

Consolidated Financial Results for FY2012 (February 1, 2012 through January 31, 2013)

March 7, 2013

Company name	: Sekisui House, Ltd. (URL http://www.sekisuihouse.co.jp)
Listed exchanges	: Tokyo, Osaka, Nagoya
Stock code	: 1928
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Date of general shareholders' meeting	: April 25, 2013
Date of scheduled payment of dividends	: April 26, 2013
Date of scheduled filing of securities report	: April 26, 2013
Supplementary explanatory documents	: Yes
Earnings results briefing	: Yes (for institutional investors and analysts, in Japanese)

(Amounts are rounded down to the nearest million yen)

1. Consolidated Results for the FY2012 (February 1, 2012 through January 31, 2013)

(1) Consolidated Financial Results

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

	Net sales		Operating income		Ordinary income		Net income	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Year ended January 31, 2013	1,613,816	5.4	86,196	21.6	91,767	31.0	46,458	60.4
Year ended January 31, 2012	1,530,577	2.8	70,897	25.8	70,075	24.5	28,962	(4.8)

(Note) Comprehensive income: Year ended Jan. 2013: ¥79,645 million [265.0%] Year ended Jan. 2012: ¥21,822 million [(27.4)%]

	Net income per share	Fully diluted net income per share	Return on equity	Ordinary income ratio to total assets	Operating income ratio to net sales
	¥	¥	%	%	%
Year ended January 31, 2013	69.17	64.32	6.0	6.1	5.3
Year ended January 31, 2012	42.90	41.12	3.9	5.0	4.6

(Reference) Equity in earnings of affiliates: Year ended Jan. 2013: ¥312 million Year ended Jan. 2012: ¥449 million

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of January 31, 2013	1,539,272	814,063	52.4	1,200.63
As of January 31, 2012	1,445,828	750,374	51.4	1,107.43

(Reference) Shareholders' equity As of January 31, 2013: ¥806,406 million As of January 31, 2012: ¥743,830 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents as of end of period
	¥ millions	¥ millions	%	¥ millions
Year ended January 31, 2013	82,582	(58,124)	(17,289)	179,242
Year ended January 31, 2012	26,306	(42,928)	38,002	169,524

2. Cash Dividends

	Dividends per share (¥)					Total dividends (annual) (¥ millions)	Dividend payout ratio (Consolidated)	Dividends to net assets (Consolidated)
	1st quarter	2nd quarter	3rd quarter	Year-end	Annual			
Year ended January 31, 2012	-	10.00	-	10.00	20.00	13,477	46.6	1.8%
Year ended January 31, 2013	-	12.00	-	16.00	28.00	18,811	40.5	2.4%
Year ending January 31, 2014 (Forecast)	-	18.00	-	18.00	36.00		38.4	

3. Consolidated Results Forecast for FY2013 (February 1, 2013 through January 31, 2014)

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

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Six months ending July 31, 2013	820,000	8.2	46,000	38.2	46,500	35.7	26,000	52.3	38.71
Year ending January 31, 2014	1,740,000	7.8	110,000	27.6	111,000	21.0	63,000	35.6	93.80

* Notes

(1) Changes in significant subsidiaries during the period (changes in specific subsidiaries that caused a change in scope of consolidation): None

(2) Changes in accounting policies, accounting estimates and restatements

(i) Changes in accounting policies due to amendment of accounting standards: Not applicable

(ii) Changes in accounting policies due other than (i): Applicable

(iii) Changes in accounting estimates: Not applicable

(iv) Restatements: Not applicable

(Note) For more details, please see “(7) Changes in Accounting Policies of 4. Consolidate Financial Statements” in page 29.

(3) Number of shares outstanding (common stock)

(i) Number of shares outstanding at the end of each period (including treasury stock):

As of Jan. 31, 2013: 676,885,078 shares As of Jan. 31, 2012: 676,885,078 shares

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

As of Jan. 31, 2013: 5,234,879 shares As of Jan. 31, 2012: 5,211,881 shares

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

As of Jan. 31, 2013: 671,666,998 shares As of Jan. 31, 2012: 675,068,801 shares

(Reference) Summary of non-consolidated financial results

1. Non-Consolidated Results for the FY2012 (February 1, 2012 through January 31, 2013)

(1) Non-Consolidated Financial Results

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

	Net sales		Operating income		Ordinary income		Net income	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Year ended January 31, 2013	1,022,340	0.9	44,727	5.2	55,964	15.1	31,038	54.7
Year ended January 31, 2012	1,013,559	(1.1)	42,518	20.9	48,629	19.9	20,068	(19.8)

	Net income per share	Fully diluted net income per share
	¥	¥
Year ended January 31, 2013	46.20	42.96
Year ended January 31, 2012	29.72	28.49

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of January 31, 2013	1,278,174	668,770	52.3	994.81
As of January 31, 2012	1,230,785	642,176	52.1	955.29

(Reference) Shareholders' equity As of January 31, 2013: ¥ 668,341 million As of January 31, 2012: ¥ 641,811 million

* Implementation Status of Review Processes

At the time of disclosure of this report, the procedures for review of consolidated financial statements, pursuant to the Financial Products and Exchange Law, have not been completed.

* Notes Regarding the Appropriate Use of Results Forecasts and Other Important Matters

This document contains forward-looking statements based on judgments and estimates derived from information available to the Company at the time of this release, and is therefore subject to risks and uncertainties. Actual future results may differ materially from any projections presented here due to a variety of factors, including economic conditions surrounding the business domain of the Company and Group companies, as well as market trends.

For details of results forecast, please refer to “(1) Analysis of Business Results (Future Outlook)” of “1. Analyses of Business Results and Financial Position” of the “Attached Material” on page 10.

(Obtaining supplementary explanatory documents)

The Company plans to hold a briefing for institutional investors and analysts on March 7, 2013. Relevant financial explanatory documents to be handed out at the briefing will be posted on our official website on the same day.

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Appendix 1: Results summary for the year ended January 31, 2013

¥ millions

Consolidated	FY2011	FY2012	YOY (%)	FY2013 forecast	YOY (%)
Net sales	1,530,577	1,613,816	5.4	1,740,000	7.8
Gross profit	275,324	299,503	8.8	338,000	12.9
SG&A expenses	204,426	213,306	4.3	228,000	6.9
Operating income	70,897	86,196	21.6	110,000	27.6
Ordinary income	70,075	91,767	31.0	111,000	21.0
Extraordinary income	-	-	-	-	-
Extraordinary loss	7,874	5,306	(32.6)	2,000	(62.3)
Net income	28,962	46,458	60.4	63,000	35.6
Total orders	1,577,501	1,704,743	8.1	1,863,000	9.3
Accumulated orders	598,711	689,639	15.2	812,639	17.8

Key management indicators

Consolidated	FY2008	FY2009	FY2010	FY2011	FY2012
Net income per share (¥)	17.04	(43.32)	45.02	42.90	69.17
Net assets per share (¥)	1,115.20	1,059.18	1,090.67	1,107.43	1,200.63
Operating profit margin	4.88%	(2.86)%	3.79%	4.63%	5.34%
ROE	1.51%	(3.98)%	4.19%	3.91%	5.99%
ROA *	5.60%	(2.69)%	4.34%	5.28%	5.96%

¥ millions

R & D expenditures	6,191	5,087	4,657	4,366	4,318
Capital expenditure (Consolidated)	57,432	82,145	32,690	43,312	60,915
Capital expenditure (Non-consolidated)	43,156	71,677	22,501	24,425	46,275
Depreciation expense (Consolidated)	15,392	16,579	16,383	18,034	19,015
Depreciation expense (Non-consolidated)	12,252	13,161	12,809	14,216	14,102

* ROA: Return on Assets = (Operating income + Interest and Dividends received) / Total assets

Appendix 2: Segment breakdown for the year ended January 31, 2013

Consolidated (See page 32)

(1) Sales

¥ millions

	FY2011	FY2012	YOY(%)	FY2013 forecast	YOY(%)
Custom detached houses	475,330	465,149	(2.1)	499,000	7.3
Rental housing	289,027	303,712	5.1	315,000	3.7
Remodeling	102,180	111,548	9.2	122,000	9.4
Real estate management fees	378,247	393,978	4.2	412,000	4.6
Houses for sale	127,123	127,810	0.5	135,000	5.6
Condominiums	39,681	52,538	32.4	56,000	6.6
Urban redevelopment	37,720	45,528	20.7	36,000	(20.9)
Overseas Business	24,264	54,844	126.0	100,000	82.3
Other businesses	57,002	58,704	3.0	65,000	10.7
Consolidated	1,530,577	1,613,816	5.4	1,740,000	7.8

(2) Operating income and OP margin

¥ millions

	FY2011	FY2012	YOY(%) (Amount)	FY2013 forecast	YOY(%) (Amount)
	Amount OP margin	Amount OP margin		Amount OP margin	
Custom detached houses	52,476 11.0%	48,800 10.5%	(7.0)	58,600 11.7%	20.1
Rental housing	26,595 9.2%	27,547 9.1%	3.6	33,000 10.5%	19.8
Remodeling	9,624 9.4%	11,542 10.3%	19.9	13,000 10.7%	12.6
Real estate management fees	14,260 3.8%	17,039 4.3%	19.5	18,500 4.5%	8.6
Houses for sale	3,685 2.9%	1,580 1.2%	(57.1)	5,200 3.9%	229.1
Condominiums	(9,947) (25.1%)	1,004 1.9%	-	3,500 6.3%	248.6
Urban redevelopment	9,974 26.4%	9,787 21.5%	(1.9)	7,800 21.7%	(20.3)
Overseas Business	(3,176) (13.1%)	4,247 7.7%	-	5,600 5.6%	31.9
Other businesses	(35) (0.1%)	(445) (0.8%)	-	0 0.0%	-
Eliminations and back office	(32,560)	(34,907)	-	(35,200)	-
Consolidated	70,897 4.6%	86,196 5.3%	21.6	110,000 6.3%	27.6

(3) Orders

¥ millions

	FY2011	FY2012	YOY(%)	FY2013 forecast	YOY(%)
Custom detached houses	467,702	495,511	5.9	524,000	5.7
Rental housing	300,354	327,144	8.9	347,000	6.1
Remodeling	104,086	116,339	11.8	126,000	8.3
Real estate management fees	378,247	393,978	4.2	412,000	4.6
Houses for sale	124,312	135,409	8.9	139,000	2.7
Condominiums	60,717	72,048	18.7	60,000	(16.7)
Urban redevelopment	24,520	45,528	85.7	36,000	(20.9)
Overseas Business	60,021	54,198	(9.7)	150,000	176.8
Other businesses	57,538	64,585	12.2	69,000	6.8
Consolidated	1,577,501	1,704,743	8.1	1,863,000	9.3

(4) Accumulated orders

¥ millions

	FY2011	FY2012	YOY(%)	FY2013 forecast	YOY(%)
Custom detached houses	216,628	246,990	14.0	271,990	10.1
Rental housing	219,101	242,533	10.7	274,533	13.2
Remodeling	15,927	20,717	30.1	24,717	19.3
Real estate management fees	-	-	-	-	-
Houses for sale	28,656	36,255	26.5	40,255	11.0
Condominiums	27,914	47,424	69.9	51,424	8.4
Urban redevelopment	-	-	-	-	-
Overseas Business	64,480	63,833	(1.0)	113,833	78.3
Other businesses	26,002	31,883	22.6	35,883	12.5
Consolidated	598,711	689,639	15.2	812,639	17.8

1. Analyses of Business Results and Financial Position

(1) Analysis of Business Results

(Review of Business Performance)

In the fiscal year under review, demand for reconstruction projects in areas affected by the Great East Japan Earthquake acted as a key support for the Japanese economy. However, the search for a way to achieve an economic recovery continued, given unreliable economic conditions in external markets such as Europe and China, in addition to slowdowns in exports, capital spending and other economic activities attributable to the global economic downturn. In the meantime, the excessive appreciation of the yen corrected, and share prices showed signs of recovery, reflecting expectations of monetary easing and other bold measures for the economy that accompanied the change in government.

