## (4) Accumulated orders

¥ millions

	FY2013	FY2014	YOY(%)	FY2015 forecast	YOY(%)
Custom detached houses	254,372	215,976	(15.1)	223,976	3.7
Rental housing	312,975	323,018	3.2	325,018	0.6
Remodeling	30,794	22,275	(27.7)	25,275	13.5
Real estate management fees	-	-	-	-	-
Houses for sale	35,361	38,890	10.0	40,890	5.1
Condominiums	60,989	70,061	14.9	60,061	(14.3)
Urban redevelopment	2,230	-	-	-	-
Overseas Business	61,040	75,745	24.1	85,745	13.2
Other businesses	55,344	47,037	(15.0)	49,037	4.3
Consolidated	813,108	793,006	(2.5)	810,006	2.1

## 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 experienced sluggish consumer spending in the wake of the consumption tax hike. However, the employment and income situations showed signs of improvement, and corporate earnings remained on a moderate recovery path. Expectations for an economic recovery also rose, mainly driven by government economic policies, in addition to the progress of yen depreciation and high stock prices on the back of additional monetary easing by the Bank of Japan.

In the housing market, custom detached houses were affected beyond expectations by the impact, in large part, of a decline in consumer confidence against the backdrop of waning anticipation of higher interest rates and the consumption tax hike. Consequently, orders remained at a low level, as a tendency towards more prolonged investigations prior to the conclusion of contracts was observed. However, once the reactionary fall in demand associated with the consumption tax subsided, the market began to show signs of recovery in the second half of the fiscal year. Orders for rental housing held firm, as demand in urban areas climbed and interest in minimizing inheritance taxes remained strong.

Under these circumstances, the Company followed its medium-term management plan and enhanced product lines, pursuing differentiation from its competitors, centered on Green First Zero eco-friendly homes and three- and four-story houses that support diversifying construction needs, under its brand vision “SLOW & SMART.”

Meanwhile, as a new exit strategy to improve the turnover of assets owned by the Company, it listed Sekisui House Reit, Inc. on the Tokyo Stock Exchange in December 3, 2014. Its asset management is undertaken by Sekisui House Investment Advisors, Ltd. The Company promoted its business by enhancing the synergies between its three business models: the Built-to-Order Business, the Supplied Housing Business, and the Development Business, achieving record-high net sales and income for the second consecutive year.

In addition, to accomplish further growth, in November it formulated its Mid-term Management Plan for the period up until the fiscal year ending January 31, 2017 under the motto: “Strengthening synergies in the Group and taking on new challenges in the ‘residential’-related business.”

Meanwhile, the Company developed the SHEAD construction method, a liquefaction mitigation technique for housing, to prevent liquefaction damage as the result of an earthquake and to provide greater safety and security. Also, with elder-to-elder nursing and the growing burden on carers set to become social problems in the future as the number of elderly increases, the Company also pursued initiatives to solve various social issues such as elderly home health care support, including starting joint research and development on the application of robot technology in the home with MUSCLE Corporation.

In addition, the Company built a new house for field testing jointly with Toshiba Corporation and Honda Motor Co., Ltd. in Saitama City, Saitama Prefecture, commencing the validation of advanced living. The house employs IT and personal mobility technologies that support safe, comfortable living, as well as those that comprehensively control the supply and demand of energy in society, including communities.

The Company has also begun future disaster-proof factory planning at the Tohoku Factory, based on its own key concept of disaster-proof housing. We will strive to increase our disaster prevention capabilities for the entire community by building a smart energy system useful for the factory both in a normal period and in the event of emergency and strengthening cooperation with towns, residents and local organizations for disaster prevention. In recognition of this initiative, the Factory was officially selected as a venue for study tours at the 3<sup>rd</sup> World Conference on Disaster Risk Reduction to be held in March.

In Australia, the One Central Park building, one of the high-rise condominiums located in Central Park, a complex that the Company is developing jointly with other companies in the center of Sydney, received the “Best Tall Building Worldwide” award as one of the world’s best buildings in the Best Tall Building, a prestigious global award for buildings. The award was received in recognition of the construction of an eco-friendly building that created a fusion between skyscrapers and greenery.

In addition, the Ritz-Carlton Kyoto, a top luxury hotel affiliated with the Marriott Hotel Group, which was constructed by the Company in Nakagyo-ku Kyoto and opened on February 2014, was awarded the Reggie Shiu Development of the Year, the top prize for a hotel that was opened in the past year, at HICAP (the Hotel Investment Conference Asia Pacific).

Net sales in FY2014 amounted to ¥1,912,721 million, up 6.0% from the previous fiscal year. Operating income grew to ¥146,595 million (up 11.1%), ordinary income to ¥156,426 million (up 13.5%), while net income amounted to ¥90,224 million (up 13.1%).

Business results by segments are as follows.

#### **(Custom Detached Houses Business)**

In the steel frame detached house segment, the Company unified steel frame two-story house construction methods, as well as the realignment of product brands. By doing so, it sought to standardize high quality and high performance, including the adoption of exterior walls with high performance insulation and high durability. Consequently, the Company significantly reduced the number of parts and materials and sought to improve production, design and construction efficiency. In addition, to celebrate the 30th anniversary of the launch of the IS SERIES, the Company started sales of new series of IS STAGE, its flagship product, and IS ROY+E, with improved basic performance and higher asset value.

In the wood-framed SHAWOOD-HOME house segment, the Company developed the new construction method “Hybrid S-MJ,” which greatly improved design flexibility while maintaining the ability to withstand earthquakes due to bearing walls with the greatest strength in the industry. Their strength is four times greater than that achieved using the traditional construction method. The Company has introduced this construction method for all its products. In addition, the Company worked to expand sales, strengthening the lineup of its original BELLBURN earthenware exterior wall and launching The Gravis 2014 edition as a high-end product.

Orders remained at a low level, largely due to waning anticipation of higher interest rates and a decline attributable to the reaction to the last-minute rise in demand ahead of the consumption tax hike.

Sales in the Custom Detached Houses Business for the period under review amounted to ¥427,044 million (down 17.5% from the previous fiscal year), and operating income to ¥48,894 million (down 25.7%).

#### **(Rental Housing Business)**

In the Rental Housing Business, the need to minimize rising inheritance taxes remained strong, resulting in steadily increasing sales of three- and four-story rental houses that enable multi-purpose uses and adapt flexibly to customer needs. The Company also continued to focus its efforts on sales of houses with support services for the elderly people. In Ichinomiya City, Aichi Prefecture, the Company developed Nikke Garden Court Hanamizuki, a large Sha Maison low-rise apartments town comprising 11 buildings and 90 units, which is based on the concept of a child-care support town and brings the “SLOW & SMART” vision to the fore.

As a result of these business promotions, orders were favorable.

For the Rental Housing Business amounted to ¥398,483 million (up 11.9% from the previous fiscal year), and operating income to ¥45,825 million (up 25.6%).

