ANNUAL REPORT 2012

For the year ended January 31, 2012

Sekisui House, Ltd.

Our Corporate Profile

As Japan's leading home builder, Sekisui House, Ltd. boasts a track record of more than two million homes built to date. Our base of business is the construction, sale, purchase and administration of residential properties; the design, execution, contracting and supervision of construction projects; real estate brokerage and landscaping.
Since our establishment in 1960, we at Sekisui House have achieved steady growth, becoming an ever-increasingly active participant in the Japanese construction industry.

Contents

Forward-Looking Statements

The information in this annual report contains forward-looking statements regarding the Company's plan, outlook, strategies and results for the future. All the forward-looking statements are based on the Company's judgments derived from information available at the time of publication.
Therefore, certain risks and uncertainties could cause the Company's actual results to differ materially from any projections presented here.

Financial Highlights

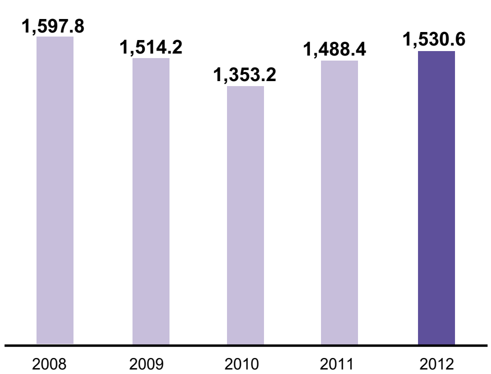
Sekisui House, Ltd. and Subsidiaries
For the year ended January 31

	Millions of yen					Thousands of U.S. dollars
	2012	2011	2010	2009	2008	**2012**
For the year:						
Net sales	**¥ 1,530,578**	¥ 1,488,370	¥ 1,353,186	¥ 1,514,172	¥ 1,597,807	**$ 20,038,989**
Operating income (loss)	**70,897**	56,355	(38,755)	73,960	109,728	**928,214**
Net income (loss)	**28,962**	30,421	(29,277)	11,517	60,352	**379,183**
At year ended						
Total assets	**1,445,829**	1,341,309	1,353,946	1,387,237	1,349,441	**18,929,419**
Net assets	**750,374**	738,029	716,296	754,130	770,963	**9,824,221**

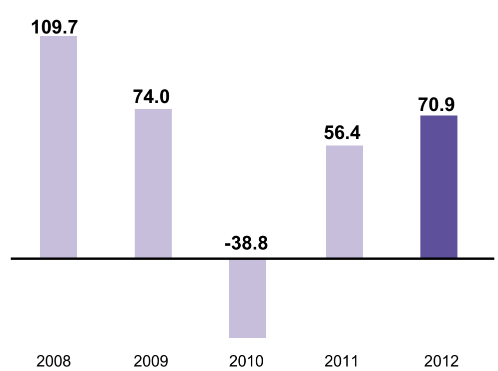
	Yen					U.S. dollars
	2012	2011	2010	2009	2008	**2012**
Per share:						
Net income (loss)	**¥ 42.90**	¥ 45.02	¥ (43.32)	¥ 17.04	¥ 87.70	**$ 0.56**
Net assets	**1,107.43**	1,090.67	1,059.18	1,115.20	1,139.63	**14.50**
Cash dividends applicable to the year	**20.00**	21.00	10.00	24.00	24.00	**0.26**

Note: U.S. dollar amounts above and elsewhere in this report represent translations of Japanese yen, for convenience only, at the approximate exchange rate of ¥76.38 = U.S. $1, effective at January 31, 2012.

Net Sales
Billions of yen



Operating Income
Billions of yen



Net Income
Billions of yen

Net Income Per Share
Yen

To Our Shareholders and Investors

Toshinori Abe
President & COO

Isami Wada
Chairman & CEO

Business results have beaten our mid-term management plan expectations for the second consecutive year.
Targets for the final year of the plan have been revised upward.

■Business results have exceeded targets for fiscal 2011, thanks to our Green First Strategy

First, we wish to report to our shareholders that business results for the fiscal 2011 year ended January 2012 exceeded the targets set forth in the mid-term management plan we prepared in fiscal 2010, and that the forecast for fiscal 2012, the final year of our mid-term management plan, has also been revised upward.

The main driver of this strong momentum is our Green First Strategy for eco-friendly housing. Since the Great East Japan Earthquake, it has been reaffirmed that housing helps protect family lives and assets, and self-powered electricity and the effective use of renewable energy have become national priorities.

In this environment, the number of orders Sekisui House received for its new custom detached houses with photovoltaic power generation systems was 11,225 in fiscal 2011, while those received by the Sekisui House Group as a whole, including its rental housing and remodeling businesses, exceeded 15,000 for the year.

The Green First Hybrid, a new series of homes featuring a power generation system that combines three different cells (a solar cell, fuel cell, and storage battery), which Sekisui House announced in August 2011 as the first of its kind in the world, has also drawn expectations and attention. Since the project's launch, orders have been steadily increasing, as the characteristics and performance of a "disaster-resistant house"−capable of generating electricity from a storage battery during disasters and reducing power consumption by saving energy and generating its own power−have been well received by customers.

■Solid results for our structural reform
We will aim for strong growth in the next stage of our business expansion

Concurrently, the structural reform that the entire Group has been undergoing since the collapse of Lehman Brothers has also been achieving solid results, and the Group has streamlined its earnings profile. In particular, the idea that increased cooperation between Group operations can help generate income has been making headway in the Group's companies. As a result, annual sales in our remodeling business have exceeded ¥100 billion. Rental housing Sha-Maison now boasts a high occupancy rate of over 95%, and the strong sense of trust our customers have in us has also led to an increase in orders.

In February 2012, we began operating a new production line for Bellburn, an original exterior wall made of earthenware, with the aim of strengthening and expanding our wood-framed housing business. Since we have been able to produce Bellburn in-house, we have not only improved quality, but have also increased our production capacity by as much as 2.5 times, and have been able to cut our production costs substantially.

We are continuing to increase our business operations, with a driving force being the development of our own technologies. SHEQAS, Sekisui's unique antiseismic damping system, has now been adopted in approximately 70% of steel-framed houses, and Airkis, our eco-friendly system that improves the quality of indoor air through three approaches–"not generating," "ventilating," and "absorbing" harmful chemical substances–has become a strong tool for showing how we are unique.

Furthermore, we have also developed the new concept of multigenerational interactive condominium housing. We have completed the construction of a condominium combining "child-friendly housing" and "elderly housing," which has attracted public attention. With an eye on the future, this concept proposes a new way for people to live comfortably with each other in the same condominium by facilitating intergenerational interactions while preserving privacy.

Based on these achievements, we are accelerating our strategies for expanding growth in the new fiscal year.

■ The increasingly important role of the housing industry
We will thoroughly fulfill our social responsibilities

Since the earthquake, the function of housing for families and society has been noticeably changing. You could say that the position of the housing industry in industrial circles has also been changing. High-quality industrial housing technologies, including most of Japan's advanced environmental technologies, are highly valued in the world and hold enormous potential for our global operations in the years ahead. The steady growth of Sekisui House's overseas business in Australia, China, the United States, and Singapore is a testament to this.

How to address electric power shortages, which is a national challenge in Japan, is another significant subject for housing manufacturers, and one in which we feel a strong sense of duty. While large-scale solar power generation, or so-called mega solar, is being talked about a lot, a mega-watt class power plant will end up being constructed if we keep installing photovoltaic power generation systems in existing homes. With a stock of two million houses, the growing number of houses built by Sekisui House has major significance. We plan to aggressively promote our Green First Strategy from this remodeling perspective.

Expectations are also increasing for a smart grid that can optimize electric power in an entire area through the effective use of information technology and renewable energy. Housing plays a central role here, after all. Sekisui House is now working on the development of the Smart Common City Akaishidai in Miyagi Prefecture as the first step in earthquake reconstruction in Tohoku area. We will continue to promote housing and urban development that can contribute to the "realization of a sustainable society" by carefully tailoring the size of individual projects in many parts of the nation.

The times are changing drastically. However, people's desire for "comfortable housing now" remains unchanged. Please put your hopes in Sekisui House, which will strengthen its foundation, and take a new step toward growth.

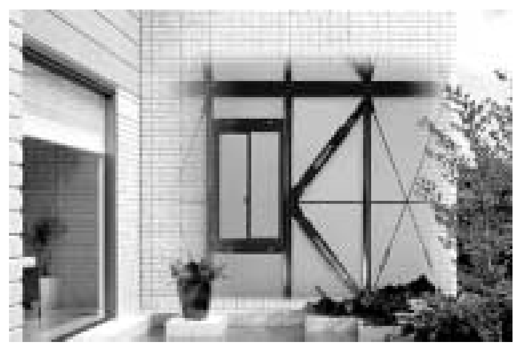
■**Financial analysis**

Japan's economy showed signs of steady progress towards recovery from the devastating impact of the Great East Japan Earthquake. The period under review saw a normalization of manufacturing activities, etc., with supply-side constraints largely resolved thanks to the early resumption of corporate activities, and growth in orders supported by demand for reconstruction in areas affected by the disaster. However, the financial instability caused mainly by the European debt crisis led to a high level of risk aversion in capital markets. Meanwhile, the persistently strong yen and the suspension of production at Japan's production bases in Thailand due to the adverse impact of recent flooding all took a toll on business activities, putting significant downward pressure on corporate earnings. In this environment, uncertainty over the economic outlook heightened.

Green First Hybrid

In the housing market, additional stimulus measures for the support of housing acquisition were devised by the government to promoting environmentally friendly housing. These measures included the resumption of subsidies for the installment of ENE FARM, a household fuel cell system, Flat 35S, a preferential interest rate system, and the eco-point system for housing, all of which had originally ended. However, concerns over the economic outlook suppressed housing investment somewhat, and the number of new housing starts for 2011 was around 830,000, increasingly only modestly from the previous year.

Looking at business performance, Sekisui House took steps to increase orders in line with the key initiative of its mid-term management plan, the Green First Strategy (as a driver of business growth in eco-friendly housing) in reply to rising concern of safety and need for securing energy. As a result, order for detached houses and rental housing, in particular, increased. The installation rate of SHEQAS rose, and sales of houses combining photovoltaic power generation systems and household fuel cells made a significant contribution to earnings. Meanwhile, sales were also favorably affected by a number of other factors, such as demand for reconstruction in the disaster-hit areas and a hike in demand for rental housing in cities, and results for period under review which corresponds to the second year of the medium-term management plan were solid.



"SHEQAS" Seismic damping system

As a result, net sales in fiscal 2011 amounted to ¥1,530,578 million ($20,038,989 thousand), up 2.8% from the previous fiscal year. Operating income grew to ¥70,897 million ($928,214 thousand) (up 25.8%), while net income amounted to ¥28,962 million ($379,183 thousand) (down 4.8%) owing to the effects caused by the changes in income tax rate, etc.

Looking ahead, Japanese companies are set to achieve a moderate earnings recovery with monetary easing taken by national governments and other contributing factors in the background, despite the uncertainty that is likely to persist in the global economy. In this environment, Sekisui House commences the last fiscal year of its medium-term management plan. For the fiscal year ending January 2013, the Company forecasts consolidated net sales of ¥1,650 billion (up 7.8% from the current fiscal year under review), consolidated operating income of ¥80 billion (up 12.8%), and consolidated net income of ¥42 billion (up 45.0%), taking into consideration factors such as consistent results secured with sales approaches built around the Green First Strategy and supportive measures taken by the Japanese government, including the continuation of eco-points for housing and the Flat 35S preferential interest rate system.

Regarding our profit distribution policy, 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 2012, we paid an interim dividend of ¥10 and a year-end dividend of ¥10, totaling ¥20 for the full year. For the next fiscal year, we plan to pay out an interim dividend of ¥12 and a year-end dividend of ¥13, totaling ¥25 for the full year.

I. Wada

Isami Wada
Chairman & CEO

Toshinori Abe

Toshinori Abe
President & COO

Segment Information

Fiscal 2011 Business results

Consolidated net sales: ¥1,530,578 million, Consolidated operating income: ¥70,897 million

Custom Detached Houses

Sales
¥ 475,330 million
(+4.4% year-on-year)

Operating income
¥ 52,477 million
(+14.6% year-on-year)

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

[Summary]
The Green First Strategy was highly successful. Orders remained firm thanks to renewed recognition of the safety of detached houses following the Great East Japan Earthquake, as well as increasing demand for reconstruction in line with restoration of the disaster-hit areas, along with the continuation of official stimulus measures.

Rental Housing

Sales
¥ 289,028 million
(+4.1% year-on-year)

Operating income
¥ 26,595 million
(+1.5% year-on-year)

[Business details]
Design, construction, and contracting of built-to-order properties for lease, medical and nursing care facilities for sale, and other buildings

[Summary] Sekisui House differentiated itself from its competitors with Sha-Maison Gardens, designed with the concept of harmonizing with the landscape and minimizing the burden placed on the environment, and SHAIDD55, its original floor-sound insulation system. Orders increased as a result of holding the sales promotion event Sha-Maison Festa and providing seminars on inheritance tax measures in urban areas, where the demand was increasing, in a focused manner.

