

Consolidated Financial Results for FY2013 (February 1, 2013 through January 31, 2014)

March 6, 2014

Company name	: Sekisui House, Ltd. (URL http://www.sekisuihouse.co.jp)
Listed exchanges	: Tokyo, Nagoya
Stock code	: 1928
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Date of general shareholders' meeting	: April 23, 2014
Date of scheduled payment of dividends	: April 24, 2014
Date of scheduled filing of securities report	: April 24, 2014
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 FY2013 (February 1, 2013 through January 31, 2014)

(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, 2014	1,805,102	11.9	131,930	53.1	137,794	50.2	79,801	71.8
Year ended January 31, 2013	1,613,816	5.4	86,196	21.6	91,767	31.0	46,458	60.4

(Note) Comprehensive income: Year ended Jan. 2014: ¥138,911 million [74.4%] Year ended Jan. 2013: ¥79,645 million [265.0%]

	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, 2014	118.63	110.50	9.2	8.3	7.3
Year ended January 31, 2013	69.17	64.32	6.0	6.1	5.3

(Reference) Equity in earnings of affiliates: Year ended Jan. 2014: ¥2,848 million Year ended Jan. 2013: ¥312 million

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of January 31, 2014	1,769,005	941,415	52.6	1,358.60
As of January 31, 2013	1,539,272	814,063	52.4	1,200.63

(Reference) Shareholders' equity As of January 31, 2014: ¥930,944 million As of January 31, 2013: ¥806,406 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, 2014	78,073	(80,637)	(782)	181,324
Year ended January 31, 2013	82,582	(58,124)	(17,289)	179,242

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, 2013	-	12.00	-	16.00	28.00	18,811	40.5	2.4%
Year ended January 31, 2014	-	20.00	-	23.00	43.00	29,200	36.2	3.4%
Year ending January 31, 2015 (Forecast)	-	25.00	-	25.00	50.00		38.5	

3. Consolidated Results Forecast for FY2014 (February 1, 2014 through January 31, 2015)

(% 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, 2014	895,000	5.9	65,000	16.7	68,000	18.0	40,000	17.5	58.38
Year ending January 31, 2015	1,860,000	3.0	142,000	7.6	149,000	8.1	89,000	11.5	129.89

* Notes

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

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

(i) Changes in accounting policies due to amendment of accounting standards: Applicable

(ii) Changes in accounting policies due other than (i): Not applicable

(iii) Changes in accounting estimates: Applicable

(iv) Restatements: Not applicable

(Note) Paragraph 7, "If it is difficult to distinguish changes in accounting policies from changes in accounting estimates," of the Article 14 of Regulations Concerning the Terminology, Forms and Preparation Method of Consolidated Financial Statements has been applied. For details, please refer to "(5) Notes to Consolidated Financial Statements (Changes in Accounting Policies)" in "4. Consolidated Financial Statements" of the "Attached Materials" on page 27.

(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, 2014: 686,895,078 shares

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

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

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

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

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

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

As of Jan. 31, 2013: 671,666,998 shares

(Reference) Summary of non-consolidated financial results

1. Non-Consolidated Results for the FY2013 (February 1, 2013 through January 31, 2014)

(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, 2014	1,155,802	13.1	76,189	70.3	88,721	58.5	55,585	79.1
Year ended January 31, 2013	1,022,340	0.9	44,727	5.2	55,964	15.1	31,038	54.7

	Net income per share	Fully diluted net income per share
	¥	¥
Year ended January 31, 2014	82.61	76.95
Year ended January 31, 2013	46.20	42.96

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of January 31, 2014	1,393,396	729,445	52.3	1,063.57
As of January 31, 2013	1,278,174	668,770	52.3	994.81

(Reference) Shareholders' equity As of January 31, 2014: ¥728,971 million As of January 31, 2013: ¥668,341 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" 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 6, 2014. Relevant financial explanatory documents to be handed out at the briefing will be posted on our official website on the same day.

TABLE OF CONTENTS OF THE ATTACHED MATERIALS

1. Analyses of Business Results and Financial Position	7
(1) Analysis of Business Results	7
(2) Analysis on Financial Position	10
(3) Basic Policy on Profit Distribution, Dividend for Current and Next Fiscal Years	11
(4) Risk Factors	11
2. Outline for the Sekisui House Group	13
3. Management Policy	15
(1) Basic Management Policy	15
(2) Targeted Performance Indicators	15
(3) Medium and Long-term Business Strategy	15
(4) Issues that the Company Needs to Address	16
4. Consolidated Financial Statements	17
(1) Consolidated Balance Sheets	17
(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income	19
Consolidated Statements of Income	19
Consolidated Statements of Comprehensive Income	20
(3) Consolidated Statements of Changes in Net Assets	21
(4) Consolidated Statements of Cash Flows	23
(5) Notes to Consolidated Financial Statements	
(Notes Regarding Assumption of Going Concerns)	25
(Basic Important Matters for Preparation of Consolidated Financial Statements)	25
(Changes in Accounting Policies)	27
(Notes to Consolidated Balance Sheets)	28
(Notes to Consolidated Statements of Income)	28
(Notes to Consolidated Statements of Cash Flows)	29
(Matters Related to Retirement Benefits)	29
(Segment Information)	30
(Per Share Information)	34
(Significant Subsequent Event)	35
5. Non-Consolidated Financial Statements	36
(1) Balance Sheets	36
(2) Statements of Income	39
(3) Statement of Changes in Net Assets	41
6. Other	43
Changes to Directors, Auditors, and Executive Officers	43

Appendix 1: Results summary for the year ended January 31, 2014

¥ millions

Consolidated	FY2012	FY2013	YOY (%)	FY2014 forecast	YOY (%)
Net sales	1,613,816	1,805,102	11.9	1,860,000	3.0
Gross profit	299,503	358,499	19.7	373,000	4.0
SG&A expenses	213,306	226,569	6.2	231,000	2.0
Operating income	86,196	131,930	53.1	142,000	7.6
Ordinary income	91,767	137,794	50.2	149,000	8.1
Extraordinary income	-	468	-	-	-
Extraordinary loss	5,306	5,742	8.2	2,000	(65.2)
Net income	46,458	79,801	71.8	89,000	11.5
Total orders	1,704,743	1,928,571	13.1	1,915,000	(0.7)
Accumulated orders	689,639	813,108	17.9	868,108	6.8

Key management indicators

Consolidated	FY2009	FY2010	FY2011	FY2012	FY2013
Net income per share (¥)	(43.32)	45.02	42.90	69.17	118.63
Net assets per share (¥)	1,059.18	1,090.67	1,107.43	1,200.63	1,358.60
Operating profit margin	(2.86)%	3.79%	4.63%	5.34%	7.31%
ROE	(3.98)%	4.19%	3.91%	5.99%	9.19%
ROA *	(2.69)%	4.34%	5.28%	5.96%	8.15%

¥ millions

R & D expenditures	5,087	4,657	4,366	4,318	4,507
Capital expenditure (Consolidated)	82,145	32,690	43,312	60,915	130,243
Capital expenditure (Non-consolidated)	71,677	22,501	24,425	46,275	110,895
Depreciation expense (Consolidated)	16,579	16,383	18,034	19,015	22,581
Depreciation expense (Non-consolidated)	13,161	12,809	14,216	14,102	17,155