#### **(Remodeling Business)**

In the Remodeling Business, under the core concept of the Green First initiative, the Company proactively proposed remodeling projects for increased comfort, such as the alteration of the layout and the improvement of equipment performance, in addition to the renovation of heat insulation, the incorporation of photovoltaic generation systems, and



the installation of household fuel cells. Meanwhile, it held sales promotion events nationwide aiming for the sales expansion.

Sales in the Remodeling Business amounted to ¥134,166 million (up 7.3% from the previous fiscal year), and operating income to ¥14,997 million (up 6.8%).

#### **(Real Estate Management Fees Business)**

In the Real Estate Management Fees Business, the number of units of Sha-Maison low-rise apartments for block leasing and management by Sekiwa Real Estate companies enjoyed a steady growth. Demand increased in the rental housing market, mainly in urban areas. To encourage occupancy, a rental brand was established using the Internet and the cooperation of the Group was enhanced. Further, by making proposals for remodeling to meet the needs of the market, occupancy rates remained high, particularly in the urban area.

In November, the Company established Sekiwa Grand Mast, Ltd., a company dedicated to the operation and management of high quality safe, secure rental houses for elderly people, and sought to expand its business by creating a synergistic effect with the Rental Housing Business.

Sales in the Real Estate Management Fees Business amounted to ¥428,227 million (up 4.9% from the previous fiscal year) and operating income to ¥23,405 million (up 16.7%).

#### **(Houses for Sale Business)**

In the Houses for Sale Business, the Company continued to develop smart towns nationwide, focusing on Green First HYBRID homes, with self-sustainability and the regeneration of community as the theme. As a leading smart house company, the Company developed and proactively marketed new high-value-added homes for sale, based on the keywords “safety and security,” “healthy and pleasant,” “energy” and “watchful.” It also held *Machinami sankan-bi* promotional events nationwide and worked to expand sales.

Sales in the Houses for Sale Business amounted to ¥118,730 million (down 11.0% from the previous fiscal year), and operating income to ¥8,491 million (up 4.3%).

#### **(Condominium Business)**

In the Condominium Business, the Grande Maison Sengawa (Chofu City, Tokyo) and other new properties sold well, and inquiries about Grande Maison Shirokane no Mori The Tower (Minato-ku, Tokyo) and other properties for sale also remained at a high level. Against this backdrop, the Company continued to implement sales strategies to enhance brand value.

Sales in the Condominium Business amounted to ¥56,699 million (down 10.1% from the previous fiscal year), and the operating income was ¥4,738 million (up 19.1%).

#### **(Urban Redevelopment Business)**

In the Urban Redevelopment Business, occupancy rates of Sekisui House Group’s rental properties such as its Prime Maison series rental apartments remained firm. The Company sold three properties including Garden City Shinagawa Gotenyama to newly listed Sekisui House Reit, Inc., and Prime Maison Ebisu and other properties to Sekisui House SI Residential Investment Corporation.

Sales in the Urban Redevelopment Business amounted to ¥178,344 million (up 320.3% from the previous fiscal year) and operating income to ¥25,802 million (up 201.4%).

#### **(Overseas Business)**

In the Overseas Business, as in the previous year, the Company continued to promote the sales of subdivisions including Cinco Ranch in Texas and One Loudoun in Virginia in the United States. In Australia, condominium units in the Central Park and Wentworth Point were delivered, and sales of subdivisions of The Hermitage in Camden and newly opened Ripley Valley were brisk. In China, sales began for our projects in Heping District in Shenyang, Taicang City and Wuxi City among others.

Sales in the Overseas Business amounted to ¥79,835 million (down 6.5% from the previous fiscal year), and operating income to ¥4,419 million (down 48.5%).

### (Other Businesses)

In the Exterior Business, the Company proposed landscaping to plant trees native to each area in line with its “*Gohon no ki*” landscaping concept. It also made proactive proposals for comprehensive exterior designs with detached and rental housing designed to complement the neighboring townscape.

Sales in the Other Businesses amounted to ¥91,190 million (up 24.2% from the previous fiscal year), and operating income to ¥3,123 million (up 84.7%).

### (Future Outlook)

In Japan, corporate earnings, which continue to improve, are expected to have a positive impact on personal income, while the backlash of the increase in consumer confidence that was seen ahead of the consumption tax hike is also dwindling. Against this backdrop, it appears that the Japanese economy remains on a recovery track.

The housing industry also saw government policies launched to stimulate housing demand, 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.

In this environment, the Company formulated a new medium-term management plan to aggressively take on challenges in the “residential”-related business. We will seek to promote business as a group through the expansion of the housing and residential-related businesses, as well as the development of new markets, in addition to promoting sales of value-added houses in the Built-to-Order Business of custom detached houses and rental housing businesses.

For the fiscal year ending January 31, 2016, the Company forecasts consolidated net sales of ¥1,930,000 million (up 0.9% from the current fiscal year under review), consolidated operating income of ¥153,000 million (up 4.4%), consolidated ordinary income of ¥159,000 million (up 1.6%), and consolidated net income of ¥93,000 million (up 3.1%).

## (2) Analysis on Financial Position

Total assets increased by ¥160,404 million to ¥1,929,409 million at the end of the fiscal year under review, primarily owing to the increases in real estate for sale and property, plant and equipment. Liabilities increased by ¥22,755 million to ¥850,345 million, mainly due to the increases in bonds and short-term loans payable. Net assets increased by ¥137,649 million to ¥1,079,064 million chiefly due to posting of net income and remeasurements of defined benefit plans owing to the change in accounting policies for retirement benefits.

Net cash provided by operating activities was ¥117,358 million (a year-on-year increase of ¥39,285 million in net cash provided), primarily due to posting of net income and the decrease in inventories.

Net cash used in investing activities was ¥128,529 million (a year-on-year decrease of ¥47,891 million in net cash used), mainly reflecting the purchase of property, plant, and equipment.

Net cash used in financing activities was ¥19,611 million (a year-on-year increase of ¥20,394 million in net cash provided), owing mainly to the issuance of bonds and an increase in short-term loans payable.

Consequently, cash and cash equivalents at the end of the fiscal year under review amounted to ¥195,008 million, increasing by ¥13,683 million from the end of the previous fiscal year.

### (Reference) Trend in cash flow pertinent indicators

	FY2010	FY2011	FY2012	FY2013	FY2014
Equity ratio (%)	54.9	51.4	52.4	52.6	55.4
Equity ratio based on market price (%)	40.3	33.3	43.9	55.5	55.3
Debt service coverage ratio (years)	2.5	10.1	3.3	3.7	3.0
Interest coverage ratio (times)	23.0	7.9	31.1	26.2	52.6

(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, 2015, we paid an interim dividend of ¥25 and plan to pay out a year-end dividend of ¥25.

For the next fiscal year ending January 31, 2016, we plan to pay out an interim dividend of ¥27 and a year-end dividend of ¥27, totaling ¥54 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., 194 subsidiaries, and 20 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.