In the housing market, new housing starts showed a gradual recovery, assisted by increased public interest in housing safety, housing security and energy issues, and central government measures for supporting housing acquisition, including a system of subsidies for installing solar power generation systems, with continued low interest rates in the background. Public interest in housing also grew stronger because the outline of tax revisions proposed by the central government included an expanded tax deduction for housing loans, assuming a consumption tax increase, and the imposition of heavier inheritance taxes.

In this environment, the Company drove its business activities forward based on the Green First Strategy adopted in its medium-term management plan, which covered a period of three years starting FY2010. As a result, it achieved its operating targets for the fiscal year under review. The Company announced the new “Sekisui House Group FY2012 Mid-Term Management Plan” it had developed on November 15, 2012. The plan adopts as a management policy the development of growth strategies specializing in the “residential” business domain. Under the new plan, the Company aims to realize sustainable profit growth in Japanese markets and to place its international operations on track for dramatic growth, adopting “SLOW & SMART – housing innovation to make your heart feel at home” as its brand vision.

As an environmental strategy, the Company proactively proposed Green First Hybrid, an advanced series of homes featuring the world’s first power supply system providing integrated control of solar cells, fuel cells and storage batteries, using a home energy management system (HEMS). The Company also improved its lineup of storage batteries as eco-friendly home products by introducing lithium storage batteries and systems that are linked with electric vehicles. Moreover, the Company decided to develop a common HEMS platform with IBM Japan, Ltd. to centralize management of housing and social information and to realize comfortable living in smart towns and smart houses.

The Company established its unique universal design standards in 2002. It has maintained these standards by holding experience-oriented training that uses “Nattoku Kobo Studio,” a facility that offers experience in the home and living, and establishing an internal qualification system. These internal and external promotional activities for universal design led to the Company winning the Grand Award (the Economy, Trade and Industry Minister Prize) at the IAUD Award 2012, an award organized by the International Association for Universal Design (IAUD), in October 2012.

Looking at business performance, orders grew steadily for detached and rental housing, thanks to the successful implementation of the Green First Strategy. Sales promotion events, such as *Sumai no Sankan-bi* (visits to model houses) and Sha-Maison Festa, proved effective, and reconstruction in areas affected by the earthquake also began to produce results.

Net sales in FY2012 amounted to ¥1,613,816 million, up 5.4% from the previous fiscal year. Operating income grew to ¥86,196 million (up 21.6%), ordinary income to ¥91,767 million (up 31.0%), while net income amounted to ¥46,458 million (up 60.4%), resulting in higher sales and higher income.

Business results by segments are as follows.

In addition, from the current consolidated fiscal year under review, “Overseas Business,” which had been included in “Other Businesses,” has changed to a reportable segment and, with regard to the comparable numbers from the previous fiscal year noted below, the numbers from the previous fiscal year have been reclassified to the segment demarcation following the change for comparison.

(Custom Detached Houses Business)

In the Custom Detached Houses Business, we worked to increase sales of our core products, introducing a luxury modern model to the IS ROY+E series of steel frame detached houses with our unique exterior wall Dyne Wall in June. In October, the Company started to sell new three-story products that were developed with the comprehensive renewal of the β system, the Company’s unique construction method for mid-to-high-rise housing.

In the wood-framed Sha-Wood line, the Company launched sales of Gravis Bellsa, a new series of houses entirely covered with Bellburn, a well-regarded original exterior wall made of earthenware, and took steps to expand their sales. In February, a new production line was built at the Shizuoka factory for Bellburn, which increased production capacity by a factor of 2.5 over the previous level, creating a system that enables us to meet customer demand. Bellburn was used in more than a half of Sha-Wood houses, and it won the 2012 Good Design Award.

In addition, the Company proposed Green First Hybrid and other eco-friendly series of homes and successfully continued its efforts to bolster orders. However, sales remained unchanged from the previous fiscal year.

Sales in the Custom Detached Houses Business for the period under review increased to ¥465,149 million (down 2.1% from the previous fiscal year), and operating income to ¥48,800 million (down 7.0%).

(Rental Housing Business)

In the Rental Housing Business, the Company launched CELEBLIO housing with support services for elderly people in September. This product is specifically designed for elderly residents by combining living support services with rental housing to offer a comfortable living environment. It is the first product of its kind in the industry. Demand from elderly people for housing that meets the requirements of their life stages is expected to increase in the future, and the Company aims to respond with initiatives that anticipate these needs.

In the meantime, the Company presented the appeal of its rental houses, such as Sha-Maison Gardens, at Sha-Maison Festa sales promotion events. It also sought to increase the volume of orders proactively through initiatives such as seminars organized to introduce ways to deal with the imposition of heavier inheritance taxes.

In addition, SHAI55, the Company’s original floor-sound insulation system that has been contributing to orders with its differentiation from competitor’s products, won the 20th Technical Development Award from the Acoustical Society of Japan for its contribution to the advancement and development of acoustical engineering technology.

As a result of these business promotions, the efficacy of sales promotion events has been shown to be successful and orders have moved positively.

For the Rental Housing Business, sales overcame lower sales of temporary housing posted in FY2011 and amounted to ¥303,712 million (up 5.1% from the previous fiscal year), and operating income to ¥27,547 million (up 3.6%).

(Remodeling Business)

In the Remodeling Business, under the banner of Green First Remodeling, we have been appealing to market needs by selling and proactively proposing solar power generation systems installation, insulation improvement remodeling, remodeling to improve energy conservation and efficiency. In addition, we have worked to strengthen sales by holding sales promotion events such as the Remodeling Fair and Lifestyle Seminars.

We were also active in promoting sales of solar power generation systems in particular. As a result, our performance in this segment remained strong, and the number of units sold was 2.8 times more than the result for the previous year.

As a result of this business progress, orders have been positive.

Sales in the Remodeling Business amounted to ¥111,548 million (up 9.2% from the previous fiscal year), and operating income to ¥11,542 million (up 19.9%).

(Real Estate Management Fees Business)

In the Real Estate Management Fees Business, the number of Sha-Maison low-rise apartment units for block leasing and management by Sekiwa Real Estate companies increased steadily. The number of units under management surpassed 500,000. Demand has increased in the rental housing market in urban areas and the Group is cooperating to encourage occupancy. Further, by making proposals for remodeling to meet the needs of the market, occupancy rates have remained high, particularly in the Tokyo area.

Sales in the Real Estate Management Fees Business amounted to ¥393,978 million (up 4.2% from the previous fiscal year) and operating income to ¥17,039 million (up 19.5%).

(Houses for Sale Business)

In the Houses for Sale Business, as a leading smart house company, we focused on sales of a new high value-added home for sale that eliminates shortfalls in electric power and, during disasters, provides emergency power to enable safe and secure living to continue. Following the opening of Japan's first smart town, Smart Common City Akaishidai in Tomiyamachi on the outskirts of Sendai City in Miyagi Prefecture, we opened Smart Common Stage Keyakidaira (Ibaragi Prefecture) and Teriha Smart Town (Fukuoka Prefecture), which achieves zero CO₂ emissions. We also started new projects in three prefectures in the Tokai region. With these initiatives, we have been developing smart towns nationwide. The Company's Smart Common City project won the Eco Products Awards Steering Committee's special prize for power-saving excellence at the 9th Eco Products Awards on the merits of these initiatives.

The Company took steps to acquire new sites after the completion of an inventory adjustment cycle. In the meantime, orders also showed an uptrend.

Sales in the Houses for Sale Business amounted to ¥127,810 million (up 0.5% from the previous fiscal year), and operating income to ¥1,580 million (down 57.1%).

(Condominium Business)

In the Condominium Business, sales commenced for the Grande Maison Komae in Komae City, Tokyo, which features the first ever use of "double energy creation" with the SOLAMO gas hot water system using solar power and the gas cogeneration systems sold by Tokyo Gas Co., Ltd. in a multiple family dwelling. We also started the construction of Grande Maison Ohori Park in Fukuoka City, which will be Japan's first condominium with home fuel cells in all units, as part of efforts to pursue the Green First Strategy in Condominiums Business as well, and we implemented sales strategies designed to enhance brand value.

As a result of this business promotion, orders for new units offered for sale remained strong, particularly in urban areas.

Sales in the Condominium Business amounted to ¥52,538 million (up 32.4% from the previous fiscal year), and the operating income was ¥1,004 million.

(Urban Redevelopment Business)

In the Urban Redevelopment Business, occupancy rates of Sekisui House Group's rental properties such as its Prime Maison series rental apartments remained firm. In addition, 10 properties including Prime Maison properties were sold to J-REIT Sekisui House SI Investment Corporation, which contributed to the construction of their new portfolio. In Kita-ku, Tokyo, the construction of a multigenerational type rental condominium, where households with children and elderly households interact in the same space, Mast Life Furukawa Teien, was completed, presenting new rental housing to the market. The Gotenyama project, a large-scale complex of offices and condominiums, won the Land, Infrastructure, Transport and Tourism Minister Prize, the highest prize, in the Roof, Wall and Special Green Technology Contest sponsored by the Organization for Landscape and Urban Green Infrastructure.

Sales in the Urban Redevelopment Business amounted to ¥45,528 million (up 20.7% from the previous fiscal year) and operating income to ¥9,787 million (down 1.9%).

(Overseas Business)

In the Overseas Business, handover was nearly completed for the Catania and Messina buildings of Wentworth Point condominiums in Australia, for which contracts had been concluded at a favorable pace. The handover of house plots also began in Camden Hills where the Company launched sales during the fiscal year under review. In the United States,

largely in the Houston area of Texas, sales of subdivisions were strong. In China, the Company completed a steel-frame housing manufacturing plant in Shenyang City where the production of industrialized housing began. It also embarked on the construction of condominiums in Heping district of the same city. In Singapore, sales remained robust for Punggol Watertown and other projects.