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

Appendix 2: Segment breakdown for the year ended January 31, 2014

Consolidated (See page 30)

(1) Sales

¥ millions

	FY2012	FY2013	YOY(%)	FY2014 forecast	YOY(%)
Custom detached houses	465,149	517,691	11.3	490,000	(5.3)
Rental housing	303,712	356,202	17.3	370,000	3.9
Remodeling	111,548	125,046	12.1	137,000	9.6
Real estate management fees	393,978	408,403	3.7	429,000	5.0
Houses for sale	127,810	133,405	4.4	127,000	(4.8)
Condominiums	52,538	63,083	20.1	62,000	(1.7)
Urban redevelopment	45,528	42,428	(6.8)	47,000	10.8
Overseas Business	54,844	85,392	55.7	121,000	41.7
Other businesses	58,704	73,447	25.1	77,000	4.8
Consolidated	1,613,816	1,805,102	11.9	1,860,000	3.0

(2) Operating income and OP margin

¥ millions

	FY2012	FY2013	YOY(%) (Amount)	FY2014 forecast	YOY(%) (Amount)
	Amount OP margin	Amount OP margin		Amount OP margin	
Custom detached houses	48,800 10.5%	65,813 12.7%	34.9	62,000 12.7%	(5.8)
Rental housing	27,547 9.1%	36,492 10.2%	32.5	43,000 11.6%	17.8
Remodeling	11,542 10.3%	14,037 11.2%	21.6	16,000 11.7%	14.0
Real estate management fees	17,039 4.3%	20,064 4.9%	17.7	23,000 5.4%	14.6
Houses for sale	1,580 1.2%	8,143 6.1%	415.3	8,000 6.3%	(1.8)
Condominiums	1,004 1.9%	3,978 6.3%	296.1	5,000 8.1%	25.7
Urban redevelopment	9,787 21.5%	8,561 20.2%	(12.5)	8,500 18.1%	(0.7)
Overseas Business	4,247 7.7%	8,581 10.0%	102.0	9,500 7.9%	10.7
Other businesses	(445) (0.8%)	1,690 2.3%	-	2,000 2.6%	18.3
Eliminations and back office	(34,907)	(35,434)	-	(35,000)	-
Consolidated	86,196 5.3%	131,930 7.3%	53.1	142,000 7.6%	7.6

(3) Orders

¥ millions

	FY2012	FY2013	YOY(%)	FY2014 forecast	YOY(%)
Custom detached houses	495,511	525,072	6.0	504,000	(4.0)
Rental housing	327,144	426,644	30.4	391,000	(8.4)
Remodeling	116,339	135,123	16.1	149,000	10.3
Real estate management fees	393,978	408,403	3.7	429,000	5.0
Houses for sale	135,409	132,511	(2.1)	127,000	(4.2)
Condominiums	72,048	76,649	6.4	63,000	(17.8)
Urban redevelopment	45,528	44,658	(1.9)	44,770	0.3
Overseas Business	54,198	82,599	52.4	125,000	51.3
Other businesses	64,585	96,907	50.0	82,230	(15.1)
Consolidated	1,704,743	1,928,571	13.1	1,915,000	(0.7)

(4) Accumulated orders

¥ millions

	FY2012	FY2013	YOY(%)	FY2014 forecast	YOY(%)
Custom detached houses	246,990	254,372	3.0	268,372	5.5
Rental housing	242,533	312,975	29.0	333,975	6.7
Remodeling	20,717	30,794	48.6	42,794	39.0
Real estate management fees	-	-	-	-	-
Houses for sale	36,255	35,361	(2.5)	35,361	0.0
Condominiums	47,424	60,989	28.6	61,989	1.6
Urban redevelopment	-	2,230	-	-	-
Overseas Business	63,833	61,040	(4.4)	65,040	6.6
Other businesses	31,883	55,344	73.6	60,574	9.4
Consolidated	689,639	813,108	17.9	868,108	6.8

1. Analyses of Business Results and Financial Position

(1) Analysis of Business Results

(Review of Business Performance)

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

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

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

In September, a production line for the Bellburn earthenware exterior wall for the wood-framed Sha-Wood line was installed at Tohoku Factory. This allows monthly production of 80,000 square meters of exterior wall, 1.6 times the conventional capacity, to fully supply the products to customers and also to help increase employment in the Tohoku region and contribute to local production for local consumption.

As a new product, the Company launched BERE0 PLUS, a four-story complex multipurpose condominium in January, and continued to implement product developments aiming to appeal to the market needs.

In October, the Company added a new model which comes with lithium storage batteries to its product line of Green First HYBRID smart house, which provides three types of automatically linked batteries (solar cells, fuel cells, and storage batteries), in an attempt to increase options for storage capacity while improving functionality.

In April, the Company established *Sumufumulab* (in Grand Front Osaka in Kita-ku, Osaka) as an open innovation facility aiming to create a new housing culture. The Company transmitted the values of day-to-day life to various stakeholders based on the research and development capabilities it has been cultivating for years. The number of visitors to this facility has already exceeded 150,000 people.

At the same time, the Company made a presentation at SMART MOBILITY CITY 2013 held at the 43rd TOKYO MOTOR SHOW 2013 jointly with Toshiba Corporation and Honda Motor Co., Ltd. Based on the theme “Being Smarter! Being Freer!,” the Company proposed a future lifestyle where deeper links among houses, electric appliances and automobiles make people’s lives more secure, more convenient and more fun, and proposed the future “SLOW & SMART” lifestyles by presenting new services utilizing the latest sensing technologies.

Net sales in FY2013 amounted to ¥1,805,102 million, up 11.9% from the previous fiscal year. Operating income grew to ¥131,930 million (up 53.1%), ordinary income to ¥137,794 million (up 50.2%), while net income amounted to ¥79,801 million (up 71.8%).

Business results by segments are as follows.

(Custom Detached Houses Business)

In the Custom Detached Houses Business, the Company started to sell Green First Zero, in order to be ahead of time in realizing Zero Energy Houses (ZEH), which the government aims to disseminate as a standard house by 2020, and to respond to the fast-growing need for enhanced performance in power-saving and disaster prevention after the Great East Japan Earthquake. This is an innovative house that drastically reduces energy consumption through high insulation values and the latest energy conservation facilities, as well as generating power using solar batteries and fuel cells, to aim for a Zero Energy Balance. The Company promoted sales of the house as its new growth driver. Further, sales of 3- and 4-story detached houses, which are being actively promoted in urban areas, have positively increased, coupled with the Company's skilled proposals for its multifamily dwelling models.

In the steel frame detached house segment, Hybrid SHEQAS was developed and added to the Company's major product lines. It enhances design flexibility by overlapping a bearing wall and the Company's original viscous wall damper, SHEQAS Frame, in the same position.

For the wood-framed Sha-Wood houses, the sale of *Riraku* + ONE edition was launched with the aim of capturing new demand. It allows various uses of the Plus One Floor, a space created from the second floor of the attic of a one-story house, and "slow living."

As a result of these efforts, operating results were stronger than in the previous fiscal year, thanks to effective sales strategies to offset last-minute demand and the subsequent reactionary fall in demand.

