ANNUAL REPORT 2014

For the year ended January 31, 2014

Sekisui House, Ltd.

Our Corporate Profile

As Japan's leading home builder, Sekisui House, Ltd. boasts a track record of approximately 2.2 million homes built to date. Our base of business is the construction, sale, purchase and administration of residential properties; the design, execution, contracting and super-vision of construction projects; real estate brokerage and landscaping.

Since our establishment in 1960, we at Sekisui House have achieved steady growth, becoming an ever-increasingly active participant in the Japanese construction industry.

Contents

Forward-Looking Statements

The information in this annual report contains forward-looking statements regarding the Company's plan, outlook, strategies and results for the future. All the forward-looking statements are based on the Company's judgments derived from information available at the time of publication.

Therefore, certain risks and uncertainties could cause the Company's actual results to differ materially from any projections presented here.

Financial Highlights

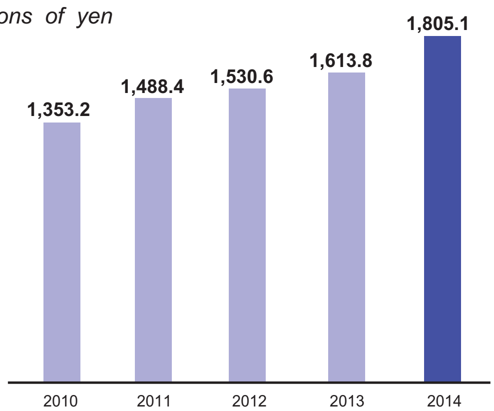
Sekisui House, Ltd. and Subsidiaries
For the year ended January 31

	Millions of yen					Thousands of U.S. dollars
	2014	2013	2012	2011	2010	**2014**
For the year:						
Net sales	**¥ 1,805,102**	¥ 1,613,816	¥ 1,530,578	¥ 1,488,370	¥ 1,353,186	**$ 17,549,115**
Operating income (loss)........	**131,930**	86,197	70,897	56,355	(38,755)	**1,282,617**
Net income (loss)..................	**79,801**	46,459	28,962	30,421	(29,277)	**775,822**
At year ended						
Total assets	**1,769,005**	1,539,273	1,445,829	1,341,309	1,353,946	**17,198,182**
Net assets	**941,415**	814,064	750,374	738,029	716,296	**9,152,392**

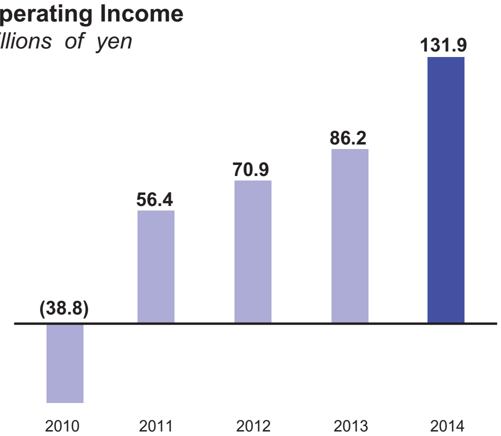
	Yen					U.S. dollars
	2014	2013	2012	2011	2010	**2014**
Per share:						
Net income (loss)..................	**¥ 118.63**	¥ 69.17	¥ 42.90	¥ 45.02	¥ (43.32)	**$ 1.15**
Net assets	**1,358.60**	1,200.63	1,107.43	1,090.67	1,059.18	**13.21**
Cash dividends applicable to the year	**43.00**	28.00	20.00	21.00	10.00	**0.42**

Note: U.S. dollar amounts above and elsewhere in this report represent translations of Japanese yen, for convenience only, at the approximate exchange rate of ¥102.86 = U.S. $1, effective at January 31, 2014.

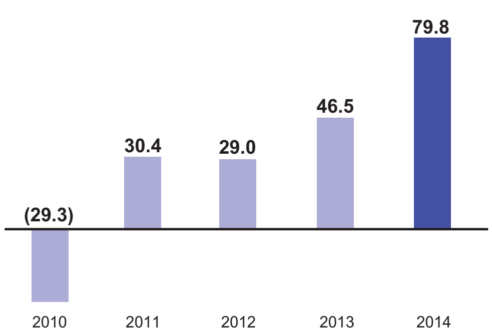
Net Sales
Billions of yen



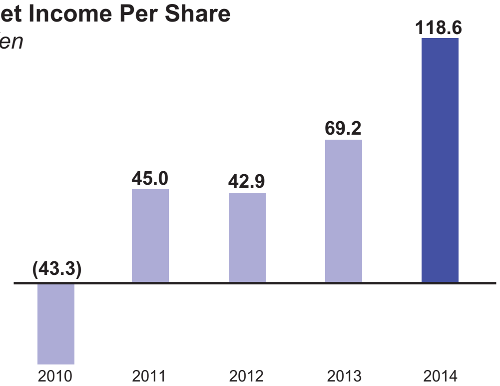
Operating Income
Billions of yen



Net Income
Billions of yen



Net Income Per Share
Yen



Progress of Medium-term Management Plan

FY2013 Overview

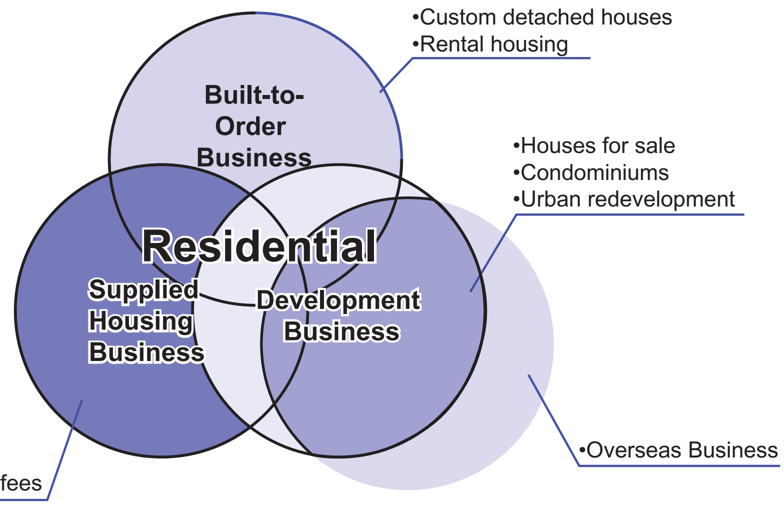
Deployed growth strategies focused on the "residential" business domain.

The earnings structure changed to a more balanced one through the expansion of sales of high value-added strategic products and the enhancement of earnings power.

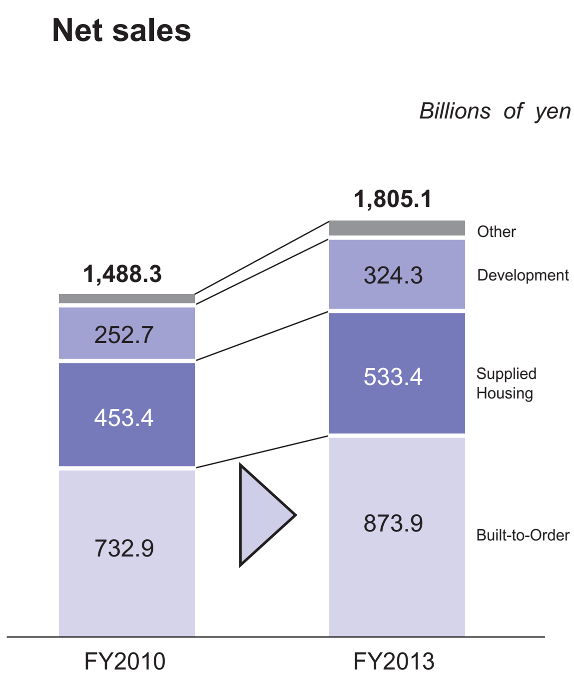
In FY2013, the second year of the Medium-Term Management Plan, both sales and income hit a record high, and each business model grew.

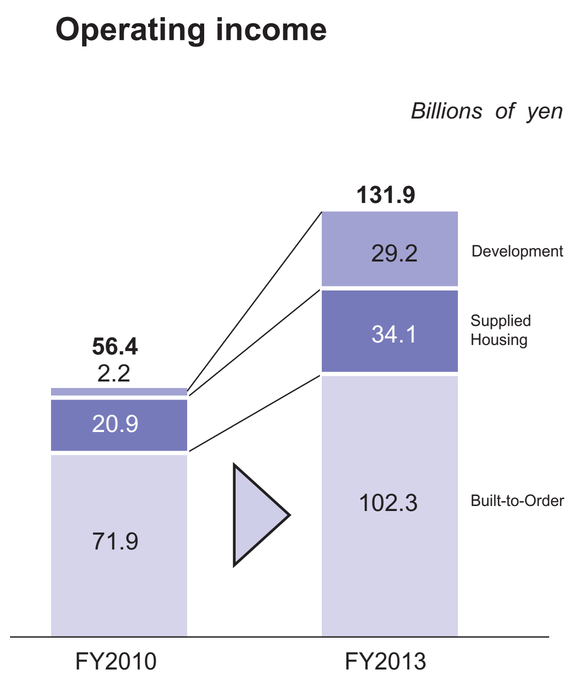
The Supplied Housing Business achieved stable growth in association with growth in the Built-to-Order Business, and the Development Business turned profitable.

We achieved a diversification of sources of revenue and established a balanced revenue base.



Shift of earnings balance (comparison with FY2010)





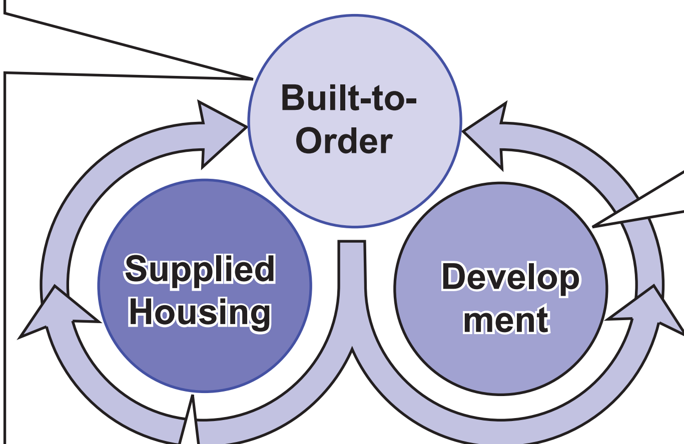
*Other Business and eliminations and back office expenses are excluded.

Basic Policy for FY2014

1. Growth through synergies among three business models

With each of the three business models getting stronger, our basic policy for FY2014 is to achieve growth by increasing synergies among the business models.

[Brand Cycle of Sekisui House]



- Aiming to increase orders, especially for net zero energy houses

  FY2014 target ratio of Green First Zero is 60%
- Standardizing high-quality, high-performance construction method for 2-story steel frame buildings
- Differentiating Sekisui House from the competition and bolstering the 3- and 4-story detached house business by launching BEREO PLUS, a complex multipurpose condominium

- Continuing to promote purchases, emphasizing turnover and profit margins
- Brand-building through the promotion of high-quality urban development

  Imoroving the quality of urban development
  ↓
  Expanding the orders, boosting demand for rebuilding in the neighborhood
- Expanding Overseas Business

- Expanding the remodeling business, which is growing at an annual average rate of more than 10%, by increasing the workforce
- Increasing in units under management in line with the order growth in Rental Housing Business and raising occupancy rate by establishing the Sha-Maison brand.

2. Further progress of profitability

Improving efficiency for an increase in profit margin in the Built-to-Order Business by reviewing the production, distribution, shipment, and construction processes, while providing the best quality to customers

◆Reinforcing promotion of high value-added products
◆Further promotion of evening out construction work
◆Promoting streamlining at production and construction sites
◆Effective cost-management

Automation lines introduced
in Shizuoka and Kanto Factories.

To Our Shareholders and Investors

Posting record results, Sekisui House aims to achieve new growth by sharing its values with society.

Toshinori Abe
President & COO

Isami Wada
Chairman & CEO

A Leap Forward Based on This Fiscal Year's Strong Results

In the year ended January 2014, the second year of the FY2012 Medium-Term Management Plan, both sales and income far exceeded the initial target to reach a record high. We are pleased to report that our business strategy focusing on the residential domain, where Sekisui House has the greatest advantage, has produced results.

The strong results show there is a virtuous circle among our three business models under our brand vision "SLOW & SMART." Sekisui House invests profits from the Built-to-Order Business, its core business, and the Supplied Housing Business, which capitalizes on a cumulative total of more than 2.18 million houses built, into the Development Business to achieve greater growth. They also show that Sekisui House's overall capabilities have clearly increased. Instead of being content with these strong results, we will use them as a springboard for a further leap forward.

Orders for Green First Zero, an eco-friendly house that achieves a Zero Energy Balance in everyday life with its energy-saving and energy creation specifications, have exceeded 50% of total orders. The Built-to-Order Business is being driven by increasing demand for 3- and 4-story houses especially in urban areas and at small spaces, including demand associated with rebuilding in reaction to the inheritance tax amendment.

The launch of BEREO PLUS, a complex multipurpose condominium, has excellent potential to meet diversifying needs for owner-occupied housing, rental housing, and retail facilities.

Sekisui House has developed Hybrid SHEQAS, which has improved design flexibility by reducing partition walls, while maintaining a vibration control function. We have also developed CELEBRIO housing with support services for the elderly, ahead of our competitors.

Sekisui House has been achieving steady growth by consistently anticipating the needs of the times and creating new markets. We aim to improve on these strong results by strengthening our product and sales capabilities.

Reemphasizing Our Commitment to Pioneering Business

We take this opportunity to reaffirm our customer-oriented approach, the DNA of Sekisui House. We anticipate the needs of the times based on this approach.

In March 2014, we reorganized our product lines of steel-frame two-story houses and standardized construction methods to streamline each process step — production, design, and construction — and to achieve high quality and high performance in all products at the same time. This is not business-oriented streamlining but is based on the customer-oriented approach, that is, providing "SLOW & SMART" living to all customers.