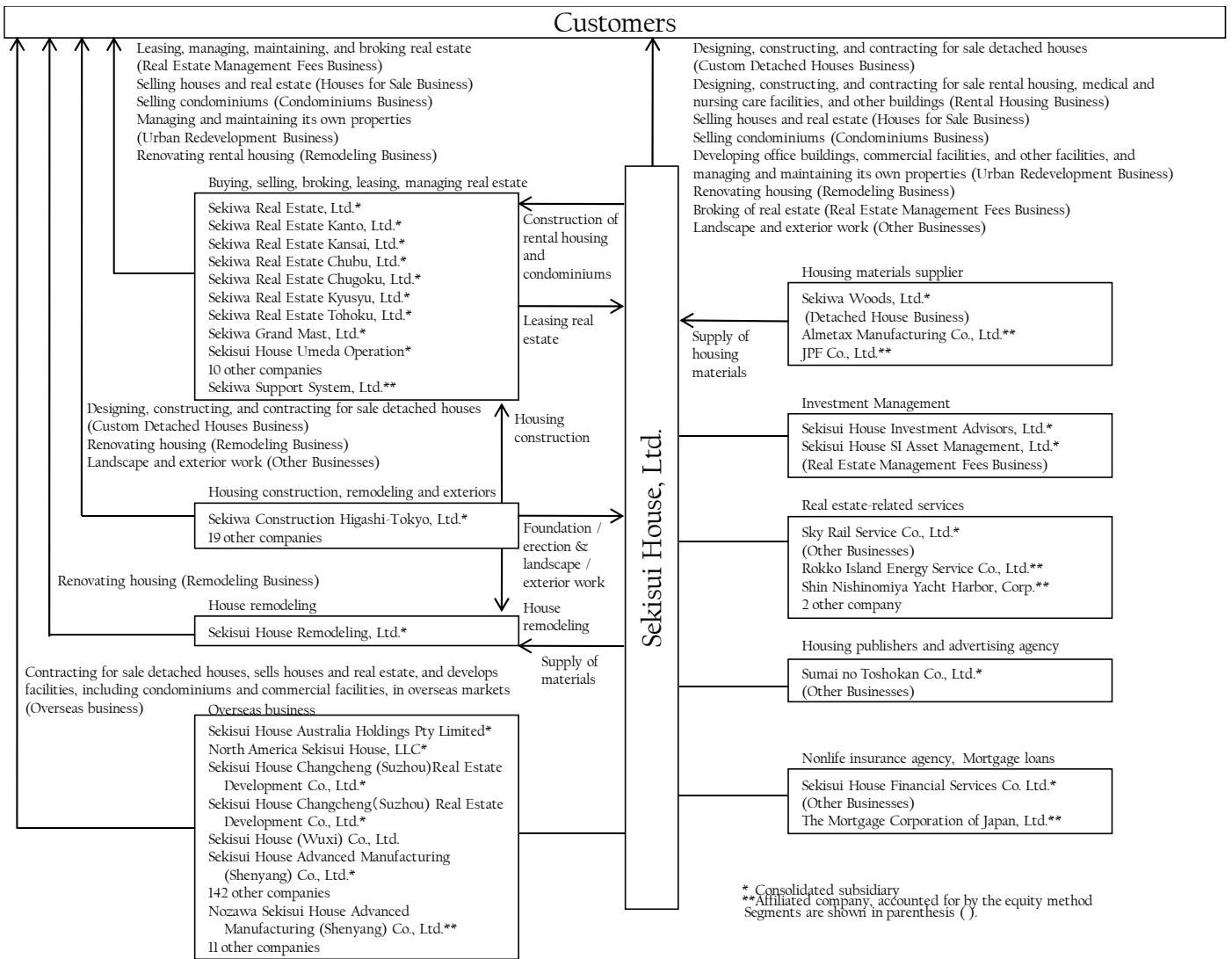
### (8) Overseas Business

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  $\beta$  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**

Going forward, consumer confidence is expected to climb in Japan as employment and income improve amid a continued moderate recovery trend in its economy. That said, the country is faced with a variety of societal challenges, such as an aging society that will expand in earnest down the road and energy issues that have already surfaced. Housing will play a central role in tackling these issues. Under this business environment, the Company will take on challenges for its “residential”-related businesses based on the mid-term management plan and seek to achieve steady growth both in Japan and abroad by expanding its business domains, while continuing its efforts to cut costs in the production segment and construction sites among others, and generate stable profits.

## 4. Consolidated Financial Statements

## (1) Consolidated Balance Sheets

(¥ millions)

	As of January 31, 2014	As of January 31, 2015
<b>Assets</b>		
<b>Current assets</b>		
Cash and deposits	182,134	195,989
Notes receivable, accounts receivable from completed construction contracts	46,182	53,943
Short-term investment securities	1,044	439
Costs on uncompleted construction contracts	10,558	8,647
Buildings for sale	178,220	232,567
Land for sale in lots	472,377	457,693
Undeveloped land for sale	81,139	78,703
Other inventories	11,298	9,742
Deferred tax assets	47,402	35,272
Other	49,479	57,525
Allowance for doubtful accounts	(1,246)	(1,257)
<b>Total current assets</b>	<b>1,078,589</b>	<b>1,129,266</b>
<b>Noncurrent assets</b>		
<b>Property, plant and equipment</b>		
Buildings and structures	322,606	355,501
Machinery, equipment and vehicles	65,546	65,889
Tools, furniture and fixtures	30,336	32,023
Land	235,023	301,088
Lease assets	779	1,027
Construction in progress	15,258	7,807
Accumulated depreciation	(203,015)	(219,625)
<b>Total property, plant and equipment</b>	<b>466,534</b>	<b>543,711</b>
<b>Intangible assets</b>		
Goodwill	566	337
Industrial property	25	23
Leasehold right	4,486	4,711
Software	10,344	9,949
Right of using facilities	251	238
Telephone subscription right	858	858
Other	13	5
<b>Total intangible assets</b>	<b>16,546</b>	<b>16,123</b>
<b>Investments and other assets</b>		
Investment securities	106,429	109,428
Long-term loans receivable	47,249	57,578
Prepaid pension cost	1,175	-
Net defined benefit asset	-	28,780
Deferred tax assets	14,234	2,327
Other	38,838	42,783
Allowance for doubtful accounts	(594)	(591)
<b>Total investments and other assets</b>	<b>207,333</b>	<b>240,307</b>
<b>Total noncurrent assets</b>	<b>690,415</b>	<b>800,143</b>
<b>Total assets</b>	<b>1,769,005</b>	<b>1,929,409</b>

(¥ millions)