Sales in the Overseas Business amounted to ¥54,844 million (up 126.0% from the previous fiscal year), and operating income to ¥4,247 million.

(Other Businesses)

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

Sales in the Other Businesses amounted to ¥58,704 million (up 3.0% from the previous fiscal year), and operating loss to ¥445 million.

(Future Outlook)

In the Japanese economy, there is expectation of a recovery in corporate profits through monetary easing and other bold measures for the economy that accompanied the change in government. Under these circumstances, the Company made a promising start by announcing a new medium-term management plan that focuses on the “residential” business domain. The Company aims to expand its businesses further, taking into consideration factors including an expanded tax deduction for housing loans and a large variety of other support measures planned by the central government plans.

For the fiscal year ending January 31, 2014, we have revised our consolidated business results forecast announced on November 15, 2012 as follows: Consolidated net sales of ¥1,740,000 million (up 7.8% from the current fiscal year under review), consolidated operating income of ¥110,000 million (up 27.6%), consolidated ordinary income of ¥111,000 million (up 21.0%), and consolidated net income of ¥63,000 million (up 35.6%).

(2) Analysis on Financial Position

Total assets increased by ¥93,443 million to ¥1,539,272 million at the end of the fiscal year under review, primarily owing to the increases in land for sale for overseas business and rental properties. Liabilities increased by ¥29,754 million to ¥725,208 million, mainly due to the increase in debt in order to meet the capital needs of overseas business. Net assets increased by ¥63,689 million to ¥814,063 million, chiefly due to posting of net income, while foreign currency translation adjustments increased.

Net cash provided by operating activities was ¥82,582 million (a year-on-year increase of ¥56,275 million in net cash provided), primarily due to posting of net income and the increase in advances received on uncompleted construction contracts.

Net cash used in investing activities was ¥58,124 million (a year-on-year decrease of ¥15,196 million in net cash used), mainly reflecting the purchase of property, plant, and equipment.

Net cash used in financing activities was ¥17,289 million (a year-on-year decrease of ¥55,291 million in net cash used). This was attributable to the repayment of corporate bonds and dividend payments.

Consequently, cash and cash equivalents at the end of the fiscal year under review amounted to ¥179,242 million, increasing by ¥9,718 million from the end of the previous fiscal year.

(Reference) Trend in cash flow pertinent indicators

	FY2008	FY2009	FY2010	FY2011	FY2012
Equity ratio (%)	54.3	52.9	54.9	51.4	52.4
Equity ratio based on market price (%)	37.5	42.7	40.3	33.3	43.9
Debt service coverage ratio (years)	6.8	4.7	2.5	10.1	3.3
Interest coverage ratio (times)	16.5	17.8	23.0	7.9	31.1

(Note) Equity ratio = equity / total assets

Equity ratio based on market price = market capitalization / total assets

Debt service coverage ratio = interest-bearing debt / cash flow

Interest coverage ratio = Cash flow / interest paid

1. All indicators are calculated from consolidated financial data.
2. Market capitalization = share price at end of period × number of shares outstanding (exclusive treasury stock)
3. Cash flow from operating activities is used for calculation.
4. Interest-bearing debts include all debts subject to interest payments within the liabilities shown on the consolidated balance sheet. Note that this debt also includes interest-free bonds with subscription rights to shares.

(3) Basic Policy on Profit Distribution, Dividend for the Current and Next Fiscal Years

In order to realize a high level of profit sharing while maintaining sound management over the medium- and long-term, we will aim at an average dividend payout ratio of 40% or higher over the medium-term.

By putting into perspective future business opportunities based on earnings and cash flow situations and the behavior of the domestic economy and market environment each year, we will make every effort to increase shareholder returns through the improvement of asset efficiency, including share buybacks and retirement of treasury stocks if and when deemed appropriate.

For the year ended January 31, 2013, we paid an interim dividend of ¥12 and plan to pay out a year-end dividend of ¥16.

For the next fiscal year ending January 31, 2014, we plan to pay out an interim dividend of ¥18 and a year-end dividend of ¥18, totaling ¥36 for the full year.

(4) Risk factors

This section contains an overview of the major business-related risks and other risks facing Sekisui House, Ltd. and its Group companies (the Group) that could have material bearing on the decisions of investors. These risks include potential risks for the future, which the Group deems to be risks as of the day when these financial statements are issued.

(1) Changes in operating environments

Since the Group's main area of business is housing, its business is vulnerable to trends in private consumption, interest rates, land prices, the government's housing-related policies and taxation system, fluctuations in rents caused by these trends, and trends in local economies. Changes in these operating environments could have a negative impact on the Group's business performance.

(2) Natural disasters, etc.

A major natural disaster can incur a large amount of costs for the Group, including those for initial response and subsequent support activities such as inspection and emergency measures for customers' buildings, as well as those for the repair of damaged equipment and facilities of the Group, real estate for sale, and buildings under construction. Such an occurrence could have a negative impact on the Group's business performance.

(3) Price rise of raw and other materials

A sharp price hike in steel and timber (the Group's main structural elements), as well as fluctuations in oil prices and foreign exchange, can lead to a rise in the purchasing prices of raw and other materials. Such an occurrence could have a negative impact on the Group's business performance.

(4) Assets held by the Group

Securities, real estate for sale, noncurrent assets, and other assets held by the Group can suffer impairment or loss from revaluation due to a decline in market value, etc. Such an occurrence could have a negative impact on the Group's business performance and financial position.

(5) Quality control

The Group makes its best effort to assure the quality of its products and services. Should the Group be held liable for defect warranty to a degree beyond expectation, however, the Group may incur a large amount of expenses and suffer the major degradation of its reputation. Such an occurrence could have a negative impact on the Group's business performance.

(6) General legal and regulatory risks

The Group secures the appropriate business permits and licenses under the Building Lots and Buildings Transaction Business Law, Construction Industry Law, Architect Law, and other applicable laws in Japan, and operates in conformity with the laws and regulations related to land transaction, labor relations, environmental management, and other business undertakings. In the event that these laws and regulations should be revised or repealed, new legal regulations be established, or the Group infringe upon laws or regulations, the Group's business performance could be negatively affected.

(7) Overseas business

The Group is engaged in housing-related business overseas. Unforeseeable changes in social and economic conditions, including trends in laws, regulations, and taxation systems in the respective countries could have a negative effect on the Group's business performance.

(8) Protection of privacy

Because of the nature of its business, the Group handles a large volume of customer data. The Group makes extra efforts to protect such personal information. Leakage, etc. of such personal information would significantly damage the Group's

reputation and credit, and thus could have a negative impact on the Group's business performance.

(9) Pension liabilities

The amount of the Group's employee retirement costs and obligations is calculated based on assumptions used in the relevant actuarial calculations, such as the discount rate, and the assumed rates of return on pension assets. In the event of any revisions to these actuarial assumptions, or in case estimates based on the assumed rates on return should differ materially from actual results, the Group's business performance and its financial position could be negatively affected.

(10) Computer viruses

In order to perform its operations efficiently, the Group makes aggressive use of information technology. The unforeseeable occurrence of computer viruses could have a negative impact on the Group's business performance.

(11) Preventive measures against takeover bids

We do not deny third parties' acquisition of our stock as a part of sound economic activities and the subsequent transfer of controlling interest resulting from the exercise of shareholders' rights.

However, we believe that it is necessary to carefully examine any purchase of our stock in a bid to acquire large interest or its offer in terms of the purchaser's business lines and plans, past investment operations, as well as the legitimacy of the purchase, so that we may determine whether the purchase or its offer will help increase our corporate value and contribute to the common interests of our existing shareholders and any and all impacts upon each of our stakeholders.

At this point in time, we are not observing any concrete cases of such a purchase or its offer, and so do not plan to draw up in advance any anti-takeover measures, which will be taken once such a purchaser is identified. Nevertheless, we will always watch the movements of our stock carefully, and, once we have identified a party who intends to acquire a large interest in the company, we will immediately take any and all actions that we deem to be most appropriate, fulfilling the natural duties entrusted to us by our shareholders and investors.

In more concrete terms, we will invite outside specialists to examine and assess the identified purchase or its offer, and negotiate with the purchaser. Should we conclude that the purchase or its offer would damage our corporate value or threaten the common interests of our existing shareholders, we will make prompt decisions as to the need of concrete preventive measures and their contents, and position ourselves to put them into action.

2. Outline of the Sekisui House Group

The Sekisui House Group consists of Sekisui House, Ltd., 148 subsidiaries, and 18 affiliates. Sekisui House group companies are involved in the contract design, construction, and letting of prefabricated houses. They also buy and sell, act as agents for, lease and manage real estate.

The position of each company within the Group is illustrated below.

The following nine sections classify each business division as they are classified in the 'Segment Information' section.

Main group companies within the reporting segments are shown in the chart of business activities.

(1) Custom Detached Houses Business

This division designs, constructs, and contracts for sale detached houses

(2) Rental Housing Business

This division designs, constructs, and contracts for sale rental housing, medical and nursing care facilities, and other buildings.

(3) Remodeling Business

This division is involved with renovating housing.

(4) Real Estate Management Fees Business

This division leases, manages, maintains, and brokerages real estate.

(5) Houses for Sale Business

This division sells houses and real estate, and designs, constructs, and contracts for sale houses on residential land for sale.

(6) Condominiums Business

This division sells condominiums.

(7) Urban Redevelopment Business

This division develops office buildings, commercial facilities, and other facilities, and manages and maintains its own properties.