Sales in the Custom Detached Houses Business for the period under review increased to ¥517,691 million (up 11.3% from the previous fiscal year), and operating income to ¥65,813 million (up 34.9%).

(Rental Housing Business)

In the Rental Housing Business, similar to the Custom Detached Houses Business, sales of 3- and 4-story rental houses have increased steadily. Furthermore, the Company implemented aggressive sales strategies, such as design proposals suited to the lifestyles of residents, and differentiated itself from competitors' products by including its original floor sound insulation system SHAIDD55 in all units as standard equipment.

In the meantime, the Company continued to promote sales of CELEBRIO housing with support services for elderly people.

In response to the government's promotion of earthquake proofing to build a disaster-resistant society, the Company has achieved the highest seismic performance level of 3 under the housing performance indication system into the Company's standard for the first time in the industry. The Company thus increased the earthquake resistance of rental houses and ensured tenants' safety, and facilitated the stable rental business of the owners by reducing their earthquake insurance premiums.

We held the sales promotion event Sha-Maison Festa to display the appeal of our rental houses, including Sha-Maison Gardens. The Company also sought to proactively increase its order volume by responding to customers' needs through initiatives such as organizing seminars to present ways to deal with amendments to inheritance tax legislation.

As a result of these promotions, orders remained strong, rising significantly from the previous fiscal year.

For the Rental Housing Business amounted to ¥356,202 million (up 17.3% from the previous fiscal year), and operating income to ¥36,492 million (up 32.5%).

(Remodeling Business)

In the Remodeling Business, the Company was proactive in its sales effort, strengthening its workforce and taking advantage of its housing stock of more than 2.18 million houses sold. The Company proactively proposed remodeling projects to increase energy conservation and efficiency in order to address market needs. Meanwhile, it held sales promotion events nationwide aiming for the sales expansion.

Sales in the Remodeling Business amounted to ¥125,046 million (up 12.1% from the previous fiscal year), and operating income to ¥14,037 million (up 21.6%).

(Real Estate Management Fees Business)

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

Sales in the Real Estate Management Fees Business amounted to ¥408,403 million (up 3.7% from the previous fiscal year) and operating income to ¥20,064 million (up 17.7%).

(Houses for Sale Business)

In the Houses for Sale Business, the Company continued to develop smart town nationwide, with its theme concerning the self-sustainability of energy and the regeneration of community. As a leading smart house company based on the keywords “safety and security,” “healthy and pleasant,” “energy” and “watchful,” the Company proactively marketed a new high-value-added home for sale, Green First HYBRID, which provides integrated control of solar cells, fuel cells and storage batteries.

As part of the initiatives to make contributions to reconstruction in areas affected by the earthquake, the Company began selling Smart Common Stage Mitazono (Miyagi Prefecture), a smart town with enhanced energy-saving and energy creation specifications and disaster prevention functions, and Smart Common Stage Moriai, the first smart town in Fukushima where all houses are Zero Energy Houses using the Company’s Green First Zero.

Sales in the Houses for Sale Business amounted to ¥133,405 million (up 4.4% from the previous fiscal year), and operating income to ¥8,143 million (up 415.3%).

(Condominium Business)

In the Condominium Business, the Grande Maison Marunouchi Style in Nagoya City, Aichi and the Grande Maison Higashinada Morikitamachi in Kobe City, Hyogo, sold out immediately. Strong sales of newly supplied property continued; for instance, 788 units in Comfort Tower, a condominium in Tomihisa Cross developed jointly by four companies in Shinjuku-ward, Tokyo, sold out immediately on the application registration day.

Furthermore, the Company delivered units in Grande Maison Komae in Komae City, Tokyo and Grande Maison Ikeshita The Tower in Nagoya City, Aichi and continued with sales initiatives to enhance its brand value under its brand vision “SLOW & SMART,” to sell units available for sale. Thanks to these initiatives, sales were strong.

Sales in the Condominium Business amounted to ¥63,083 million (up 20.1% from the previous fiscal year), and the operating income was ¥3,978 million (up 296.1%).

(Urban Redevelopment Business)

In the Urban Redevelopment Business, the Company began building Prime Maison Shinagawa, a rental apartment that will provide a safe, secure, comfortable, and energy-saving lifestyle in Tokyo. Prime Maison Shinagawa will have high thermal insulation performance, energy saving and energy creation equipment, and indigenous trees surrounding it. The occupancy rates of Sekisui Group’s rental properties, including its Prime Maison series rental apartments, remained firm. In the meantime, the Company sold Prime Maison Waseda and other properties to Sekisui House SI Investment Corporation.

Sales in the Urban Redevelopment Business amounted to ¥42,428 million (down 6.8% from the previous fiscal year) and operating income to ¥8,561 million (down 12.5%).

(Overseas Business)

In the United States, sales of subdivisions, including Cinco Ranch in Texas and One Loudoun in Virginia, remained firm. In Australia, the One Central Building in Central Park and the St Tropez Building in Wentworth Point were completed, and delivery started. In China, meanwhile, a sales center opened for our projects, including the project in Heping District, Shenyang.

Sales in the Overseas Business amounted to ¥85,392 million (up 55.7% from the previous fiscal year), and operating income to ¥8,581 million (up 102.0%).

(Other Businesses)

In the Exterior Business, the Company proposed landscaping to plant trees native to each area in line with its “*Gohon no ki*” landscaping concept. It also made proactive proposals for comprehensive exterior designs with detached and rental housing designed to complement the neighboring townscape. The Company was able to publicize the enhancement of its Exterior Business as the number of trees planted reached a cumulative total of 10 million in December, the result of promoting the “*Gohon no ki*” project.

Sales in the Other Businesses amounted to ¥73,447 million (up 25.1% from the previous fiscal year), and operating income to ¥1,690 million.

(Future Outlook)

In Japan, expectations of an economic recovery have been rising, backed by the asset effect thanks to Abenomics, and improving corporate earnings driven by bold economic and fiscal policies, including monetary easing by the Bank of Japan. In this environment, the Company will proactively step up its sales activities by enhancing synergy among the Build-to-Order, the Supplied Housing and the Development Businesses in line with the strategies of its medium-term management plan, which specialize in the residential business domain. The Company will also take advantage of a broad array of government support programs, including expanded tax breaks for mortgage loans, to achieve further business expansion.

For the fiscal year ending January 31, 2015, the Company forecasts consolidated net sales of ¥1,860,000 million (up 3.0% from the current fiscal year under review), consolidated operating income of ¥142,000 million (up 7.6%), consolidated ordinary income of ¥149,000 million (up 8.1%), and consolidated net income of ¥89,000 million (up 11.5%).

(2) Analysis on Financial Position

Total assets increased by ¥229,732 million to ¥1,769,005 million at the end of the fiscal year under review, primarily owing to the increases in real estate for sale and property, plant and equipment. Liabilities increased by ¥102,380 million to ¥827,589 million, mainly due to the increases in notes and accounts payable and advances received on uncompleted construction contracts. Net assets increased by ¥127,351 million to ¥941,415 million chiefly due to increases in capital stock and capital surplus, reflecting the issuing of new shares associated with the exercise of subscription rights to shares attached to bonds with subscription rights to shares and the posting of net income.