Houses for Sale

Sales
¥ 127,123 million
(-13.2% year-on-year)

Operating income
¥ 3,686 million
(+613.6% year-on-year)

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

[Summary] We produced proposals concerning the development of a town with an attractive landscape that will increase the value of its assets in the future, and embarked on the development of a town project in Miyagi Prefecture called Smart Common City Akaishidai in contributions to reconstruction efforts after the Great East Japan Earthquake. Nationwide, however, sales in the Houses for Sale Business remained weak in the fiscal year under review as we continued to take steps to streamline assets by continuing to adjust inventories of land for sale amid the sluggish real estate market.

Condominiums

Sales
¥ 39,682 million
(-48.6% year-on-year)

Operating loss
¥ 9,947 million
(-)

[Business details]
Sale of condominiums

[Summary] Orders remained steady for properties we began selling in Grand Front Osaka Owner's Tower, a condominium under construction in the Umekita Advanced Development District Project in Osaka, and new condominiums in urban areas, such as Grand Terminal Tower Motoyawata (Chiba Prefecture) and Grande Maison Ikeshita The Tower (Nagoya, Aichi Prefecture).
However, the sales situation showed some weakness as a result of promoting sales of existing properties and continued inventory reduction.

Urban Redevelopment

Sales
¥ 37,720 million
(+69.8% year-on-year)

Operating income
¥ 9,974 million
(+107.2% year-on-year)

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

[Summary] We sold Daiba Garden City to Japan Excellent, Inc., a J-REIT. Meanwhile, we were steadily managing Hommachi Garden City, which commenced operations in fiscal 2010. Occupancy rates of the Sekisui House Group's rental property Prime Maison series rental apartments remained firm, and we made stable progress in the business.

Remodeling

Sales
¥ 102,180 million
(+11.7% year-on-year)

Operating income
¥ 9,625 million
(+12.8% year-on-year)

[Business details] Remodeling of residential properties

[Summary] Based on our Green First Strategy, we made remodeling proposals aimed at energy conservation, installing photovoltaic power generation systems and introducing renovations for heat insulation. Meanwhile, we focused on the recovery and reconstruction effort of owners of our products immediately after the earthquake and promptly responded to requests for repairs and related work. Sales in the Remodeling Business resultantly reached ¥100 billion.


before


after

Real Estate Management Fees

Sales
¥ 378,248 million
(+4.5% year-on-year)

Operating income
¥ 14,260 million
(+14.7% year-on-year)

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

[Summary] The number of units of the Sha-Maison low-rise apartments for block leasing and management by Sekiwa Real Estate companies enjoyed a steady increase. Sales remained firm as a result of maintaining high occupancy rates by improving cooperation among the Sekisui House Group companies.

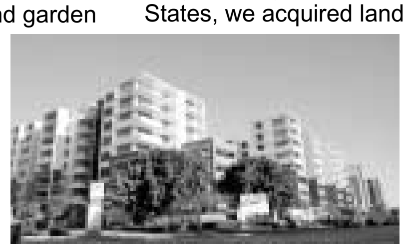
Other Businesses

Sales
¥ 81,267 million
(+44.7% year-on-year)

Operating loss
¥ 3,212 million
(-)

[Business details] Mainly involving in overseas business and landscape and garden design and construction

[Summary] The overseas business made steady progress. Condominium sales of ¥7.2 billion were recorded in Australia and we began operations in Singapore by undertaking three real estate development projects. In the United States, we acquired land development projects from the California Public Employees' Retirement System (CalPERS).
In Shenyang, China, we constructed a factory that will provide materials for industrialized housing to the Chinese market. In the exterior business, we sought to bolster our ability to make proposals to customers and boost operating efficiency by integrating our subsidiaries, Greentechno Sekiwa companies and Sekiwa Construction, Ltd.



∗ See notes to consolidated financial statements.

Sekisui House Topics

Environmental and Social Responsibility

Our milestone announcements of the Environmental Future Plan in 1999 and the Declaration of Sustainability in 2005, together with our certification in 2008 as an Eco-First Company, clearly underline the determination of our Company to create a sustainable society. Since the 2009 announcement of our Medium Term Management Plan, we have centered our business on our Green First Strategy and aimed to achieve superior sustainable development as a company, through which we continue to lead the industry today. We introduce below some of our Company's many efforts.

To prevent global warming, Japan must immediately act to reduce CO_2 emissions in households. Meanwhile, demand for housing and urban development that are able to minimize energy consumption is also increasing in Japan in the wake of the Great East Japan Earthquake. As the world's largest housing company, Sekisui House will lead in the promotion of Smart House and Smart City and in developing technologies to support these initiatives.

Sekisui House, Industry Leader

■We are an Eco-First company working on development and diffusion of Smart House and Smart City.

In the Eco-First system, the Ministry of the Environment certifies leading companies in each industry sector as forerunners in environmental initiatives, and obtains their commitment to developing and advancing their initiatives, with the goal of promoting environmental programs and higher levels of ecology in each industry. Sekisui House is the only company in the housing and construction industry to have achieved Eco-First certification as soon as the system came into effect in June 2008. (There were 38 certified companies as of January 31, 2012.)

After the Great East Japan Earthquake, needs for and interests in natural energy and energy conservation technology has rapidly grown. The development and diffusion of Smart House and Smart City provide us with tremendous business opportunities. Sekisui House has been conducting demonstration experiments and live-in experiments for Smart House with numerous companies, energy business operators, and research institutes, and other organizations from early on, and has opened a model house in Yokohama. In August 2011, we launched Green First Hybrid, the world's first Smart House that controls energy optimally with the home energy management system (HEMS), featuring a power supply system combining three cells, namely a solar cell, a fuel cell, and a storage battery. In December 2011, we participated in the Tokyo Motor Show–the first company in housing industry to do so–and proposed a new relationship between Smart Houses and electric vehicles. Our proposals were well received. Based on this successful experience, we have also become active in urban development with Smart City. We have already introduced Smart City in Sendai, Ibaraki, and Fukuoka and will operate it nationwide and globally in the years ahead.

The Environmental Technologies of Sekisui House

■From Carbon Neutral House to Zero Emission House, a futuresque housing system that demonstrates our environmental technology to the world

Sekisui House has focused on global warming issues from an early stage, developing technological innovations designed to reduce CO_2. We standardized double-glazed glass in houses, and in 2000 made double-glazed, thermal insulation glass and heat insulating aluminum sash a standard feature. In 2003 we became the first in the industry to standardize next-generation energy saving standards. Since 2005, we have been gearing up for the diffusion of houses with a photovoltaic power generation system.

It was after these actions that we began commercial sales of Carbon Neutral House in 2008, which reduces the CO_2 emitted from daily life using intensive energy-saving and thermal insulation technology. The basic concept is to reduce CO_2, which is calculated by subtracting energy creation (the amount of reduction) from energy saving (the amount of emission) to nearly zero. This is done by combining energy saving with energy creation using a photovoltaic power generation system and a fuel cell. It is our step to develop completely eco-friendly housing for sustainability using advanced technologies.

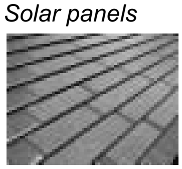
When the government built the Zero Emission House at the G8 Hokkaido Toyako Summit held in July 2008 based on the theme of the "environment," we adopted our accumulated know-how and experience to provide full cooperation. Zero

Emission House is a futuresque house that does more than reduce CO_2; it zeroes CO_2 emissions throughout the lifecycle of the product from production to dismantling, using advanced technology such as Double Generation (which generates power with a fuel cell, recovering emissions, and uses photovoltaic power generation to sell surplus power). The international media reported on our technologies in eco-friendly housing and our underlying message, and we received high acclaim.

We are now opening to the public the Zero Emission House in the Zero Emission Center inside our Kanto Factory. The house has attracted more than 60,000 visitors from around the world.

We were the first housing manufacturer in Japan to adopt this carbon neutral concept for housing.

Solar panels



Smart House in Yokohama

Fuel cell

■Further evolving CO_2 reduction during residence –Pursuit of our Green First Strategy

Since March 2009, we have centered our business on eco-friendly housing and have been pursuing our Green First Strategy. We equip our steel-framed and wooden houses with photovoltaic power generation and household fuel cells, and recommend the Green First models, which are designed to reduce CO_2 emissions by 60-100% during residence. The Green First models accounted for 78% of all houses for which we received orders in fiscal 2011, and we sold 11,225 houses with a photovoltaic power generation system and 5,356 houses with a household fuel cell (1.8 times the orders we received in the previous year and the largest among housing manufacturers).

We also incorporate all-electric systems and photovoltaic power generation in our rental houses, and have sold 1,239 Sha-Maison Green First rental houses, which feature a photovoltaic power generation system. With these initiatives we are pursuing the highest level of eco-friendliness.

The Green First homes that we recommend to consumers are very much in line with what the government of Japan is trying to encourage. At Sekisui House, we aim to build more Green First homes, to contribute to global warming issues and establish a de facto standard for eco-friendly homes. It is a testament to our efforts that we received the Minister of Economy, Trade and Industry Prize, the highest prize in the New Energy Award, in fiscal 2011.

We are also taking steps to conserve and create energy in existing homes, as another important step to reducing CO_2 emissions in the household sector. We are striving to improve amenity and the level of energy saving and energy creation of our users by proposing photovoltaic power generation remodeling, remodeling technologies to increase insulation performance, and energy-saving equipment.

Green First

Sekisui House—Green First

■Development of our overseas business

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

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

As activities in fiscal 2011, we constructed a production factory of steel-framed housing in China to meet demand for energy-saving and high functional industrialized housing for the Chinese market as a core company of the Modern

Construction Industrial Park, a national project carried out by the city of Shenyang. In Australia, we commenced a joint development project of the Central Park, a residential and commercial complex in central Sydney, with Frasers Centrepoint Limited. In the United States, we acquired land development projects from the California Public Employees' Retirement System (CalPERS) and expect profits to be recorded from fiscal 2012. In Singapore, we have undertaken three condominium development projects, and orders have been buoyant since sales began.

In fiscal 2011, the overseas business posted sales of ¥24.2 billion, attributable partly to the posting of condominium sales in Australia. We expect sales in this segment to reach ¥60 billion in fiscal 2012, as overseas projects remain steady overall, including the current status of orders.

As we seek to achieve annual sales of ¥200 billion in the near future, we will contribute to improvements in the local housing environment and culture as a proactive creator of comfortable living environments.

China "Suzhou" project

Australia "Camden Hills" project

The Sustainability Efforts of Sekisui House

■Restoring ecosystems - Incorporating biological diversity perspectives in our primary business with the *Gohon no ki* landscaping concept and townscape development

Sekisui House has initiated the *Gohon no ki* landscaping concept out of an aspiration to play a role in maintaining ecosystems by planting indigenous trees as a gathering ground for wild birds. By using certain species of trees that attract wild birds and butterflies in the gardens for the houses and housing complexes we construct, we create a small ecosystem and a network with nature. Based on guidelines produced from our independent research, we select species and suggest the plantation of trees that match the climate and vegetation of the area. In fiscal 2011, we planted approximately 960,000 trees under the *Gohon no ki* project. This is a unique activity that attempts to tackle biodiversity issues in our primary field of business.

Establishing a brand for urban development

With the aim of creating beautiful communities of outstanding quality where people will live for generations, Sekisui House has established the Urban Development Charter, its own autonomous, next-generation guidelines for urban development beyond existing laws, regulations, and administrative guidance. It consists not only of environmental considerations in architectural design but also the development concepts of actively preserving local topography and trees, producing environments of fieldstones and waterfront areas, and building architecture with attention to design, local scenery, positioning, color, and materials. The plan will also actively incorporate the *Gohon no ki* landscaping concept mentioned above. Sekisui House aims for high-quality urban development, taking advantage of the characteristics of neighboring regions in its houses for sale business, as well as in its condominiums and urban development businesses.

■Higher procurement of FairWood and comprehensive management of chemical substances

In 2007, Sekisui House led the industry in drafting its own guidelines to procure wood and chemical substances to further improve the quality of its supply chain management and traceability. The "Wood Procurement Guideline" promotes the use of FairWood to prevent illegal lumbering and consider benefits to local economies, the environment, and ecosystems. We have collaborated with international non-government organizations in drafting this guideline. Recognizing our responsibility as a homebuilder that uses substantial volumes of wood resources, we have worked with suppliers to raise the procurement levels of FairWood. The ratio between the procurement level and our use of traceable S and A class wood rose to 85% in fiscal 2011. The "Chemical Substances Guideline" sets a voluntary standard that eliminates the use of certain substances that are not yet prohibited and demands strict and comprehensive management of substances that are subject to management.