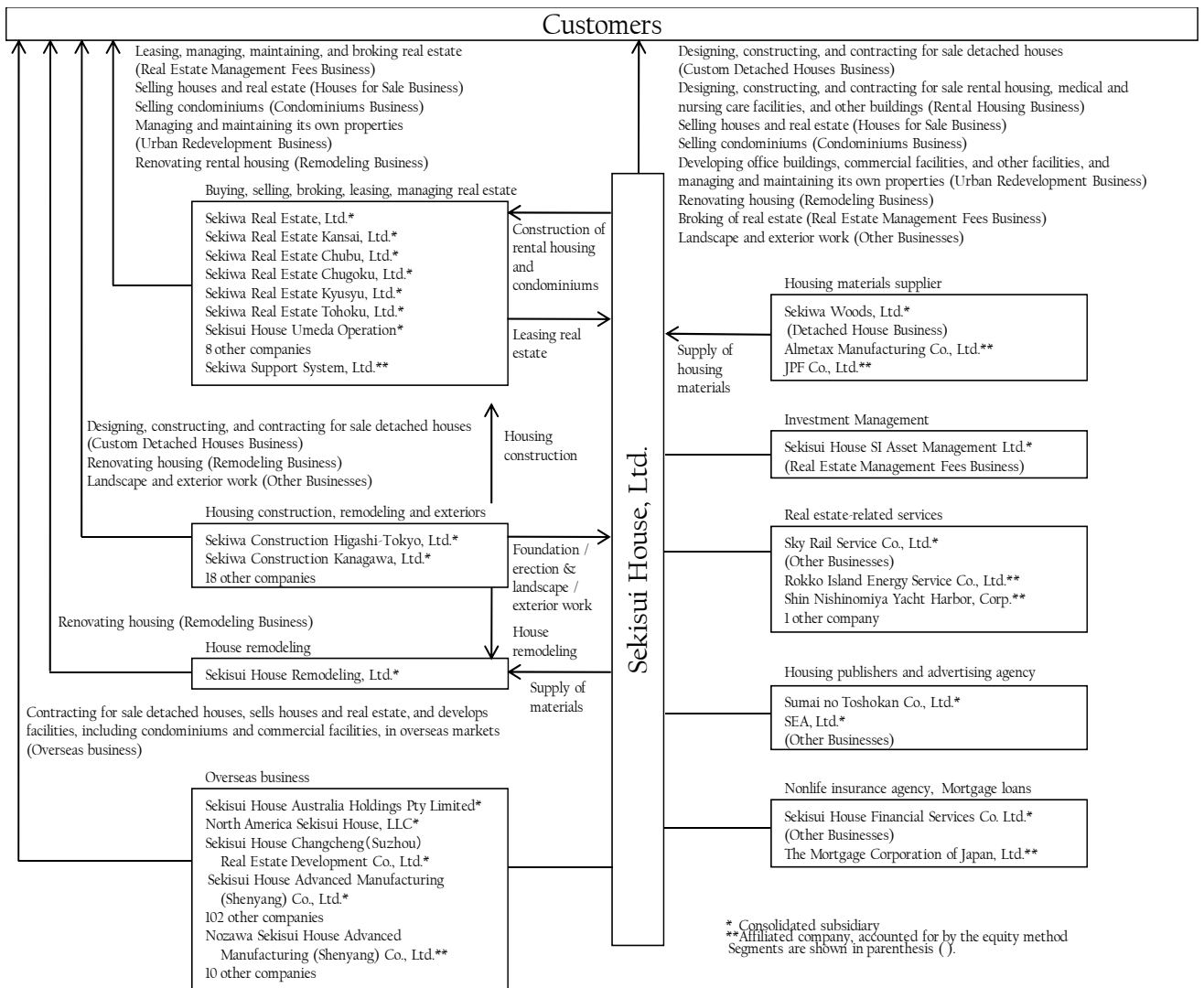
(8) Overseas Business

This division contracts for sale detached houses, sells houses and real estate, and develops facilities, including condominiums and commercial facilities, in overseas markets.

(9) Other Businesses

This division is involved in exterior business, etc.

The following chart shows the position of the group companies within each business segment.



3. Management Policy

(1) Basic Management Policy

Since the establishment of Sekisui House we have aimed to create homes and environments with individuality and warmth, as a leading producer of housing in Japan. Providing first class product quality and technical skills is essential, and we aim every day to reflect our philosophy of `love of humanity` by creating houses that bring satisfaction to our customers. In the future, through rigorous quality control we aim to continue to raise customer satisfaction and to provide full after service to our customers. Housing is characterized by a very long product life and we believe that steadily pursuing these values in our business activities creates a powerful framework of trust that is the key to long-term growth and an essential element of our business. Further our basic stance is that true management of a company is borne out of three concepts: customer satisfaction, shareholder satisfaction and employee satisfaction and we must also fulfill our obligations as a corporate citizen while considering the stability and investment required to ensure continued long term growth while making determined efforts to expand our business.

(2) Targeted Performance Indicators

In order to promote business efficiency we aim to take opportunities to strengthen our balance sheet and raise asset efficiency in each of our businesses. As a result we are targeting improvements in Return on Assets and ROE to 10%.

(3) Medium and Long-term Business Strategy

In November 2012, the Company developed a medium-term management plan that concludes in FY2014 to develop growth strategies specializing in the “residential” business domain and accelerate profit growth. The Company is driving its businesses forward under this plan now.

Under the new mid-term management plan, we integrate our diverse advanced technologies, lifestyle proposals and other activities into a unified brand vision summed up by the words “SLOW & SMART.” We will pursue business activities in accordance with three business models: Built-to-Order Business, Supplied Housing Business and Development Business. Through this, we aim to put the Group on a rapid growth trajectory by achieving sustained profit growth in Japan while at the same time promoting our “SLOW & SMART” brand vision in growing overseas markets.

Built-to-Order Business (Custom Detached Housing / Rental Housing)

In the business areas of steel-frame detached houses, wood-frame detached houses (Sha-Wood) and rental housing (Sha-Maison), the fact that we have an integrated system encompassing technological development, production, design and construction and consistently supply high quality houses ahead of their time. We will continue to supply high quality houses to maintain our position as top housing manufacturing by staying ahead of the times and linking this to further growth in our market share and further expansion of our customer base.

Supplied Housing Business (Remodeling / Real Estate Management Fees)

In the Real Estate Management Fees Business, we will maintain high occupancy ratios by taking advantage of our high-quality, high-performance housing stock supplied through the Build-to-Order Business and by working in concert with Sekiwa Real Estate, Ltd., Sekisui House Remodeling, Ltd., Sekiwa Construction, Ltd. and other Group companies. In addition, we will work to build new relationships of trust with our customers and to expand our businesses by proactively making proposals for adding value and remodeling, such as service provision, following the handover of constructed houses.

Development Business (Houses for Sale / Condominiums / Urban Redevelopment / Overseas Business)

In the Houses for Sale Business and the Condominium Business, we will increase asset turnover to improve profit margins and also plan to accentuate our brand strategy in the Smart Common City Series and the Grande Maison Series. In the Urban Redevelopment Business, we will promote leasing to maximize rent income and also pursue exit strategies, including sale to real estate funds and REITs, etc. In the Overseas business, we plan to invest in countries which have an increasing population and are geared for economic growth, to earn high returns on our investments. At the same time, we

will promote our “SLOW & SMART” brand vision. By applying the technology and expertise we have accumulated in Japan to our overseas operations and linking this to the global expansion of our Built-to-Order Business and our Supplied Housing Business and by preparing exit strategies for the future, we hope to put the Group on an even higher growth trajectory.

(4) Issues that the Company Needs to Address

The Company is committed to sustaining a Group-wide organization and initiatives for supporting reconstruction in areas affected by the Great East Japan Earthquake, including efforts to supply housing in those areas. At the same time, the Company intends to execute business strategies in response to the anticipated consumption tax hike, a review of the scope of inheritance taxes, and other policies the central government is expected to enforce. In addition, the Company will strive to achieve steady growth in Japan and abroad, while stabilizing income with further cost cutting in stages, including production reforms, based on its medium-term management plan, given an environment with latent factors that weigh on corporate performance, such as global economic trends and financial instability associated with the sovereign debt crisis in Europe.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥ millions)

	As of January 31, 2012	As of January 31, 2013
Assets		
Current assets		
Cash and deposits	169,524	180,232
Notes receivable, accounts receivable from completed construction contracts	36,530	38,612
Short-term investment securities	5,000	2,098
Costs on uncompleted construction contracts	8,344	8,455
Buildings for sale	135,541	149,674
Land for sale in lots	340,631	388,707
Undeveloped land for sale	125,004	94,384
Other inventories	6,810	7,600
Deferred tax assets	50,248	46,876
Other	40,428	41,071
Allowance for doubtful accounts	(1,989)	(1,823)
Total current assets	916,074	955,891
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	245,216	259,903
Machinery, equipment and vehicles	56,857	61,509
Tools, furniture and fixtures	28,078	27,945
Land	191,355	210,654
Lease assets	747	723
Construction in progress	16,667	19,342
Accumulated depreciation	(184,787)	(193,094)
Total property, plant and equipment	354,135	386,983
Intangible assets		
Goodwill	1,219	892
Industrial property	24	19
Leasehold right	3,840	4,036
Software	8,122	9,257
Right of using facilities	192	230
Telephone subscription right	862	861
Other	70	31
Total intangible assets	14,331	15,329
Investments and other assets		
Investment securities	65,855	79,109
Long-term loans receivable	35,795	43,574
Deferred tax assets	21,699	21,562
Other	38,948	37,562
Allowance for doubtful accounts	(1,012)	(741)
Total investments and other assets	161,287	181,067
Total noncurrent assets	529,754	583,381
Total assets	1,445,828	1,539,272

(¥ millions)

	As of January 31, 2012	As of January 31, 2013
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	88,774	91,872
Electronically recorded obligations-operating	49,763	58,715
Short-term loans payable	18,970	18,696
Current portion of bonds	59,995	-
Current portion of long-term loans payable	2,108	50,201
Income taxes payable	27,043	26,840
Advances received on uncompleted construction contracts	76,272	87,886
Provision for bonuses	17,151	18,384
Provision for directors' bonuses	734	828
Provision for warranties for completed construction	3,091	3,122
Other	64,346	54,476
Total current liabilities	408,251	411,024
Noncurrent liabilities		
Bonds payable	70,000	90,000
Bonds with subscription rights to shares	50,000	50,000
Long-term loans payable	62,660	58,130
Long-term lease and guarantee deposited	52,293	53,019
Provision for retirement benefits	42,525	53,214
Provision for directors' retirement benefits	1,035	1,140
Other	8,687	8,678
Total noncurrent liabilities	287,202	314,184
Total liabilities	695,454	725,208
Net assets		
Shareholders' equity		
Capital stock	186,554	186,554
Capital surplus	237,522	237,522
Retained earnings	326,153	357,830
Treasury stock	(4,201)	(4,219)
Total shareholders' equity	746,028	777,688
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,575	11,951
Deferred gains or losses on hedges	(7)	(45)
Foreign currency translation adjustment	(3,766)	16,812
Total accumulated other comprehensive income	(2,198)	28,718
Subscription rights to shares	365	429
Minority interests	6,178	7,228
Total net assets	750,374	814,063
Total liabilities and net assets	1,445,828	1,539,272

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

(¥ millions)

	Feb. 1, 2011 – Jan. 31, 2012	Feb. 1, 2012 – Jan. 31, 2013
Net sales	1,530,577	1,613,816
Cost of sales	1,255,253	1,314,312
Gross profit	275,324	299,503
Selling, general and administrative expenses		
Selling expenses	41,340	44,168
General and administrative expenses	163,085	169,137
Total selling, general and administrative expenses	204,426	213,306
Operating income	70,897	86,196
Non-operating income		
Interest income	1,595	1,695
Dividends income	1,053	1,080
Foreign exchange gains	-	4,234
Equity in earnings of affiliates	449	312
Other	2,825	3,659
Total non-operating income	5,923	10,981
Non-operating expenses		
Interest expenses	1,885	1,620
Currency swap expenses	1,339	1,068
Foreign exchange losses	1,022	-
Other	2,498	2,722
Total non-operating expenses	6,746	5,411
Ordinary income	70,075	91,767
Extraordinary loss		
Impairment loss	958	2,301
Loss on valuation of investment securities	2,770	1,538
Loss on sales and retirement of noncurrent assets	2,183	1,466
Loss on disaster	1,274	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	687	-
Total extraordinary losses	7,874	5,306
Income before income taxes and minority interests	62,200	86,461
Income taxes-current	33,836	38,113
Income taxes-deferred	(619)	(239)
Total income taxes	33,216	37,873
Income before minority interests	28,983	48,587
Minority interests in income	21	2,128
Net income	28,962	46,458