Net cash provided by operating activities was ¥78,073 million (a year-on-year decrease of ¥4,509 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 ¥80,637 million (a year-on-year decrease of ¥22,513 million in net cash used), mainly reflecting the purchase of property, plant, and equipment.

Net cash used in financing activities was ¥782 million (a year-on-year increase of ¥16,507 million in net cash provided). 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 ¥181,324 million, increasing by ¥2,081 million from the end of the previous fiscal year.

(Reference) Trend in cash flow pertinent indicators

	FY2009	FY2010	FY2011	FY2012	FY2013
Equity ratio (%)	52.9	54.9	51.4	52.4	52.6
Equity ratio based on market price (%)	42.7	40.3	33.3	43.9	55.5
Debt service coverage ratio (years)	4.7	2.5	10.1	3.3	3.7
Interest coverage ratio (times)	17.8	23.0	7.9	31.1	26.2

(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, 2014, we paid an interim dividend of ¥20 and plan to pay out a year-end dividend of ¥23.

For the next fiscal year ending January 31, 2015, we plan to pay out an interim dividend of ¥25 and a year-end dividend of ¥25, totaling ¥50 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., 174 subsidiaries, and 19 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.

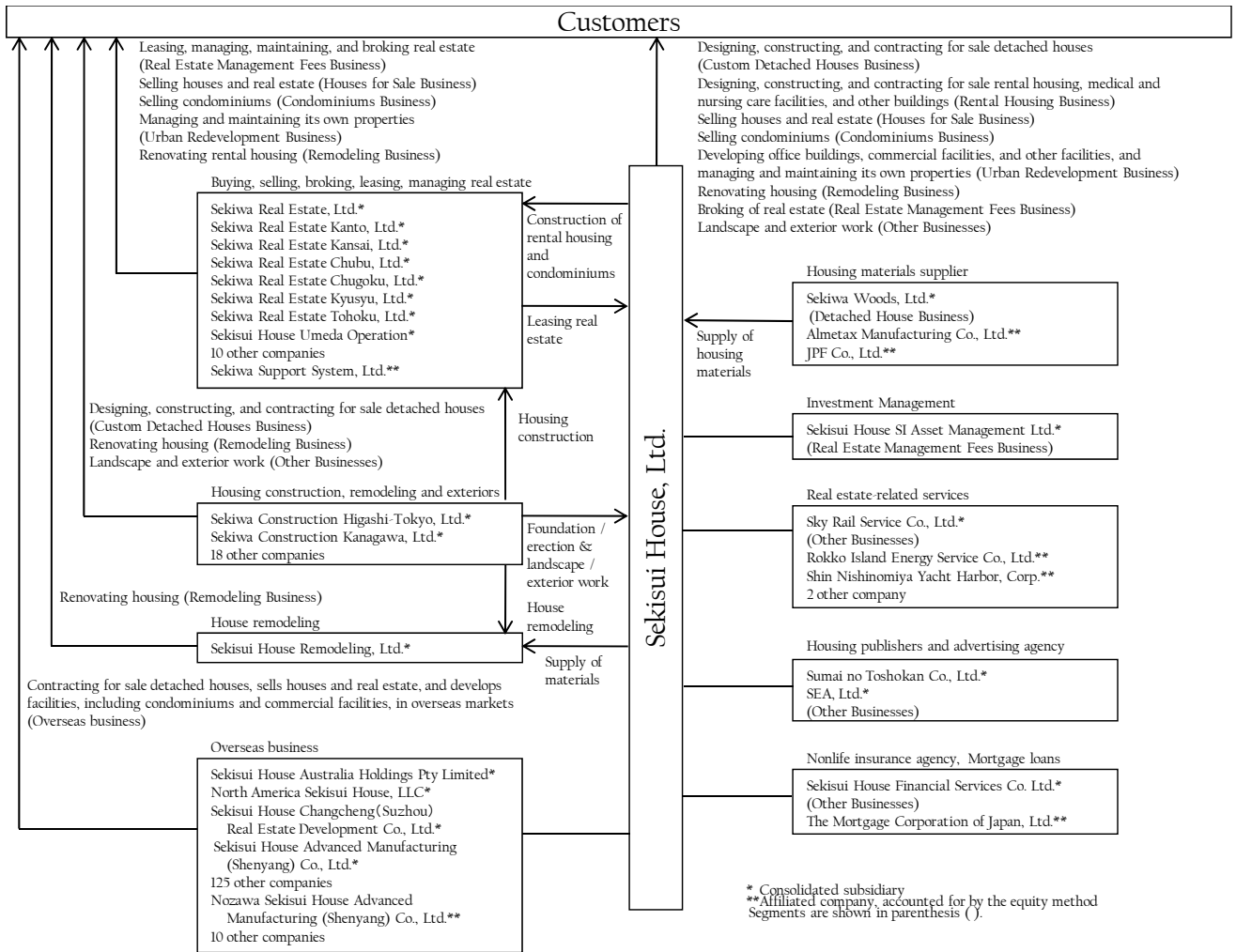
(8) Overseas Business

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

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

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥ millions)

	As of January 31, 2013	As of January 31, 2014
Assets		
Current assets		
Cash and deposits	180,232	182,134
Notes receivable, accounts receivable from completed construction contracts	38,612	46,182
Short-term investment securities	2,098	1,044
Costs on uncompleted construction contracts	8,455	10,558
Buildings for sale	149,674	178,220
Land for sale in lots	388,707	472,377
Undeveloped land for sale	94,384	81,139
Other inventories	7,600	11,298
Deferred tax assets	46,876	47,402
Other	41,071	49,479
Allowance for doubtful accounts	(1,823)	(1,246)
Total current assets	955,891	1,078,589
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	259,903	322,606
Machinery, equipment and vehicles	61,509	65,546
Tools, furniture and fixtures	27,945	30,336
Land	210,654	235,023
Lease assets	723	779
Construction in progress	19,342	15,258
Accumulated depreciation	(193,094)	(203,015)
Total property, plant and equipment	386,983	466,534
Intangible assets		
Goodwill	892	566
Industrial property	19	25
Leasehold right	4,036	4,486
Software	9,257	10,344
Right of using facilities	230	251
Telephone subscription right	861	858
Other	31	13
Total intangible assets	15,329	16,546
Investments and other assets		
Investment securities	79,109	106,429
Long-term loans receivable	43,574	47,249
Prepaid pension cost	-	1,175
Deferred tax assets	21,562	14,234
Other	37,562	38,838
Allowance for doubtful accounts	(741)	(594)
Total investments and other assets	181,067	207,333
Total noncurrent assets	583,381	690,415
Total assets	1,539,272	1,769,005

(¥ millions)