We have commenced joint research with Muscle Corporation, which excels at the development of medical equipment, on the application of robot technologies in home care for the elderly. The application development is based not on the question of what robots can do, but on the question of what people want robots to do. Aiming for comfortable living – now and always, Sekisui House is addressing the challenge of improving the quality of life by combining robot technologies and housing space design based on the lifelong housing concept. That allows us to develop technologies through an unprecedented approach.

The policy of Sekisui House in the Remodeling Business and the circulation of existing housing is to enhance the value of housing for customers and to hand down the enhanced value to next-generation families as socially useful assets instead of just repairing houses that Sekisui House has built. To facilitate the circulation of reliable existing housing, Sekisui House plans to step up collaboration between Group companies: Sekiwa Real Estate companies distribute properties constructed by Sekisui House.

Sekisui House is recording robust results and is aspiring to advance to a new level. We believe that the most important task at this stage is to emphasize the basics — namely, a customer-oriented approach and love of humanity, which is our fundamental philosophy — and perform down-to-earth activities instead of focusing on increasing numbers and expanding quantity. We are sure that in this way we will be able to develop business activities that will go ahead with the times.

Sharing values with communities and society and aiming to advance to another level

From CSR (corporate social responsibility) to CSV (creating shared value) — this means that from a medium- to long-term perspective, the company performs socially significant business activities, shares values with communities and society, clarifies and expands its relationships with communities and society, and practices sound corporate management. The concept implies a shift from social contribution activities, which tend to be one-way traffic, to the establishment of win-win relationships. This is broadly a philosophy that reflects a love of humanity.

One example that embodies the philosophy is The Ritz-Carlton, Kyoto in Kyoto City, which Sekisui House constructed. The design of the hotel combines Japanese tradition and a modern Western style and harnesses the value that Kyoto possesses. In the Overseas Business, Sekisui House is building trust by prioritizing the sharing of values with local business partners based on a deep understanding of history, culture, and national characters. In the United States, Sekisui House has started a major renovation business, focusing on building facades that reflect local cultural values.

The Ritz-Carlton, Kyoto

Meanwhile, Sekisui House has been pursuing reforms within the company. It has established a Diversity and Inclusion Promoting Office to provide further support for women and diversified human resources and to strengthen its organization. Sekisui House will be sensitive to the values of the times and will respond to those values in its corporate management. CSV will become a key word in Sekisui House's business activities.

Lastly, we pledge to shareholders that as well as aiming to improve results and increase dividends, Sekisui House will strive to enhance its corporate value. Sekisui House will provide unique value to all its stakeholders and to society in general. Housing plays a central role in addressing social challenges and has a significant impact on economic activities. Sekisui House reaffirms its responsibility and pride and aims to advance to another level. We respectfully ask for your support as we pursue these policies.

■ Financial analysis

In the fiscal year under review, the Japanese economy benefited from a continuation of stable foreign exchange and a brisk stock market. Expectations for a recovery in corporate earnings increased, mainly driven by government economic policies and the easy monetary policy of the Bank of Japan.

In the housing market, although last-minute demand in anticipation of the consumption tax hike and a subsequent reactionary fall in demand emerged, housing demand remained firm, primarily given higher expectations for an improvement in employment and income against the backdrop of solid corporate earnings. Awareness of housing safety and security continued to grow, and consumer interest in securing energy supplies was high. Meanwhile, with continued low interest rates and the introduction of measures to assist in housing acquisitions such as mortgage loan tax credits, along with demand associated with the need to minimize rising inheritance taxes, housing starts increased.

Under these circumstances, the Company has followed its medium-term management plan and aims to realize sustainable profit growth in Japanese markets under its brand vision “SLOW & SMART.” The Company has also been promoting its business to get its overseas operations on track for growth. Moreover, the Company focused on the further growth of orders by holding sales promotion events, *Sumai no sankan-bi* (visits to model houses) and Sha-Maison Festa, nationwide. In addition to these efforts made by the Company, the improved economic environment, a last-minute surge in demand before the tax consumption hike, and other factors contributed to stable amounts of orders received.

Regarding product development, the Company started to sell Green First Zero, in order to be ahead of time in realizing Zero Energy Houses (ZEH), which the government aims to disseminate as a standard house by 2020. The Company promoted sales of the house as its new growth driver. In a meantime, it launched BEREO PLUS, a four-story complex multipurpose condominium in January 2014, and continued to implement product developments aiming to appeal to the market needs.

In the year ended January 2014, net sales amounted to ¥1,805,102 million ($17,549,115 thousand), up 11.9% from the previous fiscal year. Operating income grew to ¥131,930 million ($1,282,617 thousand, up 53.1%), while net income amounted to ¥79,801 million ($775,822 thousand, up 71.8%.)

For the financial position, total assets increased by ¥229,732 million to ¥1,769,005 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 totaled ¥827,590 million, mainly due to the increases in notes and accounts payable and advances received on uncompleted construction contracts. Net assets amounted to ¥941,415 million. This was chiefly attributable to increases in capital stock and capital surplus, reflecting the issuing of new shares associated with the exercise of subscription rights to shares attached to bonds with subscription rights to shares and the posting of net income.

Looking ahead, the Japanese economy is steadily recovering, and employment and incomes are improving, despite some concerns that could put pressure on corporate earnings, such as the outcome of Japanese consumer behavior after the consumption tax hike in April 2014 and slower economic growth in emerging countries. In the housing market, although last-minute demand associated with the consumption tax hike and a subsequent reactionary fall have emerged, the impact of these trends is likely to be limited. In this environment, the Company aims to achieve steady growth based on its medium-term management plan with Green First Zero, as the core, and will continue to generate stable profits through cost reductions.

For the year ending January 2015, the Company forecasts consolidated net sales of ¥1,860,000 million, consolidated operating income of ¥142,000 million, and consolidated net income of ¥89,000 million.

For the year ended January 2014, we paid an interim dividend of 20 yen and a year-end dividend of 23 yen, totaling 43 yen for the full year. For the next fiscal year, we plan to pay out an interim dividend of 25 yen and a year-end dividend of 25 yen, totaling 50 yen for the full year.

I. Wada

Isami Wada
Chairman & CEO

Toshinori Abe

Toshinori Abe
President & COO

Segment Information

FY2013 Business results
Consolidated net sales: ¥1,805,102 million, Consolidated operating income: ¥131,930 million

Custom Detached Houses

Sales
¥ 517,691 million
(up 11.3% year-on-year)

Operating income
¥ 65,814 million
(up 34.9% year-on-year)

[Business details]
Design, construction, and contracting of built-to-order detached houses

[Summary]
Sales increased chiefly due to strong sales of high value-added houses, including Green First Zero, a Zero Energy House, and 3- and 4-story products for rebuilding as multifamily dwellings. Orders increased 6.0% year-on-year, reflecting, in addition to last-minute demand and a decline in reaction, the results of the Company's sales and differentiation strategies.

Built-to-Order Rental Housing

Sales
¥ 356,203 million
(up 17.3% year-on-year)

Operating income
¥ 36,492 million
(up 32.5% year-on-year)

[Business details]
Design, construction, and contracting of rental housing for sale, medical and nursing care facilities for sale, and other buildings

[Summary]
Sales rose thanks to successful proposals of 3- and 4-story rental houses and designs in accordance with tenants' lifestyles, especially in urban areas, against a background of increasing needs for the use of assets in response to the inheritance tax amendment. The Company sought to differentiate itself from its competitors, for example by installing its original floor sound insulation system SHAIDD55 in all units. Meanwhile, the Company proposed CELEBRIO, a residential property with support services for the elderly, and held sales promotion events, including Sha-Maison Festa. Reflecting these initiatives, both orders and the backlog increased significantly.

Remodeling

Sales
¥ 125,047 million
(up 12.1% year-on-year)

Operating income
¥ 14,038 million
(up 21.6% year-on-year)

[Business details]
Remodeling of residential properties

[Summary]
Sales increased reflecting the strengthening of remodeling proposals designed to increase energy conservation and efficiency and the aggressive deployment of human resources. Profitability also improved thanks to a higher ratio of large-scale remodeling projects.

Real Estate Management Fees

Sales
¥ 408,404 million
(up 3.7% year-on-year)

Operating income
¥ 20,064 million
(up 17.7% year-on-year)

[Business details]
Sub-lease, management, operation and brokerage of real estate

[Summary]
Sales grew in step with the solid supply of rental houses under the Built-to-Order Business. The number of units under management exceeded 526,000, and the occupancy rate climbed 0.2 percentage point year-on-year to 96.2%. The operating margin was 4.9%, rising 0.6 percentage point year-on-year given improved occupancy rates and a strengthening of the brokerage and other fees business.

Houses for Sale

Sales
¥ 133,405 million
(up 4.4% year-on-year)

Operating income
¥ 8,143 million
(up 415.3% year-on-year)

[Business details]
Sale of houses and lands and designing, construction, and contracting of houses on lands for sale

[Summary]
Sales increased, reflecting smart town development in 16 places nationwide and purchases of land emphasizing turnover.

Condominiums

Sales
¥ 63,084 million
(up 20.1% year-on-year)

Operating income
¥ 3,979 million
(up 296.1% year-on-year)

[Business details]
Sale of condominiums

[Summary]
Sales grew as large-scale properties, including Grande Maison Komae and Grande Maison Ikeshita the Tower, were completed and delivered. Orders were strong due to sales initiatives to enhance the brand value. Some new properties sold out immediately.
The operating margin improved markedly to 6.3%, up from 1.9% in the previous year.

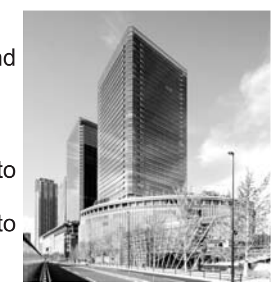
Urban Redevelopment

Sales
¥ 42,428 million
(down 6.8% year-on-year)

Operating income
¥ 8,562 million
(down 12.5% year-on-year)

[Business details]
Development of office buildings and commercial facilities, and management and operation of owned properties

[Summary]
The high occupancy rate of Sekisui Group's rental properties was maintained to ensure stable rent income.
Sales, however, declined, reflecting a fall in sales of properties, especially to REITs, from a year ago.



Overseas Businesses

Sales
¥ 85,393 million
(up 55.7% year-on-year)

Operating income
¥ 8,581 million
(up 102.0% year-on-year)

[Business details]
Contracting of built-to-order detached houses, sale of houses and real estate, and development of facilities, including condominiums and commercial facilities, in overseas markets

[Summary]
Sales rose with the strong performance of the delivery of condominiums in Australia and robust sales of subdivisions in North America. In China, eanwhile, a sales center opened for our projects, including the project in Heping District, Shenyang.

Other Businesses

Sales: ¥ 73,447 million (up 25.1% year-on-year), **Operating income:** ¥ 1,691 million (-)

[Business details] Mainly involving in exterior business, etc.

Non Financial Information regarding ESG

■ Environmental Strategy at the Heart of Management Strategy

Sekisui House conducts business with a primary focus on its environmental strategies, as evident in the announcement of the Environmental Future Plan in 1999 and the Declaration of Sustainability in 2005.

Sekisui House has been developing technological innovations to reduce carbon dioxide emissions. In an effort to lower the impact on the environment by enhancing the performance of detached houses, we began to provide multi-layer thermal barrier insulation glass and insulated aluminum sash as standard in 2000, followed by an industry first with the introduction of next-generation energy-saving specifications as standard in 2003.

In 2008, we announced the Carbon Neutral House, which combines energy saving with energy generation to achieve zero net CO_2 emissions when occupied. To coincide with the 2008 G8 Hokkaido Toyako Summit, we provided full support for the construction of the Zero Emission House as a futuristic residential building that emits no carbon dioxide throughout its product lifecycle, from production to dismantlement. Our environmental technologies and message were presented to the world through the media, earning strong praise. In addition, with its efforts having earned high marks, Sekisui House has been certified as Eco-First Company by the Ministry of the Environment since 2008.

In 2009, we defined environmentally friendly houses as a business axis and launched the Green First Strategy. We propose the Green First series of eco-friendly residential houses equipped with solar power generation systems as well as household fuel cells and storage batteries to cut CO_2 emissions by 50% and more in a state of occupancy. The Green First models accounted for approximately 84% of total detached house orders received in fiscal 2013.

In 2011, we announced the Green First Hybrid, the world's first smart house equipped with photovoltaic cells, fuel cells and storage batteries to perform optimal energy control with a home energy management system (HEMS).

In April 2013, the Company launched Green First Zero, in order to be ahead of time in realizing Zero Energy Houses (ZEH), which the government aims to disseminate as a standard house by 2020. This is an innovative house that drastically reduces energy consumption through high insulation values and the latest energy conservation facilities, as well as generating power using solar batteries and fuel cells, to aim for a Zero Energy Balance. In the first year after the launch, Green First Zero accounted for approximately 50% of all detached house orders received in fiscal 2013. This result gives Sekisui House the clear lead in the industry, and we see it as evidence of our strengths, such as the high-quality standard specifications of our housing and our sophisticated consulting proposals.

Storage battery

Fuel cell

Our Green First initiative is not confined to new housing. We also promote Green First Remodeling for existing houses, responsible for a large proportion of CO_2 emissions in the household sector. Specifically, we propose remodeling for enhanced heat insulation efficiency and energy-saving equipment to improve living comfort as well as improved performance in energy generation and conservation.

■ Brand Vision - "SLOW & SMART"

Sekisui House adopted its brand vision of "SLOW & SMART" in 2012. We are moving forward with housing that offers richness and permanent comfort while seeking enhanced basic housing performance and advanced technologies and building the overall capability to offer lifestyle proposals.

Defining improvement in customer comfort as a priority challenge, we are working hard to develop cutting-edge technologies that help achieve the challenge. In addition to environmental technologies, we possess a large number of proprietary technologies. These include the SHEQAS seismic damping system accredited by the Minister of Land, Infrastructure, Transport and Tourism, the Airkis air environment specification, designed to cut indoor concentration of chemicals to less than half the standards set by the Japanese government, and the Bellburn earthenware exterior wall. With these technologies, we support the construction of “SLOW & SMART” houses.