	As of January 31, 2014	As of January 31, 2015
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable, accounts payable for construction contracts	110,860	103,191
Electronically recorded obligations-operating	63,865	57,638
Short-term bonds payable	-	20,000
Short-term loans payable	38,009	67,975
Current portion of bonds	-	70,000
Current portion of long-term loans payable	45,587	11,035
Income taxes payable	31,085	23,390
Advances received on uncompleted construction contracts	116,352	102,324
Provision for bonuses	24,898	25,460
Provision for directors' bonuses	961	1,054
Provision for warranties for completed construction	3,484	3,244
Other	67,554	76,919
<b>Total current liabilities</b>	<b>502,659</b>	<b>562,235</b>
<b>Noncurrent liabilities</b>		
Bonds payable	90,000	60,000
Bonds with subscription rights to shares	36,390	12,300
Long-term loans payable	77,391	106,726
Long-term lease and guarantee deposited	54,801	59,908
Deferred tax liabilities	203	12,915
Provision for retirement benefits	55,037	-
Provision for directors' retirement benefits	977	1,056
Net defined benefit liability	-	17,550
Other	10,127	17,651
<b>Total noncurrent liabilities</b>	<b>324,929</b>	<b>288,109</b>
<b>Total liabilities</b>	<b>827,589</b>	<b>850,345</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	191,559	197,716
Capital surplus	243,217	248,684
Retained earnings	413,446	466,950
Treasury stock	(1,379)	(500)
<b>Total shareholders' equity</b>	<b>846,843</b>	<b>912,850</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	27,612	28,202
Deferred gains or losses on hedges	47	0
Foreign currency translation adjustment	56,440	91,168
Remeasurements of defined benefit plans	-	36,202
<b>Total accumulated other comprehensive income</b>	<b>84,101</b>	<b>155,573</b>
Subscription rights to shares	474	536
Minority interests	9,996	10,104
<b>Total net assets</b>	<b>941,415</b>	<b>1,079,064</b>
<b>Total liabilities and net assets</b>	<b>1,769,005</b>	<b>1,929,409</b>

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

(¥ millions)

	Feb. 1, 2013 – Jan. 31, 2014	Feb. 1, 2014 – Jan. 31, 2015
Net sales	1,805,102	1,912,721
Cost of sales	1,446,602	1,544,275
Gross profit	358,499	368,446
Selling, general and administrative expenses		
Selling expenses	49,749	49,008
General and administrative expenses	176,820	172,843
Total selling, general and administrative expenses	226,569	221,851
Operating income	131,930	146,595
Non-operating income		
Interest income	1,709	1,914
Dividends income	1,251	1,529
Equity in earnings of affiliates	2,848	5,307
Foreign exchange gains	908	3,477
Other	3,705	2,559
Total non-operating income	10,424	14,787
Non-operating expenses		
Interest expenses	995	1,107
Other	3,564	3,849
Total non-operating expenses	4,559	4,957
Ordinary income	137,794	156,426
Extraordinary income		
Gain on sales of investment securities	-	6,154
Gain on negative goodwill	327	-
Gain on sales of shares of subsidiaries and associates	140	-
Total extraordinary income	468	6,154
Extraordinary loss		
Loss on valuation of investment securities	37	7,185
Impairment loss	4,234	1,912
Loss on sales and retirement of noncurrent assets	1,471	1,274
Total extraordinary losses	5,742	10,373
Income before income taxes and minority interests	132,520	152,207
Income taxes-current	49,583	43,759
Income taxes-deferred	(194)	16,130
Total income taxes	49,388	59,889
Income before minority interests	83,131	92,318
Minority interests in income	3,330	2,093
Net income	79,801	90,224

**(Consolidated Statements of Comprehensive Income)**

(¥ millions)

	Feb. 1, 2013 – Jan. 31, 2014	Feb. 1, 2014 – Jan. 31, 2015
Income before minority interests	83,131	92,318
Other comprehensive income		
Valuation difference on available-for-sale securities	15,649	588
Deferred gains or losses on hedges	90	(46)
Foreign currency translation adjustment	39,741	34,182
Share of other comprehensive income of associates accounted for using equity method	299	718
Total other comprehensive income	55,780	35,442
Comprehensive income	138,911	127,760
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	135,183	125,494
Comprehensive income attributable to minority interests	3,728	2,266

**(3) Consolidated Statements of Changes in Net Assets**

Previous consolidated fiscal year (February 1, 2013 to January 31, 2014)

(¥ millions)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the end of previous period	186,554	237,522	357,830	(4,219)	777,688
Changes of items during the period					
Issuance of new shares	5,005	5,005	-	-	10,010
Dividends from surplus	-	-	(24,185)	-	(24,185)
Net income	-	-	79,801	-	79,801
Purchase of treasury stock	-	-	-	(98)	(98)
Disposal of treasury stock	-	690	-	2,938	3,628
Other	-	-	-	-	-
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes of items during the period	5,005	5,695	55,615	2,839	69,155
Balance at the end of current period	191,559	243,217	413,446	(1,379)	846,843

	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	11,951	(45)	16,812	-	28,718	429	7,228	814,063
Changes of items during the period								
Issuance of new shares	-	-	-	-	-	-	-	10,010
Dividends from surplus	-	-	-	-	-	-	-	(24,185)
Net income	-	-	-	-	-	-	-	79,801
Purchase of treasury stock	-	-	-	-	-	-	-	(98)
Disposal of treasury stock	-	-	-	-	-	-	-	3,628
Other	-	-	-	-	-	-	-	-
Net changes of items other than shareholders' equity	15,661	92	39,628	-	55,382	44	2,768	58,195
Total changes of items during the period	15,661	92	39,628	-	55,382	44	2,768	127,351
Balance at the end of current period	27,612	47	56,440	-	84,101	474	9,996	941,415

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

(¥ millions)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the end of previous period	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 stock	-	-	-	(15,266)	(15,266)
Disposal of treasury stock	-	(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
Changes of items during the period								
Issuance of new shares	-	-	-	-	-	-	-	12,890
Dividends from surplus	-	-	-	-	-	-	-	(33,073)
Net income	-	-	-	-	-	-	-	90,224
Purchase of treasury stock	-	-	-	-	-	-	-	(15,266)
Disposal of treasury stock	-	-	-	-	-	-	-	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

**(4) Consolidated Statements of Cash Flows**

(¥ millions)