	As of January 31, 2013	As of January 31, 2014
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	91,872	110,860
Electronically recorded obligations-operating	58,715	63,865
Short-term loans payable	18,696	38,009
Current portion of long-term loans payable	50,201	45,587
Income taxes payable	26,840	31,085
Advances received on uncompleted construction contracts	87,886	116,352
Provision for bonuses	18,384	24,898
Provision for directors' bonuses	828	961
Provision for warranties for completed construction	3,122	3,484
Other	54,476	67,554
Total current liabilities	411,024	502,659
Noncurrent liabilities		
Bonds payable	90,000	90,000
Bonds with subscription rights to shares	50,000	36,390
Long-term loans payable	58,130	77,391
Long-term lease and guarantee deposited	53,019	54,801
Deferred tax liabilities	-	203
Provision for retirement benefits	53,214	55,037
Provision for directors' retirement benefits	1,140	977
Other	8,678	10,127
Total noncurrent liabilities	314,184	324,929
Total liabilities	725,208	827,589
Net assets		
Shareholders' equity		
Capital stock	186,554	191,559
Capital surplus	237,522	243,217
Retained earnings	357,830	413,446
Treasury stock	(4,219)	(1,379)
Total shareholders' equity	777,688	846,843
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	11,951	27,612
Deferred gains or losses on hedges	(45)	47
Foreign currency translation adjustment	16,812	56,440
Total accumulated other comprehensive income	28,718	84,101
Subscription rights to shares	429	474
Minority interests	7,228	9,996
Total net assets	814,063	941,415
Total liabilities and net assets	1,539,272	1,769,005

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

(¥ millions)

	Feb. 1, 2012 – Jan. 31, 2013	Feb. 1, 2013 – Jan. 31, 2014
Net sales	1,613,816	1,805,102
Cost of sales	1,314,312	1,446,602
Gross profit	299,503	358,499
Selling, general and administrative expenses		
Selling expenses	44,168	49,749
General and administrative expenses	169,137	176,820
Total selling, general and administrative expenses	213,306	226,569
Operating income	86,196	131,930
Non-operating income		
Interest income	1,695	1,709
Dividends income	1,080	1,251
Equity in earnings of affiliates	312	2,848
Foreign exchange gains	4,234	908
Other	3,659	3,705
Total non-operating income	10,981	10,424
Non-operating expenses		
Interest expenses	1,620	995
Other	3,790	3,564
Total non-operating expenses	5,411	4,559
Ordinary income	91,767	137,794
Extraordinary income		
Gain on negative goodwill	-	327
Gain on sales of shares of subsidiaries and associates	-	140
Total extraordinary income	-	468
Extraordinary loss		
Impairment loss	2,301	4,234
Loss on sales and retirement of noncurrent assets	1,466	1,471
Loss on valuation of investment securities	1,538	37
Total extraordinary losses	5,306	5,742
Income before income taxes and minority interests	86,461	132,520
Income taxes-current	38,113	49,583
Income taxes-deferred	(239)	(194)
Total income taxes	37,873	49,388
Income before minority interests	48,587	83,131
Minority interests in income	2,128	3,330
Net income	46,458	79,801

(Consolidated Statements of Comprehensive Income)

(¥ millions)

	Feb. 1, 2012 – Jan. 31, 2013	Feb. 1, 2013 – Jan. 31, 2014
Income before minority interests	48,587	83,131
Other comprehensive income		
Valuation difference on available-for-sale securities	10,296	15,649
Deferred gains or losses on hedges	(37)	90
Foreign currency translation adjustment	20,682	39,741
Share of other comprehensive income of associates accounted for using equity method	117	299
Total other comprehensive income	31,057	55,780
Comprehensive income	79,645	138,911
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	77,375	135,183
Comprehensive income attributable to minority interests	2,269	3,728

(3) Consolidated Statements of Changes in Net Assets

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

(¥ millions)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at the end of previous period	186,554	237,522	326,153	(4,201)	746,028
Changes of items during the period					
Issuance of new shares	-	-	-	-	-
Dividends from surplus	-	-	(14,780)	-	(14,780)
Net income	-	-	46,458	-	46,458
Purchase of treasury stock	-	-	-	(31)	(31)
Disposal of treasury stock	-	-	(0)	13	13
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes of items during the period	-	-	31,677	(18)	31,659
Balance at the end of current period	186,554	237,522	357,830	(4,219)	777,688

	Other accumulated comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total other accumulated comprehensive income			
Balance at the end of previous period	1,575	(7)	(3,766)	(2,198)	365	6,178	750,374
Changes of items during the period							
Issuance of new shares	-	-	-	-	-	-	-
Dividends from surplus	-	-	-	-	-	-	(14,780)
Net income	-	-	-	-	-	-	46,458
Purchase of treasury stock	-	-	-	-	-	-	(31)
Disposal of treasury stock	-	-	-	-	-	-	13
Net changes of items other than shareholders' equity	10,376	(37)	20,578	30,917	64	1,049	32,030
Total changes of items during the period	10,376	(37)	20,578	30,917	64	1,049	63,689
Balance at the end of current period	11,951	(45)	16,812	28,718	429	7,228	814,063

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

(¥ millions)

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

	Other accumulated comprehensive income				Subscription rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total other accumulated comprehensive income			
Balance at the end of previous period	11,951	(45)	16,812	28,718	429	7,228	814,063
Changes of items during the period							
Issuance of new shares	-	-	-	-	-	-	10,010
Dividends from surplus	-	-	-	-	-	-	(24,185)
Net income	-	-	-	-	-	-	79,801
Purchase of treasury stock	-	-	-	-	-	-	(98)
Disposal of treasury stock	-	-	-	-	-	-	3,628
Net changes of items other than shareholders' equity	15,661	92	39,628	55,382	44	2,768	58,195
Total changes of items during the period	15,661	92	39,628	55,382	44	2,768	127,351
Balance at the end of current period	27,612	47	56,440	84,101	474	9,996	941,415

(4) Consolidated Statements of Cash Flows

(¥ millions)

	Feb. 1, 2012 – Jan. 31, 2013	Feb. 1, 2013 – Jan. 31, 2014
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	86,461	132,520
Depreciation and amortization	19,015	22,581
Impairment loss	2,301	4,234
Increase (decrease) in provision for retirement benefits	10,688	1,823
Decrease (increase) in prepaid pension costs	-	(1,175)
Interest and dividends income	(2,775)	(2,961)
Interest expenses	1,620	995
Equity in (earnings) losses of affiliates	(312)	(2,848)
Gain on negative goodwill	-	(327)
Loss (gain) on valuation of investment securities	1,538	37
Decrease (increase) in notes and accounts receivable-trade	(1,943)	(7,370)
Decrease (increase) in inventories	(7,301)	(85,405)
Increase (decrease) in notes and accounts payable-trade	5,982	25,857
Increase (decrease) in advances received on uncompleted construction contracts	11,480	28,060
Other, net	(6,026)	7,682
Subtotal	120,729	123,704
Interest and dividends income received	2,845	2,823
Interest expenses paid	(2,654)	(2,975)
Income taxes paid	(38,337)	(45,479)
Net cash provided by (used in) operating activities	82,582	78,073
Net cash provided by (used in) investing activities		
Proceeds from sales and redemption of securities	5,000	2,100
Purchase of property, plant and equipment	(54,713)	(75,930)
Proceeds from sales of property, plant and equipment	85	254
Purchase of investment securities	(1,879)	(5,232)
Proceeds from sales of investment securities	-	689
Payments of loans receivable	(7,737)	(5,525)
Collection of loans receivable	4,877	4,738
Other, net	(3,756)	(1,731)
Net cash provided by (used in) investing activities	(58,124)	(80,637)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term bonds payable	(887)	14,178
Proceeds from long-term loans payable	53,973	98,807
Repayment of long-term loans payable	(13,978)	(87,511)
Proceeds from issuance of bonds	20,000	-
Redemption of bonds	(60,000)	-
Cash dividends paid	(14,780)	(24,185)
Purchase of treasury stock	(31)	(97)
Other, net	(1,585)	(1,973)
Net cash provided by (used in) financing activities	(17,289)	(782)