Japan sees growing needs for, and mounting interest in, natural energy and energy conservation technologies. From an early stage, Sekisui House has focused on the smart house. We have conducted demonstrative and residential experiments in collaboration with many different companies, energy business operators and research institutions. A model house was put on public display in Yokohama. For community building, we develop 16 smart towns across the country. We will continue to advance housing and community construction to achieve “SLOW & SMART” lifestyles all over Japan and around the world.

■ Development of our overseas business

Sekisui House set off its overseas business in 2009. Based on the high marks earned by our track record in eco-friendly technologies and high-quality house building, we have been launching a number of projects in Australia, the United States, China, and Singapore, in cooperation with local administrative authorities and major developers that agree with our corporate policies.

As a method of operating our business, we are proceeding with the urban development and with the housing construction and sales businesses in alliance with leading local developers and home builders. We are targeting countries and regions with population and high economic growth potential and robust demand for enriched and high-quality housing, while making a judgment on the housing market conditions and the adaptability of our businesses in each area.

We will contribute to improvements in the local housing environment and culture as a proactive creator of comfortable living environments.

■ Actions for Sustainability

In consideration of biological diversity, Sekisui House proposes the planting of native species suitable for the local climate and vegetation at the time of constructing residential buildings or areas in accordance with our original guidelines. In so doing, we are promoting the *Gohon no ki* landscaping concept that helps to conserve eco-systems. In the exterior business, the cumulative total of planted tress reached 10 million in 2013 as a result of promoting the *Gohon no ki* project.

We exhaustively practice the *Reduce*, *Reuse* and *Recycle* approach in an effort to reduce construction waste and to make effective use of resources. We have a waste disposal system with a high level of traceability that covers all processes from separation on the construction site to the recycling routes in factories. After achieving zero emissions from production plants, new building sites, after-sales maintenance and remodeling sites, we are striving to achieve the same at the time of dismantling houses.

We understand that one of our social missions is to pass the extensive knowledge and experience we have cultivated in our housing business on to society to help create comfortable living environments where both communities and homeowners thrive. For this reason, we engage in numerous educational activities, including initiatives to raise awareness of housing through experience and experiments, in addition to seminars for schools and the public on the subjects of housing and living as well as global warming and eco-system conservation through housing and living.

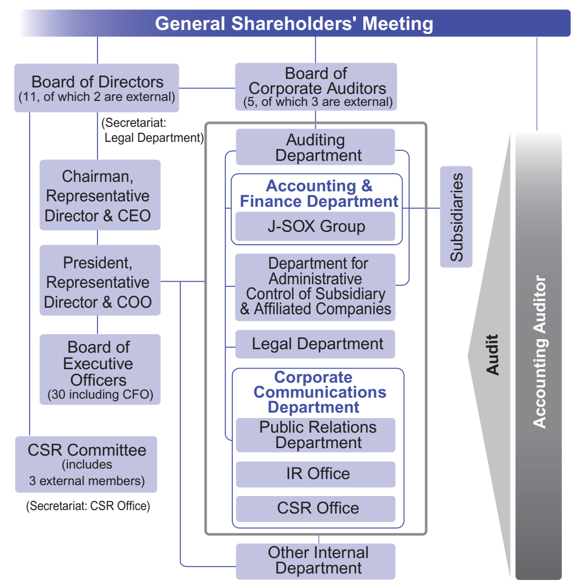
In 2013, Sekisui House established *Sumufumulab* (Osaka City) as an open innovation facility aiming to create a new housing culture. The Company transmits the values of day-to-day life to various stakeholders based on the research and development capabilities it has been cultivating for years. The number of visitors to this facility has already exceeded 200,000 people.

We are also involved in industry-academia collaboration with universities and research institutions for interdisciplinary research that is key to sustainability studies, including those on environmental technologies, resource recycling technologies, health considerations, robot technologies and the states of living and communities.

■ Governance Structure

To earn even greater trust from its stakeholders, Sekisui House defines corporate governance as a priority management issue. To ensure the transparency of corporate administration and the timely and appropriate exertion of the check and supervisory functions, we have two outside directors and three outside auditors. We thus make clear the responsibility for management and accelerate business execution.

Corporate Governance Structure(as of April 2014)



As a structure for executing our CSR activities, the CSR Committee has been set up with three outside members, to serve as an advisory body for the board. Introducing outside perspectives to CSR management, we seek to enrich our CSR activities.

Information on these and other ESG related initiatives for FY2013 will be released in our “Sustainability Report 2014” and on our website.

Management's Discussion and Analysis

Results of Operations

For the year ended January 31

	Millions of yen					Thousands of U.S. dollars
	2014	2013	2012	2011	2010	**2014**
Net sales	**¥ 1,805,102**	¥ 1,613,816	¥ 1,530,578	¥ 1,488,370	¥ 1,353,186	**$ 17,549,115**
Cost of sales	**1,446,602**	1,314,313	1,255,254	1,231,162	1,196,849	**14,063,795**
Operating income (loss)	**131,930**	86,197	70,897	56,355	(38,755)	**1,282,617**
Net income (loss)	**79,801**	46,459	28,962	30,421	(29,277)	**775,822**

Segment Information (Note 21)
Sales by each segment

	Millions of yen					Thousands of U.S. dollars
	2014	2013	2012	2011	2010	**2014**
Custom detached houses	**¥ 517,691**	¥ 465,149	¥ 475,330	¥ 455,239	¥ -	**$ 5,032,967**
Rental housing	**356,203**	303,713	289,028	277,660	-	**3,462,988**
Remodeling	**125,047**	111,549	102,180	91,443	-	**1,215,701**
Real estate management fees	**408,404**	393,978	378,248	361,989	-	**3,970,484**
Houses for Sale	**133,405**	127,810	127,123	146,471	-	**1,296,957**
Condominiums	**63,084**	52,539	39,682	77,185	-	**613,300**
Urban redevelopment	**42,428**	45,529	37,720	22,209	-	**412,483**
Overseas Business	**85,393**	54,845	24,264	-	-	**830,187**
Other	**73,447**	58,704	57,003	56,174	-	**714,048**
Consolidated	**1,805,102**	1,613,816	1,530,578	1,488,370	1,353,186	**17,549,115**

	Millions of yen					Thousands of U.S. dollars
	2014	2013	2012	2011	2010	2014
Built to order housing	-	-	-	¥ 697,388	¥ 590,377	-
Real estate for sale	-	-	-	229,484	253,572	-
Real estate for leasing	-	-	-	377,667	364,218	-
Other	-	-	-	183,831	145,019	-

Note: We have changed segments classification in the year ended January 31, 2013 and 2014.

Amounts per share (Note 18)

	Yen					U.S. dollars
	2014	2013	2012	2011	2010	**2014**
Net income (loss) per share	**¥ 118.63**	¥ 69.17	¥ 42.90	¥ 45.02	¥ (43.32)	**$ 1.15**
Diluted	**110.50**	64.32	41.12	45.00	-	**1.07**
Net assets	**1,358.60**	1,200.63	1,107.43	1,090.67	1,059.18	**13.21**
Dividends	**43.00**	28.00	20.00	21.00	10.00	**0.42**

Ratios

	2014	2013	2012	2011	2010
Equity ratio	**52.63%**	52.39%	51.45%	54.94%	52.86 %
Return on assets (ROA)*	**8.15%**	5.96%	5.28%	4.34%	(2.69)%
Return on equity (ROE)	**9.19%**	5.99%	3.91%	4.19%	(3.98)%
DE ratio	**31.14%**	33.31%	35.67%	28.77%	36.56 %

* ROA = (Operating income + Interest and dividend income) / Total assets

* See notes to consolidated financial statements.

Consolidated Balance Sheet

Sekisui House, Ltd. and Subsidiaries
January 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Assets			
Current assets:			
Cash and cash equivalents *(Note 19)*	**¥ 181,324**	¥ 179,242	**$ 1,762,823**
Short-term investments *(Notes 4, 10 and 19)*	**1,854**	3,089	**18,025**
Notes and accounts receivable :			
Affiliates	**359**	215	**3,490**
Trade *(Note 19)*	**46,182**	38,612	**448,979**
Other	**24,187**	21,608	**235,145**
Less allowance for doubtful accounts	**(1,247)**	(1,823)	**(12,123)**
	69,481	58,612	**675,491**
Inventories *(Notes 5 and 10)*	**753,594**	648,823	**7,326,405**
Deferred income taxes *(Note 11)*	**47,402**	46,876	**460,840**
Other current assets	**24,934**	19,249	**242,407**
Total current assets	**1,078,589**	955,891	**10,485,991**
Property, plant and equipment, at cost:			
Land *(Notes 6, 8 and 10)*	**235,024**	210,655	**2,284,892**
Buildings and structures *(Notes 6, 8 and 10)*	**322,606**	259,903	**3,136,360**
Machinery, equipment and other *(Note 6)*	**96,662**	90,178	**939,743**
Construction in progress	**15,258**	19,342	**148,338**
	669,550	580,078	**6,509,333**
Less accumulated depreciation	**(203,015)**	(193,094)	**(1,973,702)**
Property, plant and equipment, net	**466,535**	386,984	**4,535,631**
Investments and other assets:			
Long-term loans receivable	**47,250**	43,575	**459,362**
Less allowance for doubtful accounts	**(595)**	(741)	**(5,785)**
	46,655	42,834	**453,577**
Investments in securities *(Notes 4, 10 and 19)*	**94,825**	69,641	**921,884**
Investments in affiliates *(Notes 7, 10 and 19)*	**11,605**	9,469	**112,823**
Goodwill	**567**	893	**5,512**
Intangible assets	**15,980**	14,437	**155,357**
Deferred income taxes *(Note 11)*	**14,235**	21,562	**138,392**
Rrepaid pension cost *(Note 12)*	**1,176**	—	**11,433**
Other assets	**38,838**	37,562	**377,582**
Total investments and other assets	**223,881**	196,398	**2,176,560**
	¥ 1,769,005	¥ 1,539,273	**$17,198,182**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Liabilities and net assets			
Current liabilities:			
Short-term loans *(Notes 9 and 10)*	**¥ 38,009**	¥ 18,697	**$ 369,522**
Current portion of long-term debt and lease obligations *(Notes 9,10 and 19)*	**45,787**	50,409	**445,139**
Notes and accounts payable *(Note 19)* :			
Affiliates	**3,503**	3,113	**34,056**
Trade	**171,223**	147,475	**1,664,622**
Accrued income taxes *(Note 11)*	**31,086**	26,840	**302,217**
Advances received on construction projects in progress	**116,352**	87,886	**1,131,169**
Allowance for employees' bonuses	**24,899**	18,384	**242,067**
Allowance for directors' and corporate auditors' bonuses	**961**	829	**9,342**
Allowance for warranties for completed construction	**3,484**	3,123	**33,871**
Other current liabilities	**67,356**	54,269	**654,831**
Total current liabilities	**502,660**	411,025	**4,886,836**
Long-term liabilities:			
Long-term debt and lease obligations *(Notes 9, 10 and 19)*	**206,064**	199,516	**2,003,344**
Guarantee deposits received *(Note 10)*	**54,802**	53,020	**532,782**
Accrued retirement benefits for employees *(Note 12)*	**55,038**	53,214	**535,077**
Accrued retirement benefits for directors and corporate auditors	**978**	1,140	**9,508**
Other liabilities	**8,048**	7,294	**78,243**
Total long-term liabilities	**324,930**	314,184	**3,158,954**
Contingent liabilities *(Note 14)*			
Net assets:			
Shareholders' equity *(Notes 15 and 24)*:			
Common stock:			
Authorized: 1,978,281,000 shares			
Issued: 686,895,078 shares in 2014 and			
676,885,078 shares in 2013	**191,559**	186,554	**1,862,327**
Capital surplus	**243,218**	237,523	**2,364,554**
Retained earnings	**413,447**	357,831	**4,019,512**
Less treasury stock, at cost	**(1,380)**	(4,219)	**(13,416)**
Total shareholders' equity	**846,844**	777,689	**8,232,977**
Accumulated other comprehensive income:			
Net unrealized holding gain on securities	**27,612**	11,951	**268,443**
Deferred gain (loss) on hedges	**48**	(45)	**467**
Translation adjustments	**56,441**	16,812	**548,716**
Total accumulated other comprehensive income	**84,101**	28,718	**817,626**
Stock subscription rights *(Notes 15 and 24)*	**474**	429	**4,608**
Minority interests	**9,996**	7,228	**97,181**
Total net assets	**941,415**	814,064	**9,152,392**
	¥ 1,769,005	¥ 1,539,273	**$17,198,182**

∗See notes to consolidated financial statements.