(Consolidated Statements of Comprehensive Income)

(¥ millions)

	Feb. 1, 2011 – Jan. 31, 2012	Feb. 1, 2012 – Jan. 31, 2013
Income before minority interests	28,983	48,587
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,255)	10,296
Deferred gains or losses on hedges	(18)	(37)
Foreign currency translation adjustment	(5,894)	20,682
Share of other comprehensive income of associates accounted for using equity method	8	117
Total other comprehensive income	(7,160)	31,057
Comprehensive income	21,822	79,645
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	21,823	77,375
Comprehensive income attributable to minority interests	(0)	2,269

(3) Consolidated Statements of Changes in Net Assets

(¥ millions)

	Feb. 1, 2011 – Jan. 31, 2012	Feb. 1, 2012 – Jan. 31, 2013
Shareholders' equity		
Capital stock		
Balance at the end of previous period	186,554	186,554
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	186,554	186,554
Capital surplus		
Balance at the end of previous period	237,522	237,522
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	237,522	237,522
Retained earnings		
Balance at the end of previous period	309,361	326,153
Changes of items during the period		
Dividends from surplus	(12,165)	(14,780)
Net income	28,962	46,458
Disposal of treasury stock	(5)	(0)
Total changes of items during the period	16,791	31,677
Balance at the end of current period	326,153	357,830
Treasury stock		
Balance at the end of previous period	(1,416)	(4,201)
Changes of items during the period		
Purchase of treasury stock	(2,797)	(31)
Disposal of treasury stock	13	13
Total changes of items during the period	(2,784)	(18)
Balance at the end of current period	(4,201)	(4,219)
Total shareholders' equity		
Balance at the end of previous period	732,021	746,028
Changes of items during the period		
Dividends from surplus	(12,165)	(14,780)
Net income	28,962	46,458
Purchase of treasury stock	(2,797)	(31)
Disposal of treasury stock	8	13
Total changes of items during the period	14,006	31,659
Balance at the end of current period	746,028	777,688

(¥ millions)

	Feb. 1, 2011 – Jan. 31, 2012	Feb. 1, 2012 – Jan. 31, 2013
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	2,813	1,575
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,238)	10,376
Total changes of items during the period	(1,238)	10,376
Balance at the end of current period	1,575	11,951
Deferred gains or losses on hedges		
Balance at the end of previous period	11	(7)
Changes of items during the period		
Net changes of items other than shareholders' equity	(18)	(37)
Total changes of items during the period	(18)	(37)
Balance at the end of current period	(7)	(45)
Foreign currency translation adjustment		
Balance at the end of previous period	2,115	(3,766)
Changes of items during the period		
Net changes of items other than shareholders' equity	(5,882)	20,578
Total changes of items during the period	(5,882)	20,578
Balance at the end of current period	(3,766)	16,812
Total other accumulated comprehensive income		
Balance at the end of previous period	4,940	(2,198)
Changes of items during the period		
Net changes of items other than shareholders' equity	(7,138)	30,917
Total changes of items during the period	(7,138)	30,917
Balance at the end of current period	(2,198)	28,718
Subscription rights to shares		
Balance at the end of previous period	292	365
Changes of items during the period		
Net changes of items other than shareholders' equity	72	64
Total changes of items during the period	72	64
Balance at the end of current period	365	429
Minority interests		
Balance at the end of previous period	774	6,178
Changes of items during the period		
Net changes of items other than shareholders' equity	5,404	1,049
Total changes of items during the period	5,404	1,049
Balance at the end of current period	6,178	7,228

(¥ millions)

	Feb. 1, 2011 – Jan. 31, 2012	Feb. 1, 2012 – Jan. 31, 2013
Total net assets		
Balance at the end of previous period	738,029	750,374
Changes of items during the period		
Dividends from surplus	(12,165)	(14,780)
Net income	28,962	46,458
Purchase of treasury stock	(2,797)	(31)
Disposal of treasury stock	8	13
Net changes of items other than shareholders' equity	(1,662)	32,030
Total changes of items during the period	12,344	63,689
Balance at the end of current period	750,374	814,063

(4) Consolidated Statements of Cash Flows

(¥ millions)

	Feb. 1, 2011 – Jan. 31, 2012	Feb. 1, 2012 – Jan. 31, 2013
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	62,200	86,461
Depreciation and amortization	18,034	19,015
Increase (decrease) in provision for retirement benefits	7,611	10,688
Interest and dividends income	(2,648)	(2,775)
Interest expenses	1,885	1,620
Equity in (earnings) losses of affiliates	(449)	(312)
Loss (gain) on valuation of investment securities	2,770	1,538
Loss on adjustment for changes of accounting standard for asset retirement obligations	687	-
Decrease (increase) in notes and accounts receivable-trade	(985)	(1,943)
Decrease (increase) in inventories	(58,285)	(7,301)
Increase (decrease) in notes and accounts payable-trade	(2,803)	5,982
Increase (decrease) in advances received on uncompleted construction contracts	278	11,480
Other, net	13,588	(3,725)
Subtotal	41,884	120,729
Interest and dividends income received	2,552	2,845
Interest expenses paid	(3,337)	(2,654)
Income taxes paid	(15,921)	(38,337)
Income taxes refund	1,128	-
Net cash provided by (used in) operating activities	26,306	82,582
Net cash provided by (used in) investing activities		
Proceeds from sales and redemption of securities	5	5,000
Purchase of property, plant and equipment	(30,510)	(54,713)
Proceeds from sales of property, plant and equipment	1,262	85
Purchase of investment securities	(1,350)	(1,879)
Proceeds from sales of investment securities	2,654	-
Payments of loans receivable	(11,634)	(7,737)
Collection of loans receivable	4,156	4,877
Other, net	(7,512)	(3,756)
Net cash provided by (used in) investing activities	(42,928)	(58,124)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term bonds payable	17,314	(887)
Proceeds from long-term loans payable	15,163	53,973
Repayment of long-term loans payable	(31,309)	(13,978)
Proceeds from issuance of bonds	50,000	20,000
Redemption of bonds	-	(60,000)
Cash dividends paid	(12,165)	(14,780)
Purchase of treasury stock	(2,797)	(31)
Other, net	1,796	(1,585)
Net cash provided by (used in) financing activities	38,002	(17,289)

(¥ millions)

	Feb. 1, 2011 – Jan. 31, 2012	Feb. 1, 2012 – Jan. 31, 2013
Effect of exchange rate change on cash and cash equivalents	(3,839)	2,550
Net increase (decrease) in cash and cash equivalents	17,540	9,718
Cash and cash equivalents at beginning of period	151,983	169,524
Cash and cash equivalents at end of period	* 1 169,524	* 1 179,242

(5) Matters Regarding Assumption of Going Concerns

Not applicable

(6) Basic Important Matters for Preparation of Consolidated Financial Statements

① Scope of Consolidation

Consolidated subsidiaries: 148, including Sekiwa Real Estate, Ltd., Sekiwa Real Estate Kansai, Ltd., Sekiwa Real Estate Chubu, Ltd., Sekiwa Real Estate Chugoku, Ltd., Sekiwa Real Estate Kyushu, Ltd., and Sekiwa Real Estate Tohoku, Ltd.

Changes in scope of consolidation: Newly included: 34 Excluded: 9

All 148 subsidiaries are consolidated.

② Scope of application of equity method

Affiliated companies accounted for by the equity method: 18 including Almetax Manufacturing Co., Ltd., JPF Co., Ltd.,

Changes in scope of equity method: Newly included: 3

Investment in 18 affiliated companies is accounted for by the equity method.

③ Term-ends of consolidated subsidiaries

The fiscal year ends on March 31 for Sekisui House SI Asset Management, Ltd. and Sky Rail Service Co., Ltd., and on December 31 for Sekisui House Australia Holdings Pty Limited and 105 other consolidated subsidiaries. When preparing consolidated financial statements, the Company uses the financial statements of Sekisui House SI Asset Management, Ltd. and Sky Rail Service Co., Ltd., which have been compiled by provisionally settling their accounts as of January 31, and those of other consolidated subsidiaries as of their respective balance sheet dates. For material transactions before the date of fiscal year-end of consolidated group, necessary adjustments have been implemented.

④ Matters regarding accounting standards

(1) Basis and method for valuation for significant assets

(a) Securities:

(i) Debt securities expected to be held to maturity: Amortized cost (straight-line) method

(ii) Other securities:

• Stocks with market value: Based on closing market price on the last day of period (Valuation gains and losses resulting are calculated by the full net assets costing method; cost of disposal is calculated by the moving average method)

• Stocks with no available market value: At cost, based on the moving average method

(b) Derivatives: Market value method

(c) Inventories:

Inventories are valued at cost (cost method whereby the book value is written down to the net realizable value in cases where there has been a material decline in value).

(i) Costs on uncompleted construction contracts, buildings for sale, land for sale in lots, and undeveloped land for sale:

At cost based on individual cost method

(ii) Other inventories: At cost based on moving average method

(2) Depreciation and amortization methods used for main depreciable and amortizable assets

(a) Property, plant and equipment (excluding lease assets):

The Company applies the straight-line method to buildings (excluding attached structures), and uses the declining-balance method for other property, plant and equipment.

(b) Intangible assets (excluding lease assets): Straight-line method

(c) Lease assets:

Leased assets for finance lease transactions other than those involving a transfer of title

The Company applies the straight-line method to such finance leases, where the useful lives of the assets are the terms of leases and the residual values of the assets are deemed zero. Finance lease transactions other than those involving a transfer of title that began prior to January 31, 2009 are accounted for using the same method as operating leases.

(3) Basis for accounting for significant allowances

(a) Allowance for doubtful accounts

The Company makes provisions for general debtors based on actual historical collection rates and for specific debtors where collection is doubtful based on estimates of the amount collectible.

(b) Provision for bonuses

To prepare for bonus payments to employees, the Company provides for the estimated appropriate amount in that financial period.

(c) Provision for directors' bonuses

To prepare for bonus payments to directors and corporate auditors, the Company provides for the estimated amount.

(d) Provision for warranties for completed construction

Provisions for losses and guarantee expenses due to post-completion defects are recorded based on historical repair and other costs arising from completed structures and detached housing.