Standardizing specifications to reduce the diffusion of indoor chemical substances to less than half the level set by the national guidelines

Sekisui House has long been active in developing measures to alleviate the "sick house" syndrome and improve the indoor air environment. With changing consumer attitudes toward health and rising public awareness of the safety of food and water after the Great East Japan Earthquake, we have equipped our mainstay steel-framed products with a housing specification that has taken stronger steps to reduce volatile organic compounds (VOCs), considered to be one of the causes for allergies and asthma, as a standard feature. Called Airkis, this specification can halve the level of five chemical substances, including formaldehyde and toluene, in internal living spaces from that set by the national guidelines. Airkis has set our own more stringent standards from the perspective of children with high sensitivity to chemical substances.

Wood-framed "Gravis Villa"

■Recycling resources - Working toward zero emission

Sekisui House is committed to a policy of Reduce, Reuse, and Recycle, striving to reduce construction waste and use resources efficiently. We achieved zero emissions in our production factories in 2002, at new house construction sites in 2005, and in remodeling work in 2007. We are currently aiming to achieve zero emissions at dismantling sites.

In our zero emission systems, waste is sorted into 27 categories at the construction site, and is then sorted further into about 60 categories at each production factory's recycling center and sent to the factory's recycling system. By undertaking the entire waste management process within the Company in this way, we have developed a system with high traceability.

A zero emission system would, for example, restrict a construction site from producing waste, and we have already reduced emissions from approximately 2,900 kg per house built (figure for 2000) to 1,376 kg in fiscal 2011. We are determined to reduce this figure further.

■Anticipating the government's policy to extend the life of housing as part of the social infrastructure

The average life (both physical and social) of housing in Japan used to be shorter than that in Western nations, at a mere 30 years. Japanese housing policies are shifting their focus from quantity to quality, enacting the Basic Act for Housing in 2006 and starting the Long-Life Quality Housing Scheme in 2009. Sekisui House adopted high quality, high endurance structural frames at a very early stage, and incorporated interior components and facilities capable of meeting changes in family composition and lifestyles. We have also been pursuing longer housing life with a pioneering spirit by promoting the long-term guarantee system of structural frameworks, the remodeling business, and the existing houses distribution business.

Our philosophy of forming stock housing as quality social infrastructure with earthquake resistance and endurance is now seen in government policy. We believe that our mission is to encourage more of these movements.

Activities to improve the housing culture

One of our social missions has always been to pass on to society the broad knowledge and experience we have acquired through our housing business and to help create richly "human" housing and environments. We have made public our housing knowledge through hands-on experience and experiments at facilities such as the Comprehensive Housing R&D Institute, the largest of its kind in Japan. These facilities are open to homebuilders, professionals in architecture and welfare, and the general public, and are also available for specialist, college-level education. We also offer education, hosting seminars for citizens and schools to discuss themes on housing and daily life and their role in global warming issues and ecosystem conservation.
We are also active in collaborating with the academic sector, conducting joint research with academic institutions to research academic fields such as environmental technology, resource recycling technology, health effects, robot technology, and life & community, all of which are vital in considering sustainability.

Vibration test of full-scale exterior wall

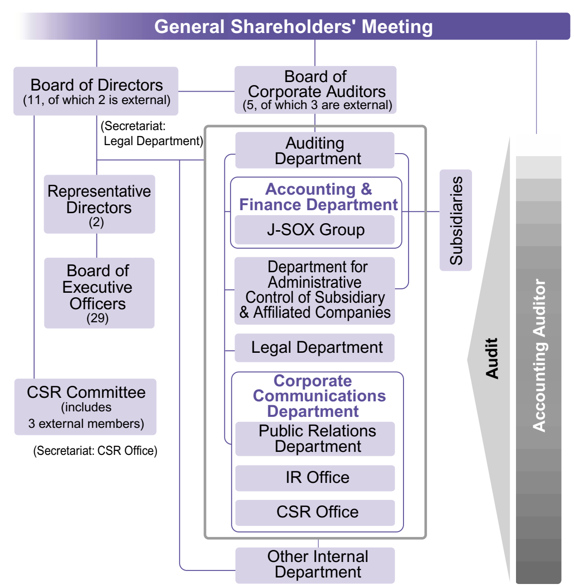
■Promoting CSR

Sekisui House has set up a CSR Committee, which is chaired by CEO Isami Wada and which includes outside members, as an advisory body to the Board of Directors. Through meetings of the CSR Committee held once every three months, a virtuous circle of being aware of outside views and opinions and accelerating our efforts to reflect them has been created. Monitoring employee opinions through surveys and encouraging training and committee activities in the workplace, we are determined to operate with a commitment to compliance and diversity, and to fulfill our social responsibility through communication with stakeholders.

Corporate Governance

To ensure solid stakeholder support, Sekisui House has increased management transparency; provided for timely, appropriate checks on management decisions; and enabled thorough monitoring. External board members and corporate auditors are in place, and our corporate governance system assures management responsibilities are well-defined and executed accordingly.

Corporate Governance Structure(as of April 2012)



Information on these and other corporate environment and social responsibility initiatives for fiscal 2011 will be released in our "Sustainability Report 2012" and on our website.

Management's Discussion and Analysis

Results of Operations

For the year ended January 31

	Millions of yen					Thousands of U.S. dollars
	2012	2011	2010	2009	2008	**2012**
Net sales	**¥ 1,530,578**	¥ 1,488,370	¥ 1,353,186	¥ 1,514,172	¥ 1,597,807	**$ 20,038,989**
Cost of sales	**1,255,254**	1,231,162	1,196,849	1,222,923	1,269,243	**16,434,328**
Operating income (loss)	**70,897**	56,355	(38,755)	73,960	109,728	**928,214**
Net income (loss)	**28,962**	30,421	(29,277)	11,517	60,352	**379,183**

Segment information (Note 22)
Sales by each segment

	Millions of yen					Thousands of U.S. dollars
	2012	2011	2010	2009	2008	**2012**
Custom detached houses	**¥ 475,330**	¥ 455,239	-	-	-	**$ 6,223,226**
Rental housing	**289,028**	277,660	-	-	-	**3,784,080**
Houses for Sale	**127,123**	146,471	-	-	-	**1,664,349**
Condominiums	**39,682**	77,185	-	-	-	**519,534**
Urban redevelopment	**37,720**	22,209	-	-	-	**493,847**
Remodeling	**102,180**	91,443	-	-	-	**1,337,785**
Real estate management fees	**378,248**	361,989	-	-	-	**4,952,186**
Other	**81,267**	56,174	-	-	-	**1,063,982**
Consolidated	**1,530,578**	1,488,370	1,353,186	1,514,172	1,597,807	**20,038,989**

	Millions of yen					Thousands of U.S. dollars
	2012	2011	2010	2009	2008	**2012**
Built to order housing	**-**	¥ 697,388	¥ 590,377	¥ 682,862	¥ 704,507	**-**
Real estate for sale	**-**	229,484	253,572	317,279	403,083	**-**
Real estate for leasing	**-**	377,667	364,218	357,075	334,531	**-**
Other	**-**	183,831	145,019	156,956	155,686	**-**

Note: Since the year ended January 31, 2012, we have changed segments classification.

Amounts per share (Note 19)	Yen					U.S. dollars
	2012	2011	2010	2009	2008	**2012**
Net income (loss) per share	**¥ 42.90**	¥ 45.02	¥ (43.32)	¥ 17.04	¥ 87.70	**$ 0.56**
Diluted	**41.12**	45.00	-	17.03	87.68	**0.54**
Net assets	**1,107.43**	1,090.67	1,059.18	1,115.20	1,139.63	**14.50**
Dividends	**20.00**	21.00	10.00	24.00	24.00	**0.26**

Ratios	**2012**	2011	2010	2009	2008
Equity ratio	**51.45%**	54.94%	52.86 %	54.33%	57.11%
Return on assets (ROA)	**5.28%**	4.34%	(2.69)%	5.60%	8.56%
Return on equity (ROE)	**3.91%**	4.19%	(3.98)%	1.51%	7.69%
Debt / Equity ratio	**35.57%**	28.97%	36.83 %	33.13%	21.12%

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

*See notes to consolidated financial statements.

Consolidated Balance Sheets

Sekisui House, Ltd. and Subsidiaries
January 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Assets			
Current assets:			
Cash and cash equivalents *(Note 20)*	**¥ 169,524**	¥ 151,983	**$ 2,219,482**
Short-term investments *(Notes 4, 10 and 20)*	**5,000**	5	**65,462**
Notes and accounts receivable :			
Affiliates	**243**	159	**3,181**
Trade *(Note 20)*	**36,531**	35,545	**478,280**
Other	**21,729**	15,784	**284,485**
Less allowance for doubtful accounts	**(1,990)**	(2,361)	**(26,054)**
	56,513	49,127	**739,892**
Inventories *(Notes 5 and 10)*	**616,333**	550,436	**8,069,298**
Deferred income taxes *(Note 11)*	**50,248**	52,640	**657,869**
Other current assets	**18,456**	18,339	**241,634**
Total current assets	**916,074**	822,530	**11,993,637**
Property, plant and equipment, at cost:			
Land *(Notes 6 and 10)*	**191,356**	193,249	**2,505,315**
Buildings and structures *(Notes 6 and 10)*	**245,216**	241,411	**3,210,474**
Machinery, equipment and other *(Note 6)*	**85,684**	88,068	**1,121,812**
Construction in progress	**16,667**	11,100	**218,212**
	538,923	533,828	**7,055,813**
Less accumulated depreciation	**(184,787)**	(181,696)	**(2,419,311)**
Property, plant and equipment, net	**354,136**	352,132	**4,636,502**
Investments and other assets:			
Long-term loans receivable	**35,795**	28,831	**468,644**
Less allowance for doubtful accounts	**(1,012)**	(1,445)	**(13,250)**
	34,783	27,386	**455,394**
Investments in securities *(Notes 4, 10 and 20)*	**57,259**	68,107	**749,660**
Investments in affiliates *(Notes 7, 10 and 20)*	**8,597**	4,343	**112,555**
Goodwill	**1,219**	498	**15,960**
Other intangible assets	**13,112**	9,311	**171,668**
Deferred income taxes *(Note 11)*	**21,700**	18,651	**284,106**
Other assets	**38,949**	38,351	**509,937**
Total investments and other assets	**175,619**	166,647	**2,299,280**
	¥ 1,445,829	¥ 1,341,309	**$18,929,419**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Liabilities and net assets			
Current liabilities:			
Short-term loans *(Note 9)*	**¥ 18,971**	¥ 25	**$ 248,377**
Current portion of long-term debt and lease obligations *(Notes 9,10 and 20)*	**62,285**	27,593	**815,462**
Notes and accounts payable *(Note 20)* :			
Affiliates	**3,008**	3,312	**39,382**
Trade	**135,530**	146,402	**1,774,417**
Accrued income taxes *(Note 11)*	**27,043**	9,039	**354,059**
Advances received on construction projects in progress	**76,273**	75,539	**998,599**
Allowance for employees' bonuses	**17,151**	14,419	**224,548**
Allowance for directors' and corporate auditors' bonuses	**734**	663	**9,610**
Allowance for warranties for completed construction	**3,091**	2,762	**40,469**
Other current liabilities	**64,166**	44,335	**840,089**
Total current liabilities	**408,252**	324,089	**5,345,012**
Long-term liabilities:			
Long-term debt and lease obligations *(Notes 9, 10 and 20)*	**184,076**	185,966	**2,410,003**
Guarantee deposits received *(Note 10)*	**52,294**	52,593	**684,656**
Accrued retirement benefits for employees *(Note 12)*	**42,526**	34,914	**556,769**
Accrued retirement benefits for directors and corporate auditors	**1,035**	1,023	**13,551**
Other liabilities	**7,272**	4,695	**95,207**
Total long-term liabilities	**287,203**	279,191	**3,760,186**
Contingent liabilities *(Note 14)*			
Net assets:			
Shareholders' equity *(Note 15)*:			
Common stock:			
Authorized: 1,978,281,000 shares			
Issued: 676,885,078 shares in 2012 and 2011	**186,554**	186,554	**2,442,446**
Capital surplus	**237,523**	237,523	**3,109,754**
Retained earnings	**326,154**	309,362	**4,270,149**
Less treasury stock, at cost	**(4,202)**	(1,417)	**(55,015)**
Total shareholders' equity	**746,029**	732,022	**9,767,334**
Accumulated other comprehensive (loss) income:			
Net unrealized holding gain on securities	**1,575**	2,813	**20,621**
Deferred (loss) gain on hedges	**(7)**	12	**(92)**
Translation adjustments	**(3,767)**	2,116	**(49,319)**
Total accumulated other comprehensive (loss) income	**(2,199)**	4,941	**(28,790)**
Stock subscription rights *(Note 15)*	**365**	292	**4,779**
Minority interests	**6,179**	774	**80,898**
Total net assets	**750,374**	738,029	**9,824,221**
	¥ 1,445,829	¥ 1,341,309	**$18,929,419**

∗See notes to consolidated financial statements.