Consolidated Statement of Income

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Net sales *(Note 21)*	**¥ 1,805,102**	¥ 1,613,816	**$17,549,115**
Cost of sales	**1,446,602**	1,314,313	**14,063,795**
Gross profit	**358,500**	299,503	**3,485,320**
Selling, general and administrative expenses *(Note 16)*	**226,570**	213,306	**2,202,703**
Operating income	**131,930**	86,197	**1,282,617**
Other income (expenses):			
Interest and dividend income	**2,961**	2,776	**28,787**
Interest expense	**(995)**	(1,621)	**(9,673)**
Loss on sales or disposal of fixed assets	**(1,471)**	(1,466)	**(14,301)**
Equity in earnings of affiliates	**2,848**	312	**27,688**
Foreign exchange gains, net	**909**	4,235	**8,837**
Loss on impairment of fixed assets *(Note 6)*	**(4,234)**	(2,301)	**(41,163)**
Loss on revaluation of investments in securities	**(37)**	(1,539)	**(360)**
Gain on bargain purchase of subsidiary's shares	**327**	—	**3,179**
Other, net	**282**	(132)	**2,742**
Income before income taxes and minority interests	**132,520**	86,461	**1,288,353**
Income taxes *(Note 11)*:			
Current	**49,584**	38,114	**482,053**
Deferred	**(195)**	(240)	**(1,896)**
	49,389	37,874	**480,157**
Income before minority interests	**83,131**	48,587	**808,196**
Minority interests in earnings of subsidiaries	**(3,330)**	(2,128)	**(32,374)**
Net income	**¥ 79,801**	¥ 46,459	**$ 775,822**

∗See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Income before minority interests	**¥ 83,131**	¥ 48,587	**$ 808,196**
Other comprehensive income:			
Net unrealized holding gain on securities	**15,649**	10,296	**152,139**
Deferred gain (loss) on hedges	**91**	(37)	**885**
Translation adjustments	**39,741**	20,682	**386,359**
Share of other comprehensive income of affiliates accounted for by the equity method	**300**	117	**2,917**
Total other comprehensive income	**55,781**	31,058	**542,300**
Comprehensive income	**¥ 138,912**	¥ 79,645	**$1,350,496**
Total comprehensive income attributable to:			
Shareholders of Sekisui House, Ltd.	**¥ 135,184**	¥ 77,376	**$1,314,252**
Minority interests	**3,728**	2,269	**36,244**

∗See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2014

	Millions of yen										
						Accumulated other comprehensive income					
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Deferred gain (loss) on hedges	Translation adjustments	Stock subscription rights	Minority interests	Total net assets
Balance at February 1, 2012	**676,885,078**	**¥186,554**	**¥237,523**	**¥326,154**	**¥(4,202)**	**¥ 1,575**	**¥(7)**	**¥ (3,767)**	**¥365**	**¥6,179**	**¥750,374**
Net income for the year................	—	—	—	46,459	—	—	—	—	—	—	46,459
Cash dividends.............................	—	—	—	(14,781)	—	—	—	—	—	—	(14,781)
Purchases of treasury stock..........	—	—	—	—	(32)	—	—	—	—	—	(32)
Sales of treasury stock..................	—	—	—	(1)	15	—	—	—	—	—	14
Other changes...............................	—	—	—	—	—	10,376	(38)	20,579	64	1,049	32,030
Balance at February 1, 2013	**676,885,078**	**¥186,554**	**¥237,523**	**¥357,831**	**¥(4,219)**	**¥11,951**	**¥(45)**	**¥16,812**	**¥429**	**¥7,228**	**¥814,064**
Issuance of new shares................	10,010,000	5,005	5,005	—	—	—	—	—	—	—	10,010
Net income for the year................	—	—	—	79,801	—	—	—	—	—	—	79,801
Cash dividends.............................	—	—	—	(24,185)	—	—	—	—	—	—	(24,185)
Purchases of treasury stock..........	—	—	—	—	(99)	—	—	—	—	—	(99)
Sales of treasury stock..................	—	—	690	—	2,938	—	—	—	—	—	3,628
Other changes...............................	—	—	—	—	—	15,661	93	39,629	45	2,768	58,196
Balance at January 31, 2014	**686,895,078**	**¥191,559**	**¥243,218**	**¥413,447**	**¥(1,380)**	**¥27,612**	**¥ 48**	**¥56,441**	**¥474**	**¥9,996**	**¥941,415**

	Thousands of U.S. dollars (Note 1)									
					Accumulated other comprehensive income					
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Deferred gain (loss) on hedges	Translation adjustments	Stock subscription rights	Minority interests	Total net assets
Balance at February 1, 2013	**$1,813,669**	**$2,309,187**	**$3,478,815**	**$(41,017)**	**$116,187**	**$ (437)**	**$163,445**	**$ 4,171**	**$70,270**	**$7,914,290**
Issuance of new shares................	48,658	48,658	—	—	—	—	—	—	—	97,316
Net income for the year................	—	—	775,822	—	—	—	—	—	—	775,822
Cash dividends.............................	—	—	(235,125)	—	—	—	—	—	—	(235,125)
Purchases of treasury stock..........	—	—	—	(962)	—	—	—	—	—	(962)
Sales of treasury stock..................	—	6,709	—	28,563	—	—	—	—	—	35,272
Other changes...............................	—	—	—	—	152,256	904	385,271	437	26,911	565,779
Balance at January 31, 2014	**$1,862,327**	**$2,364,554**	**$4,019,512**	**$(13,416)**	**$ 268,443**	**$ 467**	**$548,716**	**$ 4,608**	**$97,181**	**$9,152,392**

*See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2014

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2014	2013	**2014**
Cash flows from operating activities			
Income before income taxes and minority interests	**¥ 132,520**	¥ 86,461	**$ 1,288,353**
Adjustments for:			
Depreciation and amortization	**22,582**	19,016	**219,541**
Loss on impairment of fixed assets	**4,234**	2,301	**41,163**
Increase in accrued retirement benefits	**1,823**	10,688	**17,723**
Increase in prepaid pension costs	**(1,176)**	–	**(11,433)**
Interest and dividend income	**(2,961)**	(2,776)	**(28,787)**
Interest expense	**995**	1,621	**9,673**
Equity in earnings of affiliates	**(2,848)**	(312)	**(27,688)**
Gain on bargain purchase of subsidiary's shares	**(327)**	–	**(3,179)**
Loss on revaluation of investments in securities	**37**	1,539	**360**
Increase in notes and accounts receivable	**(7,370)**	(1,944)	**(71,651)**
Increase in inventories	**(85,405)**	(7,301)	**(830,303)**
Increase in notes and accounts payable	**25,858**	5,983	**251,390**
Increase in advances received on construction projects in progress	**28,060**	11,480	**272,798**
Other	**7,682**	(6,027)	**74,684**
Subtotal	**123,704**	120,729	**1,202,644**
Interest and dividends received	**2,823**	2,846	**27,445**
Interest paid	**(2,975)**	(2,655)	**(28,923)**
Income taxes paid	**(45,479)**	(38,337)	**(442,144)**
Net cash provided by operating activities	**78,073**	82,583	**759,022**
Cash flows from investing activities			
Proceeds from sales of short-term investments	**2,100**	5,000	**20,416**
Proceeds from sales of property, plant and equipment	**255**	85	**2,479**
Purchases of property, plant and equipment	**(75,930)**	(54,714)	**(738,188)**
Proceeds from sales of investments in securities	**689**	–	**6,698**
Purchases of investments in securities	**(5,233)**	(1,879)	**(50,875)**
Increase in loans receivable	**(5,526)**	(7,737)	**(53,724)**
Collection of loans receivable	**4,738**	4,877	**46,063**
Other	**(1,731)**	(3,757)	**(16,828)**
Net cash used in investing activities	**(80,638)**	(58,125)	**(783,959)**
Cash flows from financing activities			
Increase (decrease) in short-term loans, net	**14,179**	(887)	**137,848**
Proceeds from issuance of bonds	**–**	20,000	**–**
Redemption of bonds	**–**	(60,000)	**–**
Proceeds from long-term debt	**98,807**	53,974	**960,597**
Repayment of long-term debt	**(87,511)**	(13,978)	**(850,778)**
Cash dividends paid	**(24,185)**	(14,781)	**(235,125)**
Purchases of treasury stock	**(99)**	(32)	**(962)**
Other	**(1,973)**	(1,586)	**(19,182)**
Net cash used in financing activities	**(782)**	(17,290)	**(7,602)**
Effect of exchange rate changes on cash and cash equivalents	**5,429**	2,550	**52,780**
Net increase in cash and cash equivalents	**2,082**	9,718	**20,241**
Cash and cash equivalents at beginning of the year	**179,242**	169,524	**1,742,582**
Cash and cash equivalents at end of the year	**¥ 181,324**	¥ 179,242	**$ 1,762,823**

*See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Sekisui House, Ltd. and Subsidiaries
January 31, 2014

1. Basis of Preparation

The accompanying consolidated financial statements of Sekisui House, Ltd. (the "Company") and subsidiaries have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to present them in a form which is familiar to readers outside Japan. In addition, the notes to the accompanying consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.
Certain reclassifications of previously reported amounts have been made to confirm the accompanying consolidated financial statements for the year ended January 31, 2013 to the 2014 presentation. Such reclassifications had no effect on consolidated net income or net assets.
The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader and has been made at ¥102.86 = U.S.$1.00, the approximate rate of exchange in effect on January 31, 2014. This translation should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollar amounts at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation
The accompanying consolidated financial statements include the accounts of the Company and all its subsidiaries (collectively, the "Group") over which substantial control is exerted through either majority ownership of voting stock and/or by other means. All significant intercompany transactions and accounts have been eliminated in consolidation.
Investments in affiliates (companies over which the Company has the ability to exercise significant influence) are accounted for by the equity method.
For consolidation purposes, the financial statements of the subsidiaries whose balance sheet date is March 31 were prepared as of and for the year ended January 31, 2014.
The balance sheet date of overseas subsidiaries and one domestic subsidiary is December 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from January 1 through January 31 have been adjusted, if necessary.
Goodwill is amortized using the straight-line method over their respective determinable useful lives or a period of 5 years if the useful lives are indeterminable. Goodwill is charged or credited to income in the year of acquisition if immaterial.

(b) Foreign currency translation
All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except that receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding forward foreign exchange contract rates. Gain or loss on each translation is credited or charged to income.
The financial statements of overseas subsidiaries are translated into yen at the rate of exchange in effect at the balance sheet date except that the components of net assets are translated at their historical exchange rates. The income statement accounts are translated at the average exchange rate during the year. Differences arising from the translations are included in "Translation adjustments" and "Minority interests" in the accompanying consolidated balance sheets.

(c) Cash and cash equivalents
Cash and cash equivalents consist of cash in hand, deposits held at call with banks, net of overdrafts, and all highly liquid investments with maturities of three months or less.

(d) Short-term investments and investments in securities
Securities other than those of affiliates are classified into three categories: trading securities, held-to-maturity debt securities and other securities.
Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain or loss, both realized and unrealized, is credited or charged to income. Held-to-maturity debt securities are stated at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income. Cost of securities sold is determined by the moving average method. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.
Under the Corporation Law of Japan, unrealized holding gain on other securities, net of the related taxes, is not available for distribution as dividends.

(e) Inventories
Land held for sale, land held for development, construction for sale, including projects under construction and contracts in process are stated at the lower of cost or net selling value, cost being determined by the individual cost method. Other inventories are stated at the lower of cost or net selling value, cost being determined by the moving average method.

(f) Property, plant and equipment (except for leased assets)
Depreciation of buildings (except for structures attached to the buildings) is computed by the straight-line method over the estimated useful lives of the respective assets. Depreciation of other property, plant and equipment is computed by the declining-balance method over the estimated useful lives of the respective assets.

(g) Intangible assets (except for leased assets)
Amortization of intangible assets is calculated by the straight-line method over the estimated useful lives of the respective assets.

(h) Leases
Leased assets under finance lease transactions which do not transfer ownership to the lessee are capitalized and depreciated or amortized over the respective lease terms to a nil residual value by the straight-line method.
Finance lease transactions commencing on or before January 31, 2009 other than those in which the ownership of the leased assets is transferred to the lessee continue to be accounted for as operating leases.

(i) Income taxes
Income taxes are calculated based on taxable income and are determined in accordance with the applicable tax laws and charged to income on an accrual basis. The Group recognizes the tax effect of the temporary differences between assets and liabilities for financial reporting purposes and for income tax purposes.

(j) Consumption taxes
Transactions subject to consumption taxes are recorded at amounts

exclusive of consumption taxes.
Consumption taxes paid not offset by consumption taxes received in accordance with the Consumption Tax Act of Japan are charged to income when incurred. In certain subsidiaries, which are mainly engaged in the real estate leasing business, consumption taxes paid not offset by consumption taxes received in accordance with Consumption Tax Act of Japan that arise from the purchases of tangible fixed assets are recorded as “Other assets” and amortized over 5 years by the straight-line method.

(k) Allowance for doubtful accounts
The allowance for doubtful accounts is provided based on the actual historical percentage of bad debts and an estimate of uncollectible amounts determined by an assessment of individual receivables.

(l) Allowance for employees’ bonuses
Allowance for employees’ bonuses is provided at the estimated amount of bonuses to be paid to the employees in the following year which has been allocated to the current fiscal year.

(m) Allowance for directors’ and corporate auditors’ bonuses
Allowance for directors’ and corporate auditors’ bonuses are provided for payments of bonuses to directors and corporate auditors based on an estimated amount.

(n) Allowance for warranties for completed construction
Allowance for warranties for completed construction is provided for anticipated future costs based on past experience arising from warranties on completed construction and sold houses.

(o) Accrued retirement benefits
Accrued retirement benefits are provided based on the amount of the projected benefit obligation reduced by the pension plan assets at fair value at the end of the year.
Actuarial gain or loss is amortized in the year following the year in which such gain or loss is recognized principally by the straight-line method over a period of 5 years.
Prior service cost is amortized by the straight-line method over a period of 5 years.
Directors and corporate auditors of the certain domestic subsidiaries are customarily entitled to lump-sum payments under an unfunded retirement allowances plan. The provision for retirement allowances for these officers has been made at an estimated amount based on each subsidiary’s internal regulations.

(p) Recognition of revenues and costs of construction contracts
Revenues and costs of construction contracts are recognized by the percentage-of-completion method when the progress toward completion, revenues and costs can be estimated reliably. The percentage of completion is measured by comparing costs incurred to date with the most recent estimate of the total costs required to complete the contract (cost-to-cost basis.) The completed-contract method has been consistently applied to those construction contracts not accounted for by the percentage-of-completion method.

(q) Recognition of revenue derived from finance lease transactions as a lessor
Revenue from finance lease transactions and its related cost are recognized upon receipt of lease payments.

(r) Research and development cost
Research and development cost is charged to income as incurred.

(s) Capitalization of interest expenses
Interest expenses incurred for real estate development projects conducted by certain overseas subsidiaries have been capitalized as a part of the development cost of such projects.
For the years ended January 31, 2014 and 2013, interest expenses that were capitalized and included in inventories as part of “construction for sale, including projects under construction”, “land held for sale” and “land held for development” were ¥2,479 million ($24,101 thousand) and ¥2,007 million, ¥854 million ($8,303 thousand) and ¥198 million, and ¥1,059 million ($10,296 thousand) and ¥1,503 million, respectively.

(t) Derivative transactions and hedge accounting
Derivative positions are carried at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability.