	Feb. 1, 2013 – Jan. 31, 2014	Feb. 1, 2014 – Jan. 31, 2015
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	132,520	152,207
Depreciation and amortization	22,581	25,692
Impairment loss	4,234	1,912
Increase (decrease) in provision for retirement benefits	1,823	-
Increase (decrease) in net defined benefit liability	-	(8,589)
Decrease (increase) in prepaid pension costs	(1,175)	-
Increase (decrease) in net defined benefit asset	-	(461)
Interest and dividends income	(2,961)	(3,443)
Interest expenses	995	1,107
Equity in (earnings) losses of affiliates	(2,848)	(5,307)
Gain on negative goodwill	(327)	-
Loss (gain) on sales of investment securities	-	(6,154)
Loss (gain) on valuation of investment securities	37	7,185
Decrease (increase) in notes and accounts receivable-trade	(7,370)	(7,463)
Decrease (increase) in inventories	(85,405)	28,970
Increase (decrease) in notes and accounts payable-trade	25,857	(10,793)
Increase (decrease) in advances received on uncompleted construction contracts	28,060	(14,580)
Other, net	7,682	7,313
Subtotal	123,704	167,594
Interest and dividends income received	2,823	3,354
Interest expenses paid	(2,975)	(2,232)
Income taxes paid	(45,479)	(51,357)
Net cash provided by (used in) operating activities	78,073	117,358
Net cash provided by (used in) investing activities		
Proceeds from redemption of securities	2,100	1,045
Purchase of property, plant and equipment	(75,930)	(119,997)
Proceeds from sales of property, plant and equipment	254	246
Purchase of investment securities	(5,232)	(15,249)
Proceeds from sales and redemption of investment securities	689	16,699
Payments of loans receivable	(5,525)	(12,164)
Collection of loans receivable	4,738	3,403
Other, net	(1,731)	(2,512)
Net cash provided by (used in) investing activities	(80,637)	(128,529)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term bonds payable	-	20,000
Net increase (decrease) in short-term loans payable	14,178	21,642
Proceeds from long-term loans payable	98,807	46,679
Repayment of long-term loans payable	(87,511)	(57,625)
Proceeds from issuance of bonds	-	40,000
Cash dividends paid	(24,185)	(33,073)
Purchase of treasury stock	(97)	(15,265)
Other, net	(1,973)	(2,746)
Net cash provided by (used in) financing activities	(782)	19,611



(¥ millions)

	Feb. 1, 2013 – Jan. 31, 2014	Feb. 1, 2014 – Jan. 31, 2015
Effect of exchange rate change on cash and cash equivalents	5,429	5,242
Net increase (decrease) in cash and cash equivalents	2,081	13,683
Cash and cash equivalents at beginning of period	179,242	181,324
Cash and cash equivalents at end of period	*1 181,324	*1 195,008

## (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: 194, 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: 22 Excluded: 2

All 194 subsidiaries are consolidated.

#### 2. Scope of application of equity method

Affiliated companies accounted for by the equity method: 20 including Almetax Manufacturing Co., Ltd., JPF Co., Ltd.,

Changes in scope of equity method: Newly included: 1

Investment in 20 affiliated companies is accounted for by the equity method.

#### 3. Term-ends of consolidated subsidiaries

The fiscal year ends on March 31 for Sekisui House SI Asset Management, Ltd. and Sky Rail Service Co., Ltd., and on December 31 for Sekisui House Australia Holdings Pty Limited and 148 other consolidated subsidiaries. When preparing consolidated financial statements, the Company uses the financial statements of Sekisui House SI Asset Management, Ltd. and Sky Rail Service Co., Ltd., which have been compiled by provisionally settling their accounts as of January 31, and those of other 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 Benefit Obligations

(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 ¥2,479 million, ¥854 million and ¥1,058 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 ¥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.

## **(Changes in Accounting Policies)**

(Application of accounting standards for retirement benefits)

Unrecognized actuarial calculation differences and past service obligations are posted as net defined benefit liability, after changing the calculation to the method of deducting the amount of pension assets from retirement benefit obligations, by adopting the Accounting Standard for Retirement Benefits (ASBJ Statement No. 26, May 17, 2012, hereinafter the "Retirement Benefit Accounting Standard") and the Guidance on Corporate Accounting Standard for Retirement Benefits (ASBJ Guidance No. 25, May 17, 2012, hereinafter the "Retirement Benefit Guidance") (however, excluding the provisions stipulated in the main text of paragraph 35 of the Retirement Benefit Accounting Standard and paragraph 67 of the Retirement Benefit Guidance).

The application of standards such as the Retirement Benefit Accounting Standard follows the transitional treatment stipulated in paragraph 37 of the Retirement Benefit Accounting Standard, and the impact associated with such change is added to and deducted from the remeasurements of defined benefit plans in accumulated other comprehensive income.

As a result, at the end of the consolidated fiscal year under review, ¥28,780 million of net defined benefit asset and ¥17,550 million of net defined benefit liability were posted, and accumulated other comprehensive income increased by ¥36,202 million. Net assets per share increased ¥51.76.

### (Notes to Consolidated Balance Sheets)

	(¥ millions)	
	As of Jan. 31, 2014	As of Jan. 31, 2015
1. Collateralized assets	135,803	157,762
2. Liabilities guaranteed	100,762	89,543
3. Shareholdings in related companies included in investment securities	11,605	17,398
4. Interest bearing liabilities	289,860	351,731
5. Change in the purpose of holding assets		

(As of January 31, 2014)

¥47,900 million of real estate held for sale that appeared under “Buildings for sale” and “Land for sale in lots” at the end of the previous fiscal year have been reclassified as “Buildings and Structures” and “Land” and others. Meanwhile, facilities for own use of ¥23,192 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, 2015)

¥344 million of real estate held for sale that appeared under “Buildings for sale” and “Land for sale in lots” at the end of the previous fiscal year have been reclassified as “Buildings and Structures” and “Land” and others. Meanwhile, facilities for own use 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”.

### (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, 2013 – January 31, 2014)

Location	Usage	Type
Nakahara-ku, Kawasaki City, etc.	Real estate for leasing	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 loss on impairment loss under “Extraordinary loss.” For these assets, the recoverable value is the net selling price. The net selling price is determined based on the real estate appraisal value.

(Breakdown of impairment loss)

Type	Amount (¥ millions)
Buildings and structures	1,555
Machinery and equipment	38
Tools, furniture and fixtures	0
Land	2,639
Total	4,234

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, 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 loss on impairment loss under

“Extraordinary loss.” For these assets, the recoverable value is the net selling price. The net selling price is determined based on the real estate appraisal value.

(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.

### (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		Current consolidated fiscal year	
	Feb. 1, 2013 – Jan. 31, 2014		Feb. 1, 2014 – Jan. 31, 2015	
Cash and deposits	¥182,134	millions	¥195,989	millions
Time deposits with terms in excess of three months	(810)		(980)	
Cash and cash equivalents	181,324		195,008	

\*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		Current consolidated fiscal year	
	Feb. 1, 2013 – Jan. 31, 2014		Feb. 1, 2014 – Jan. 31, 2015	
Increase in capital as a result of the exercise of stock acquisition rights	¥5,005	millions	¥6,157	millions
Increase in capital surplus as a result of the exercise of stock acquisition rights	5,005		6,732	
Gains on disposal of treasury stock as a result of the exercise of stock acquisition rights	689		246	
Losses on disposal of treasury stock as a result of the exercise of stock acquisition rights	-		(5,157)	
Decrease in treasury stock as a result of the exercise of stock acquisition rights	2,910		16,111	
Decrease in bonds with stock acquisition rights as a result of the exercise of stock acquisition rights	13,610		24,090	

**(Matters Related to Retirement Benefits)**

Previous consolidated fiscal year (February 1, 2013 – January 31, 2014)

## 1. Overview of retirement benefit system

The Company and its domestic subsidiaries maintain a defined benefit framework comprising the employee pension fund system and lump-sum retirement payments, and a defined contribution framework comprising the defined contribution pension system.