Consolidated Statements of Income

Sekisui House, Ltd. and Subsidiaries
Years ended January 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Net sales *(Note 22)*	**¥ 1,530,578**	¥ 1,488,370	**$20,038,989**
Cost of sales	**1,255,254**	1,231,162	**16,434,328**
Gross profit	**275,324**	257,208	**3,604,661**
Selling, general and administrative expenses *(Note 16)*	**204,427**	200,853	**2,676,447**
Operating income	**70,897**	56,355	**928,214**
Other income (expenses):			
Interest and dividend income	**2,648**	2,159	**34,669**
Interest expense	**(1,886)**	(2,639)	**(24,692)**
Commission income	**–**	1,194	**–**
Loss on sales or disposal of fixed assets	**(2,184)**	(2,235)	**(28,594)**
Equity in earnings of affiliates	**450**	917	**5,892**
Loss on revaluation of investments in securities	**(2,771)**	(232)	**(36,279)**
Loss on impairment of fixed assets *(Note 6)*	**(958)**	(126)	**(12,543)**
Loss from earthquake	**(1,275)**	–	**(16,693)**
Cumulative effect of initial application of accounting standard for asset retirement obligations	**(688)**	–	**(9,008)**
Cost on settlement of currency swap contracts	**(1,340)**	(451)	**(17,544)**
Foreign exchange losses, net	**(1,022)**	(108)	**(13,380)**
Other, net	**329**	(1,020)	**4,307**
Income before income taxes and minority interests	**62,200**	53,814	**814,349**
Income taxes *(Note 11)*:			
Current	**33,836**	12,636	**442,995**
Deferred	**(619)**	10,735	**(8,104)**
	33,217	23,371	**434,891**
Income before minority interests	**28,983**	30,443	**379,458**
Minority interests in earnings of subsidiaries	**(21)**	(22)	**(275)**
Net income	**¥ 28,962**	¥ 30,421	**$ 379,183**

∗See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2012

	Millions of yen	Thousands of U.S. dollars (Note 1)
	2012	**2012**
Income before minority interests	**¥ 28,983**	**$ 379,458**
Other comprehensive income (loss):		
Net unrealized holding loss on securities	**(1,255)**	**(16,431)**
Deferred loss on hedges	**(19)**	**(249)**
Translation adjustments	**(5,894)**	**(77,167)**
Share of other comprehensive income of affiliates accounted for by the equity method	**8**	**105**
Total other comprehensive loss	**(7,160)**	**(93,742)**
Comprehensive income	**¥ 21,823**	**$ 285,716**
Total comprehensive income (loss) attributable to:		
Shareholders of Sekisui House, Ltd.	**¥ 21,823**	**$ 285,716**
Minority interests	**(0)**	**(0)**

∗See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Sekisui House, Ltd. and Subsidiaries
Years ended January 31, 2012 and 2011

	Millions of yen										
						Accumulated other comprehensive (loss) income					
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Deferred (loss) gain on hedges	Translation adjustments	Stock subscription rights	Minority interests	Total net assets
Balance at January 31, 2010	**676,885,078**	**¥186,554**	**¥237,523**	**¥287,738**	**¥(1,386)**	**¥3,152**	**¥5**	**¥ 2,152**	**¥232**	**¥ 326**	**¥716,296**
Net income for the year................	—	—	—	30,421	—	—	—	—	—	—	30,421
Cash dividends.............................	—	—	—	(8,786)	—	—	—	—	—	—	(8,786)
Purchases of treasury stock..........	—	—	—	—	(62)	—	—	—	—	—	(62)
Sales of treasury stock..................	—	—	—	(11)	31	—	—	—	—	—	20
Other changes...............................	—	—	—	—	—	(339)	7	(36)	60	448	140
Balance at January 31, 2011	**676,885,078**	**¥186,554**	**¥237,523**	**¥309,362**	**¥(1,417)**	**¥2,813**	**¥12**	**¥ 2,116**	**¥292**	**¥ 774**	**¥738,029**
Net income for the year................	—	—	—	28,962	—	—	—	—	—	—	28,962
Cash dividends.............................	—	—	—	(12,165)	—	—	—	—	—	—	(12,165)
Purchases of treasury stock..........	—	—	—	—	(2,798)	—	—	—	—	—	(2,798)
Sales of treasury stock..................	—	—	—	(5)	13	—	—	—	—	—	8
Other changes...............................	—	—	—	—	—	(1,238)	(19)	(5,883)	73	5,405	(1,662)
Balance at January 31, 2012	**676,885,078**	**¥186,554**	**¥237,523**	**¥326,154**	**¥(4,202)**	**¥1,575**	**¥ (7)**	**¥(3,767)**	**¥365**	**¥6,179**	**¥750,374**

	Thousands of U.S. dollars (Note 1)									
					Accumulated other comprehensive (loss) income					
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Deferred (loss) gain on hedges	Translation adjustments	Stock subscription rights	Minority interests	Total net assets
Balance at January 31, 2011	**$2,442,446**	**$3,109,754**	**$4,050,301**	**$(18,552)**	**$ 36,829**	**$ 157**	**$ 27,704**	**$ 3,823**	**$10,133**	**$9,662,595**
Net income for the year................	—	—	379,183	—	—	—	—	—	—	379,183
Cash dividends.............................	—	—	(159,270)	—	—	—	—	—	—	(159,270)
Purchases of treasury stock..........	—	—	—	(36,633)	—	—	—	—	—	(36,633)
Sales of treasury stock..................	—	—	(65)	170	—	—	—	—	—	105
Other changes...............................	—	—	—	—	(16,208)	(249)	(77,023)	956	70,765	(21,759)
Balance at January 31, 2012	**$2,442,446**	**$3,109,754**	**$4,270,149**	**$(55,015)**	**$ 20,621**	**$ (92)**	**$(49,319)**	**$ 4,779**	**$80,898**	**$9,824,221**

∗See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Sekisui House, Ltd. and Subsidiaries
Years ended January 31, 2012 and 2011

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2012	2011	**2012**
Cash flows from operating activities			
Income before income taxes and minority interests	**¥ 62,200**	¥ 53,814	**$ 814,349**
Adjustments for:			
Depreciation and amortization	**18,035**	16,383	**236,122**
Increase in accrued retirement benefits	**7,611**	5,567	**99,647**
Interest and dividend income	**(2,648)**	(2,159)	**(34,669)**
Interest expense	**1,886**	2,639	**24,692**
Equity in earnings of affiliates	**(450)**	(917)	**(5,892)**
Loss on revaluation of investments in securities	**2,771**	232	**36,279**
Cumulative effect of initial application of accounting standard for asset retirement obligations	**688**	–	**9,008**
Increase in notes and accounts receivable	**(985)**	(24,003)	**(12,896)**
(Increase) decrease in inventories	**(58,286)**	42,030	**(763,105)**
(Decrease) increase in notes and accounts payable	**(2,804)**	9,052	**(36,711)**
Increase (decrease) in advances received on construction projects in progress	**279**	(14,909)	**3,653**
Other	**13,588**	5,785	**177,900**
Subtotal	**41,885**	93,514	**548,377**
Interest and dividends received	**2,553**	2,194	**33,425**
Interest paid	**(3,338)**	(3,701)	**(43,702)**
Income taxes paid	**(15,921)**	(9,857)	**(208,445)**
Income taxes refunded	**1,128**	2,911	**14,768**
Net cash provided by operating activities	**26,307**	85,061	**344,423**
Cash flows from investing activities			
Proceeds from sales of short-term investments	**5**	1,280	**65**
Proceeds from sales of property, plant and equipment	**1,263**	4,165	**16,536**
Purchases of property, plant and equipment	**(30,511)**	(21,936)	**(399,463)**
Proceeds from sales of investments in securities	**2,655**	311	**34,760**
Purchases of investments in securities	**(1,350)**	(4,067)	**(17,675)**
Increase in loans receivable	**(11,635)**	(967)	**(152,330)**
Collection of loans receivable	**4,156**	5,318	**54,412**
Other	**(7,512)**	(5,093)	**(98,350)**
Net cash used in investing activities	**(42,929)**	(20,989)	**(562,045)**
Cash flows from financing activities			
Increase in short-term loan, net	**17,315**	25	**226,695**
Proceeds from issuance of bonds	**50,000**	70,000	**654,622**
Proceeds from long-term debt	**15,163**	53,197	**198,521**
Repayment of long-term debt	**(31,309)**	(174,326)	**(409,911)**
Cash dividends paid	**(12,165)**	(8,786)	**(159,270)**
Purchases of treasury stock	**(2,798)**	(62)	**(36,633)**
Other	**1,796**	(180)	**23,515**
Net cash provided by (used in) financing activities	**38,002**	(60,132)	**497,539**
Effect of exchange rate changes on cash and cash equivalents	**(3,839)**	(587)	**(50,262)**
Net increase in cash and cash equivalents	**17,541**	3,353	**229,655**
Cash and cash equivalents at beginning of the year	**151,983**	148,630	**1,989,827**
Cash and cash equivalents at end of the year	**¥169,524**	¥151,983	**$2,219,482**

*See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Sekisui House, Ltd. and Subsidiaries
January 31, 2012 and 2011

1. Basis of Preparation

The accompanying consolidated financial statements of Sekisui House Ltd. (the "Company") and subsidiaries have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to present them in a form which is familiar to readers outside Japan. In addition, the notes to the accompanying consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Effective the year ended January 31, 2012, the Company has adopted "Accounting Standard for Presentation of Comprehensive Income" (Accounting Standards Board of Japan ("ASBJ") Statement No.25 issued on June 30, 2010). In connection with the adoption of this standard "Accumulated other comprehensive (loss) income" and "Total accumulated other comprehensive (loss) income" shown in the accompanying consolidated balance sheet as of January 31, 2011 had previously been stated as "Valuation and translation adjustments" and "Total valuation and translation adjustments," respectively, in the prior year's consolidated balance sheet.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended January 31, 2011 to the 2012 presentation. Such reclassifications had no effect on consolidated net income or net assets.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader and has been made at ¥76.38 = U.S.$1.00, the approximate rate of exchange in effect on January 31, 2012. This translation should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollar amounts at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all its subsidiaries (collectively, the "Group") over which substantial control is exerted through either majority ownership of voting stock and/or by other means. All significant intercompany transactions and accounts have been eliminated in consolidation.

Investments in affiliates (companies over which the Company has the ability to exercise significant influence) are accounted for by the equity method.

For consolidation purposes, the financial statements of the subsidiaries whose balance sheet date is March 31 were prepared as of and for the year ended January 31, 2012.

The balance sheet date of overseas subsidiaries is December 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from January 1 through January 31 have been adjusted, if necessary.

Goodwill is amortized using the straight-line method over their respective determinable useful lives or a period of 5 years if the useful lives are indeterminable. Goodwill is charged or credited to income in the year of acquisition if immaterial.

(b) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except that receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding forward foreign exchange contract rates. Gain or loss on each translation is credited or charged to income.

The financial statements of overseas subsidiaries are translated into yen at the rate of exchange in effect at the balance sheet date except that the components of net assets are translated at their historical exchange rates. Differences resulting from translating the financial statements of the overseas subsidiaries have not been included in the determination of net income.

(c) Cash and cash equivalents

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

(d) Short-term investments and investments in securities

Securities other than those of affiliates are classified into three categories: trading securities, held-to-maturity debt securities and other securities.

Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain or loss, both realized and unrealized, is credited or charged to income. Held-to-maturity debt securities are stated at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive (loss) income. Cost of securities sold is determined by the moving average method. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

Under the Corporation Law of Japan, unrealized holding gain on other securities, net of the related taxes, is not available for distribution as dividends.

(e) Inventories

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

(f) Property, plant and equipment (except for leased assets)

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

(g) Intangible assets (except for leased assets)

Amortization of intangible assets is calculated by the straight-line method over the estimated useful lives of the respective assets.

(h) Leases

Leased assets under finance lease transactions which do not transfer ownership to the lessee are capitalized and depreciated or amortized over the respective lease terms to a nil residual value by the straight-line method.

Finance lease transactions commencing on or before January 31, 2009 other than those in which the ownership of the leased assets is transferred to the lessee continue to be accounted for as operating leases.

(i) Income taxes

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

(j) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

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

(k) Allowance for doubtful accounts

The allowance for doubtful accounts has been provided based on the Company's and its subsidiaries' historical experience with respect to write-offs plus an estimate of the amount of specific uncollectible accounts.

(l) Allowance for employees' bonuses

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

(m) Allowance for directors' and corporate auditors' bonuses

Allowance for directors' and corporate auditors' bonuses are provided for payments of bonuses to directors and corporate auditors based on an estimated amount.

(n) Allowance for warranties for completed construction

Allowance for warranties for completed construction is provided for anticipated future costs based on past experience arising from warranties on completed construction and sold buildings.