(Accounting standards issued but not yet effective)
Accounting standards for retirement benefits
“Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (“ASBJ”) Statement No.26) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25) were revised on May 17, 2012. However, these accounting standards have not yet been adopted as of January 31, 2014.
Under these revised accounting standards, the accounting treatment of unrecognized actuarial gain or loss and prior service cost, calculation method of retirement benefit obligations and service cost and disclosures were mainly revised. These revisions were made considering the viewpoint of enhancing financial reporting and international convergence of accounting standards.
The Company and its domestic subsidiaries will adopt the revised accounting standards from the fiscal year ending January 31, 2015. However, the amendment of the calculation method of retirement benefit obligations and service cost will be adopted effective February 1, 2015. At present, the Company is in the process of evaluating the impact on the consolidated financial statements from the adoption of these revised accounting standards.

Accounting standards for business combinations and consolidated financial statements
"Accounting Standard for Business Combinations" (ASBJ Statement No.21), "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10) and "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22) were revised on September 13, 2013. However, these accounting standards have not yet been adopted as of January 31, 2014.
Under these revised accounting standards, major accounting changes are as follows:
(1) Any differences arising from the movement of ownership interests in its subsidiaries shall be accounted for as changes in capital surplus as long as the parent company retains control over its subsidiary. In addition, "Minority interests" in the current year's present consolidated balance sheet will be changed to "non-controlling interests."
(2) Acquisition-related costs shall be accounted for as expenses when incurred.
(3) If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report provisioned amounts for the items whose accounting is incomplete in its financial statements ("provisional accounting"). Under these revised accounting standards, if accounting for a business combination is completed during the next fiscal year (the "completion period") and consolidated financial statements for the completion period and those for the acquisition period are comparatively

disclosed, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to the completed amounts and shall reflect new information on facts and circumstances that existed as of the acquisition date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(4) "Income before minority interests" in the current year's consolidated statements of income will be changed to "net income" and "net income" in the current year's consolidated statements of income will be changed to "net income attributable to shareholders of the parent company."

The Company and its domestic subsidiaries will adopt these accounting standards effective the fiscal year ending January 31, 2017. However, provisional accounting will be adopted for business combinations conducted on or after February 1, 2016. At present, the impact on the consolidated financial statements from the adoption of these revised accounting standards is unknown.

3.Changes in Accounting Policies

(a)Changes in holding purposes of assets

Due to changes in holding purpose, ¥47,901 million ($465,691 thousand) and ¥2,097 million of inventories, which were mainly included in “Construction for sale, including projects under construction” and “Land held for sale,” were principally reclassified to “Buildings and structures” and “Land” at January 31, 2014 and 2013, respectively. In addition, ¥23,193 million ($225,481 thousand) and ¥5,529 million of investment real estate and land for internal use, which were mainly included in “Buildings and structures” and “Land,” were reclassified to “Construction for sale, including projects under construction” and “Land held for sale,” classified as inventories in the accompanying consolidated balance sheets at January 31, 2014 and 2013, respectively.

(b)Changes in depreciation method

Effective the year ended January 31, 2014, the Company and certain domestic subsidiaries changed their depreciation method for property, plant and equipment, acquired on or after February 1, 2013 for which by the declining-balance method is applied, in accordance with the amended Corporation Tax Law of Japan. The previously applied 250% declining-balance method was changed to the 200% declining-balance method. The effect of this change on the consolidated net income of the Company for the year ended January 31, 2014 was immaterial.

4. Short-Term Investments and Investments in Securities

Held-to-maturity debt securities and other securities at January 31, 2014 and 2013 were as follows:

	Millions of yen							
	Held-to-maturity debt securities							
	2014				2013			
	Carrying value	Gross unrealized gain	Gross unrealized loss	Estimated fair value	Carrying value	Gross unrealized gain	Gross unrealized loss	Estimated fair value
Market value determinable:								
Bonds	**¥ 4,280**	**¥ 0**	**¥ (1)**	**¥ 4,279**	¥ 3,633	¥ 3	¥ (0)	¥ 3,636
	¥ 4,280	**¥ 0**	**¥ (1)**	**¥ 4,279**	¥ 3,633	¥ 3	¥ (0)	¥ 3,636

	Thousands of U.S. dollars			
	Held-to-maturity debt securities			
	2014			
	Carrying value	Gross unrealized gain	Gross unrealized loss	Estimated fair value
Market value determinable:				
Bonds	$ 41,610	$ 0	$ (10)	$ 41,600
	$ 41,610	$ 0	$ (10)	$ 41,600

	Millions of yen							
	Other securities							
	2014				2013			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Market value determinable:								
Equity securities	**¥39,513**	**¥ 40,290**	**¥ (223)**	**¥79,580**	¥39,513	¥ 19,649	¥ (2,606)	¥56,556
	¥39,513	**¥ 40,290**	**¥ (223)**	**¥79,580**	¥39,513	¥ 19,649	¥ (2,606)	¥56,556

	Thousands of U.S. dollars			
	Other securities			
	2014			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Market value determinable:				
Equity securities	$384,143	$391,698	$ (2,168)	$773,673
	$384,143	$391,698	$ (2,168)	$773,673

Sales of held-to-maturity debt securities for the years ended January 31, 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Sales	**¥ –**	¥ 5,000	**$ –**
Cost of sales	**–**	5,000	**–**
Gross realized gain or loss	**–**	–	**–**

Sales for the year ended January 31, 2013 were due to the exercise of an early redemption option by issuers.

Sales of other securities for the years ended January 31, 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Sales	**¥ 25**	¥ –	**$ 243**
Gross realized gain or loss	**–**	–	**–**

5. Inventories

Inventories at January 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Land held for sale	**¥472,378**	¥388,707	**$4,592,436**
Land held for development	**81,139**	94,385	**788,830**
Construction for sale, including projects under construction	**178,221**	149,675	**1,732,656**
Contracts in process	**10,558**	8,456	**102,644**
Other	**11,298**	7,600	**109,839**
	¥753,594	¥648,823	**$7,326,405**

Loss on devaluation of inventories included in cost of sales for the years ended January 31, 2014 and 2013 amounted to ¥4,619 million ($44,906 thousand) and ¥4,373 million, respectively.

6. Impairment of Fixed Assets

The Company and its subsidiaries group their real estate assets for lease by individual asset and group other fixed assets by business unit, within which operations can be closely managed.

For the year ended January 31, 2014, the Group has written down certain real estate for lease where operations have been suspended to their respective net recoverable values. For the year ended January 31, 2013, the Group has mainly written down certain real estate for lease and training facilities to their respective net recoverable values. Consequently, the Group recorded losses on impairment of fixed assets of ¥4,234 million ($41,163 thousand) and ¥2,301 million in the accompanying consolidated statements of income for the years ended January 31, 2014 and 2013, respectively.

The losses on impairment of fixed assets for the years ended January 31, 2014 and 2013 are outlined as follows:

2014

Location	Use	Classification	Millions of yen	Thousands of U.S. dollars
Nakahara-ku, Kawasaki City etc.	Real estate for lease	Buildings and structures	¥ 1,556	$ 15,128
		Machinery, equipment and other	39	379
		Land	2,639	25,656
			¥ 4,234	$ 41,163

2013

Location	Use	Classification	Millions of yen
Nishi-ku, Kobe City etc.	Real estate for lease	Buildings and structures	¥ 251
		Land	2,050
			¥ 2,301

The recoverable value of the above impaired fixed assets was measured at estimated net selling value. The net selling value amount is measured considering appraisals conducted by real estate appraiser or at the valuation for property tax purposes.

7. Investments in Affiliates

Investments in affiliates at January 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Investments in capital stock, at cost	**¥ 6,669**	¥ 6,500	**$ 64,836**
Equity in undistributed earnings since acquisition, net	**4,936**	2,969	**47,987**
	¥ 11,605	¥ 9,469	**$ 112,823**

8. Investment and Rental Properties

The Company and certain subsidiaries have apartment houses, office buildings and others as rental properties mainly in Tokyo Prefecture and other areas.

For the years ended January 31, 2014 and 2013, rental profit and loss on impairment of these rental properties amounted to ¥4,866 million ($47,307 thousand) and ¥4,234 million ($41,163 thousand), and ¥3,916 million and ¥721 million, respectively.

Rental income is included in net sales and related costs are included in the cost of sales.

The carrying value in the accompanying consolidated balance sheets as of January 31, 2014 and 2013 and corresponding fair value of those properties are as follows:

Millions of yen			
Carrying value			Fair value
January 31, 2013	Net change	January 31, 2014	January 31, 2014
¥ 292,246	¥ 72,264	¥ 364,510	¥ 387,996

Millions of yen			
Carrying value			Fair value
January 31, 2012	Net change	January 31, 2013	January 31, 2013
¥ 256,001	¥ 36,245	¥ 292,246	¥ 308,963

Thousands of U.S. dollars			
Carrying value			Fair value
January 31, 2013	Net change	January 31, 2014	January 31, 2014
$ 2,841,202	$ 702,547	$ 3,543,749	$ 3,772,079

Notes:

1. The carrying value represents the acquisition cost less accumulated depreciation.
2. The main components of net change in carrying value are the increase of ¥59,545 million ($578,894 thousand) in acquisitions of real estate and of ¥25,025 million ($243,292 thousand) in transfer from inventories and the decrease of ¥7,973 million ($77,513 thousand) in depreciation for the year ended January 31, 2014. The main components of net change in carrying value are the increase of ¥45,621 million in acquisitions of real estate and the decrease of ¥5,673 million in depreciation for the year ended January 31, 2013.
3. The fair value of main real estate is computed based on appraisal amounts valued by real estate appraisers. The fair value of the others is computed by the Group in accordance with "Real Estate Appraisal Standards."

9. Short-Term Loans, Long-Term Debt and Lease Obligations

Short-term loans consist of unsecured bank loans. The average interest rates on the short-term loans outstanding at January 31, 2014 and 2013 were 1.28% and 2.09%, respectively.

Long-term debt and lease obligations at January 31, 2014 and 2013 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Unsecured loans from banks and insurance companies at interest rates ranging from 0.30% to 6.00%, due from 2014 to 2017	**¥ 80,550**	¥ 83,407	**$ 783,103**
Unsecured bonds denominated in yen at an interest rate of 0.70%, due 2015	**70,000**	70,000	**680,537**
Zero-coupon unsecured convertible bonds with stock subscription rights, due 2016	**36,390**	50,000	**353,782**
Nonrecourse bank loans, at interest rates ranging from 3.25% to 7.38%, due from 2014 to 2023	**42,429**	24,925	**412,492**
Unsecured bonds denominated in yen at an interest rate of 0.31%, due 2017	**20,000**	20,000	**194,439**
Lease obligations	**2,482**	1,593	**24,130**
	251,851	249,925	**2,448,483**
Less current portion	**(45,787)**	(50,409)	**(445,139)**
	¥ 206,064	¥ 199,516	**$ 2,003,344**

Zero-coupon unsecured convertible bonds with stock subscription rights at the gross issuance amount of ¥36,390 million ($353,782 thousand) were convertible into shares of common stock of the Company at ¥995.3 ($10) per share at January 31, 2014 and are exercisable from July 19, 2011 to June 21, 2016.

The aggregate annual maturities of long-term debt subsequent to January 31, 2014 are summarized as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2015	¥ 45,787	$ 445,139
2016	71,583	695,926
2017	111,173	1,080,819
2018	20,393	198,260
2019 and thereafter	2,915	28,339
	¥251,851	$2,448,483

In order to achieve more efficient and flexible financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these lines of credit at January 31, 2014 and 2013 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Lines of credit	**¥ 158,045**	¥ 76,667	**$ 1,536,506**
Credit utilized	**43,423**	18,640	**422,156**
Available credit	**¥ 114,622**	¥ 58,027	**$ 1,114,350**

10. Mortgaged and Pledged Assets

At January 31, 2014 and 2013, the following assets were either mortgaged or pledged for guarantees of a third party bank loan, guarantee deposits received, short-term loans and long-term debt, including current portion and totaled ¥47,069 million ($457,603 thousand) and ¥27,582 million, respectively.

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Inventories	**¥ 128,466**	¥ 67,295	**$ 1,248,940**
Land	**4,653**	4,442	**45,236**
Buildings and structures	**2,654**	1,762	**25,802**
Investments in affiliates	**30**	27	**292**
	¥ 135,803	¥ 73,526	**$ 1,320,270**

In addition, for the purpose of covering warranty obligations for latent defects on certain housing, ¥3,225 million ($31,353 thousand) and ¥1,513 million of investments in securities and ¥1,039 million ($10,101 thousand) and ¥2,099 million of short-term investments were deposited in accordance with relevant laws at January 31, 2014 and 2013, respectively.

11. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income which, in the aggregate, resulted in a statutory tax rates of approximately 37.8% and 40.4% for the years ended January 31, 2014 and 2013, respectively. Overseas subsidiaries are subject to the income taxes of the countries in which they operate.

The difference between the statutory tax rate and the effective tax rate for the year ended January 31, 2014 was omitted because such difference is less than 5% of the statutory tax rate.

The effective tax rate reflected in the accompanying consolidated statements of income for the year ended January 31, 2013 differ from the above statutory tax rate for the following reasons:

	2013
Statutory tax rate	40.4 %
Non-deductible entertainment expenses	1.8
Non-taxable dividend income	(0.4)
Inhabitants' per capita taxes	0.7
Valuation allowance	(0.1)
Effect of changes in corporation tax rates	1.9
Other	(0.5)
Effective tax rate	43.8 %

The significant components of the Group's deferred tax assets (liabilities) at January 31, 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Loss on revaluation of real estate held for sale	**¥ 30,814**	¥ 33,927	**$ 299,572**
Accrued retirement benefits for employees	**19,825**	19,232	**192,738**
Allowance for employees' bonuses			
Accumulated losses on impairment	**9,460**	6,994	**91,970**
of fixed assets	**6,931**	7,981	**67,383**
Tax loss carryforwards	**3,779**	3,249	**36,739**
Unrealized gain on fixed assets	**2,844**	2,571	**27,649**
Loss on revaluation of securities	**2,000**	2,000	**19,444**
Net unrealized holding gain on securities	**(12,470)**	(5,098)	**(121,233)**
Other, net	**7,054**	7,622	**68,578**
Less valuation allowance	**(8,803)**	(10,040)	**(85,582)**
Net deferred tax assets	**¥ 61,434**	¥ 68,438	**$ 597,258**

On March 31, 2014, the "Act for Partial Revision of the Income Tax Act etc." (Act. No. 10 of 2014) was officially issued and, accordingly, the special Japanese reconstruction corporate tax applicable to the Company and its domestic subsidiaries will not be applied effective the year ending January 31, 2016. Corresponding to this change, the statutory tax rate applied in calculating deferred income taxes was reduced from 37.8% to 35.4%. The effect of this change on the accompanying consolidated financial statements of the Company will be immaterial.