(¥ millions)

	Feb. 1, 2012 – Jan. 31, 2013	Feb. 1, 2013 – Jan. 31, 2014
Effect of exchange rate change on cash and cash equivalents	2,550	5,429
Net increase (decrease) in cash and cash equivalents	9,718	2,081
Cash and cash equivalents at beginning of period	169,524	179,242
Cash and cash equivalents at end of period	* 1 179,242	*1 181,324

(5) Notes to Consolidated Financial Statements (Notes Regarding Assumption of Going Concerns)

Not applicable

(Basic Important Matters for Preparation of Consolidated Financial Statements)

1. Scope of Consolidation

Consolidated subsidiaries: 174, including Sekiwa Real Estate, Ltd., Sekiwa Real Estate Kanto, Ltd., Sekiwa Real Estate Kansai, Ltd., Sekiwa Real Estate Chubu, Ltd., Sekiwa Real Estate Chugoku, Ltd., Sekiwa Real Estate Kyushu, Ltd., and Sekiwa Real Estate Tohoku, Ltd.

Changes in scope of consolidation: Newly included: 32 Excluded: 6

All 174 subsidiaries are consolidated.

2. Scope of application of equity method

Affiliated companies accounted for by the equity method: 19 including Almetax Manufacturing Co., Ltd., JPF Co., Ltd.,

Changes in scope of equity method: Newly included: 2 Excluded: 1

Investment in 19 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 129 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

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

(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. For the previous 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. For the current period under, interest expenses of ¥2,479 million, ¥854 million and ¥1,058 million are included in "Buildings for sale", "Land for sale in lots" and "Undeveloped land for sale," respectively.

(Changes in Accounting Policies)

(Changes in accounting policies that are difficult to distinguish from changes in accounting estimates)

(Change in depreciation method)

Effective from the current fiscal year under review, the Company and its domestic subsidiaries have changed the depreciation method for property, plant and equipment acquired on or after February 1, 2013, in accordance with the revision of the Corporation Tax Act.

The impact from this change on operating income, ordinary income and net income for the current fiscal year is immaterial.

(Notes to Consolidated Balance Sheets)

(¥ millions)

	As of Jan. 31, 2013	As of Jan. 31, 2014
1. Collateralized assets	73,526	135,803
2. Liabilities guaranteed	104,733	100,762
3. Shareholdings in related companies included in investment securities	9,468	11,605
4. Interest bearing liabilities	268,622	289,860
5. Change in the purpose of holding assets		

(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”.

(As of January 31, 2014)

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

(Notes to Consolidated Statements of Income)

(1) Impairment loss

Impairment loss of the following group of assets was recorded.

February 1, 2012 – January 31, 2013

Location	Usage	Type
Nishi-ku, Kobe City	Training facilities	Buildings and land, etc.
Nishi-ku, Osaka City, etc.	Real estate for leasing	Buildings and land

The Sekisui House Group recognizes impairment loss by grouping investment properties by project and grouping other assets by operating unit, which allow us to manage gains and losses in a rational manner. As a result, for the group of real estate for leasing 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 impairment loss under “Extraordinary loss.”

(Breakdown of impairment loss)

Type	Amount (¥ millions)
Buildings and structures	251
Land	2,050
Total	2,301

For these assets, the recoverable value is the net selling price. The net selling price is determined based on the real estate appraisal value and assessed value of fixed assets for property tax.

February 1, 2013 – January 31, 2014

Location	Usage	Type
Nakahara-ku, Kawasaki City	Real estate for leasing	Buildings and land, etc.

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

(Breakdown of impairment loss)

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

For these assets, the recoverable value is the net selling price. The net selling price is determined based on the real estate appraisal value and other.

(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, 2012 – Jan. 31, 2013	Current consolidated fiscal year Feb. 1, 2013 – Jan. 31, 2014
Cash and deposits	¥180,232 millions	¥182,134 millions
Time deposits with terms in excess of three months	(989)	(810)
Cash and cash equivalents	179,242	181,324

(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

(¥ millions)

	Previous consolidated fiscal year January 31, 2013	Current consolidated fiscal year January 31, 2014
(1) Retirement benefit obligation	¥ (239,921)	¥ (246,081)
(2) Fair value of plan assets	184,450	207,488
(3) Unfunded retirement benefit obligation (1)+(2)	(55,471)	(38,593)
(4) Unrecognized actuarial loss	6,088	(12,435)
(5) Unrecognized prior service cost (reduced obligations)	(3,832)	(2,832)
(6) Net retirement benefit obligation (3)+(4)+(5)	(53,214)	(53,862)
(7) Prepaid pension cost	-	1,175
(8) Provision for retirement benefits (6)-(7)	(53,214)	(55,037)

(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, 2012 – Jan. 31, 2013	Current consolidated fiscal year Feb. 1, 2013 – Jan. 31, 2014
Retirement payment expenses	¥ 23,625	¥ 13,488
(1) Service expense (Note 1)	9,344	8,651
(2) Interest expense	4,691	4,675
(3) Expected return on plan assets	(6,164)	(7,151)
(4) Amount charge in line with actuarial calculation differences	16,157	7,852
(5) Recording of expenses amounts of past service obligations	(999)	(999)
(6) Non-recurring premium severance pay	583	451
(7) Other (Note 2)	13	9

(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, 2012 – Jan. 31, 2013	Current consolidated fiscal year Feb. 1, 2013 – Jan. 31, 2014
2.0%	2.0%

(3) Expected rate of return on plan assets

Previous consolidated fiscal year Feb. 1, 2012 – Jan. 31, 2013	Current consolidated fiscal year Feb. 1, 2013 – Jan. 31, 2014
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.”

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

Previous 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.

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

(¥ million)

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

	Reportable Business Segments		Other Businesses (Note: 1)	Total	Adjustments (Note:2)	Amounts on the consolidated financial statements (Note: 3)
	Overseas Business	Total				
Sales						
(1) Sales to third parties	85,392	1,731,655	73,447	1,805,102	-	1,805,102
(2) Inter-group sales and transfers	-	8,487	6,511	14,999	(14,999)	-
Net sales	85,392	1,740,142	79,959	1,820,101	(14,999)	1,805,102
Operating income	8,581	165,673	1,690	167,364	(35,434)	131,930
Assets	446,166	1,517,497	13,589	1,531,087	237,918	1,769,005
Other items						
Depreciations	1,088	19,985	644	20,629	1,952	22,581
Net increase in property, plant and equipment, and intangible assets	1,561	123,625	2,370	125,996	4,247	130,243

Notes

1. Other Businesses principally include the exterior business.

2. Adjustments are as follows:

(1) An adjustment of ¥35,434 million for segment income includes an elimination of inter-segment transactions of ¥4,199 million and corporate expenses of ¥31,234 million that have not been allocated to each segment. Corporate expenses mainly include selling, general and administration expenses and experiment and research expenses that do not belong to any reportable segments.