(o) Accrued retirement benefits

Accrued retirement benefits are provided based on the amount of the projected benefit obligation reduced by the pension plan assets at fair value at the end of the year.

Actuarial gain or loss is amortized in the year following the year in which such gain or loss is recognized principally by the straight-line method over a period of 5 years.

Prior service cost is amortized by the straight-line method over a period of 5 years.

Directors and corporate auditors of the certain domestic subsidiaries are customarily entitled to lump-sum payments under an unfunded retirement allowances plan. The provision for retirement allowances for these officers has been made at an estimated amount based on each subsidiary's internal regulations.

(p) Recognition of revenues and costs of construction contracts

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

(q) Recognition of revenue derived from finance lease transactions as a lessor

Revenue from financial lease transactions and its related cost are recognized upon receipt of lease payments.

(r) Research and development cost

Research and development cost is charged to income as incurred.

(s) Capitalization of interest expenses

Interest expenses incurred for real estate development projects conducted by certain overseas subsidiaries have been capitalized as a part of the development cost of such projects.

For the years ended January 31, 2012 and 2011, interest expenses that were capitalized and included in inventories as part of construction for sale, including projects under construction, land held for sale and land held for development were ¥1,345 million ($17,609 thousand) and ¥472 million, ¥21 million ($275 thousand) and ¥674 million, ¥1,438 million

($18,827 thousand) and ¥670 million, respectively.

(t) Derivative transactions and hedge accounting

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

3. Changes in Accounting Policies

(a) Accounting standards for equity method of accounting for investments

Effective the year ended January 31, 2012, the Company and its domestic subsidiaries have adopted "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16, issued on March 10, 2008) and "Practical Solution on Unification of Accounting Policies Applied to Associates Accounted for Using the Equity Method" (ASBJ Practical Issues Task Force No. 24, issued on March 10, 2008).
There was no effect of this adoption on the accompanying consolidated financial statements for the year ended January 31, 2012.

(b) Accounting standards for asset retirement obligations

Effective the year ended January 31, 2012, the Company and its domestic subsidiaries have adopted "Accounting Standard for Asset Retirement Obligations" (ASBJ Statement No. 18, issued on March 31, 2008) and "Guidance on Accounting Standards for Asset Retirement Obligations" (ASBJ Guidance No. 21, issued on March 31, 2008).
As a result of the adoption of these accounting standards, operating income decreased by ¥163 million ($2,134 thousand) and income before income taxes and minority interests decreased by ¥851 million ($11,142 thousand) for the year ended January 31, 2012.

(c) Recognition of revenues and costs of construction contracts

Up to the year ended January 31, 2010, revenues and costs of construction contracts were recognized by the completed-contract method. Effective the year ended January 31, 2011, the Company and its domestic subsidiaries adopted "Accounting Standard for Construction Contracts" (ASBJ Statement No.15 issued on December 27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No.18 issued on December 27, 2007). Revenues and costs of construction contracts that commenced on or after February 1, 2010, exclusive of short-term construction projects, were recognized by the percentage-of-completion method when the progress toward completion, revenues and costs could be estimated reliably. The Company and its domestic subsidiaries measure the percentage of completion by comparing costs incurred to date with the most recent estimate of the total costs required to complete the contract (cost-to-cost basis.) The completed-contract method had been consistently applied to those construction contracts not accounted for by the percentage-of-completion method.
As a result of the adoption of these accounting standards, net sales increased by ¥72,989 million, and operating income and income before income taxes and minority interests increased by ¥14,946 million for the year ended January 31, 2011 from the corresponding amounts which would have been recorded under the method applied in the previous year. The impact on segment information is described in the relevant section.

(d) Partial amendments to accounting standard for retirement benefits (Part3)

Effective the year ended January 31, 2011, the Company and its domestic subsidiaries adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)" (ASBJ Statement No.19 issued on July 31, 2008).
There was no effect of this adoption on the accompanying consolidated financial statements for the year ended January 31, 2011.

(e) Accounting standard for business combinations

Effective April 1, 2010, the Company and its domestic subsidiaries adopted "Accounting Standard for Business Combinations" (ASBJ Statement No.21 issued on December 26, 2008), "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22 issued on December 26, 2008), "Partial Amendments to Accounting Standard for Research and Development Costs" (ASBJ Statement No.23, issued on December 26, 2008), "Accounting Standard for Equity Method of Accounting for Investments" (ASBJ Statement No.16, revised on December 26, 2008) and "Guidance on Accounting Standard for Business Divestitures" (ASBJ Guidance No.10, revised on December 26, 2008).

(f) Changes in holding purposes of assets

Due to changes in holding purpose, ¥7,224 million ($94,580 thousand) and ¥5,284 million of inventories, which consist of "Construction for sale, including projects under construction" and "Land held for sale," were principally reclassified to "Buildings and structures" and "Land" at January 31, 2012 and 2011, respectively. In addition, ¥15,055 million ($197,107 thousand) of investment real estate and land for internal use, which were mainly included in "Buildings and structures" and "Land," were reclassified to "Construction for sale, including projects under construction" and "Land held for sale," classified as inventories in the accompanying consolidated balance sheet at January 31, 2012.

4. Short-Term Investments and Investments in Securities

Held-to-maturity debt securities and other securities at January 31, 2012 and 2011 were as follows:

	Millions of yen							
	Held-to-maturity debt securities							
	2012				2011			
	Book value	Gross unrealized gain	Gross unrealized loss	Estimated fair value	Book value	Gross unrealized gain	Gross unrealized loss	Estimated fair value
Market value determinable:								
Bonds	**¥ 3,000**	**¥ 3**	**¥ (1)**	**¥ 3,002**	¥ 2,355	¥ 0	¥ (6)	¥ 2,349
	¥ 3,000	**¥ 3**	**¥ (1)**	**¥ 3,002**	¥ 2,355	¥ 0	¥ (6)	¥ 2,349

	Thousands of U.S. dollars			
	Held-to-maturity debt securities			
	2012			
	Book value	Gross unrealized gain	Gross unrealized loss	Estimated fair value
Market value determinable:				
Bonds	**$ 39,277**	**$ 39**	**$ (13)**	**$ 39,303**
	$ 39,277	**$ 39**	**$ (13)**	**$ 39,303**

	Millions of yen							
	Other securities							
	2012				2011			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Market value determinable:								
Equity securities	**¥41,057**	**¥ 8,596**	**¥ (5,889)**	**¥43,764**	¥43,832	¥ 9,965	¥ (6,046)	¥47,751
	¥41,057	**¥ 8,596**	**¥ (5,889)**	**¥43,764**	¥43,832	¥ 9,965	¥ (6,046)	¥47,751

	Thousands of U.S. dollars			
	Other securities			
	2012			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Market value determinable:				
Equity securities	**$537,536**	**$112,542**	**$(77,101)**	**$572,977**
	$537,536	**$112,542**	**$(77,101)**	**$572,977**

Sales of other securities for the years ended January 31, 2012 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Sales	**¥2,660**	¥311	**$ 34,826**
Gross realized gain	**0**	134	**0**

5. Inventories

Inventories at January 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Land held for sale	**¥340,632**	¥329,487	**$4,459,702**
Land held for development	**125,004**	70,836	**1,636,606**
Construction for sale, including projects under construction	**135,541**	131,738	**1,774,561**
Contracts in process	**8,345**	12,213	**109,256**
Other	**6,811**	6,162	**89,173**
	¥616,333	¥550,436	**$8,069,298**

6. Impairment of Fixed Assets

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

For the years ended January 31, 2012 and 2011, the Group has mainly written down certain real estate for lease to their respective net recoverable values. Consequently, the Group recorded a loss on impairment of fixed assets of ¥958 million ($12,543 thousand) and ¥126 million in the accompanying consolidated statements of income for the years ended January 31, 2012 and 2011, respectively.

The loss on impairment of fixed assets for the years ended January 31, 2012 and 2011 is outlined as follows:

2012				
Location	Use	Classification	Millions of yen	Thousands of U.S. dollars
Shouwaku, Nagoya City etc.	Real estate for lease and other	Buildings and Structures	¥ 354	$ 4,635
		Machinery and Equipment	5	66
		Land	599	7,842
			¥ 958	$ 12,543

2011			
Location	Use	Classification	Millions of yen
Omaezaki, Shizuoka Prefecture etc.	Real estate for lease	Buildings and Structures	¥ 59
		Land	67
			¥ 126

The recoverable value of the above impaired fixed assets was measured at estimated net selling value. The net selling value amount is measured considering appraisals conducted by real estate appraisers for the year ended January 31, 2012 and at the disposal value for the year ended January 31, 2011.

7. Investments in Affiliates

Investments in affiliates at January 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Investments in capital stock, at cost	**¥ 6,916**	¥ 3,186	**$ 90,547**
Equity in undistributed earnings since acquisition, net	**1,681**	1,157	**22,008**
	¥ 8,597	¥ 4,343	**$ 112,555**

8. Investment and Rental Properties

Effective the year ended January 31, 2011, the Group adopted "Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Statement No. 20 issued on November 28, 2008) and "Guidance on Accounting Standard for Disclosures about Fair Value of Investment and Rental Property" (ASBJ Guidance No. 23 issued on November 28, 2010).

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

For the year ended January 31, 2012, rental profit and loss on impairment of these rental properties amounted to ¥4,173 million ($54,635 thousand) and ¥914 million ($11,966 thousand), respectively.

For the year ended January 31, 2011, rental profit, loss on sales or disposal of these rental properties and loss on impairment of these rental properties amounted to ¥4,566 million, ¥869 million, and ¥126 million, respectively.

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

The carrying value in the accompanying consolidated balance sheets as of January 31, 2012 and 2011 and corresponding fair value of those properties are as follows:

Millions of yen			
Carrying value			Fair value
January 31, 2011	Net change	January 31, 2012	January 31, 2012
¥ 255,083	¥ 918	¥ 256,001	¥ 273,126

Millions of yen			
Carrying value			Fair value
January 31, 2010	Net change	January 31, 2011	January 31, 2011
¥ 244,381	¥ 10,702	¥ 255,083	¥ 265,792

Thousands of U.S. dollars			
Carrying value			Fair value
January 31, 2011	Net change	January 31, 2012	January 31, 2012
$ 3,339,657	$ 12,019	$ 3,351,676	$ 3,575,884

Notes:

1. The carrying value represents the acquisition cost less accumulated depreciation.
2. The main components of net change in carrying value are the increase of ¥14,542 million ($190,390 thousand) in acquisitions of real estate and the decrease of ¥5,179 million ($67,806 thousand) in depreciation and the decrease of ¥6,470 million ($84,708 thousand) in transfer to inventories for the year ended January 31, 2012.
3. The main components of net change in carrying value are the increase of ¥18,791 million in acquisitions of real estate and the decrease of ¥4,855 million in depreciation for the year ended January 31, 2011.
4. The fair value of main real estate is computed based on appraisal amounts valued by real estate appraisers. The fair value of the others is computed in accordance with "Real Estate Appraisal Standards."

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

Short-term loan consists of unsecured bank loans. The average interest rates on the short-term loans outstanding at January 31, 2012 and 2011 were 1.72% and 4.82%, respectively.

Long-term debt and lease obligations at January 31, 2012 and 2011 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Unsecured bonds denominated in yen at interest rate 0.70%, due 2015	**¥ 70,000**	¥ 70,000	**$ 916,470**
Unsecured discount bonds denominated in yen at interest rate 1.37%, due 2012	**59,996**	59,991	**785,493**
Zero-coupon unsecured convertible bonds with stock subscription rights, due 2016	**50,000**	—	**654,622**
Unsecured loans from banks and insurance companies at interest rates ranging from 0.57% to 6.00%, due from 2012 to 2015	**53,052**	74,560	**694,580**
Nonrecourse bank loans, at interest rates ranging from 5.15% to 6.27%, due from 2012 through 2014	**11,717**	7,455	**153,404**
Lease obligations	**1,596**	1,553	**20,896**
	246,361	213,559	**3,225,465**
Less current portion	**(62,285)**	(27,593)	**(815,462)**
	¥ 184,076	¥ 185,966	**$ 2,410,003**

Zero-coupon unsecured convertible bonds with stock subscription rights at the gross issuance amount of ¥50,000 million ($654,622 thousand) are convertible into shares of common stock of the Company at ¥1,000 ($13) per share at January 31, 2012 and are exercisable from July 19, 2011 to June 21, 2016.

The aggregate annual maturities of long-term debt subsequent to January 31, 2012 are summarized as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 62,285	$ 815,462
2014	56,318	737,340
2015	6,348	83,111
2016	70,380	921,445
2017 and thereafter	51,030	668,107
	¥246,361	$3,225,465

In order to achieve more efficient and flexible financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these lines of credit at January 31, 2012 and 2011 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Lines of credit	**¥ 68,601**	¥ 50,000	**$ 898,154**
Credit utilized	**16,509**	—	**216,143**
Available credit	**¥ 52,092**	¥ 50,000	**$ 682,011**

10. Mortgaged and Pledged Assets

At January 31, 2012 and 2011, the following assets were either mortgaged or pledged for guarantees of a third party bank loan, guarantee deposits received and long-term debt, including current portion and totaled ¥11,532 million ($150,982 thousand) and ¥14,186 million, respectively.