12. Accrued Retirement Benefits

Employees of the Company and its domestic subsidiaries are covered by an employees' retirement allowances plan and employees' pension plans. The employees' pension plans consist of a defined benefit pension plan and a defined contribution pension plan.

The following table sets forth the funded and accrued status of the pension plans, and the amounts recognized in the accompanying consolidated balance sheets at January 31, 2014 and 2013 for the Group's defined benefit pension plans:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Retirement benefit obligation at end of year	**¥ (246,082)**	¥ (239,922)	**$ (2,392,397)**
Fair value of plan assets at end of year	**207,488**	184,451	**2,017,188**
Unfunded retirement benefit obligation	**(38,594)**	(55,471)	**(375,209)**
Unrecognized actuarial (gain) loss	**(12,436)**	6,089	**(120,902)**
Unrecognized prior service cost	**(2,832)**	(3,832)	**(27,533)**
Net retirement benefit obligation	**(53,862)**	(53,214)	**(523,644)**
Prepaid pension costs	**1,176**	–	**11,433**
Accrued retirement benefits	**¥ (55,038)**	¥ (53,214)	**$ (535,077)**

Certain domestic subsidiaries have calculated their retirement benefit obligation based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily.

The components of net retirement benefit expenses for the years ended January 31, 2014 and 2013 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Service cost	**¥ 8,651**	¥ 9,344	**$ 84,105**
Interest cost	**4,676**	4,692	**45,460**
Expected return on plan assets	**(7,151)**	(6,164)	**(69,522)**
Amortization:			
Actuarial loss	**7,852**	16,157	**76,337**
Prior service cost	**(1,000)**	(1,000)	**(9,722)**
Additional retirement benefits paid	**452**	583	**4,394**
Contribution to a defined contribution plan	**9**	14	**87**
Retirement benefit expenses	**¥ 13,489**	¥ 23,626	**$ 131,139**

Retirement benefit expenses for certain domestic subsidiaries, whose benefit obligation is calculated based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily, have been fully included in service cost.

The assumptions used in accounting for the defined benefit pension plans for the years ended January 31, 2014 and 2013 were as follows:

	2014	2013
Discount rates	**2.0%**	2.0%
Expected rate of return on plan assets	**4.0%**	4.0%

13. Asset Retirement Obligations

In accordance with exhibition contracts at housing exhibition sites, tenancy contracts for offices and real estate for investment, the Company and certain subsidiaries are obligated to remove leasehold improvements attached to these housing exhibitions, offices and real estate and return the property to its original state after vacating the premises.

The asset retirement obligations are determined and discounted to their present value using a risk-free rate and the anticipated future useful lives for each housing exhibition, office or real estate.

A breakdown of the total amount of the asset retirement obligations at January 31, 2014 and 2013 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Balance at beginning of the year	**¥ 1,906**	¥ 1,643	**$ 18,530**
Liability incurred for assets acquired	**268**	323	**2,606**
Accretion expense	**18**	17	**175**
Liabilities settled	**(138)**	(77)	**(1,342)**
Balance at end of the year	**¥ 2,054**	¥ 1,906	**$ 19,969**

Detailed information on the asset retirement obligations at January 31, 2014 and 2013 was omitted because the total amount of asset retirement obligations at January 31, 2014 and 2013 was less than 1% of the amount of total liabilities and net assets.

14. Contingent Liabilities

The Group had the following contingent liabilities at January 31, 2014:

	Millions of yen	Thousands of U.S. dollars
Guarantees of housing loans to customers	¥ 100,368	$ 975,773
Guarantees of bank loans of a third party	394	3,830
	¥ 100,762	$ 979,603

15. Shareholders' Equity

The Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan (the "Code"), went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The Company's legal reserve included in retained earnings at January 31, 2014 and 2013 amounted to ¥23,129 million ($224,859 thousand) and ¥23,129 million, respectively.

Under the Law, upon the issuance and sale of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds of the sale of new shares as capital surplus.

Stock-based compensation plan

In accordance with the Law, on June 13, 2013, the Company granted certain stock options (the 2013 plan) to directors and executive officers of the Company based on the approval of a resolution by the Board of Directors at a meeting held on May 16, 2013. Under the terms of this plan, 68,000 shares of common stock have been reserved at an exercise price of ¥1 per share. The options became exercisable on June 14, 2013 and are scheduled to expire on June 13, 2033.

In accordance with the Law, on June 13, 2012, the Company granted certain stock options (the 2012 plan) to directors and executive officers of the Company based on the approval of a resolution by the Board of Directors at a meeting held on May 17, 2012. Under the terms of this plan, 147,000 shares of common stock have been reserved at an exercise price of ¥1 per share. The options became exercisable on June 14, 2012 and are scheduled to expire on June 13, 2032.

In accordance with the Law, on June 14, 2011, the Company granted certain stock options (the 2011 plan) to directors and executive officers of the Company based on the approval of a resolution by the Board of Directors at a meeting held on May 19, 2011. Under the terms of this plan, 130,000 shares of common stock have been reserved at an exercise price of ¥1 per share. The options became exercisable on June 15, 2011 and are scheduled to expire on June 14, 2031.

In accordance with the Law, on June 16, 2010, the Company granted certain stock options (the 2010 plan) to directors and executive officers of the Company based on the approval of a resolution by the Board of Directors at a meeting held on May 20, 2010. Under the terms of this plan, 105,000 shares of common stock have been reserved at an exercise price of ¥1 per share. The options became exercisable on June 17, 2010 and are scheduled to expire on June 16, 2030.

In accordance with the Law, on June 9, 2009, the Company granted certain stock options (the 2009 plan) to directors and executive officers of the Company based on the approval of a resolution by the Board of Directors at a meeting held on May 21, 2009. Under the terms of this plan, 106,000 shares of common stock have been reserved at an exercise price of ¥1 per share. The options became exercisable on June 10, 2009 and are scheduled to expire on June 9, 2029.

In accordance with the Law, on June 6, 2008, the Company granted certain stock options (the 2008 plan) to directors and executive officers of the Company based on the approval of a resolution by the Board of Directors at a meeting held on May 15, 2008. Under the terms of this plan, 108,000 shares of common stock have been reserved at an exercise price of ¥1 per share. The options became exercisable on June 7, 2008 and are scheduled to expire on June 6, 2028.

In accordance with the Law, on June 7, 2007, the Company granted certain stock options (the 2007 plan) to directors and executive officers of the Company based on the approval of a resolution by the Board of Directors at a meeting held on May 17, 2007. Under the terms of this plan, 55,000 shares of common stock have been reserved at an exercise price of ¥1 per share. The options became exercisable on June 8, 2007 and are scheduled to expire on June 7, 2027.

In accordance with the Code, a stock option plan (the 2006 plan) for directors and executive officers of the Company was approved at the annual general meeting of the shareholders held on April 27, 2006. Under the terms of this plan, 48,000 shares of common stock have been reserved at an exercise price of ¥1 per share. The options became exercisable on April 28, 2006 and are scheduled to expire on April 27, 2026.

Information regarding the Company's stock option plans is summarized as follows:

	The 2013 plan	The 2012 plan	The 2011 plan	The 2010 plan	The 2009 plan	The 2008 plan	The 2007 plan	The 2006 plan
Number of stock options:								
Outstanding at February 1, 2012	–	–	129,000	105,000	102,000	101,000	46,000	39,000
Granted	–	147,000	–	–	–	–	–	–
Cancelled	–	–	–	–	–	–	–	–
Exercised	–	–	–	2,000	2,000	5,000	2,000	2,000
Outstanding at February 1, 2013	–	147,000	129,000	103,000	100,000	96,000	44,000	37,000
Granted	68,000	–	–	–	–	–	–	–
Cancelled	–	–	–	–	–	–	–	–
Exercised	–	–	1,000	2,000	10,000	12,000	5,000	3,000
Outstanding at January 31, 2014	68,000	147,000	128,000	101,000	90,000	84,000	39,000	34,000
Fair value of stock options as of the grant date	¥ 1,071	¥ 495	¥ 592	¥ 717	¥ 681	¥ 876	¥ 1,571	¥ –

Treasury stock

Movements in treasury stock during the years ended January 31, 2014 and 2013 are summarized as follows:

	Number of shares 2014			
	January 31, 2013	Increase	Decrease	January 31, 2014
Treasury stock	5,234,879	72,587	3,633,819	1,673,647

The increase in treasury stock consists of 72,277 shares resulting from the purchase of shares less than one unit by the Company and 310 shares of treasury stock attributable to the Company resulting from the purchase by an affiliate for the year ended January 31, 2014. The decrease in treasury stock consists of 819 shares resulting from sale of shares less than one unit by the Company, 33,000 shares resulting from the exercise of stock option plans and 3,600,000 shares resulting from the conversion of convertible bonds for the year ended January 31, 2014.

	Number of shares 2013			
	January 31, 2012	Increase	Decrease	January 31, 2013
Treasury stock	5,211,881	40,262	17,264	5,234,879

The increase in treasury stock consists of 39,924 shares resulting from the purchase of shares less than one unit by the Company and 338 shares of treasury stock attributable to the Company resulting from the purchase by an affiliate for the year ended January 31, 2013. The decrease in treasury stock consists of 4,264 shares resulting from sale of shares less than one unit by the Company and 13,000 shares resulting from the exercise of stock option plans for the year ended January 31, 2013.

16. Research and Development Cost

Research and development cost charged to income amounted to ¥4,507 million ($43,817 thousand) and ¥4,319 million for the years ended January 31, 2014 and 2013, respectively.

17. Leases

(Lessee)

Finance lease transactions commencing on or before January 31, 2009 other than those in which the ownership of the leased assets is transferred to the Company or its subsidiaries are accounted for in the same manner as operating leases.

However, the related disclosures as of and for the years ended January 31, 2014 and 2013 were omitted because these amounts were immaterial.

Future minimum lease payments subsequent to January 31, 2014 under non-cancellable operating leases are summarized as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2015	¥ 386	$ 3,753
2016 and thereafter	2,435	23,673
	¥ 2,821	$ 27,426

(Lessor)

Lease receivables from finance lease transactions in which the ownership of the leased assets is not transferred to the lessee as of January 31, 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Current assets:			
Gross lease receivables	**¥ 2,208**	¥ 1,288	**$ 21,466**
Less unearned interest income	**(27)**	(36)	**(262)**
Net lease receivables	**¥ 2,181**	¥ 1,252	**$ 21,204**

Contractual maturities of the above gross lease receivables subsequent to January 31, 2014 in which the ownership of the leased assets is not transferred to the lessee are as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2015	¥ 101	$ 982
2016	101	982
2017	101	982
2018	101	982
2019	101	982
2020 and thereafter	1,703	16,556
	¥ 2,208	$ 21,466

Contractual maturities of lease receivables from finance lease transactions subsequent to January 31, 2014 in which the ownership of the leased assets is transferred to the lessee are as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2015	¥ 140	$ 1,361
2016	140	1,361
2017	140	1,361
2018	140	1,361
2019	140	1,361
2020 and thereafter	3,444	33,483
	¥ 4,144	$ 40,288

Future minimum lease receipts subsequent to January 31, 2014 under non-cancellable operating leases are summarized as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2014	¥ 8,496	$ 82,598
2015 and thereafter	54,950	534,221
	¥ 63,446	$ 616,819

Lease receivables and lease obligations in which the ownership of the leased assets is not transferred to the lessee as of January 31, 2014 and 2013 under sub-lease transactions are as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Lease receivables:			
Current	**¥ 2,071**	¥ 1,127	**$ 20,134**
Lease obligations:			
Current	**78**	43	**758**
Non-current	**2,043**	1,084	**19,862**

18. Amounts per Share

Per share amounts as of and for the years ended January 31, 2014 and 2013 are as follows:

	Yen		U.S. dollars
	2014	2013	**2014**
Net income :			
Basic	**¥ 118.63**	¥ 69.17	**$ 1.15**
Diluted	**110.50**	64.32	**1.07**
Net assets	**1,358.60**	1,200.63	**13.21**
Cash dividends	**43.00**	28.00	**0.42**

Basic net income per share has been computed based on the net income attributable to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Diluted net income per share is computed based on the net income available for distribution to shareholders and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock options and conversion of convertible bonds.

Amounts per share of net assets have been computed based on the net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end.

Cash dividends per share of the Company represent the cash dividends declared as applicable to the respective years together with the interim cash dividends paid.

Financial data for the computation of basic net income per share for the years ended January 31, 2014 and 2013 in the table above are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Information on basic net income per share:			
Net income	**¥ 79,801**	¥ 46,459	**$ 775,822**
Net income not attributable to common stockholders	—	—	—
Adjusted net income attributable to common stockholders	**¥ 79,801**	¥ 46,459	**$ 775,822**

	Thousands of shares	
	2014	2013
Weighted-average number of shares of common stock outstanding during the year	**672,674**	671,667

Financial data for the computation of net assets per share at January 31, 2014 and 2013 in the above table is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Total net assets	**¥ 941,415**	¥ 814,064	**$ 9,152,392**
Deductions from total net assets:			
Stock subscription rights	**(474)**	(429)	**(4,608)**
Minority interests	**(9,996)**	(7,228)	**(97,181)**
Total net assets attributable to common stockholders	**¥ 930,945**	¥ 806,407	**$ 9,050,603**

	Thousands of shares	
	2014	2013
Number of shares of common stock used in the calculation of net assets per share	**685,221**	671,650

19. Financial Instruments and Related Disclosures

The Group manages cash surpluses mainly through low-risk financial assets. The Group raises funds mainly through bank loans and issuance of bonds. The Group enters into derivative transactions for the purpose of reducing risk and does not enter into derivative transactions for speculative or trading purposes.