## 2. Matters related to retirement payments obligations

	(¥ millions)
(1) Retirement benefit obligations	¥(246,081)
(2) Pension assets	207,488
(3) Unfunded retirement benefit obligations (1)+(2)	(38,593)
(4) Unrecognized actuarial calculation differences	(12,435)
(5) Unrecognized prior service cost (reduced obligations)	(2,832)
(6) Net retirement benefit obligation (3)+(4)+(5)	(53,862)
(7) Prepaid pension cost	1,175
(8) Provision for retirement benefits (6)-(7)	(55,037)

(Note) Some subsidiaries are using simple method to calculate retirement benefit obligations.

## 3. Matters related to retirement benefit expenses

	(¥ millions)
(1) Service expense (Note 1)	¥ 8,651
(2) Interest expense	4,675
(3) Expected return on plan assets	(7,151)
(4) Amount arising from actuarial calculation differences	7,852
(5) Paid amount for retirement benefits	(999)
(6) Non-recurring premium retirement benefits	451
(7) Other (Note 2)	9
(8) Retirement benefit expenses	13,488

(Note) 1. Retirement benefit expenses for consolidated subsidiaries using simple method appropriated as service expense.

2. "Other" includes payment of premiums under the defined contribution pension system.

## 4. Bases for calculating retirement payment obligations

(1) Periodical allocation of projected retirement payments: Fixed standard over period

(2) Discounted rate: 2.0%

(3) Expected rate of return on plan assets: 4.0%

(4) Years over which the amounts of past service obligations amortized: 5 years (Expensed expensing them in the year following such recognition)

(5) Years over which actuarial calculation differences amortized: 5 years (Expensed expensing them in the year following such recognition)

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

1. Overview of retirement benefit system

The Company and its domestic subsidiaries maintain a defined benefit framework comprising the employee pension fund system and lump-sum retirement payments, and a defined contribution framework comprising the defined contribution pension system.

For some consolidated subsidiaries, the simplified method is adopted for the calculation of defined benefit liability and retirement benefit expenses.

In some cases, premium retirement benefits may be provided to employees in conjunction with their retirement.

2. Defined benefit plan

(1) List of adjustments for the balances at the beginning and end of the period pertaining to retirement benefit obligations

	(¥ millions)
Retirement benefit obligations at the beginning of the period	¥ 246,081
Service expense	8,905
Interest expense	4,691
Amount arising from actuarial calculation differences	1,200
Paid amount for retirement benefits	(8,433)
Expenses for past services accrued in the current year	(28,315)
Retirement benefit obligations at the end of the period	224,130

(Note) The system includes the application of the simplified calculation method.

(2) List of adjustments for the balances at the beginning and end of the period pertaining to pension assets

	(¥ millions)
Pension assets at the beginning of the period	¥ 207,488
Expected return on assets	4,972
Amount arising from actuarial calculation differences	19,428
Amount contributed by employers	10,834
Paid amount for retirement benefits	(7,362)
Pension assets at the end of the period	235,360

(Note) The system includes the application of the simplified calculation method.

(3) List of adjustments for balance of retirement benefit obligations and pension assets at the end of the period and defined benefit liability and asset in the consolidated balance sheet

	(¥ millions)
Retirement benefit obligations in the funded system	¥ 206,580
Pension assets	(235,360)
	(28,780)
Retirement benefit obligations in the non-funded system	17,550
Net amount of liabilities and assets posted on the consolidated balance sheet	(11,230)
Net defined retirement liability	¥17,550
Net defined retirement asset	(28,780)
Net amount of liabilities and assets posted on the consolidated balance sheet	(11,230)

(Note) The system includes the application of the simplified calculation method.



## (4) Retirement benefit expenses and their breakdown

	(¥ millions)
Service expense (Note 1)	¥ 8,905
Interest expense	4,691
Expected rate of return on plan assets	(4,972)
Posting of actuarial calculation differences as expenses	(4,095)
Posting of past service costs as expenses	(1,949)
Other (Note 2)	466
<u>Retirement benefit expenses pertaining to the defined benefit plan</u>	<u>3,046</u>

- (Note) 1. The retirement benefit expenses of the consolidated subsidiaries that adopt the simplified method are posted as service expenses.
2. Other expenses are mainly paid amounts of contributions for premium retirement benefits.

## (5) Remeasurements of defined benefit plans

The following shows the details of items recognized as remeasurements of defined benefit plans (before the exemption of tax effects).

	(¥ millions)
Unrecognized past service obligations	¥ 29,382
Unrecognized actuarial calculation differences	26,658
<u>Total</u>	<u>56,040</u>

## (6) Matters related to pension assets

## ① Main items of pension assets

The following shows the ratio for the total pension assets by major classification.

Bonds	37%
Stocks	29
General account	8
Cash and deposits	4
Other	22
<u>Total</u>	<u>100</u>

## ② Method for establishing a long-term expected rate of return on assets

The current and expected sharing of pension assets and the current and future long-term expected rate of return on diverse assets comprising the pension assets are considered to determine the long-term expected rate of return on pension assets.

## (7) Matters related to calculation base for actuarial calculations

Calculation base for major actuarial calculations at the end of the consolidated fiscal year under review

Discount rate: 2.0%

Long-term expected rate of return: 2.5%

## 3. Defined contribution plan

The required contribution amount stands at 7 million yen for the defined contribution plan of the Company and its consolidated subsidiaries.

**(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.

From the current consolidated fiscal year under review, the method of reporting the Overseas Business, which had been included in Other Businesses, has changed because it has grown in importance and is now a reportable segment.

In addition, segment information shown for the previous consolidated fiscal year has been prepared based on the reportable segment demarcations after the change.

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 and other items by reporting segment

Previous consolidated fiscal year (February 1, 2013 to January 31, 2014)

(¥ 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	517,691	356,202	125,046	408,403	133,405	63,083	42,428
(2) Inter-group sales and transfers	-	4,534	631	3,185	-	-	135
Net sales	517,691	360,737	125,678	411,589	133,405	63,083	42,563
Operating income	65,813	36,492	14,037	20,064	8,143	3,978	8,561
Assets	83,024	43,906	12,995	90,425	137,124	131,123	572,730
Other items							
Depreciations	5,704	2,213	104	1,424	1,065	89	8,294
Net increase in property, plant and equipment, and intangible assets	7,882	1,903	11	1,814	1,341	1	109,108

	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	85,392	1,731,655	73,447	1,805,102	-	1,805,102
(2) Inter-group sales and transfers	-	8,487	6,511	14,999	(14,999)	-
Net sales	85,392	1,740,142	79,959	1,820,101	(14,999)	1,805,102
Operating income	8,581	165,673	1,690	167,364	(35,434)	131,930
Assets	446,166	1,517,497	13,589	1,531,087	237,918	1,769,005
Other items						
Depreciations	1,088	19,985	644	20,629	1,952	22,581
Net increase in property, plant and equipment, and intangible assets	1,561	123,625	2,370	125,996	4,247	130,243

## Notes

1. Other Businesses principally include the exterior business.

2. Adjustments are as follows:

(1) An adjustment of ¥35,434 million for segment income includes an elimination of inter-segment transactions of ¥4,199 million and corporate expenses of ¥31,234 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 ¥237,918 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 ¥1,952 million for depreciation and amortization is depreciation related to corporate assets.