(2) An adjustment of ¥237,918 million for assets is corporate assets. Corporate assets are mainly parent company surplus operating funds (cash and short-term investment securities), long term investment funds (investment securities) and assets of the administration division.

(3) An adjustment of ¥1,952 million for depreciation and amortization is depreciation related to corporate assets.

(4) An adjustment of ¥4,247 million for increases in property, plant, and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.

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

(Per Share Information)

	Feb. 1, 2012 – Jan. 31, 2013	Feb. 1, 2013 – Jan. 31, 2014
Net assets per share	¥1,200.63	¥1,358.60
Net income per share	¥69.17	¥118.63
Fully diluted net income per share	¥64.32	¥110.50

(Note) Basis for Calculation

1. Net assets per share

¥ millions, except where noted	As of January 31, 2013	As of January 31, 2014
Net assets recorded on balance sheet	814,063	941,415
Difference between net assets in consolidated balance sheet and net assets attributable to ordinary shares	7,657	10,470
Subscription rights to shares	429	474
Minority interests	7,228	9,996
Net assets attributable to ordinary shares	806,406	930,944
Number of ordinary shares outstanding (1,000 shares)	676,885	686,895
Number of ordinary shares held in treasury (1,000 shares)	5,234	1,673
Number of ordinary shares used to calculate shareholders' equity per share (1,000 shares)	671,650	685,221

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

¥ millions, except where noted	Previous fiscal year (Feb. 1, 2012 - Jan. 31, 2013)	Current fiscal year (Feb. 1, 2013 - Jan. 31, 2014)
Net income per share		
Net income recorded on statement of income	46,458	79,801
Amount not attributable to ordinary shares	-	-
Net income attributable to ordinary shares	46,458	79,801
Average number of ordinary shares outstanding during period (1,000 shares)	671,666	672,674
Fully diluted net income per share		
Adjustment to net income	-	-
Number of ordinary shares increased (shares)	50,593	49,523
Bonds with subscription rights to shares	50,000	48,863
Subscription rights to shares	593	660
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, 2013	As of January 31, 2014
Assets		
Current assets		
Cash and deposits	92,761	84,883
Notes receivable-trade	319	96
Accounts receivable from completed construction contracts	32,301	36,540
Accounts receivable-real estate business	822	1,610
Short-term investment securities	2,098	949
Costs on uncompleted construction contracts	2,674	2,930
Buildings for sale	108,694	78,272
Land for sale in lots	243,909	248,376
Undeveloped land for sale	39,309	34,249
Semi-finished goods	2,787	3,812
Raw materials	2,106	2,647
Work in process	482	733
Supplies	495	572
Advance payments-trade	226	156
Prepaid expenses	3,526	4,546
Short-term loans receivable	13,401	6,444
Accounts receivable-other	13,203	13,931
Deferred tax assets	41,605	41,151
Other	6,815	7,613
Allowance for doubtful accounts	(1,398)	(949)
Total current assets	606,144	568,571
Noncurrent assets		
Property, plant and equipment		
Buildings	160,588	213,090
Accumulated depreciation	(86,653)	(91,796)
Buildings, net	73,934	121,294
Structures	12,377	13,138
Accumulated depreciation	(9,516)	(9,692)
Structures, net	2,861	3,446
Machinery and equipment	54,725	58,197
Accumulated depreciation	(45,074)	(45,653)
Machinery and equipment, net	9,651	12,543
Vehicles	735	731
Accumulated depreciation	(670)	(655)
Vehicles, net	65	75
Tools, furniture and fixtures	20,984	23,145
Accumulated depreciation	(19,064)	(19,110)
Tools, furniture and fixtures, net	1,919	4,034
Land	186,328	206,144

	(¥ millions)	
	As of January 31, 2013	As of January 31, 2014
Lease assets	357	391
Accumulated depreciation	(151)	(218)
Lease assets, net	206	173
Construction in progress	17,252	13,142
Total property, plant and equipment	292,218	360,856
Intangible assets		
Goodwill	642	439
Industrial property	13	20
Leasehold right	1,608	1,608
Software	8,739	9,880
Lease assets	24	4
Right of using facilities	60	80
Telephone subscription right	680	677
Total intangible assets	11,768	12,711
Investments and other assets		
Investment securities	69,221	94,494
Stocks of subsidiaries and affiliates	226,924	277,438
Long-term loans receivable	3,883	3,782
Long-term loans receivable from employees	15,459	13,024
Long-term loans receivable from subsidiaries and affiliates	24,074	40,957
Lease and guarantee deposits	11,121	11,225
Long-term prepaid expenses	605	809
Deferred tax assets	13,048	5,893
Other	4,129	3,969
Allowance for doubtful accounts	(425)	(339)
Total investments and other assets	368,043	451,257
Total noncurrent assets	672,030	824,825
Total assets	1,278,174	1,393,396
Liabilities		
Current liabilities		
Notes payable-trade	14,354	15,555
Electronically recorded obligations-operating	58,715	63,865
Accounts payable-trade	25,360	31,501
Accounts payable for construction contracts	41,183	44,878
Current portion of long-term loans payable	50,000	30,000
Lease obligations	86	69
Accounts payable-other	1,897	2,660
Accrued expenses	9,713	11,934
Income taxes payable	16,236	20,103
Accrued consumption taxes	6,617	4,686
Advances received on uncompleted construction contracts	43,847	58,871

	As of January 31, 2013	As of January 31, 2014
Advances received	6,175	12,941
Deposits received	89,600	104,770
Provision for bonuses	12,744	17,828
Provision for directors' bonuses	180	270
Provision for warranties for completed construction	3,118	3,480
Asset retirement obligations	256	411
Other	163	417
Total current liabilities	380,251	424,247
Noncurrent liabilities		
Bonds payable	90,000	90,000
Bond with subscription rights to shares	50,000	36,390
Long-term loans payable	30,000	50,000
Lease obligations	160	122
Long-term lease and guarantee deposited	8,585	10,619
Long-term accounts payable-other	550	572
Provision for retirement benefits	48,212	50,008
Asset retirement obligations	1,125	1,109
Other	519	881
Total noncurrent liabilities	229,153	239,703
Total liabilities	609,404	663,951
Net assets		
Shareholders' equity		
Capital stock	186,554	191,559
Capital surplus		
Legal capital surplus	242,307	247,312
Other capital surplus	-	690
Total capital surpluses	242,307	248,003
Retained earnings		
Legal retained earnings	23,128	23,128
Other retained earnings		
Reserve for dividends	18,000	18,000
Reserve for special depreciation	-	1,098
General reserve	158,800	165,800
Retained earnings brought forward	31,659	54,960
Total retained earnings	231,588	262,988
Treasury stock	(4,049)	(1,209)
Total shareholders' equity	656,400	701,340
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	11,939	27,584
Deferred gains or losses on hedges	0	45
Total valuation and translation adjustments	11,940	27,630
Subscription rights to shares	429	474
Total net assets	668,770	729,445
Total liabilities and net assets	1,278,174	1,393,396

(2) Statements of Income

(¥ millions)

