ANNUAL REPORT 2016

For the year ended January 31, 2016

Sekisui House, Ltd.

Our Corporate Profile

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

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

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.

Contents

Financial Highlights

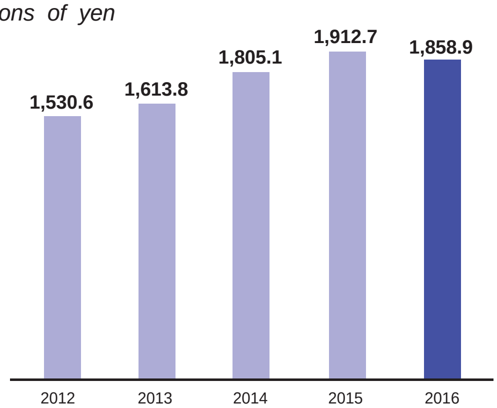
Sekisui House, Ltd. and Subsidiaries
For the year ended January 31

	Millions of yen					Thousands of U.S. dollars
	2016	2015	2014	2013	2012	**2016**
For the year:						
Net sales	**¥ 1,858,879**	¥ 1,912,722	¥ 1,805,102	¥ 1,613,816	¥ 1,530,578	**$ 15,379,159**
Operating income	**149,645**	146,596	131,930	86,197	70,897	**1,238,066**
Net income	**84,303**	90,225	79,801	46,459	28,962	**697,468**
At year ended						
Total assets	**2,029,794**	1,929,410	1,769,005	1,539,273	1,445,829	**16,793,199**
Net assets	**1,068,428**	1,079,065	941,415	814,064	750,374	**8,839,480**

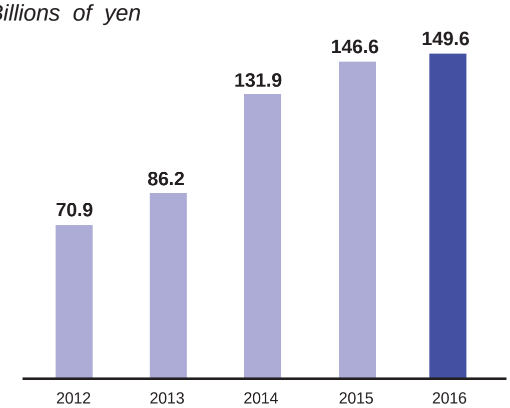
	Yen					U.S. dollars
	2016	2015	2014	2013	2012	**2016**
Per share:						
Net income	**¥ 120.16**	¥ 130.91	¥ 118.63	¥ 69.17	¥ 42.90	**$ 0.99**
Net assets	**1,508.81**	1,527.52	1,358.60	1,200.63	1,107.43	**12.48**
Cash dividends applicable to the year	**54.00**	50.00	43.00	28.00	20.00	**0.45**

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 ¥120.87 = U.S. $1, effective at January 31, 2016.

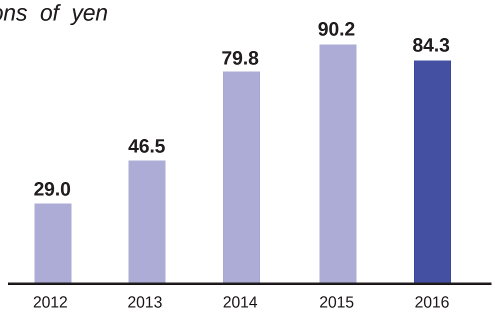
Net Sales
Billions of yen



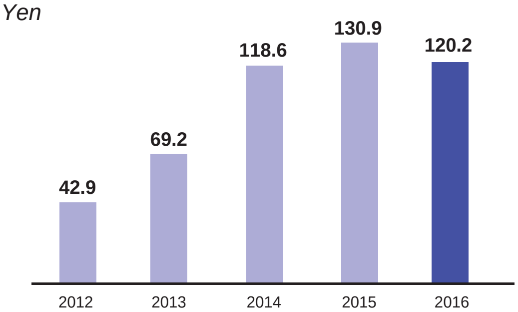
Operating Income
Billions of yen



Net Income
Billions of yen



Net Income Per Share
Yen



Progress of FY2014 Medium-term Management Plan

Steadily carrying out priority strategies in individual business models to accelerate profit growth toward the final fiscal year under the plan

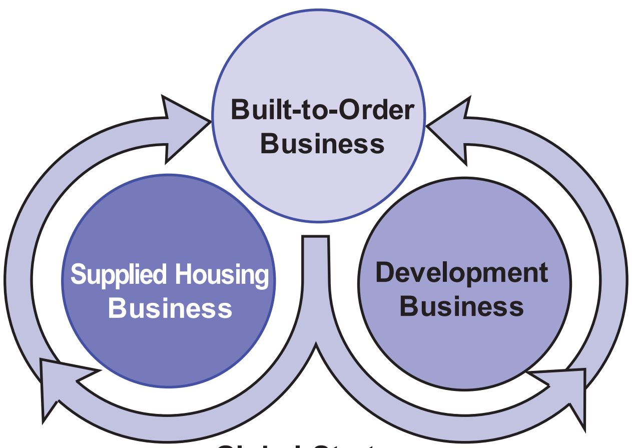
Beginning detailing the next medium-term management plan in view of the future prospects

For FY2015 ended January 2016, which was the second year under the medium term management plan, Sekisui House reached new highs in operating income and in operating profit margin to sales for the third straight year by boosting group synergy and carrying out priority strategies in separate business models. As extraordinary losses were posted, net income stood at 84.3 billion yen. The total shareholder return ratio was 68.6% after the annual dividend payment of 54 yen per share and the share buybacks.