(4) An adjustment of ¥4,247 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, 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.

### (Per Share Information)

	Feb. 1, 2013 – Jan. 31, 2014	Feb. 1, 2014 – Jan. 31, 2015
Net assets per share	¥1,358.60	¥1,527.52
Net income per share	¥118.63	¥130.91
Fully diluted net income per share	¥110.50	¥125.22

(Note) Basis for Calculation

#### 1. Net assets per share

¥ millions, except where noted	As of January 31, 2014	As of January 31, 2015
Net assets recorded on balance sheet	941,415	1,079,064
Difference between net assets in consolidated balance sheet and net assets attributable to ordinary shares	10,470	10,641
Subscription rights to shares	474	536
Minority interests	9,996	10,104
Net assets attributable to ordinary shares	930,944	1,068,423
Number of ordinary shares outstanding (1,000 shares)	686,895	699,845
Number of ordinary shares held in treasury (1,000 shares)	1,673	396
Number of ordinary shares used to calculate shareholders' equity per share (1,000 shares)	685,221	699,449

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

¥ millions, except where noted	Previous fiscal year (Feb. 1, 2013 - Jan. 31, 2014)	Current fiscal year (Feb. 1, 2014 - Jan. 31, 2015)
Net income per share		
Net income recorded on statement of income	79,801	90,224
Amount not attributable to ordinary shares	-	-
Net income attributable to ordinary shares	79,801	90,224
Average number of ordinary shares outstanding during period (1,000 shares)	672,674	689,205
Fully diluted net income per share		
Adjustment to net income	-	-
Number of ordinary shares increased (shares)	49,523	31,309
Bonds with subscription rights to shares	48,863	30,600
Subscription rights to shares	660	708
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 5, 2015, Sekisui House, Ltd. 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 20,000 million yen

(5) Period for share repurchase

From March 6, 2015 to July 31, 2015

**(Omission of disclosure)**

Notes concerning lease and derivative transactions, transactions with related parties, tax effect accounting, financial products, marketable securities, 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.

## 5. Non-Consolidated Financial Statements

### (1) Balance Sheets

(¥ millions)

	As of January 31, 2014	As of January 31, 2015
Assets		
Current assets		
Cash and deposits	84,883	64,893
Notes receivable-trade	96	413
Accounts receivable from completed construction contracts	36,540	39,580
Accounts receivable-real estate business	1,610	4,270
Short-term investment securities	949	249
Costs on uncompleted construction contracts	2,930	2,489
Buildings for sale	78,272	47,603
Land for sale in lots	248,376	189,259
Undeveloped land for sale	34,249	32,821
Semi-finished goods	3,812	2,877
Raw materials	2,647	2,917
Work in process	733	708
Supplies	572	630
Advance payments-trade	156	67
Prepaid expenses	4,546	3,920
Short-term loans receivable	6,444	6,482
Accounts receivable-other	13,931	12,804
Deferred tax assets	41,151	28,243
Other	7,613	12,837
Allowance for doubtful accounts	(949)	(981)
Total current assets	568,571	452,091
Noncurrent assets		
Property, plant and equipment		
Buildings	213,090	241,761
Accumulated depreciation	(91,796)	(100,312)
Buildings, net	121,294	141,449
Structures	13,138	13,365
Accumulated depreciation	(9,692)	(10,046)
Structures, net	3,446	3,319
Machinery and equipment	58,197	58,248
Accumulated depreciation	(45,653)	(47,840)
Machinery and equipment, net	12,543	10,407
Vehicles	731	728
Accumulated depreciation	(655)	(652)
Vehicles, net	75	75
Tools, furniture and fixtures	23,145	24,647
Accumulated depreciation	(19,110)	(20,271)
Tools, furniture and fixtures, net	4,034	4,376
Land	206,144	270,185



	(¥ millions)	
	As of January 31, 2014	As of January 31, 2015
Lease assets	391	450
Accumulated depreciation	(218)	(280)
Lease assets, net	173	169
Construction in progress	13,142	5,074
Total property, plant and equipment	360,856	435,057
Intangible assets		
Goodwill	439	236
Industrial property	20	18
Leasehold right	1,608	1,608
Software	9,880	9,513
Lease assets	4	0
Right of using facilities	80	70
Telephone subscription right	677	676
Total intangible assets	12,711	12,124
Investments and other assets		
Investment securities	94,494	91,847
Stocks of subsidiaries and affiliates	277,438	329,204
Long-term loans receivable	3,782	3,217
Long-term loans receivable from employees	13,024	10,466
Long-term loans receivable from subsidiaries and affiliates	40,957	53,011
Lease and guarantee deposits	11,225	13,912
Long-term prepaid expenses	809	1,432
Deferred tax assets	5,893	3,002
Other	3,969	4,486
Allowance for doubtful accounts	(339)	(337)
Total investments and other assets	451,257	510,245
Total noncurrent assets	824,825	957,427
Total assets	1,393,396	1,409,518
Liabilities		
Current liabilities		
Notes payable-trade	15,555	12,648
Electronically recorded obligations-operating	63,865	57,638
Accounts payable-trade	31,501	21,575
Accounts payable for construction contracts	44,878	42,533
Short-term bonds payable	-	20,000
Current portion of bonds	-	70,000
Current portion of long-term loans payable	30,000	-
Lease obligations	69	68
Accounts payable-other	2,660	1,288
Accrued expenses	11,934	13,246
Income taxes payable	20,103	11,618
Accrued consumption taxes	4,686	7,716
Advances received on uncompleted construction contracts	58,871	48,853