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Inventories	**¥ 44,547**	¥ 29,139	**$ 583,229**
Land	**3,346**	3,457	**43,807**
Buildings and structures	**607**	609	**7,947**
Investments in affiliates	**24**	21	**314**
	¥ 48,524	¥ 33,226	**$ 635,297**

In addition, at January 31, 2012 and 2011, for the purpose of covering warranty obligations for latent defects on certain housing, ¥2,984 million ($39,068 thousand) of investments in securities and ¥2,350 million of short-term investments and investments in securities were deposited in accordance with relevant laws, respectively.

11. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 40.4% for the years ended January 31, 2012 and 2011. Overseas subsidiaries are subject to the income taxes of the countries in which they operate.

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended January 31, 2012 and 2011 differ from the above statutory tax rate for the following reasons:

	2012	2011
Statutory tax rate	**40.4 %**	40.4%
Non-deductible entertainment expenses	**1.9**	2.0
Non-taxable dividend income	**(0.4)**	(0.4)
Inhabitants' per capita taxes	**0.9**	1.1
Valuation allowance	**2.1**	(1.9)
Effect of changes in corporation tax rates	**8.4**	—
Other	**0.1**	2.2
Effective tax rates	**53.4 %**	43.4%

The significant components of the Group's deferred tax assets (liabilities) at January 31, 2012 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Loss on revaluation of real estate held for sale	**¥ 37,557**	¥ 43,449	**$ 491,712**
Accrued retirement benefits for employees	**15,526**	14,413	**203,273**
Accumulated losses on impairment of fixed assets	**8,058**	8,548	**105,499**
Allowance for employees bonuses	**6,969**	5,857	**91,241**
Tax loss carryforwards	**2,661**	1,224	**34,839**
Unrealized profit on fixed assets	**2,268**	1,699	**29,694**
Loss on revaluation of securities	**2,171**	1,683	**28,424**
Net unrealized holding gain on securities	**(1,067)**	(1,028)	**(13,970)**
Other	**7,930**	6,003	**103,823**
Less valuation allowance	**(10,125)**	(10,557)	**(132,560)**
Net deferred tax assets	**¥ 71,948**	¥ 71,291	**$ 941,975**

The "Act for Partial Revision of the Income Tax Act, etc. for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Financial Resources Necessary to Implement Measures for Reconstruction from the Great East Japan Earthquake" (Act No. 117 of 2011) were promulgated on December 2, 2011 and the corporation tax rate will be reduced and a special recovery tax will be imposed from the fiscal years beginning on or after April 1, 2012. Accordingly, the statutory tax rate used for calculating deferred tax assets and liabilities will be reduced to 37.8% from 40.4% for fiscal years beginning from February 1, 2013 to the fiscal year ending January 31, 2016 for temporary differences that are expected to be realized during this period and subsequently to 35.4% for temporary differences that are expected to be realized on or after April 1, 2016.

As a result of this change in rates, deferred income tax assets, net of deferred income tax liabilities, decreased by ¥5,082 million ($66,536 thousand) and income taxes - deferred (debit) and net unrealized holding gain on securities increased by ¥5,232 million ($68,500 thousand) and ¥151 million ($1,977 thousand), respectively as of and for the year ended January 31, 2012.

12. Accrued Retirement Benefits

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

The following table sets forth the funded and accrued status of the pension plans, and the amounts recognized in the accompanying consolidated balance sheets at January 31, 2012 and 2011 for the Group's defined benefit pension plans:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Retirement benefit obligation at end of year	**¥ (229,146)**	¥ (219,127)	**$ (3,000,079)**
Fair value of plan assets at end of year	**158,810**	158,674	**2,079,210**
Unfunded retirement benefit obligation	**(70,336)**	(60,453)	**(920,869)**
Unrecognized actuarial loss	**32,642**	25,539	**427,363**
Unrecognized prior service cost	**(4,832)**	—	**(63,263)**
Accrued retirement benefits	**¥ (42,526)**	¥ (34,914)	**$ (556,769)**

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

The components of net retirement benefit expenses for the years ended January 31, 2012 and 2011 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Service cost	**¥ 9,992**	¥ 9,709	**$ 130,820**
Interest cost	**5,324**	5,195	**69,704**
Expected return on plan assets	**(6,151)**	(5,704)	**(80,532)**
Amortization:			
Actuarial loss	**10,905**	7,423	**142,773**
Prior service cost	**(166)**	—	**(2,173)**
Effect of change in calculation of retirement benefit obligation	**161**	—	**2,108**
Additional retirement benefits paid	**1,220**	789	**15,973**
Contribution to a defined contribution plan	**15**	15	**196**
Retirement benefit expenses	**¥ 21,300**	¥ 17,427	**$ 278,869**

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

The assumptions used in accounting for the defined benefit pension plans for the years ended January 31, 2012 and 2011 were as follows:

	2012	2011
Discount rates	**2.1%**	2.5%
Expected rate of return on plan assets	**4.0%**	4.0%

13. Asset Retirement Obligations

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

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

A breakdown of the total amount of the asset retirement obligations for the year ended January 31, 2012 is summarized as follows:

	Millions of yen	Thousands of U.S. dollars
	2012	2012
Balance at beginning of the year	¥ 1,606	$ 21,026
Liability incurred for assets acquired	149	1,951
Accretion expense	18	236
Liabilities settled	(130)	(1,702)
Balance at end of the year	¥ 1,643	$ 21,511

Detailed information on the asset retirement obligations at January 31, 2012 was omitted because the total amount of asset retirement obligations at January 31, 2012 was less than 1% of the amount of total liabilities and net assets.

14. Contingent Liabilities

The Group had the following contingent liabilities at January 31, 2012:

	Millions of yen	Thousands of U.S. dollars
Guarantees of housing loans to customers	¥ 96,105	$ 1,258,248
Guarantees of bank loans of a third party	559	7,319
	¥ 96,664	$ 1,265,567

15. Shareholders' Equity

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

The Company's legal reserve included in retained earnings at January 31, 2012 and 2011 amounted to ¥23,129 million ($302,815 thousand) and ¥ 23,129 million, respectively.

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

Stock-based compensation plan

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

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

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

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

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

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

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

	The 2011 plan	The 2010 plan	The 2009 plan	The 2008 plan	The 2007 plan	The 2006 plan
Number of stock options:						
Outstanding at February 1, 2010	–	–	104,000	108,000	52,000	45,000
Granted	–	105,000	–	–	–	–
Cancelled	–	–	–	–	–	–
Exercised	–	–	–	5,000	6,000	6,000
Outstanding at January 31, 2011	–	105,000	104,000	103,000	46,000	39,000
Granted	130,000	–	–	–	–	–
Cancelled	1 ,000	–	–	–	–	–
Exercised	–	–	2 ,000	2,000	–	–
Outstanding at January 31, 2012	129,000	105,000	102,000	101,000	46,000	39,000
Fair value of stock options as of the grant date	¥ 592	¥ 717	¥ 681	¥ 876	¥ 1,571	–

Treasury stock

Movements in treasury stock during the years ended January 31, 2012 and 2011 are summarized as follows:

	Number of shares 2012			
	January 31, 2011	Increase	Decrease	January 31, 2012
Treasury stock	1,187,859	4,034,867	10,845	5,211,881

The increase in treasury stock consists of 4,000,000 shares resulting from the purchase through an off-hours trade, 34,589 shares resulting from the purchase of shares less than one unit by the Company and 278 shares of treasury stocks attributable to the Company resulting from the purchase by an affiliate for the year ended January 31, 2012. The decrease in treasury stock consists of 6,845 shares resulting from sale of shares less than one unit by the Company and 4,000 shares resulting from the exercise of stock option plans for the year ended January 31, 2012.

	Number of shares			
	2011			
	January 31, 2010	Increase	Decrease	January 31, 2011
Treasury stock	1,137,664	75,490	25,295	1,187,859

The increase in treasury stock consists of 75,299 shares resulting from the purchase of shares less than one unit by the Company and 191 shares of treasury stocks attributable to the Company resulting from the purchase by an affiliate for the year ended January 31, 2011. The decrease in treasury stock consists of 8,295 shares resulting from sale of shares less than one unit by the Company and 17,000 shares resulting from the exercise of stock option plans for the year ended January 31, 2011.

16. Research and Development Cost

Research and development cost charged to income amounted to ¥4,367 million ($57,175 thousand) and ¥4,657 million for the years ended January 31, 2012 and 2011, respectively.

17. Supplementary Cash Flow Information

The Company acquired one business for the year ended January 31, 2011. The assets and liabilities acquired and the relationship between acquisition cost and net cash disbursements for the year ended January 31, 2011 are summarized as follows:

	Millions of yen
	2011
Current assets	¥ 1,835
Non-current assets	238
Current liabilities	(52)
Long-term liabilities	(286)
Acquisition cost for the business	1,735
Increase in cash and cash equivalents resulting from the acquisition of the business	(0)
Cash disbursement	¥ 1,735

18 Leases

(Lessee)

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

However, the related disclosures as of and for the years ended January 31, 2012 and 2011 were omitted because these amounts were immaterial.

Future minimum lease payments subsequent to January 31, 2012 under non-cancellable operating leases are summarized as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 25	$ 327
2014 and thereafter	44	576
	¥ 69	$ 903

(Lessor)

Lease receivables from finance lease transactions in which the ownership of the leased assets is not transferred to the lessee as of January 31, 2012 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Current assets:			
Gross lease receivables	**¥ 1,356**	¥ 1,424	**$ 17,753**
Less unearned interest income	**(47)**	(59)	**(615)**
Net lease receivables	**¥ 1,309**	¥ 1,365	**$ 17,138**

Contractual maturities of the above gross lease receivables subsequent to January 31, 2012 in which the ownership of the leased assets is not transferred to the lessee are as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 68	$ 890
2014	68	890
2015	68	890
2016	68	890
2017	68	890
2018 and thereafter	1,016	13,303
	¥ 1,356	$ 17,753

Contractual maturities of lease receivables from finance lease transactions subsequent to January 31, 2012 in which the ownership of the leased assets is transferred to the lessee are as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 98	$ 1,283
2014	98	1,283
2015	98	1,283
2016	98	1,283
2017	98	1,283
2018 and thereafter	2,619	34,289
	¥ 3,109	$ 40,704

Future minimum lease receipts subsequent to January 31, 2012 under non-cancellable operating leases are summarized as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2013	¥ 3,472	$ 45,457
2014 and thereafter	49,571	649,005
	¥ 53,043	$ 694,462

Lease receivables and lease obligations in which the ownership of the leased assets is not transferred to the lessee as of January 31, 2012 and 2011 under sub-lease transactions are as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Lease receivables:			
Current	**¥ 1,170**	¥ 1,213	**$ 15,318**
Lease obligations:			
Current	**43**	43	**563**
Non-current	**1,127**	1,170	**14,755**

19. Amounts per Share

Per share amounts as of and for the years ended January 31, 2012 and 2011 are as follows:

	Yen		U.S. dollars
	2012	2011	**2012**
Net income :			
Basic	**¥ 42.90**	¥ 45.02	**$ 0.56**
Diluted	**41.12**	45.00	**0.54**
Net assets	**1,107.43**	1,090.67	**14.50**
Cash dividends	**20.00**	21.00	**0.26**

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

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

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

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

Financial data for the computation of basic net income per share for the years ended January 31, 2012 and 2011 in the table above are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Information on basic net income per share:			
Net income	**¥ 28,962**	¥ 30,421	**$ 379,183**
Adjusted net income attributable to common stock	**¥ 28,962**	¥ 30,421	**$ 379,183**

	Thousands of shares	
	2012	2011
Weighted-average number of shares of common stock outstanding during the year	**675,069**	675,722

Financial data for the computation of net assets per share at January 31, 2012 and 2011 in the above table is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Total net assets	**¥ 750,374**	¥ 738,029	**$ 9,824,221**
Deductions from total net assets:			
Stock subscription rights	**365**	292	**4,779**
Minority interests	**6,179**	774	**80,898**
Total net assets available to common stockholders	**¥ 743,830**	¥ 736,963	**$ 9,738,544**

	Thousands of shares	
	2012	2011
Number of shares of common stock used in the calculation of net assets per share	**671,673**	675,697

20. Financial Instruments and Related Disclosures

Effective the year ended January 31, 2011, the Group adopted "Accounting Standard for Financial Instruments" (ASBJ Statement No.10 issued on March 10, 2008) and "Guidance on Disclosures about Fair Value of Financial Instruments" (ASBJ Guidance No.19 issued on March 10, 2008).