Notes and accounts receivable, trade are exposed to credit risk in relation to customers. Short-term investments and investments in securities, primarily consist of equity securities, held-to-maturity debt securities, certificates of deposits and investments in partnerships, are exposed to credit risk in relation to issuers and market risk. Substantially all notes and accounts payable, trade have payment due dates within one year. Bank loans and bonds are utilized principally for working capital and capital investments. Bank loans have variable interest rates and are exposed to interest rate fluctuation risk.

Regarding derivative transactions, the Group enters into forward foreign exchange contracts and currency swap contracts to reduce the foreign currency exchange risk arising from trade receivables, payables, investments and loan receivables denominated in foreign currencies. Notional amounts related to forward foreign exchange contracts are set within the amounts of import transactions denominated in foreign currencies. An evaluation of effectiveness of forward foreign exchange contracts was omitted because the significant terms related to the hedged items and hedging instruments are the same and cash flows are also fixed. Further information regarding the method of hedge accounting can be found in Note 2 (t).

For managing credit risk arising from receivables, each related division of the Group monitors the collection, due dates and outstanding balances by customer. In addition, the Group makes efforts to identify and mitigate risks of bad debts from customers experiencing financial difficulties.

The Group manages and enters into derivative transactions in accordance with internal rules. The Group enters into derivative transactions only with financial institutions with high credit ratings to mitigate the credit risks.

For short-term investments and investments in securities, the Group periodically reviews the fair values of such financial instruments and the financial position of the issuers.

Based on reports from each division of the Group, the Company prepares and updates their cash flow plans on a timely basis and maintains appropriate liquidity levels to manage liquidity risk. The Company also has multiple methods of stable financing, such as entering into commitment line contracts or providing the bond issuance limits. In addition, the Group has funding systems, such as the cash management system, to supply funds to the subsidiaries flexibly.

The fair value of financial instruments is determined based on their quoted market price, if available. When there is no available quoted market price, fair value is reasonably estimated. Since a number of variable factors are reflected in estimating the fair value, different factors could result in different fair values. In addition, the notional amounts of derivative transactions in the following table are not necessarily indicative of the actual market risk involved in the derivative transactions.

The carrying values of financial instruments on the accompanying consolidated balance sheets as of January 31, 2014 and 2013 and their estimated fair values are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Millions of yen			Thousands of U.S. dollars		
	2014			2014		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Cash and cash equivalents	¥ 181,324	¥ 181,324	¥ —	$ 1,762,823	$ 1,762,823	$ —
Notes and accounts receivable - trade	46,182			448,979		
Less allowance for doubtful accounts	(327)			(3,179)		
Sub total	45,855	45,855	—	445,800	445,800	—
Short-term investments and investments in securities and affiliates:						
Held-to-maturity debt securities	4,280	4,279	(1)	41,610	41,600	(10)
Investments in affiliates	3,471	2,198	(1,273)	33,745	21,369	(12,376)
Other securities	80,390	80,390	—	781,548	781,548	—
Total	315,320	314,046	(1,274)	3,065,526	3,053,140	(12,386)
Notes and accounts payable	174,726	174,726	—	1,698,678	1,698,678	—
Bonds	90,000	90,473	473	874,976	879,574	4,598
Long-term loans including current portion	122,979	123,009	30	1,195,596	1,195,888	292
Total	¥ 387,705	¥ 388,208	¥ 503	$ 3,769,250	$ 3,774,140	$ 4,890
Derivative transactions (*)	¥ (204)	¥ (204)	¥ —	$ (1,983)	$ (1,983)	$ —

	Millions of yen		
	2013		
	Carrying value	Estimated fair value	Difference
Cash and cash equivalents	¥ 179,242	¥ 179,242	¥ —
Notes and accounts receivable - trade	38,612		
Less allowance for doubtful accounts	(469)		
Sub total	38,143	38,143	—
Short-term investments and investments in securities and affiliates:			
Held-to-maturity debt securities	3,633	3,636	3
Investments in affiliates	3,233	1,507	(1,726)
Other securities	57,547	57,547	—
Total	281,798	280,075	(1,723)
Notes and accounts payable	150,588	150,588	—
Bonds	90,000	90,736	736
Long-term loans including current portion	108,332	108,340	8
Total	¥ 348,920	¥ 349,664	¥ 744
Derivative transactions (*)	¥ (1,435)	¥ (1,435)	¥ —

(*) The value of assets and liabilities arising from derivatives is shown at net value, and the amounts in parentheses represent net liability position.

The fair values of cash and cash equivalents and notes and accounts receivable – trade approximate their carrying values since these items are settled in a short period of time.

The fair values of short-term investments and investments in equity securities are determined based on quoted market prices. The fair value of debt securities is based on either quoted market price or the price provided by the counterparty financial institutions. For further information of fair values of short-term investments and investments in securities, please refer to Note 4.

The fair values of notes and accounts payable approximates their carrying value since these items are settled in a short period of time.

The fair values of bonds are determined based on market prices.

The fair value of long-term loans including the current portion with variable interest rates approximates carrying value. The fair value of long-term loans including the current portion with fixed interest rates is determined based on the discounted present value of the principal and interest payments using the corresponding fixed interest rate for new loans with the same terms and conditions.

Regarding derivative transactions, refer to Note 20.

Financial instruments for which it is extremely difficult to determine the fair value as of January 31, 2014 and 2013 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2014	2013	**2014**
Investments in special purpose entities	**¥ 8,242**	¥ 7,720	**$ 80,128**
Unlisted stocks	**10,899**	9,062	**105,960**
Preferred stocks	**999**	999	**9,712**
Investments in investment limited liability partnerships	**3**	5	**29**

Because no quoted market price is available and it is assumed that significant costs are involved in estimating the future cash flows, it is extremely difficult to determine the fair value.

The redemption schedules for cash and cash equivalents, notes and accounts receivable and short-term investments and investments in securities with maturities at January 31, 2014 are as follows:

	2014 Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 181,324	¥ —	¥ —	¥ —
Notes and accounts receivable	46,173	9	—	—
Short-term investments and investments in securities:				
Held-to-maturity debt securities (National government bonds)	1,045	3,240	—	—
Other securities with maturities (Debt securities)	810	—	—	—
Total	¥ 229,352	¥ 3,249	¥ —	¥ —

	2014 Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	$ 1,762,823	$ —	$ —	$ —
Notes and accounts receivable	448,892	87	—	—
Short-term investments and investments in securities:				
Held-to-maturity debt securities (National government bonds)	10,159	31,499	—	—
Other securities with maturities (Debt securities)	7,875	—	—	—
Total	$2,229,749	$ 31,586	$ —	$ —

The redemption schedules for long-term debt are disclosed in Note 9 "Short-Term Loans, Long-Term Debt and Lease Obligations."

20. Derivative Transactions and Hedging Activities

The contract value (notional principal amount) and the estimated fair value of the derivative instruments outstanding which did not qualify for deferral hedge accounting at January 31, 2014 and 2013 were as follows:

Currency-related transactions

		2014 Millions of yen			
Classification	Description of transaction	Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value	Unrealized loss
Over-the-counter transactions	Currency swap contracts	¥ 8,542	¥ 611	¥ (277)	¥ (277)

		2013 Millions of yen			
Classification	Description of transaction	Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value	Unrealized loss
Over-the-counter transactions	Currency swap contracts	¥ 8,731	¥ 330	¥ (1,371)	¥ (1,371)

		2014 Thousands of U.S. dollars			
Classification	Description of transaction	Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value	Unrealized loss
Over-the-counter transactions	Currency swap contracts	$ 83,045	$ 5,940	$ (2,693)	$ (2,693)

The fair value of the above derivative transactions is determined based on the prices provided by counterparty financial institutions.

The contract value (notional principal amount) and the estimated fair value of the derivative instruments outstanding which qualify for deferral hedge accounting at January 31, 2014 and 2013 was as follows:

Currency - related transactions

			2014 Millions of yen		
Method of hedge accounting	Description of transaction	Hedged items	Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value
Deferral hedge accounting	Forward foreign currency exchange contracts Buy - U.S. dollars	Accounts payable	¥ 1,650	¥ —	¥ 73

Interest - rate related transactions

			2013 Millions of yen		
Method of hedge accounting	Description of transaction	Hedged items	Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value
Deferral hedge accounting	Interest rate swap contracts Pay fixed / Receive floating	Long-term borrowings	¥ 11,547	¥ —	¥ (65)

			2014 Thousands of U.S. dollars		
Method of hedge accounting	Description of transaction	Hedged items	Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value
Deferral hedge accounting	Forward foreign currency exchange contracts Buy - U.S. dollars	Accounts payable	$ 16,041	$ —	$ 710

The fair value of the above derivative transactions is determined based on the prices provided by counterparty financial institutions at January 31, 2014 and 2013.

21. Segment Information

Reportable segments of the Company are components for which separate financial information is available and whose operating results are regularly reviewed by the management to determine the allocation of management resources and assess the business performance. The Group engages in comprehensive businesses related to construction and development of residential properties. The Company establishes business domains, plans separate business strategies for each business domain and conducts business to achieve sustainable growth through the optimization of business resources.

The Company's business segments are classified by different products and services based on their business domains. The Company's business segments, excluding the other businesses segment, consist of the following reportable segments: custom detached houses, rental housing, remodeling, real estate management fees, houses for sale, condominiums, urban redevelopment and overseas.

Details of the reportable segments are as follows:

Custom detached houses:	Design, construction, and contracting of built-to-order detached houses
Rental housing:	Design, construction, and contracting of built-to-order properties for lease, medical and nursing care facilities, and other buildings
Remodeling:	Remodeling of residential properties
Real estate management fees:	Sub-lease, management, operation and brokerage of real estate
Houses for sale:	Sale of houses and lands and designing, construction, and contracting of houses on lands for sale
Condominiums:	Sale of condominiums
Urban redevelopment:	Development of office buildings and commercial facilities, and management and operation of owned properties
Overseas:	Contracting of built-to-order detached houses, sale of houses and real estate, and development and sale of facilities, including condominiums and commercial facilities, in overseas markets

The accounting policies of the reportable segments are identical to those described in Note 2.

Information on net sales, income or loss, assets and other items by each reportable segment for the years ended January 31, 2014 and 2013 is outlined as follows:

	Millions of yen					
	2014					
	Reportable segments					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Sales to third parties	¥ 517,691	¥ 356,203	¥ 125,047	¥ 408,404	¥ 133,405	¥ 63,084
Intersegment sales and transfers	–	4,535	632	3,185	–	–
Net sales	517,691	360,738	125,679	411,589	133,405	63,084
Segment income (loss)	¥ 65,814	¥ 36,492	¥ 14,038	¥ 20,064	¥ 8,143	¥ 3,979
Segment assets	¥ 83,025	¥ 43,907	¥ 12,996	¥ 90,425	¥ 137,125	¥ 131,124
Other items:						
Depreciation and amortization	5,705	2,213	105	1,424	1,066	90
Increase in property, plant and equipment and intangible assets	7,882	1,904	12	1,814	1,341	2

	Millions of yen						
	2014						
	Reportable segments						
	Urban redevelopment	Overseas	Sub Total	Other	Total	Adjustments	Consolidated
Sales to third parties	¥ 42,428	¥ 85,393	¥ 1,731,655	¥ 73,447	¥ 1,805,102	¥ –	¥ 1,805,102
Intersegment sales and transfers	135	–	8,487	6,512	14,999	(14,999)	–
Net sales	42,563	85,393	1,740,142	79,959	1,820,101	(14,999)	1,805,102
Segment income (loss)	¥ 8,562	¥ 8,581	¥ 165,673	¥ 1,691	¥ 167,364	¥ (35,434)	¥ 131,930
Segment assets	¥572,730	¥446,166	¥ 1,517,498	¥ 13,589	¥ 1,531,087	¥ 237,918	¥ 1,769,005
Other items:							
Depreciation and amortization	8,294	1,088	19,985	645	20,630	1,952	22,582
Increase in property, plant and equipment and intangible assets	109,109	1,561	123,625	2,371	125,996	4,247	130,243

	Millions of yen					
	2013					
	Reportable segments					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Sales to third parties	¥ 465,149	¥ 303,713	¥ 111,549	¥ 393,978	¥ 127,810	¥ 52,539
Intersegment sales and transfers	–	2,746	660	2,824	–	–
Net sales	465,149	306,459	112,209	396,802	127,810	52,539
Segment income (loss)	¥ 48,800	¥ 27,547	¥ 11,542	¥ 17,040	¥ 1,580	¥ 1,005
Segment assets	¥ 76,026	¥ 36,989	¥ 10,173	¥ 90,295	¥ 137,529	¥ 112,435
Other items:						
Depreciation and amortization	5,428	2,046	102	1,124	1,059	54
Increase in property, plant and equipment and intangible assets	6,801	1,416	19	1,200	1,259	33

	Millions of yen						
	2013						
	Reportable segments						
	Urban redevelopment	Overseas	Sub Total	Other	Total	Adjustments	Consolidated
Sales to third parties	¥ 45,529	¥ 54,845	¥ 1,555,112	¥ 58,704	¥ 1,613,816	¥ –	¥ 1,613,816
Intersegment sales and transfers	137	–	6,367	5,258	11,625	(11,625)	–
Net sales	45,666	54,845	1,561,479	63,962	1,625,441	(11,625)	1,613,816
Segment income (loss)	¥ 9,788	¥ 4,248	¥ 121,550	¥ (446)	¥ 121,104	¥ (34,907)	¥ 86,197
Segment assets	¥539,498	¥302,434	¥ 1,305,379	¥ 9,632	¥ 1,315,011	¥ 224,262	¥ 1,539,273
Other items:							
Depreciation and amortization	5,748	590	16,151	501	16,652	2,364	19,016
Increase in property, plant and equipment and intangible assets	45,542	2,682	58,952	78	59,030	1,885	60,915

	Thousands of U.S. dollars					
	2014					
	Reportable segments					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Sales to third parties	$5,032,967	$3,462,988	$1,215,701	$3,970,484	$1,296,957	$ 613,300
Intersegment sales and transfers	–	44,089	6,144	30,964	–	–
Net sales	5,032,967	3,507,077	1,221,845	4,001,448	1,296,957	613,300
Segment income (loss)	$ 639,841	$ 354,773	$ 136,477	$ 195,061	$ 79,166	$ 38,684
Segment assets	$ 807,165	$ 426,862	$ 126,346	$ 879,108	$1,333,123	$1,274,781
Other items:						
Depreciation and amortization	55,464	21,515	1,021	13,844	10,364	875
Increase in property, plant and equipment and intangible assets	76,628	18,511	117	17,636	13,037	19

	Thousands of U.S. dollars						
	2014						
	Reportable segments						
	Urban redevelopment	Overseas	Sub Total	Other	Total	Adjustments	Consolidated
Sales to third parties	$ 412,483	$ 830,187	$16,835,067	$ 714,048	$17,549,115	$ –	$17,549,115
Intersegment sales and transfers	1,313	–	82,510	63,309	145,819	(145,819)	–
Net sales	413,796	830,187	16,917,577	777,357	17,694,934	(145,819)	17,549,115
Segment income (loss)	$ 83,239	$ 83,424	$ 1,610,665	$ 16,440	$ 1,627,105	$ (344,488)	$ 1,282,617
Segment assets	$5,568,054	$4,337,604	$14,753,043	$ 132,112	$14,885,155	$2,313,027	$17,198,182
Other items:							
Depreciation and amortization	80,633	10,577	194,293	6,271	200,564	18,977	219,541
Increase in property, plant and equipment and intangible assets	1,060,752	15,176	1,201,876	23,051	1,224,927	41,289	1,266,216

"Other" in the above tables represents a segment other than the reportable segments, which includes the exterior business.