	Feb. 1, 2012 – Jan. 31, 2013	Feb. 1, 2013 – Jan. 31, 2014
Net sales of completed construction contracts	885,681	1,009,336
Cost of sales of completed construction contracts	706,420	796,411
Gross profit on completed construction contracts	179,261	212,924
Sales on real estate business	136,659	146,466
Cost of sales on real estate business	123,170	126,081
Gross profit -real estate business	13,488	20,385
Total net sales	1,022,340	1,155,802
Total cost of sales	829,591	922,492
Gross profit	192,749	233,310
Selling, general and administrative expenses		
Advertising expenses	17,950	20,669
Promotion expenses	11,197	11,658
Servicing fee	9,051	10,582
Directors' compensations	528	512
Employees' salaries and allowances	39,224	41,741
Employees' bonuses	8,567	8,653
Provision for bonuses	6,827	9,607
Provision for directors' bonuses	180	270
Retirement benefit expenses	12,162	7,257
Legal welfare expenses	7,618	8,453
Welfare expenses	3,010	3,305
Traveling and transportation expenses	5,454	5,561
Rent expenses	3,385	3,268
Heating and lighting expenses	1,037	1,088
Depreciation	6,802	7,054
Supplies expenses	2,002	2,195
Experiment and research expenses	336	324
Investigation expenses	260	259
Insurance expenses	164	247
Taxes and dues	3,678	3,830
Communication expenses	1,203	1,245
Entertainment expenses	1,325	1,438
Trademark fee	180	180
Miscellaneous expenses	5,872	7,713
Total selling, general and administrative expenses	148,022	157,120
Operating income	44,727	76,189

(¥ millions)

	Feb. 1, 2012 – Jan. 31, 2013	Feb. 1, 2013 – Jan. 31, 2014
Non-operating income		
Interest income	1,393	1,363
Dividends income	7,125	8,730
Foreign currency exchange gains	4,256	2,781
Other	2,199	2,752
Total non-operating income	14,974	15,627
Non-operating expenses		
Interest expenses	332	374
Interest on bonds	1,252	575
Other	2,153	2,145
Total non-operating expenses	3,737	3,095
Ordinary income	55,964	88,721
Extraordinary income		
Gain on sales of subsidiaries' stocks	229	164
Total extraordinary income	229	164
Extraordinary loss		
Impairment loss	1,701	4,035
Loss on sales and retirement of noncurrent assets	1,387	912
Loss on valuation of investment securities	1,538	37
Total extraordinary losses	4,627	4,985
Income before income taxes	51,566	83,900
Income taxes-current	19,565	28,106
Income taxes-deferred	963	209
Total income taxes	20,528	28,315
Net income	31,038	55,585

(3) Statements of Changes in Net Assets

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

(¥ millions)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings					
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				Total retained earnings
						Reserve for dividends	Reserve for special depreciation	General reserve	Retained earnings brought forward	
Balance at the end of previous period	186,554	242,307	-	242,307	23,128	18,000	-	152,800	21,402	215,331
Changes of items during the period										
Issuance of new shares	-	-	-	-	-	-	-	-	-	-
Dividends from surplus	-	-	-	-	-	-	-	-	(14,780)	(14,780)
Provision of reserve for special depreciation	-	-	-	-	-	-	-	-	-	-
Provision of general reserve	-	-	-	-	-	-	-	6,000	(6,000)	-
Net income	-	-	-	-	-	-	-	-	31,038	31,038
Purchase of treasury stock	-	-	-	-	-	-	-	-	-	-
Disposal of treasury stock	-	-	-	-	-	-	-	-	(0)	(0)
Net changes of items other than shareholders' equity	-	-	-	-	-	-	-	-	-	-
Total changes of items during the period	-	-	-	-	-	-	-	6,000	10,256	16,256
Balance at the end of current period	186,554	242,307	-	242,307	23,128	18,000	-	158,800	31,659	231,588

	Shareholders' equity		Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Treasury shares	Total treasury shares	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
Balance at the end of previous period	(4,031)	640,161	1,650	-	1,650	365	642,176
Changes of items during the period							
Issuance of new shares	-	-	-	-	-	-	-
Dividends from surplus	-	(14,780)	-	-	-	-	(14,780)
Provision of reserve for special depreciation	-	-	-	-	-	-	-
Provision of general reserve	-	-	-	-	-	-	-
Net income	-	31,038	-	-	-	-	31,038
Purchase of treasury stock	(31)	(31)	-	-	-	-	(31)
Disposal of treasury stock	13	13	-	-	-	-	13
Net changes of items other than shareholders' equity	-	-	10,289	0	10,290	64	10,354
Total changes of items during the period	(17)	16,239	10,289	0	10,290	64	26,593
Balance at the end of current period	(4,049)	656,400	11,939	0	11,940	429	668,770

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

(¥ millions)

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

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

6. Others

Changes to Directors, Auditors, and Executive Officers

(1) New Director Candidates (April 23, 2014)

Shiro Wakui	Currently Professor of the Faculty of Environmental Studies of Tokyo City University
Fumiyasu Suguro	Currently Managing Officer in charge of Secretariat and Senior Manager of International Business Department
Kunpei Nishida	Currently Executive Officer and General Manager of Nishi-Nihon Sha-Maison Sales Administration Headquarters

*Mr. Shiro Wakui qualifies as outside Directors prescribed in the Companies Act of Japan.

(2) Planned Retirement of Directors (including executive officer) (April 23, 2014)

Director	Katsuhiko Machida
Director	Daiji Kuroki Currently President and Representative Director of Sekisui House Remodeling, Ltd.
Director (Managing Officer)	Kengo Yoshida To be Corporate Auditor of Sekisui House, Ltd.

(3) New Corporate Auditor Candidate (April 23, 2014)

Kengo Yoshida	Currently Director (Managing Officer and General Manager of Manufacturing Headquarters)
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(4) Planned Retirement of Auditor (April 23, 2014)

Standing Corporate Auditor	Yoshiro Kubota To be Advisor of Sekisui House, Ltd.
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(5) New Executive Officers (April 1, 2014)

Futoshi Teramura	Currently Chief Manager of Auditing Department
Kazuchika Uchida	Currently Chief Manager of Technology Department
Hideyuki Kamijou	Currently Chief Manager of Accounting & Finance Department
Toshiharu Miura	Currently Chief Manager of Product Design & Development Department
Yoshihiro Nakai	Currently Chief Manager of Corporate Management Planning Department
Toru Ishii	Currently Chief Manager of Development Department and Senior Manager of International Business Department

(6) Promoted Executive Officers (April 1, 2014)

Senior Managing Officer	Takashi Uchida Currently Managing Officer
Managing Officer	Kunpei Nishida Currently Executive Officer
Managing Officer	Koji Nakata Currently Executive Officer
Managing Officer	Noboru Ashida Currently Executive Officer
Managing Officer	Hiroyuki Sato Currently Executive Officer
Managing Officer	Yosuke Horiuchi Currently Executive Officer

(7) Planned Retirement of Executive Officers (March 31, 2014)

Managing Officer	Kengo Yoshida To be Corporate Auditor of Sekisui House, Ltd.
Managing Officer	Masaaki Oikawa To be Advisor of Sekisui House, Ltd.
Managing Officer	Keigo Nakano To be Advisor of Sekisui House, Ltd.