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

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

Regarding derivative transactions, the Group enters into forward foreign exchange contracts and currency swap contracts to reduce the foreign currency exchange risk arising from trade receivables, payables, investments and loan receivables denominated in foreign currencies. The Group also enters into interest rate swap contracts to reduce the interest rate fluctuation risk. Notional amounts related to forward foreign exchange contracts are set within the amounts of import transactions denominated in foreign currencies. Notional amounts related to interest rate swap contracts are set within the amounts of interest-bearing debts. The Company also formally assesses, at the hedge's inception, whether the derivatives used in the hedging transactions are highly effective in offsetting any changes in fair values or cash flows of the hedged items. Further information regarding the method of hedge accounting can be found in Note 2 (t).

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

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

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

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

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

The carrying value of financial instruments on the accompanying consolidated balance sheets as of January 31, 2012 and 2011 and their estimated fair value are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Millions of yen			Thousands of U.S. dollars		
	2012			2012		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Cash and cash equivalents	¥ 169,524	¥ 169,524	¥ –	$ 2,219,482	$ 2,219,482	$ –
Notes and accounts receivable - trade	36,531			478,280		
Less allowance for doubtful accounts	(563)			(7,371)		
Sub total	35,968	35,968	–	470,909	470,909	–
Short-term investments and investments in securities and affiliates:						
Held-to-maturity debt securities	3,000	3,002	2	39,277	39,303	26
Investments in affiliates	3,121	1,450	(1,671)	40,861	18,984	(21,877)
Other securities	43,764	43,764	–	572,977	572,977	–
Total	255,377	253,708	(1,669)	3,343,506	3,321,655	(21,851)
Notes and accounts payable	138,538	138,538	–	1,813,799	1,813,799	–
Bonds including current portion	129,996	131,287	1,291	1,701,963	1,718,866	16,903
Total	¥ 268,534	¥ 269,825	¥ 1,291	$ 3,515,762	$ 3,532,665	$ 16,903
Derivative transactions (*)	¥ (582)	¥ (582)	¥ –	$ (7,620)	$ (7,620)	$ –

	Millions of yen		
	2011		
	Carrying value	Estimated fair value	Difference
Cash and cash equivalents	¥ 151,983	¥ 151,983	¥ –
Notes and accounts receivable - trade	35,545		
Less allowance for doubtful accounts	(818)		
Sub total	34,727	34,727	–
Short-term investments and investments in securities and affiliates:			
Held-to-maturity debt securities	2,355	2,349	(6)
Investments in affiliates	2,968	1,294	(1,674)
Other securities	47,751	47,751	–
Total	239,784	238,104	(1,680)
Notes and accounts payable	149,714	149,714	–
Bonds	129,991	131,512	1,521
Long-term borrowings including current portion	82,015	82,015	–
Total	¥ 361,720	¥ 363,241	¥ 1,521
Derivative transactions (*)	¥ (482)	¥ (482)	¥ –

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

Fair value of cash and cash equivalents and notes and accounts receivable - trade approximates their carrying value since these items are settled in a short period of time.

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

Fair value of notes and accounts payable approximates carrying value since these items are settled in a short period of time.

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

The fair value of long-term borrowings including current portion approximates carrying value because these long-term borrowings have variable interest rates.

Regarding derivative transactions, refer to Note 21.

Financial instruments for which it is extremely difficult to determine the fair value as of January 31, 2012 and 2011 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2012	2011	**2012**
Unlisted foreign debt securities	**¥ 5,000**	¥ 5,000	**$ 65,462**
Investments in special purpose entities	**6,800**	9,350	**89,029**
Unlisted stocks	**8,165**	3,915	**106,900**
Preferred stocks	**999**	999	**13,079**
Investments in investment limited liability partnerships	**6**	114	**79**

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

The redemption schedule for cash and cash equivalents, notes and accounts receivable and short-term investments and investments in securities with maturities at January 31, 2012 are as follows:

	2012			
	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 169,524	¥ –	¥ –	¥ –
Notes and accounts receivable	36,518	13	–	–
Short-term investments and investments in securities:				
Held-to-maturity debt securities (National government bonds)	–	3,005	–	–
Other securities with maturities (Debt securities)	5,000	–	–	–
Total	¥ 211,042	¥ 3,018	¥ –	¥ –

	2012			
	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	$2,219,482	$ –	$ –	$ –
Notes and accounts receivable	478,110	170	–	–
Short-term investments and investments in securities:				
Held-to-maturity debt securities (National government bonds)	–	39,343	–	–
Other securities with maturities (Debt securities)	65,462	–	–	–
Total	$2,763,054	$ 39,513	$ –	$ –

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

21. Derivative Transactions and Hedging Activities

The contract value (notional principal amount) and the estimated fair value of the derivative instruments outstanding which did not qualify for deferral hedge accounting at January 31, 2012 and 2011 were as follows:

Currency-related transactions

		2012			
		Millions of yen			
Classification	Description of transaction	Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value	Unrealized loss
Over-the-counter transactions	Currency swap contracts	¥ 20,158	¥ 3,970	¥ (575)	¥ (575)

		2011			
		Millions of yen			
Classification	Description of transaction	Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value	Unrealized loss
Over-the-counter transactions	Currency swap contracts	¥ 20,158	¥ 20,158	¥ (495)	¥ (495)

		2012			
		Thousands of U.S. dollars			
Classification	Description of transaction	Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value	Unrealized loss
Over-the-counter transactions	Currency swap contracts	$ 263,917	$ 51,977	$ (7,528)	$ (7,528)

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

The contract value (notional principal amount) and the estimated fair value of the derivative instruments outstanding which qualify for deferral hedge accounting at January 31, 2012 and 2011 were as follows:

Interest-rate related transactions

			2012		
			Millions of yen		
Method of hedge accounting	Description of transaction	Hedged items	Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value
Deferral hedge accounting	Interest rate swap contracts Pay fixed / Receive floating	Long-term borrowings	¥ 1,086	¥ —	¥ (7)

			2011		
			Millions of yen		
Method of hedge accounting	Description of transaction	Hedged items	Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value
Deferral hedge accounting	Interest rate swap contracts Pay fixed / Receive floating	Long-term borrowings	¥ 10,812	¥ —	¥ 12

			2012		
			Thousands of U.S. dollars		
Method of hedge accounting	Description of transaction	Hedged items	Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value
Deferral hedge accounting	Interest rate swap contracts Pay fixed / Receive floating	Long-term borrowings	$ 14,218	$ —	$ (92)

The fair value of the above derivative transactions is determined based on the prices provided by counterparty financial institutions at January 31, 2012 and on the discounted present value at January 31, 2011.

22. Segment Information

Effective the year ended January 31, 2012, the Group have adopted "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No.17 issued on March 27, 2009) and "Guidance on Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Guidance No.20 issued on March 21, 2008).

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

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

Details of the reportable segments are as follows:

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

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

Information on net sales, income or loss, assets and other items by each reportable segment for the years ended January 31, 2012 and 2011 is outlined as follows:

	Millions of yen					
	2012					
	Reportable segments					
	Custom detached houses	Rental housing	Houses for sale	Condominiums	Urban redevelopment	Remodeling
Sales to third parties	¥ 475,330	¥ 289,028	¥ 127,123	¥ 39,682	¥ 37,720	¥ 102,180
Intersegment sales and transfers	–	3,363	–	–	105	117
Net sales	475,330	292,391	127,123	39,682	37,825	102,297
Segment income (loss)	¥ 52,477	¥ 26,595	¥ 3,686	¥ (9,947)	¥ 9,974	¥ 9,625
Segment assets	¥ 78,187	¥ 35,288	¥ 140,089	¥ 129,728	¥ 513,879	¥ 8,754
Other items:						
Depreciation and amortization	5,292	1,993	1,072	58	5,120	97
Increase in property, plant and equipment and intangible assets	6,243	1,005	1,077	46	23,363	46

	Millions of yen					
	2012					
	Reportable segments					
	Real estate management fees	Sub Total	Other	Total	Adjustments	Consolidated
Sales to third parties	¥ 378,248	¥ 1,449,311	¥ 81,267	¥ 1,530,578	¥ –	¥ 1,530,578
Intersegment sales and transfers	2,231	5,816	5,072	10,888	(10,888)	–
Net sales	380,479	1,455,127	86,339	1,541,466	(10,888)	1,530,578
Segment income (loss)	¥ 14,260	¥ 106,670	¥ (3,212)	¥ 103,458	¥ (32,561)	¥ 70,897
Segment assets	¥ 85,742	¥ 991,667	¥227,812	¥ 1,219,479	¥ 226,350	¥ 1,445,829
Other items:						
Depreciation and amortization	475	14,107	1,047	15,154	2,881	18,035
Increase in property, plant and equipment and intangible assets	1,069	32,849	7,421	40,270	3,043	43,313

	Millions of yen					
	2011					
	Reportable segments					
	Custom detached houses	Rental housing	Houses for sale	Condominiums	Urban redevelopment	Remodeling
Sales to third parties	¥ 455,239	¥ 277,660	¥ 146,471	¥ 77,185	¥ 22,209	¥ 91,443
Intersegment sales and transfers	¥ 102	¥ 3,883	–	¥ 479	¥ 88	¥ 8
Net sales	¥ 455,341	¥ 281,543	¥ 146,471	¥ 77,664	¥ 22,297	¥ 91,451
Segment income (loss)	¥ 45,773	¥ 26,195	¥ 517	¥ (1,009)	¥ 4,813	¥ 8,530
Segment assets	¥ 82,960	¥ 36,970	¥ 171,463	¥ 138,907	¥ 507,099	¥ 8,076
Other items:						
Depreciation and amortization	4,650	1,846	1,166	83	4,878	94
Increase in property, plant and equipment and intangible assets	6,523	1,868	1,575	24	18,383	29

	Millions of yen					
	2011					
	Reportable segments					
	Real estate management fees	Sub Total	Other	Total	Adjustments	Consolidated
Sales to third parties	¥ 361,989	¥ 1,432,196	¥ 56,174	¥ 1,488,370	¥ –	¥ 1,488,370
Intersegment sales and transfers	¥ 2,231	¥ 6,791	¥ 4,739	¥ 11,530	¥ (11,530)	–
Net sales	¥ 364,220	¥ 1,438,987	¥ 60,913	¥ 1,499,900	¥ (11,530)	¥ 1,488,370
Segment income (loss)	¥ 12,429	¥ 97,248	¥ (6,017)	¥ 91,231	¥ (34,876)	¥ 56,355
Segment assets	¥ 75,485	¥ 1,020,960	¥ 85,740	¥ 1,106,700	¥ 234,609	¥ 1,341,309
Other items:						
Depreciation and amortization	444	13,161	451	13,612	2,771	16,383
Increase in property, plant and equipment and intangible assets	635	29,037	1,507	30,544	2,147	32,691

	Thousands of U.S. dollars					
	2012					
	Reportable segments					
	Custom detached houses	Rental housing	Houses for sale	Condominiums	Urban redevelopment	Remodeling
Sales to third parties	$ 6,223,226	$ 3,784,080	$ 1,664,349	$ 519,534	$ 493,847	$ 1,337,785
Intersegment sales and transfers	$ –	$ 44,030	$ –	$ –	$ 1,375	$ 1,532
Net sales	$ 6,223,226	$ 3,828,110	$ 1,664,349	$ 519,534	$ 495,222	$ 1,339,317
Segment income (loss)	$ 687,052	$ 348,193	$ 48,259	$ (130,230)	$ 130,584	$ 126,014
Segment assets	$ 1,023,658	$ 462,006	$ 1,834,106	$ 1,698,455	$ 6,727,926	$ 114,611
Other items:						
Depreciation and amortization	69,285	26,093	14,035	760	67,033	1,270
Increase in property, plant and equipment and intangible assets	81,736	13,158	14,101	602	305,878	602

	Thousands of U.S. dollars					
	2012					
	Reportable segments					
	Real estate management fees	Sub Total	Other	Total	Adjustments	Consolidated
Sales to third parties	$ 4,952,186	$18,975,007	$ 1,063,982	$20,038,989	$ –	$20,038,989
Intersegment sales and transfers	$ 29,209	$ 76,146	$ 66,405	$ 142,551	$ (142,551)	$ –
Net sales	$ 4,981,395	$19,051,153	$ 1,130,387	$20,181,540	$ (142,551)	$20,038,989
Segment income (loss)	$ 186,698	$ 1,396,570	$ (42,053)	$ 1,354,517	$ (426,303)	$ 928,214
Segment assets	$ 1,122,571	$12,983,333	$ 2,982,614	$15,965,947	$ 2,963,472	$18,929,419
Other items:						
Depreciation and amortization	6,219	184,695	13,708	198,403	37,719	236,122
Increase in property, plant and equipment and intangible assets	13,996	430,073	97,159	527,232	39,841	567,073

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

Adjustments in the above tables:

The adjustments of segment income in the amounts of ¥32,561 million ($426,303 thousand) and ¥34,876 million for the years ended January 31, 2012 and 2011 are eliminations of intersegment transactions of ¥3,038 million ($39,775 thousand) and ¥3,044 million and corporate expenses of ¥29,523 million ($386,528 thousand) and ¥31,832 million, which were related to administration expenses and research and development costs, respectively.