(e) Provision for retirement benefits

To prepare for future retirement payments to employees, the Company provides for estimated total retirement obligations and pension assets at the end of the consolidated fiscal year. To account for differences in actuarial calculations, the Company recognizes those differences through straight-line depreciation over 5 years, expensing them in the year following such recognition. Differences arising in respect of past service obligations are calculated over 5 years by the straight-line method and expensed in the year in which they arise.

(f) Provision for directors' retirement benefits

To allow for retirement payments to directors and corporate auditors, the Company provides the required amounts at the end of the current term based on internal regulations.

(4) Basis for accounting for income and expenses

(a) Accounting standard for recognition of income and expenses of completed works

(i) For the portion of works certain to be completed by the end of the current consolidated fiscal year

Percentage-of-completion method (estimate for level of completion based on the percentage of direct costs)

(ii) Other construction contracts

Completed-contract method

(b) Basis for accounting for income from finance leases

The Company records net sales and cost of sales upon receipt of lease charges.

(5) Basis for converting significant foreign currency-denominated assets and liabilities into yen

For foreign currency-denominated monetary claims and debts, the Company converts into yen at the rates of exchange prevailing on the consolidated balance sheet date. Translation differences are included in the statements of income. Assets and liabilities of overseas subsidiaries are converted into yen at the rates of exchange prevailing on the balance sheet date of the overseas subsidiaries, and the income and expenses of overseas subsidiaries are converted into yen at average exchange rates during the fiscal year under review. Exchange differences are recorded by including them in foreign currency translation adjustment and minority interests under net assets.

(6) Main hedge accounting methods

(a) Hedge accounting methods

The Company accounts for hedging activities under deferral hedge accounting. *Furiate-shori* (accounting method in which the current and forward rate difference is allocated by period length for the calculation at the accounting period) is applied to forward foreign exchange contracts which conform to the requirements of such hedge accounting.

(b) Hedging instruments and targets

(1)The Company hedges foreign currency cash debts and forward transactions with exchange contracts.

(2)The Company hedges its borrowings with interest-rate swaps.

(c) Hedging policies

The Company uses derivatives transactions with the aim of avoiding losses from fluctuations in exchange. The use of

exchange contracts does not exceed the amount of foreign currency transactions. The assumed principal balance subject to interest-swap transaction does not exceed the relevant interest bearing debts outstanding.

(d) Methods of assessing hedge effectiveness

The Company assesses if the percentage changes of hedge targets and hedge instruments approximately range from 80% to 125%, where hedging transactions are considered to be effective, while it does not assess the effectiveness of hedging where the main conditions match with regard to the relevant transactions and hedge targets, and where the cash flow is fixed.

(7) Amortization of goodwill

Goodwill are amortized over 5 years using the straight-line method, beginning in the fiscal year in which they arise, except for cases where useful life can be estimated, in which case they are amortized over the estimated useful life based on a substantive analysis by the company, and with the exception of minor amounts, which are charged to income as it accrues.

(8) Scope of amounts in consolidated statements of cash flows

The funds (cash and cash equivalents) in the consolidated statements of cash flows comprise cash and equivalents (except fixed term deposits exceeding 3 months) and short-term investments with redemption periods of less than 3 months that are easily convertible into cash, with insignificant risk of losses from price fluctuations.

(9) Other Basic Important Matters for Preparation of Consolidated Financial Statements

(a) Accounting for consumption taxes

The tax exclusion method is used to account for consumption taxes.

Consumption taxes not subject to noncurrent asset related deductions at consolidated subsidiaries whose main business is real estate for leasing are recorded in "Other" under the "Investments and other assets" on the relevant balance sheets and are amortized on a straight line basis over 5 years. Other consumption taxes not subject to deductions are expensed in the consolidated accounting period in which they arise.

(b) Inclusion of interest paid in acquisition cost

In conformity with the accounting standards of relevant countries, overseas consolidated subsidiaries include interest paid with regard to borrowed funds for the real estate development business in acquisition cost. At end of period, interest expenses of ¥2,007 million, ¥197 million and ¥1,503 million are included in "Buildings for sale", "Land for sale in lots" and "Undeveloped land for sale," respectively.

(7) Changes in Accounting Policies

(Change in the Method of Calculating the Income and Expenses of Overseas Subsidiaries into Yen)

The income and expenses of overseas subsidiaries have, until now, been calculated using the yen exchange rate on the spot foreign exchange market on the consolidated balance sheet date but, as it is expected that the importance of overseas sales by overseas subsidiaries will increase in the future, to lessen the impact of temporary fluctuations in the foreign exchange market on periodic profit or loss and to more appropriately reflect the business performance of overseas subsidiaries in the consolidated financial statements, beginning with the current consolidated fiscal year, the method of calculating yen exchange rates has been changed to the average foreign exchange rate for the period.

As a result of this change, the impact on the profit and loss of the previous fiscal year and the cumulative effect up to the start of the current consolidated fiscal year has been negligible so it has not been applied retroactively.

(8) Additional Information

(Application of Accounting Standard for Accounting Changes and Error Correction)

Changes in accounting or correction of past errors from the start of the consolidated first quarter period under review will be made by the application of Accounting Standard for Accounting Changes and Error Corrections (ASBJ Statement No. 24, December 4, 2009) and Guidance on Accounting Standard for Accounting Changes and Error Corrections (ASBJ Guidance No. 24, December 4, 2009.)

(9) Note to Consolidated Financial Statements
(Notes to Consolidated Balance Sheets)

	As of Jan. 31, 2012	As of Jan. 31, 2013
1. Collateralized assets	48,524	73,526
2. Liabilities guaranteed	96,663	104,733
3. Shareholdings in related companies included in investment securities	8,596	9,468
4. Interest bearing liabilities	265,331	268,622

(¥ millions)

(As of January 31, 2012)

¥7,224 million of real estate held for sale that appeared under “Buildings for sale” and “Land for sale in lots” at the end of the previous fiscal year have been reclassified as “Buildings and Structures” and “Land” and others. Meanwhile, investment properties and land for own use of ¥15,054 million, which were reported under “Buildings and Structures” and “Land” etc. at the end of the previous fiscal year, have been reclassified under “Buildings for sale” and “Land for sale in lots”.

(As of January 31, 2013)

¥2,097 million of real estate held for sale that appeared under “Buildings for sale” and “Land for sale in lots” at the end of the previous fiscal year have been reclassified as “Buildings and Structures” and “Land” and others. Meanwhile, facilities for own use of ¥5,529 million, which were reported under “Buildings and Structures” and “Land” etc. at the end of the previous fiscal year, have been reclassified under “Buildings for sale” and “Land for sale in lots”.

(Notes to Consolidated Statements of Income)

February 1, 2011 – January 31, 2012

(1) Loss from earthquake

A loss from earthquake relates to expenses incurred from the restoration of noncurrent assets and inventories in the wake of the Great East Japan Earthquake.

(2) Impairment loss

During the period, impairment loss of the following group of assets was recorded.

Location	Usage	Type	Amount (¥ millions)
Showa-ku, Nagoya City, among other	Real estate for leasing, etc.	Buildings and land, etc.	958

The Company and its subsidiaries recognize impairment loss by grouping investment properties by project and grouping other assets by operating unit, which allow us to manage gains and losses in a rational manner. As a result, for the group of assets for leasing, the book value was impaired down to the recoverable value, and this decrease was recorded as loss on asset impairment under “Extraordinary loss.” For these assets, the recoverable value is the net selling price. The net selling price is determined based on the real estate appraisal value.

February 1, 2012 – January 31, 2013

(1) Impairment loss

During the period, impairment loss of the following group of assets was recorded.

Location	Usage	Type	Amount (¥ millions)
Nishi-ku, Kobe City	Training facilities	Buildings and land, etc.	1,580
Nishi-ku, Osaka City	Real estate for leasing	Buildings and land	720

The Company and its subsidiaries recognize impairment loss by grouping investment properties by project and grouping other assets by operating unit, which allow us to manage gains and losses in a rational manner. As a result, for the group of real estate for leasing and facilities that the Company ended to use, the book value was impaired down to the recoverable value, and this decrease was recorded as loss on asset impairment under “Extraordinary loss.” For these assets, the recoverable value is the net selling price. The net selling price is determined based on the real estate appraisal value.

(Notes to Consolidated Statements of Cash Flows)

*1 Cash and cash equivalents at the end of fiscal year and relationship with amounts recorded in consolidated balance sheets

	Previous consolidated fiscal year Feb. 1, 2011 – Jan. 31, 2012	Current consolidated fiscal year Feb. 1, 2012 – Jan. 31, 2013
Cash and deposits	¥169,524 millions	¥180,232 millions
Time deposits with terms in excess of three months	-	989
Cash and cash equivalents	169,524	179,242

(Matters Related to Retirement Benefits)

1. Overview of retirement benefit system

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

2. Matters related to retirement payments obligations

	Previous consolidated fiscal year January 31, 2012	Current consolidated fiscal year January 31, 2013
(1) Retirement benefit obligation	¥ (229,146)	(239,921)
(2) Fair value of plan assets	158,810	184,450
(3) Unfunded retirement benefit obligation (1)+(2)	(70,336)	(55,471)
(4) Unrecognized actuarial loss	32,642	6,088
(5) Unrecognized prior service cost (reduced obligations)	(4,832)	(3,832)
(6) Net retirement benefit obligation (3)+(4)+(5)	(42,525)	(53,214)
(7) Prepaid pension cost	-	-
(8) Provision for retirement benefits (6)-(7)	(42,525)	(53,214)

(Note) Some subsidiaries are using simple method to calculate retirement payment obligation.

3. Matters related to retirement payments expenses

	Previous consolidated fiscal year Feb. 1, 2011 – Jan. 31, 2012	Current consolidated fiscal year Feb. 1, 2012 – Jan. 31, 2013
Retirement payment expenses	¥ 21,299	23,625
(1) Service expense (Note 1)	9,991	9,344
(2) Interest expense	5,324	4,691
(3) Expected return on plan assets	(6,150)	(6,164)
(4) Amount charge in line with actuarial calculation differences	10,904	16,157
(5) Recording of expenses amounts as a result of the change from simplified accounting methods to standard accounting methods	161	-
(6) Recording of expenses amounts of past service obligations	(166)	(999)
(7) Non-recurring premium severance pay	1,220	583
(8) Other (Note 2)	14	13

(Note) 1. Retirement payment expenses for consolidated subsidiaries using simple method appropriated as service expense.
2. "Other" includes payment of premiums under the defined contribution pension system.

4. Bases for calculating retirement payment obligations

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

(2) Discounted rate

Previous consolidated fiscal year Feb. 1, 2011 – Jan. 31, 2012	Current consolidated fiscal year Feb. 1, 2012 – Jan. 31, 2013
2.1%	2.0%

(3) Expected rate of return on plan assets

Previous consolidated fiscal year Feb. 1, 2011 – Jan. 31, 2012	Current consolidated fiscal year Feb. 1, 2012 – Jan. 31, 2013
4.0%	4.0%

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

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

(Segment Information)

Segment Information

1. Summary of reportable segments

The reportable segments of the Sekisui House Group are its constituent units for which separate financial information is obtained and examined on a regular basis by its manager to determine the allocation of management resources and evaluate business performance.