	As of January 31, 2014	As of January 31, 2015
Advances received	12,941	9,141
Deposits received	104,770	112,465
Provision for bonuses	17,828	18,179
Provision for directors' bonuses	270	380
Provision for warranties for completed construction	3,480	3,240
Asset retirement obligations	411	480
Other	417	1,207
<b>Total current liabilities</b>	<b>424,247</b>	<b>452,281</b>
<b>Noncurrent liabilities</b>		
Bonds payable	90,000	60,000
Bond with subscription rights to shares	36,390	12,300
Long-term loans payable	50,000	50,000
Lease obligations	122	115
Long-term lease and guarantee deposited	10,619	15,861
Long-term accounts payable-other	572	608
Provision for retirement benefits	50,008	42,069
Asset retirement obligations	1,109	1,094
Other	881	3,189
<b>Total noncurrent liabilities</b>	<b>239,703</b>	<b>185,239</b>
<b>Total liabilities</b>	<b>663,951</b>	<b>637,520</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	191,559	197,716
Capital surplus		
Legal capital surplus	247,312	253,469
Other capital surplus	690	-
<b>Total capital surpluses</b>	<b>248,003</b>	<b>253,469</b>
<b>Retained earnings</b>		
Legal retained earnings	23,128	23,128
Other retained earnings		
Reserve for dividends	18,000	18,000
Reserve for special depreciation	1,098	952
General reserve	165,800	185,800
Retained earnings brought forward	54,960	64,554
<b>Total retained earnings</b>	<b>262,988</b>	<b>292,435</b>
Treasury stock	(1,209)	(329)
<b>Total shareholders' equity</b>	<b>701,340</b>	<b>743,291</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	27,584	28,169
Deferred gains or losses on hedges	45	-
<b>Total valuation and translation adjustments</b>	<b>27,630</b>	<b>28,169</b>
Subscription rights to shares	474	536
<b>Total net assets</b>	<b>729,445</b>	<b>771,998</b>
<b>Total liabilities and net assets</b>	<b>1,393,396</b>	<b>1,409,518</b>

**(2) Statements of Income**

(¥ millions)

	Feb. 1, 2013 – Jan. 31, 2014	Feb. 1, 2014 – Jan. 31, 2015
Net sales of completed construction contracts	1,009,336	970,030
Cost of sales of completed construction contracts	796,411	767,461
Gross profit on completed construction contracts	212,924	202,568
Sales on real estate business	146,466	258,105
Cost of sales on real estate business	126,081	221,622
Gross profit -real estate business	20,385	36,483
Total net sales	1,155,802	1,228,135
Total cost of sales	922,492	989,083
Gross profit	233,310	239,052
Selling, general and administrative expenses		
Advertising expenses	20,669	18,887
Promotion expenses	11,658	11,411
Servicing fee	10,582	11,193
Provision of allowance for doubtful accounts	-	78
Directors' compensations	512	540
Employees' salaries and allowances	41,741	40,928
Employees' bonuses	8,653	8,772
Provision for bonuses	9,607	9,797
Provision for directors' bonuses	270	380
Retirement benefit expenses	7,257	1,623
Legal welfare expenses	8,453	8,640
Welfare expenses	3,305	3,206
Traveling and transportation expenses	5,561	5,478
Rent expenses	3,268	3,329
Heating and lighting expenses	1,088	1,063
Depreciation	7,054	6,903
Supplies expenses	2,195	1,715
Experiment and research expenses	324	355
Investigation expenses	259	307
Insurance expenses	247	73
Taxes and dues	3,830	3,646
Communication expenses	1,245	1,139
Entertainment expenses	1,438	1,270
Trademark fee	180	180
Miscellaneous expenses	7,713	7,541
Total selling, general and administrative expenses	157,120	148,465
Operating income	76,189	90,586

	(¥ millions)	
	Feb. 1, 2013 – Jan. 31, 2014	Feb. 1, 2014 – Jan. 31, 2015
Non-operating income		
Interest income	1,363	1,615
Dividends income	8,730	11,724
Foreign currency exchange gains	2,781	3,669
Other	2,752	1,919
Total non-operating income	15,627	18,929
Non-operating expenses		
Interest expenses	374	348
Interest on bonds	575	636
Other	2,145	2,172
Total non-operating expenses	3,095	3,158
Ordinary income	88,721	106,357
Extraordinary income		
Gain on sales of investment securities	-	6,145
Gain on sales of subsidiaries' stocks	164	-
Total extraordinary income	164	6,145
Extraordinary loss		
Loss on valuation of investment securities	37	7,185
Impairment loss	4,035	1,659
Loss on sales and retirement of noncurrent assets	912	598
Total extraordinary losses	4,985	9,444
Income before income taxes	83,900	103,059
Income taxes-current	28,106	22,044
Income taxes-deferred	209	14,847
Total income taxes	28,315	36,891
Net income	55,585	66,168

**(3) Statements of Changes in Net Assets**

Previous consolidated fiscal year (February 1, 2013 to January 31, 2014)

(¥ 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	186,554	242,307	-	242,307	23,128	18,000	-	158,800	31,659	231,588
Changes of items during the period										
Issuance of new shares	5,005	5,005	-	5,005	-	-	-	-	-	-
Dividends from surplus	-	-	-	-	-	-	-	-	(24,185)	(24,185)
Provision of reserve for special depreciation	-	-	-	-	-	-	1,098	-	(1,098)	-
Reversal of reserve for special depreciation	-	-	-	-	-	-	-	-	-	-
Provision of general reserve	-	-	-	-	-	-	-	7,000	(7,000)	-
Net income	-	-	-	-	-	-	-	-	55,585	55,585
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-
Disposal of treasury stock	-	-	690	690	-	-	-	-	-	-
Net changes of items other than shareholders' equity	-	-	-	-	-	-	-	-	-	-
Total changes of items during the period	5,005	5,005	690	5,695	-	-	1,098	7,000	23,300	31,399
Balance at the end of current period	191,559	247,312	690	248,003	23,128	18,000	1,098	165,800	54,960	262,988

	Shareholders' equity		Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Treasury shares	Total treasury shares	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	(4,049)	656,400	11,939	0	11,940	429	668,770
Changes of items during the period							
Issuance of new shares	-	10,010	-	-	-	-	10,010
Dividends from surplus	-	(24,185)	-	-	-	-	(24,185)
Provision of reserve for special depreciation	-	-	-	-	-	-	-
Reversal of reserve for special depreciation	-	-	-	-	-	-	-
Provision of general reserve	-	-	-	-	-	-	-
Net income	-	55,585	-	-	-	-	55,585
Purchase of treasury stock	(97)	(97)	-	-	-	-	(97)
Disposal of treasury stock	2,938	3,628	-	-	-	-	3,628
Net changes of items other than shareholders' equity	-	-	15,644	45	15,690	44	15,734
Total changes of items during the period	2,840	44,940	15,644	45	15,690	44	60,675
Balance at the end of current period	(1,209)	701,340	27,584	45	27,630	474	729,445

## Current 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
Changes of items during the period										
Issuance of new shares	6,157	6,157	575	6,732	-	-	-	-	-	-
Dividends from surplus	-	-	-	-	-	-	-	-	(33,073)	(33,073)
Provision of reserve for special depreciation	-	-	-	-	-	-	-	-	-	-
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 treasury shares	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
Changes of items during the period							
Issuance of new shares	-	12,890	-	-	-	-	12,890
Dividends from surplus	-	(33,073)	-	-	-	-	(33,073)
Provision of reserve for special depreciation	-	-	-	-	-	-	-
Reversal of reserve for special depreciation	-	-	-	-	-	-	-
Provision of general reserve	-	-	-	-	-	-	-
Net income	-	66,168	-	-	-	-	66,168
Purchase of treasury stock	(15,265)	(15,265)	-	-	-	-	(15,265)
Disposal of treasury stock	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