The adjustments of segment assets in the amounts of ¥226,350 million ($2,963,472 thousand) and ¥234,609 million at January 31, 2012 and 2011, respectively, include corporate assets consisting of surplus funds held by the Company (cash and short-term investments), long-term investments (investments in securities) and assets of administration departments.

The adjustments of depreciation and amortization in the amounts of ¥2,881 million ($37,719 thousand) and ¥2,771 million for the years ended January 31, 2012 and 2011, respectively, consist of depreciation and amortization arising from corporate assets.

The adjustments of increase in property, plant and equipment and intangible assets in the amounts of ¥3,043 million ($39,841 thousand) and ¥2,147 million for the years ended January 31, 2012 and 2011, respectively, consist of the purchase of machinery and equipment by the Company.

The total amount of segment income (loss) in the above tables is adjusted to operating income of the consolidated statements of income for the years ended January 31, 2012 and 2011.

Information on sales of each product and service to major customers for the year ended January 31, 2012 was omitted because it was identical to that of the reportable segment information.

Geographical information and sales information by major customer for the year ended January 31, 2012 was omitted because there were no items that meet the disclosure criteria.

Information on loss on impairment fixed assets by reportable segment for the year ended January 31, 2012 was as follows:

	Millions of yen				
	Year ended January 31, 2012				
	Custom detached houses	Rental housing	Houses for sale	Condominiums	Urban redevelopment
Loss on impairment of fixed assets	¥ 44	¥ –	¥ –	¥ –	¥ 914

	Millions of yen					
	Year ended January 31, 2012					
	Remodeling	Real estate management fees	Other	Total	Eliminations and other	Consolidated
Loss on impairment of fixed assets	¥ –	¥ –	¥ –	¥ 958	¥ –	¥ 958

	Thousands of U.S. dollars				
	Year ended January 31, 2012				
	Custom detached houses	Rental housing	Houses for sale	Condominiums	Urban redevelopment
Loss on impairment of fixed assets	$ 576	$ –	$ –	$ –	$ 11,967

	Thousands of U.S. dollars					
	Year ended January 31, 2012					
	Remodeling	Real estate management fees	Other	Total	Eliminations and other	Consolidated
Loss on impairment of fixed assets	$ –	$ –	$ –	$ 12,543	$ –	$ 12,543

Information on amortization of goodwill and the remaining balance by reportable segment as of and for the year ended January 31, 2012 was as follows:

	Millions of yen				
	As of and for the year ended January 31, 2012				
	Custom detached houses	Rental housing	Houses for sale	Condominiums	Urban redevelopment
Amortization of goodwill	¥ 153	¥ –	¥ 17	¥ –	¥ –
Remaining balance	760	–	86	–	–

	Millions of yen					
	As of and for the year ended January 31, 2012					
	Remodeling	Real estate management fees	Other	Total	Eliminations and other	Consolidated
Amortization of goodwill	¥ –	¥ 114	¥ 27	¥ 311	¥ –	¥ 311
Remaining balance	–	342	31	1,219	–	1,219

	Thousands of U.S. dollars				
	As of and for the year ended January 31, 2012				
	Custom detached houses	Rental housing	Houses for sale	Condominiums	Urban redevelopment
Amortization of goodwill	$ 2,003	$ –	$ 223	$ –	$ –
Remaining balance	9,950	–	1,126	–	–

	Thousands of U.S. dollars					
	As of and for the year ended January 31, 2012					
	Remodeling	Real estate management fees	Other	Total	Eliminations and other	Consolidated
Amortization of goodwill	$ –	$ 1,493	$ 353	$ 4,072	$ –	$ 4,072
Remaining balance	–	4,478	406	15,960	–	15,960

(Segment information under the previous accounting standard)

Under the former segmentation policy applied by the Company up to the year ended January 31, 2011, business segment information of the Group for the year ended January 31, 2011 is outlined as follows:

	Millions of yen						
	2011						
	Built-to-order housing	Real estate for sale	Real estate for leasing	Other	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 697,388	¥ 229,484	¥ 377,667	¥ 183,831	¥1,488,370	–	¥1,488,370
Intragroup sales and transfers	7,139	478	1,876	2,728	12,221	¥ (12,221)	–
Net sales	704,527	229,962	379,543	186,559	1,500,591	(12,221)	1,488,370
Operating expenses	633,710	233,128	365,418	177,104	1,409,360	22,655	1,432,015
Operating income (loss)	¥ 70,817	¥ (3,166)	¥ 14,125	¥ 9,455	¥ 91,231	¥ (34,876)	¥ 56,355
Total assets	¥ 135,354	¥ 606,631	¥ 346,561	¥ 18,153	¥1,106,699	¥ 234,610	¥1,341,309
Depreciation and amortization	¥ 7,269	¥ 648	¥ 5,315	¥ 380	¥ 13,612	¥ 2,771	¥ 16,383
Loss on impairment of fixed assets	¥ –	¥ –	¥ 126	¥ –	¥ 126	¥ –	¥ 126
Capital expenditures	¥ 9,906	¥ 80	¥ 19,013	¥ 1,545	¥ 30,544	¥ 2,147	¥ 32,691

The Group is primarily engaged in the construction, purchase, administration and sale of residential properties; the design, contracting, execution, and supervision of construction projects; real estate brokerage, and landscaping.

In the built-to-order housing segment, the Company prefabricates, builds to order and sells steel frames, wooden frames, and concrete houses and low-rise apartment buildings on land owned by customers. The real estate for sale segment includes sales of land, built-for-sale houses, and also the portion of built-to-order sales where the Company also sold the land, and sales of condominiums. In the real estate for leasing segment, the Company leases, subleases and manages detached houses, low-rise apartment buildings, condominiums, commercial buildings, shops, and so forth. The other segment is involved in contracts for the design of condominiums and commercial buildings, the construction and remodeling of houses, and landscape and garden design and construction.

As described in Note 3(c), effective the year ended January 31, 2011, the Company and its domestic subsidiaries adopted "Accounting Standard for Construction Contracts" (ASBJ Statement No.15 issued on December 27, 2007) and "Guidance on Accounting Standard for Construction

Contracts" (ASBJ Guidance No.18 issued on December 27, 2007). As a result of the adoption of these accounting standards, net sales in the built-to-order housing segment, real estate for sale segment and other segment increased by ¥62,574 million, ¥3,796 million and ¥6,618 million, respectively, while operating income in the built-to-order housing segment and other segment increased by ¥13,240 million and ¥818 million, respectively, and decreased in real estate for sale segment by ¥887 million for the year ended January 31, 2011 as compared to the corresponding amounts which would have been recorded under the method applied in the previous year.

As more than 90% of the consolidated net sales for the year ended January 31, 2011 were made in Japan, the disclosure of geographical segment information was omitted.

As overseas sales accounted for less than 10% of consolidated net sales for the year ended January 31, 2011, the disclosure of overseas sales information was omitted.

23. Related Party Transactions

There are no items to be disclosed for the year ended January 31, 2012.

Principal transactions between the Company and a corporate auditor during the year ended January 31, 2011 are summarized as follows:

		Millions of yen
Name of related party	Description	2011
Teruyuki Saegusa	Sales of apartment house	¥ 72

The selling price of the apartment house was determined using the same method as for third party transactions.

24. Comprehensive Income

Total comprehensive income attributable to shareholders of the Company and minority interests for the year ended January 31, 2011 was as follows:

	Millions of yen
	2011
Total comprehensive income attributable to:	
Shareholders of Sekisui House, Ltd.	¥ 30,053
Minority interests	23
	¥ 30,076

Other comprehensive loss for the year ended January 31, 2011 was as follows:

	Millions of yen
	2011
Net unrealized holding loss on securities	¥ (272)
Deferred gain on hedges	7
Translation adjustments	2
Share of other comprehensive loss of affiliates accounted for by the equity method	(104)
Total other comprehensive loss	¥ (367)

25. Subsequent Events

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended January 31, 2012, was approved at a shareholders' meeting held on April 26, 2012:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥10 = U.S.$0.13 per share)	¥ 6,718	$ 87,955

Report of Independent Auditors

The Board of Directors
Sekisui House, Ltd.

We have audited the accompanying consolidated balance sheets of Sekisui House, Ltd. and subsidiaries as of January 31, 2012 and 2011, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended and consolidated statement of comprehensive income for the year ended January 31, 2012, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sekisui House, Ltd. and subsidiaries at January 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

As described in Note 3(c) to the consolidated financial statements, effective the year ended January 31, 2011, the Company and its domestic subsidiaries adopted the accounting standard for construction contracts and the guidance on accounting standard for construction contracts.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended January 31, 2012 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Osaka, Japan
April 26, 2012

Ernst & Young ShinNihon LLC

Ernst & Young ShinNihon LLC
Auditors

Corporate Data

Outline of the Company
(As of January 31, 2012)

Established
August 1, 1960

Capital Stock Issued
¥186,554 million

Employees
21,275 (consolidated)

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

Factories
Ibaraki, Shizuoka, Yamaguchi, Miyagi and Hyogo

Laboratory
Kyoto

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

All 123 subsidiaries and 15 affiliates

Stock information
(As of January 31, 2012)

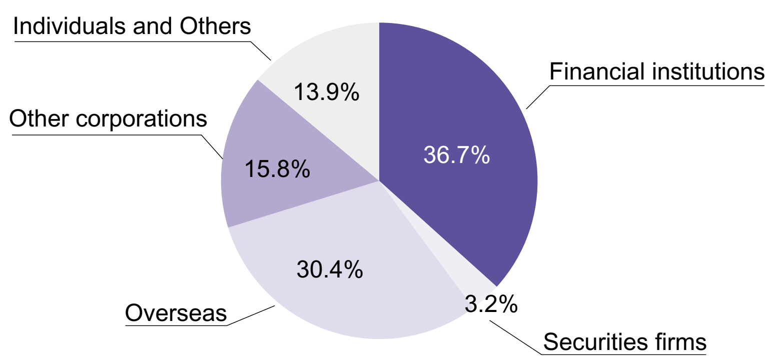
Stock listing
Tokyo, Osaka, Nagoya

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

Major shareholders

	Name	Number of shares	Shareholding ratio (%)
1	Sekisui Chemical Co., Ltd.	72,168,727	10.66
2	Japan Trustee Services Bank, Ltd. (Trust account)	44,026,000	6.50
3	The Master Trust Bank of Japan, Ltd. (Trust account)	41,603,000	6.15
4	The Bank of New York Mellon as Depositary Bank for Depositary Receipt Holders	19,242,357	2.84
5	Employees' Stockholding	17,300,264	2.56
6	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,624,515	2.01
7	Japan Trustee Services Bank, Ltd. (Trust account 9)	13,367,000	1.97
8	SSBTOD05OMNIBUSACCOUNT-TREATYCLIENTS	12,720,200	1.88
9	The Dai-ichi Life Insurance Company, Ltd.	12,158,730	1.80
10	State Street Bank and Trust Company 505225	12,033,992	1.78

Stock composition



Directors and Corporate Auditors
(As of April 26, 2012)

Chairman, Representative Director & CEO
Isami Wada

President, Representative Director & COO
Toshinori Abe

Executive Vice President & Director
Sumio Wada

Executive Vice President, Director & CFO
Shiro Inagaki

Directors
Katsuhiko Machida
Teruyuki Saegusa
Fumiaki Hirabayashi
Tetsuo Iku
Takashi Uchida
Daiji Kuroki
Kengo Yoshida

Standing Corporate Auditors
Tadashi Iwasaki
Yoshiro Kubota

Corporate Auditors
Takaharu Dohi
Yoshinori Shinohara
Kouichi Kunisada

Executive Officers
(As of April 26, 2012)

Executive Vice President
Sumio Wada
Shiro Inagaki

Senior Managing Officers
Fumiaki Hirabayashi
Tetsuo Iku

Managing Officers
Takashi Uchida
Daiji Kuroki
Kengo Yoshida
Akihisa Terasaki
Masaaki Oikawa
Fumiyasu Suguro
Keigo Nakano
Motohiko Fujiwara

Executive Officers
Naoki Ishii
Takanobu Ishioka
Michio Yoshizaki
Kotaro Asano
Hisao Yamada
Yuichi Matsushima
Kazushi Mitani
Koji Nakata
Haruyuki Iwata
Noboru Ashida
Kunpei Nishida
Daisuke Akamatsu
Akira Kuroda
Hiroyuki Satoh
Yohsuke Horiuchi
Kenichi Ishida
Osamu Minagawa

SEKISUI HOUSE

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1-88 Oyodonaka 1-chome,
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