The Sekisui House Group operates comprehensive housing businesses as a proactive creator of comfortable living environments. To achieve sustainable growth by optimizing its management resources, the Group has established business domains. Each domain operates by developing its own business strategies.

Consequently, the Group comprises segments based on the products and services provided by each business domain. The Group considers the Custom Detached Houses Business, the Rental Housing Business, the Remodeling Business, the Real Estate Management Fees Business, the Houses for Sale Business, the Condominiums Business, the Urban Redevelopment Business, and the Overseas Business, excluding Other Businesses, as its reportable segments.

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

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

Details of the reportable segments are as follows:

Custom Detached Houses Business:	Designing, constructing, and contracting for sale detached houses
Rental Housing Business:	Designing, constructing, and contracting for sale rental housing, medical and nursing care facilities, and other buildings
Remodeling Business:	Renovating housing
Real Estate Management Fees Business:	Leasing, managing, maintaining, and brokering real estate.
Houses for Sale Business:	Selling houses and real estate, and designing, constructing, and contracting for sale houses on residential land for sale
Condominiums Business:	Selling condominiums
Urban Redevelopment Business:	Developing office buildings, commercial facilities, and other facilities, and managing and maintaining its own properties
Overseas Business:	Contracting for sale detached houses, sells houses and real estate, and develops facilities, including condominiums and commercial facilities, in overseas markets

2. Method used for calculating sales, income (loss), assets and other items by each reporting segment

The accounting treatment used for all reporting segments is basically the same as that stated in “Basic Important Matters for Preparation of Consolidated Financial Statements.”

(Change in the Method of Calculating the Income and Expenses of Overseas Subsidiaries into Yen)

As stated in the “Changes in the Accounting Policies,” the income and expenses of overseas subsidiaries have, until now, been calculated using the yen exchange rate on the spot foreign exchange market on the consolidated balance sheet date but, beginning with the current consolidated fiscal year, the method of calculating yen exchange rates has been changed to the

average foreign exchange rate for the period.

As a result of this change, the impact on the value of reportable segment net sales and profit or loss during the current consolidated fiscal year was negligible.

3. Segment information on sales, income or loss, assets and other items by reporting segment

Previous consolidated fiscal year (February 1, 2011 to January 31, 2012)

(¥ million)

	Reportable Business Segments						
	Custom Detached Houses	Rental Housing	Remodeling	Real Estate Management Fees	Houses for Sale	Condominiums	Urban Redevelopment
Sales							
(1) Sales to third parties	475,330	289,027	102,180	378,247	127,123	39,681	37,720
(2) Inter-group sales and transfers	-	3,362	117	2,231	-	-	104
Net sales	475,330	292,390	102,297	380,478	127,123	39,681	37,825
Operating income (loss)	52,476	26,595	9,624	14,260	3,685	(9,947)	9,974
Assets	78,187	35,288	8,753	85,742	140,089	129,728	513,878
Other items							
Depreciations	5,292	1,992	96	475	1,071	58	5,119
Net increase in property, plant and equipment, and intangible assets	6,242	1,004	46	1,068	1,076	45	23,363

	Reportable Business Segments		Other Businesses (Note: 1)	Total	Adjustments (Note:2)	Amounts on the consolidated financial statements (Note: 3)
	Overseas Business	Total				
Sales						
(1) Sales to third parties	24,264	1,473,575	57,002	1,530,577	-	1,530,577
(2) Inter-group sales and transfers	-	5,816	5,071	10,887	(10,887)	-
Net sales	24,264	1,479,391	62,073	1,541,465	(10,887)	1,530,577
Operating income (loss)	(3,176)	103,493	(35)	103,458	(32,560)	70,897
Assets	218,885	1,210,552	8,926	1,219,478	226,349	1,445,828
Other items						
Depreciations	586	14,693	460	15,154	2,880	18,034
Net increase in property, plant and equipment, and intangible assets	7,369	40,217	52	40,269	3,043	43,312

Notes

1. Other Businesses principally include the exterior business.

2. Adjustments are as follows:

(1) An adjustment of ¥32,560 million for segment income (loss) includes an elimination of inter-segment transactions of ¥3,038 million and corporate expenses of ¥29,522 million that have not been allocated to each segment. Corporate expenses mainly include selling, general and administration expenses and experiment and research expenses that do not belong to any reportable segments.

(2) An adjustment of ¥226,349 million for assets is corporate assets. Corporate assets are mainly parent company surplus operating funds (cash and short-term investment securities), long-term investment funds (investment securities) and assets of the administration division.

(3) An adjustment of ¥2,880 million for depreciation and amortization is depreciation related to corporate assets.

(4) An adjustment of ¥3,043 million for increases in property, plant, and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.

3. Operating income (loss) by business segment is adjusted to correspond to operating income in the consolidated statements of income.

Current consolidated fiscal year (February 1, 2012 to January 31, 2013)

(¥ million)

	Reportable Business Segments						
	Custom Detached Houses	Rental Housing	Remodeling	Real Estate Management Fees	Houses for Sale	Condominiums	Urban Redevelopment
Sales							
(1) Sales to third parties	465,149	303,712	111,548	393,978	127,810	52,538	45,528
(2) Inter-group sales and transfers	0	2,745	660	2,824	-	-	136
Net sales	465,149	306,458	112,209	396,802	127,810	52,538	45,665
Operating income (loss)	48,800	27,547	11,542	17,039	1,580	1,004	9,787
Assets	76,025	36,989	10,172	90,295	137,529	112,434	539,498
Other items							
Depreciations	5,428	2,046	101	1,124	1,059	54	5,748
Net increase in property, plant and equipment, and intangible assets	6,800	1,415	19	1,200	1,258	33	45,542

	Reportable Business Segments		Other Businesses (Note: 1)	Total	Adjustments (Note:2)	Amounts on the consolidated financial statements (Note: 3)
	Overseas Business	Total				
Sales						
(1) Sales to third parties	54,844	1,555,111	58,704	1,613,816	-	1,613,816
(2) Inter-group sales and transfers	-	6,366	5,258	11,624	(11,624)	-
Net sales	54,844	1,561,478	63,962	1,625,440	(11,624)	1,613,816
Operating income (loss)	4,247	121,550	(445)	121,104	(34,907)	86,196
Assets	302,433	1,305,378	9,632	1,315,010	224,261	1,539,272
Other items						
Depreciations	589	16,150	501	16,651	2,363	19,015
Net increase in property, plant and equipment, and intangible assets	2,682	58,951	78	59,029	1,885	60,915

Notes

1. Other Businesses principally include the exterior business.

2. Adjustments are as follows:

(1) An adjustment of ¥34,907 million for segment income (loss) includes an elimination of inter-segment transactions of ¥3,231 million and corporate expenses of ¥31,675 million that have not been allocated to each segment. Corporate expenses

mainly include selling, general and administration expenses and experiment and research expenses that do not belong to any reportable segments.

(2) An adjustment of ¥224,261 million for assets is corporate assets. Corporate assets are mainly parent company surplus operating funds (cash and short-term investment securities), long term investment funds (investment securities) and assets of the administration division.

(3) An adjustment of ¥2,363 million for depreciation and amortization is depreciation related to corporate assets.

(4) An adjustment of ¥1,885 million for increases in property, plant, and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.

3. Operating income (loss) by business segment is adjusted to correspond to operating income in the consolidated statements of income.

(Per Share Information)

	Feb. 1, 2011 – Jan. 31, 2012	Feb. 1, 2012 – Jan. 31, 2013
Net assets per share	¥1,107.43	¥1,200.63
Net income per share	¥42.90	¥69.17
Fully diluted net income per share	¥41.12	¥64.32

(Note) Basis for Calculation

1. Net assets per share

¥ millions, except where noted	As of January 31, 2012	As of January 31, 2013
Net assets recorded on balance sheet	750,374	814,063
Difference between net assets in consolidated balance sheet and net assets attributable to ordinary shares	6,543	7,657
Subscription rights to shares	365	429
Minority interests	6,178	7,228
Net assets attributable to ordinary shares	743,830	806,406
Number of ordinary shares outstanding (1,000 shares)	676,885	676,885
Number of ordinary shares held in treasury (1,000 shares)	5,211	5,234
Number of ordinary shares used to calculate shareholders' equity per share (1,000 shares)	671,673	671,650

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

¥ millions, except where noted	Previous fiscal year (Feb. 1, 2011 - Jan. 31, 2012)	Current fiscal year (Feb. 1, 2012 - Jan. 31, 2013)
Net income per share		
Net income recorded on statement of income	28,962	46,458
Amount not attributable to ordinary shares	-	-
Net income attributable to ordinary shares	28,962	46,458
Average number of ordinary shares outstanding during period (1,000 shares)	675,068	671,666
Fully diluted net income per share		
Adjustment to net income	-	-
Number of ordinary shares increased (shares)	29,245	50,593
Bonds with subscription rights to shares	28,767	50,000
Subscription rights to shares	478	593
Overview of residual securities not included in the calculation of fully diluted net income per share as they have no dilutive effect	-	-

(Significant Subsequent Event)

Not applicable

(Omission of disclosure)

Notes concerning lease and derivative transactions, transactions with related parties, tax effect accounting, financial products, marketable securities, stock options, business combinations, asset retirement obligations, real estate for leasing etc. are omitted, as we believe that they hold no significant bearing in terms of the necessity of disclosure of financial reports.