Adjustments in the above tables:

The adjustments of segment income in the amounts of ¥35,434 million ($344,488 thousand) and ¥34,907 million for the years ended January 31, 2014 and 2013 are eliminations of intersegment transactions of ¥4,200 million ($40,832 thousand) and ¥3,231 million and corporate expenses of ¥31,234 million ($303,656 thousand) and ¥31,676 million, which were related to administration expenses and research and development costs, respectively.

The adjustments of segment assets in the amounts of ¥237,918 million ($2,313,027 thousand) and ¥224,262 million at January 31, 2014 and 2013, respectively, include corporate assets consisting of surplus funds held by the Company (cash and short-term investments), long-term investments (investments in securities) and assets of administration departments.

The adjustments of depreciation and amortization in the amounts of ¥1,952 million ($18,977 thousand) and ¥2,364 million for the years ended January 31, 2014 and 2013, respectively, consist of depreciation and amortization arising from corporate assets.

The adjustments of increase in property, plant and equipment and intangible assets in the amounts of ¥4,247 million ($41,289 thousand) and ¥1,885 million for the years ended January 31, 2014 and 2013, respectively, consist of the purchase of machinery and equipment by the Company.

The total amount of segment income (loss) in the above tables is adjusted to operating income of the accompanying consolidated statements of income for the years ended January 31, 2014 and 2013.

Information on each product and service for the years ended January 31, 2014 and 2013 was omitted because it was identical to that of the reportable segment information.

Geographical information and sales information by major customer for the years ended January 31, 2014 and 2013 was omitted because there were no items that meet the disclosure criteria.

Information on loss on impairment of fixed assets by reportable segment for the years ended January 31, 2014 and 2013 was as follows:

	Millions of yen					
	Year ended January 31, 2014					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Loss on impairment of fixed assets	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –

	Millions of yen					
	Year ended January 31, 2014					
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Loss on impairment of fixed assets	¥4,234	¥ –	¥ –	¥4,234	¥ –	¥4,234

	Millions of yen					
	Year ended January 31, 2013					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Loss on impairment of fixed assets	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –

	Millions of yen					
	Year ended January 31, 2013					
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Loss on impairment of fixed assets	¥ 721	¥ –	¥ –	¥ 721	¥1,580	¥2,301

	Thousands of U.S. dollars					
	Year ended January 31, 2014					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Loss on impairment of fixed assets	$ –	$ –	$ –	$ –	$ –	$ –

	Thousands of U.S. dollars					
	Year ended January 31, 2014					
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Loss on impairment of fixed assets	$ 41,163	$ –	$ –	$ 41,163	$ –	$ 41,163

Information on amortization of goodwill and the remaining balance by reportable segment as of and for the years ended January 31, 2014 and 2013 was as follows:

	Millions of yen					
	As of and for the year ended January 31, 2014					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Amortization of goodwill	¥ 182	¥ –	¥ –	¥ 114	¥ 20	¥ –
Remaining balance	395	–	–	114	45	–

	Millions of yen					
	As of and for the year ended January 31, 2014					
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Amortization of goodwill	¥ –	¥ 10	¥ –	¥ 326	¥ –	¥ 326
Remaining balance	–	13	–	567	–	567

	Millions of yen					
	As of and for the year ended January 31, 2013					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Amortization of goodwill	¥ 183	¥ –	¥ –	¥ 114	¥ 21	¥ –
Remaining balance	577	–	–	228	65	–

	Millions of yen					
	As of and for the year ended January 31, 2013					
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Amortization of goodwill	¥ –	¥ 15	¥ –	¥ 333	¥ –	¥ 333
Remaining balance	–	23	–	893	–	893

	Thousands of U.S. dollars					
	As of and for the year ended January 31, 2014					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Amortization of goodwill	$ 1,769	$ –	$ –	$ 1,108	$ 195	$ –
Remaining balance	3,840	–	–	1,108	438	–

	Thousands of U.S. dollars					
	As of and for the year ended January 31, 2014					
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Amortization of goodwill	$ –	$ 97	$ –	$ 3,169	$ –	$ 3,169
Remaining balance	–	126	–	5,512	–	5,512

The Company recorded ¥327 million ($3,179 thousand) of gain on bargain purchase of subsidiary's shares. Information on gain on bargain purchase of a subsidiary's shares in "Custom detached houses" segment for the year ended January 31, 2014.

There was no information on gain on bargain purchase for the year ended January 31, 2013.

22. Related Party Transactions

Principal transactions between the Company and its related parties during the years ended January 31, 2014 and 2013 are summarized as follows:

Names of related parties	Description	Millions of yen 2014	Thousands of U.S. dollars 2014
Katsuhiko Machida and a relative	Purchase of land	¥ 70	$ 681
Relative of Shiro Inagaki	Construction of house	¥ 208	$ 2,022
Relative of Takashi Uchida	Construction of house and Sale of land	¥ 85	$ 826

Names of related parties	Description	Millions of yen 2013
Toshinori Abe	Sale of apartment	¥ 136

The prices for the transactions were determined using the same method as for third party transactions.

23. Other Comprehensive Income

The following table presents an analysis of other comprehensive income for the years ended January 31, 2014 and 2013.

	Millions of yen 2014	Millions of yen 2013	Thousands of U.S. dollars 2014
Net unrealized holding gain on securities:			
Amount arising during the year	¥ 23,024	¥ 12,792	$ 223,838
Reclassification adjustments for gains included in net income	–	1,539	–
Before tax effect	23,024	14,331	223,838
Tax effect	(7,375)	(4,035)	(71,699)
Net unrealized holding gain on securities	15,649	10,296	152,139
Deferred gain (loss) on hedges:			
Amount arising during the year	73	(64)	710
Reclassification adjustments for losses included in net income	65	7	632
Before tax effect	138	(57)	1,342
Tax effect	(47)	20	(457)
Deferred gain (loss) on hedges	91	(37)	885
Translation adjustments:			
Amount arising during the year	39,741	20,682	386,359
Share of other comprehensive income of affiliates accounted for by the equity method:			
Amount arising during the year	371	117	3,607
Reclassification adjustments for losses included in net income	(71)	(0)	(690)
Share of other comprehensive income of affiliates accounted for by the equity method	300	117	2,917
Total other comprehensive income	¥ 55,781	¥ 31,058	$ 542,300

24. Supplemental Information to Consolidated Statements of Cash Flows

During the year ended January 31, 2014, stock subscription rights were exercised and the related convertible bonds converted to common stock without any cash settlement. As a result, the amount of convertible bonds decreased by ¥13,610 million ($132,316 thousand), and common stock, capital surplus, gain on disposal of treasury stock, included in capital surplus, increased by ¥5,005 million ($48,658 thousand), ¥5,005 million ($48,658 thousand) and ¥690 million ($6,709 thousand), respectively, and treasury stock decreased by ¥2,910 million ($28,291 thousand) during the year ended January 31, 2014.

25. Subsequent Event

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended January 31, 2014, was approved at a shareholders' meeting held on April 23, 2014:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥23 = U.S.$0.22 per share)	¥ 15,764	$ 153,257

Independent Auditor's Report

The Board of Directors
Sekisui House, Ltd.

We have audited the accompanying consolidated financial statements of Sekisui House, Ltd. and subsidiaries, which comprise the consolidated balance sheet as at January 31, 2014, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements
Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sekisui House, Ltd. and subsidiaries as at January 31, 2014, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation
We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

April 23, 2014
Osaka, Japan

Ernst & Young ShinNihon LLC

Ernst & Young ShinNihon LLC
Auditors

Corporate Data

Outline of the Company

(As of January 31, 2014)

Established
August 1, 1960

Capital Stock Issued
¥191,559 million

Employees
22,379 (consolidated)

Head Office
Tower East Umeda Sky Building
1-88 Oyodonaka 1-chome Kita-ku Osaka
531-0076 Japan
Phone: 81-6-6440-3111
Facsimile: 81-6-6440-3369

Factories
Ibaraki, Shizuoka, Yamaguchi, Miyagi and Hyogo

Laboratory
Comprehensive Housing R & D Institute (Kyoto)

Major Subsidiaries and Affiliates
Sekiwa Real Estate, Ltd.
Sekisui House Remodeling, Ltd.
Sekiwa Construction Higashi-Tokyo, Ltd.
Sekisui House SI Asset Management, Ltd.
Sekisui House Australia Holdings Pty Limited
North America Sekisui House, LLC
Sekisui House Changcheng (Suzhou) Real Estate Development Co. Ltd.

All 174 subsidiaries and 19 affiliates

Stock Information

(As of January 31, 2014)

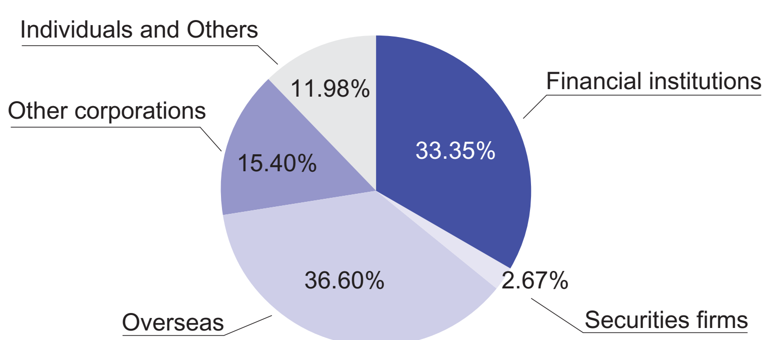
Stock Listing
Tokyo, Nagoya

American Depositary Receipts
Symbol: SKHSY
CUSIP: 816078307
Ratio: 1:1
Exchange: OTC (Over-The-Counter)
Depositary: The Bank of New York Mellon
BNY Mellon Shareowner Services
PO Box 358516
Pittsburgh, PA 15252-8516 U.S.A.
U.S. toll free: (888)269-2377 (888-BNY-ADRS)
International Callers: +1(201)680-6825
http://www.adrbnymellon.com

Major Shareholders

	Name	Number of shares	Shareholding ratio (%)
1	Sekisui Chemical Co., Ltd.	72,168,727	10.51
2	The Master Trust Bank of Japan, Ltd. (Trust account)	37,829,600	5.51
3	Japan Trustee Services Bank, Ltd. (Trust account)	36,593,700	5.33
4	State Street Bank and Trust Company 505243	14,711,788	2.14
5	Japan Trustee Services Bank, Ltd. (Trust account 9)	14,488,300	2.11
6	Employees' Stockholding	14,085,958	2.05
7	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,624,515	1.98
8	State Street Bank and Trust Company 505225	13,415,203	1.95
9	The Dai-ichi Life Insurance Company, Ltd.	12,158,730	1.77
10	MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENTION	9,010,169	1.31

Stock Composition



Directors and Corporate Auditors
(As of April 23, 2014)

Chairman, Representative Director & CEO
Isami Wada

President, Representative Director & COO
Toshinori Abe

Executive Vice President & Director
Sumio Wada

Executive Vice President & Director & CFO
Shiro Inagaki

Directors
Teruyuki Saegusa
Shiro Wakui
Fumiaki Hirabayashi
Tetsuo Iku
Takashi Uchida
Fumiyasu Suguro
Kunpei Nishida

Standing Corporate Auditors
Tadashi Iwasaki
Kengo Yoshida

Corporate Auditors
Takaharu Dohi
Yoshinori Shinohara
Koichi Kunisada

Executive Officers
(As of April 23, 2014)

Executive Vice President
Sumio Wada
Shiro Inagaki

Senior Managing Officers
Fumiaki Hirabayashi
Tetsuo Iku
Takashi Uchida

Managing Officers
Fumiyasu Suguro
Kunpei Nishida
Motohiko Fujiwara
Koji Nakata
Noboru Ashida
Hiroyuki Sato
Yosuke Horiuchi

Executive Officers
Michio Yoshizaki
Hisao Yamada
Yuichi Matsushima
Kazushi Mitani
Haruyuki Iwata
Daisuke Akamatsu
Akira Kuroda
Kenichi Ishida
Osamu Minagawa
Osamu Otani
Noriaki Ogata
Toshikazu Shimanuki
Futoshi Teramura
Kazuchika Uchiyama
Hideyuki Kamijou
Toshiharu Miura
Yoshihiro Nakai
Toru Ishii

ANNUAL REPORT 2014

SEKISUI HOUSE

Tower East Umeda Sky Building
1-88 Oyodonaka 1-chome,
kita-ku Osaka 531-0076 Japan
Phone:81-6-6440-3111
Facsimile:81-6-6440-3331
http://www.sekisuihouse.co.jp/