5. Non-Consolidated Financial Statements

(1) Balance Sheets

(¥ millions)

	As of January 31, 2012	As of January 31, 2013
Assets		
Current assets		
Cash and deposits	96,952	92,761
Notes receivable-trade	7	319
Accounts receivable from completed construction contracts	33,003	32,301
Accounts receivable-real estate business	588	822
Short-term investment securities	5,000	2,098
Costs on uncompleted construction contracts	3,275	2,674
Buildings for sale	115,584	108,694
Land for sale in lots	276,135	243,909
Undeveloped land for sale	29,587	39,309
Semi-finished goods	2,726	2,787
Raw materials	2,426	2,106
Work in process	483	482
Supplies	485	495
Advance payments-trade	36	226
Prepaid expenses	2,555	3,526
Short-term loans receivable	-	13,401
Accounts receivable-other	13,143	13,203
Deferred tax assets	46,055	41,605
Other	10,025	6,815
Allowance for doubtful accounts	(1,633)	(1,398)
Total current assets	636,439	606,144
Noncurrent assets		
Property, plant and equipment		
Buildings	159,477	160,588
Accumulated depreciation	(84,253)	(86,653)
Buildings, net	75,223	73,934
Structures	12,460	12,377
Accumulated depreciation	(9,436)	(9,516)
Structures, net	3,023	2,861
Machinery and equipment	52,670	54,725
Accumulated depreciation	(42,860)	(45,074)
Machinery and equipment, net	9,810	9,651
Vehicles	798	735
Accumulated depreciation	(725)	(670)
Vehicles, net	72	65
Tools, furniture and fixtures	21,247	20,984
Accumulated depreciation	(19,068)	(19,064)
Tools, furniture and fixtures, net	2,178	1,919
Land	168,236	186,328

(¥ millions)

	As of January 31, 2012	As of January 31, 2013
Lease assets	215	357
Accumulated depreciation	(88)	(151)
Lease assets, net	127	206
Construction in progress	8,306	17,252
Total property, plant and equipment	266,979	292,218
Intangible assets		
Goodwill	845	642
Industrial property	17	13
Leasehold right	1,608	1,608
Software	7,625	8,739
Lease assets	45	24
Right of using facilities	13	60
Telephone subscription right	680	680
Total intangible assets	10,835	11,768
Investments and other assets		
Investment securities	56,879	69,221
Stocks of subsidiaries and affiliates	171,591	226,924
Long-term loans receivable	4,005	3,883
Long-term loans receivable from employees	18,280	15,459
Long-term loans receivable from subsidiaries and affiliates	37,241	24,074
Lease and guarantee deposits	11,586	11,121
Long-term prepaid expenses	618	605
Deferred tax assets	13,592	13,048
Other	3,433	4,129
Allowance for doubtful accounts	(700)	(425)
Total investments and other assets	316,530	368,043
Total noncurrent assets	594,345	672,030
Total assets	1,230,785	1,278,174
Liabilities		
Current liabilities		
Notes payable-trade	17,164	14,354
Electronically recorded obligations-operating	49,763	58,715
Accounts payable-trade	25,445	25,360
Accounts payable for construction contracts	37,118	41,183
Current portion of bonds	59,995	-
Current portion of long-term loans payable	-	50,000
Lease obligations	71	86
Accounts payable-other	4,607	1,897
Accrued expenses	9,964	9,713
Income taxes payable	18,056	16,236
Accrued consumption taxes	7,601	6,617
Advances received on uncompleted construction contracts	35,420	43,847

	As of January 31, 2012	As of January 31, 2013
Advances received	5,660	6,175
Deposits received	84,422	89,600
Provision for bonuses	12,032	12,744
Provision for directors' bonuses	160	180
Provision for warranties for completed construction	3,089	3,118
Asset retirement obligations	188	256
Other	606	163
Total current liabilities	371,370	380,251
Noncurrent liabilities		
Bonds payable	70,000	90,000
Bond with subscription rights to shares	50,000	50,000
Long-term loans payable	50,000	30,000
Lease obligations	112	160
Long-term lease and guarantee deposited	7,597	8,585
Long-term accounts payable-other	532	550
Provision for retirement benefits	37,970	48,212
Asset retirement obligations	1,025	1,125
Other	-	519
Total noncurrent liabilities	217,238	229,153
Total liabilities	588,608	609,404
Net assets		
Shareholders' equity		
Capital stock	186,554	186,554
Capital surplus		
Legal capital surplus	242,307	242,307
Total capital surpluses	242,307	242,307
Retained earnings		
Legal retained earnings	23,128	23,128
Other retained earnings		
Reserve for dividends	18,000	18,000
General reserve	152,800	158,800
Retained earnings brought forward	21,402	31,659
Total retained earnings	215,331	231,588
Treasury stock	(4,031)	(4,049)
Total shareholders' equity	640,161	656,400
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,650	11,939
Deferred gains or losses on hedges	-	0
Total valuation and translation adjustments	1,650	11,940
Subscription rights to shares	365	429
Total net assets	642,176	668,770
Total liabilities and net assets	1,230,785	1,278,174

(2) Statements of Income

(¥ millions)

	Feb. 1, 2011 – Jan. 31, 2012	Feb. 1, 2012 – Jan. 31, 2013
Net sales of completed construction contracts	887,039	885,681
Cost of sales of completed construction contracts	705,817	706,420
Gross profit on completed construction contracts	181,222	179,261
Sales on real estate business	126,519	136,659
Cost of sales on real estate business	120,733	123,170
Gross profit -real estate business	5,786	13,488
Total net sales	1,013,559	1,022,340
Total cost of sales	826,551	829,591
Gross profit	187,008	192,749
Selling, general and administrative expenses		
Advertising expenses	17,399	17,950
Promotion expenses	11,739	11,197
Servicing fee	8,492	9,051
Directors' compensations	526	528
Employees' salaries and allowances	38,849	39,224
Employees' bonuses	8,582	8,567
Provision for bonuses	6,439	6,827
Provision for directors' bonuses	160	180
Retirement benefit expenses	10,966	12,162
Legal welfare expenses	7,157	7,618
Welfare expenses	3,126	3,010
Traveling and transportation expenses	5,425	5,454
Rent expenses	3,559	3,385
Heating and lighting expenses	1,045	1,037
Depreciation	6,322	6,802
Supplies expenses	1,952	2,002
Experiment and research expenses	270	336
Investigation expenses	282	260
Insurance expenses	114	164
Taxes and dues	3,644	3,678
Communication expenses	1,331	1,203
Entertainment expenses	1,079	1,325
Trademark fee	180	180
Miscellaneous expenses	5,841	5,872
Total selling, general and administrative expenses	144,489	148,022
Operating income	42,518	44,727

(¥ millions)

	Feb. 1, 2011 – Jan. 31, 2012	Feb. 1, 2012 – Jan. 31, 2013
Non-operating income		
Interest income	1,347	1,393
Dividends income	5,940	7,125
Foreign currency exchange gains	-	4,256
Insurance agency commission	1,266	-
Other	2,245	2,199
Total non-operating income	10,800	14,974
Non-operating expenses		
Interest expenses	445	332
Interest on bonds	1,343	1,252
Foreign exchange losses	831	-
Other	2,069	2,153
Total non-operating expenses	4,689	3,737
Ordinary income	48,629	55,964
Extraordinary income		
Gain on sales of subsidiaries' stocks	-	229
Total extraordinary income	-	229
Extraordinary loss		
Impairment loss	516	1,701
Loss on valuation of investment securities	2,765	1,538
Loss on sales and retirement of noncurrent assets	2,119	1,387
Loss from earthquake	1,203	-
Loss on adjustment for changes of accounting standard for asset retirement obligations	544	-
Total extraordinary losses	7,150	4,627
Income before income taxes	41,479	51,566
Income taxes-current	18,795	19,565
Income taxes-deferred	2,616	963
Total income taxes	21,411	20,528
Net income	20,068	31,038

(3) Statements of Changes in Net Assets

(¥ millions)

	Feb. 1, 2011 – Jan. 31, 2012	Feb. 1, 2012 – Jan. 31, 2013
Shareholders' equity		
Capital stock		
Balance at the end of previous period	186,554	186,554
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	186,554	186,554
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	242,307	242,307
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	242,307	242,307
Total capital surplus		
Balance at the end of previous period	242,307	242,307
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	242,307	242,307
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	23,128	23,128
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	23,128	23,128
Other retained earnings		
Reserve for dividends		
Balance at the end of previous period	18,000	18,000
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	18,000	18,000
General reserve		
Balance at the end of previous period	138,800	152,800
Changes of items during the period		
of general reserve	14,000	6,000
Total changes of items during the period	14,000	6,000
Balance at the end of current period	152,800	158,800

(¥ millions)

	Feb. 1, 2011 – Jan. 31, 2012	Feb. 1, 2012 – Jan. 31, 2013
Retained earnings brought forward		
Balance at the end of previous period	27,505	21,402
Changes of items during the period		
Dividends from surplus	(12,165)	(14,780)
Of general reserve	(14,000)	(6,000)
Net income	20,068	31,038
Disposal of treasury stock	(5)	(0)
Total changes of items during the period	(6,102)	10,256
Balance at the end of current period	21,402	31,659
Total retained earnings		
Balance at the end of previous period	207,433	215,331
Changes of items during the period		
Dividends from surplus	(12,165)	(14,780)
Net income	20,068	31,038
Disposal of treasury stock	(5)	(0)
Total changes of items during the period	7,897	16,256
Balance at the end of current period	215,331	231,588
Treasury stock		
Balance at the end of previous period	(1,247)	(4,031)
Changes of items during the period		
Purchase of treasury stock	(2,797)	(31)
Disposal of treasury stock	13	13
Total changes of items during the period	(2,784)	(17)
Balance at the end of current period	(4,031)	(4,049)
Total shareholders' equity		
Balance at the end of previous period	635,048	640,161
Changes of items during the period		
Dividends from surplus	(12,165)	(14,780)
Net income	20,068	31,038
Purchase of treasury stock	(2,797)	(31)
Disposal of treasury stock	8	13
Total changes of items during the period	5,113	16,239
Balance at the end of current period	640,161	656,400

(¥ millions)

	Feb. 1, 2011 – Jan. 31, 2012	Feb. 1, 2012 – Jan. 31, 2013
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	2,906	1,650
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,256)	10,289
Total changes of items during the period	(1,256)	10,289
Balance at the end of current period	1,650	11,939
Deferred gains or losses on hedges		
Balance at the end of previous period	-	-
Changes of items during the period		
Net changes of items other than shareholders' equity	-	0
Total changes of items during the period	-	0
Balance at the end of current period	-	0
Total valuation and translation adjustments		
Balance at the end of previous period	2,906	1,650
Changes of items during the period		
Net changes of items other than shareholders' equity	(1,256)	10,290
Total changes of items during the period	(1,256)	10,290
Balance at the end of current period	1,650	11,940
Subscription rights to shares		
Balance at the end of previous period	292	365
Changes of items during the period		
Net changes of items other than shareholders' equity	72	64
Total changes of items during the period	72	64
Balance at the end of current period	365	429
Total net assets		
Balance at the end of previous period	638,247	642,176
Changes of items during the period		
Dividends from surplus	(12,165)	(14,780)
Net income	20,068	31,038
Purchase of treasury stock	(2,797)	(31)
Disposal of treasury stock	8	13
Net changes of items other than shareholders' equity	(1,183)	10,354
Total changes of items during the period	3,929	26,593
Balance at the end of current period	642,176	668,770

(4) Matters Regarding Assumption of Going Concerns

Not applicable

6. Others

Changes to Directors, Auditors, and Executive Officers

(1) New Executive Officers (April 1, 2013)

Osamu Otani	Currently General Manager of Shikoku Sales Administration Headquarters
Noriaki Ogata	Currently General Manager of Kita-Kanto Sales Administration Headquarters
Toshikazu Shimanuki	Currently General Manager of Tohoku Sales Administration Headquarters

(2) Planned Retirement of Executive Officers (March 31, 2013)

Takanobu Ishioka	To be Managing Associate Officer of SENKO CO., Ltd.
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