■FY2014 Medium-term Management Plan (FY2014 through FY2016)

Basic Direction

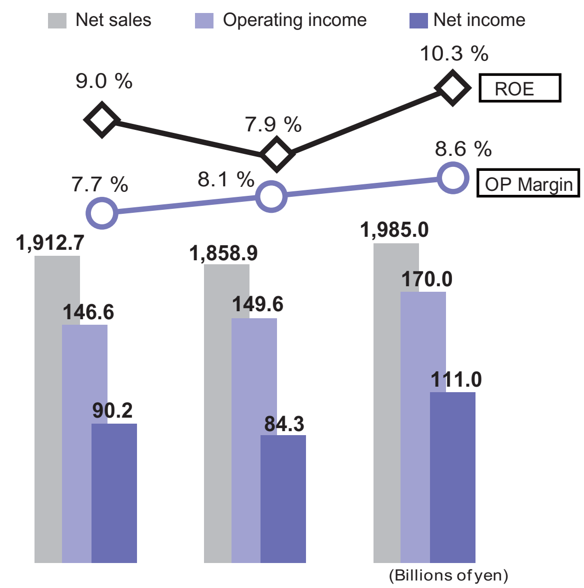
Strengthening synergies in the Group and taking on new challenges in the "residential"-related business



Global Strategy
Virtuous cycle of Sekisui House brand

Consolidated Performance Target

Operating income achieved record highs for the third consecutive year, reflecting the enhancement of its profit-making structures. Profit level is stepping into a long-term growth phase.



■Shareholder Return

	FY2013	FY2014	FY2015	FY2016 Plan
EPS (yen)	118.63	130.91	120.16	161.07
Dividends per share (yen)	43.00	50.00	54.00	64.00
Payout ratio (%)	36.2	38.2	44.9	39.7
Share Buybacks	-	10 million shares	9.69 million shares	Share buybacks of approximately 20% of net income

■Priority strategies and results in individual business models and future developments

	Built-to-Order Business	Supplied Housing Business	Development Business
Priority Strategies	•Strengthening sales of mid-range and high-end products by enhancing value-added proposals •Strengthening sales of multifamily housing by enhancing three-and four-story houses •Reinforcing sales of Green First Zero •Promoting sales for elderly housing with supportive services	•Strengthening the large-scale renovation for detached houses, rental housing, and condominiums •Strengthening the brokerage business for sales of detached houses and rental housing •Promoting SumStock (The Provision of Quality Housing Stock Association) business •Strengthening the block leasing of elderly housing with supportive services	•Creating quality communities to promote sales in the Houses for Sale Business •Bolstering exit strategies through Sekisui House Reit, Inc. •Strengthening brand building in the Overseas Business
Results in FY2015	The Custom Detached Houses Business was affected by the decreased orders in the previous fiscal year, whereas the Rental Housing Business remained healthy. As a whole, the Built-to-Order Business attained an income rise by strengthening the profit-making structure. The Custom Detached House Business stepped up sales promotions of Green First Zero to increase the ratio of adoption to 71%. The Rental Housing Business attained a ratio of three- and four-story buildings of 52% on a value basis.	The Remodeling Business saw its sales remain almost unchanged from the previous fiscal year, following the impact of the consumption tax hike. However, by strengthening collaboration within the Group, it proposed large-scale renovations and remodeling of rented buildings to gain orders steadily. The Real Estate Management Fees Business increased the number of units under management and maintained the occupancy rate at a high level to achieve a revenue increase.	The Houses for Sale Business and the Condominiums Business achieved strong results. Especially in the Condominiums Business, the delivery of a large-sized property made a significant contribution to sales. In the Overseas Business, operations in North America and Australia were so buoyant as to help massively increase both net sales and operating income. A loss was posted in preparation for risks that will occur in the operations in China in the future.
Actions in FY2016	Sekisui House will endeavor to expand sales of Green First Zero, three- and four-story houses and high value-added houses. It will aim to increase the ratio of internal production for the DYNE CONCRETE high-end exterior wall for steel-framed buildings and the BELLBURN earthenware exterior wall for wood-framed SHAWOOD-HOME houses, and to raise the profit margin by further cutting costs.	Sekisui House will work to establish an all-around operation structure for the Remodeling Business. Sekisui House Remodeling, Ltd. will be split into three companies to bolster relations with detached house owners and the renovation business with proposals for lifestyles. The number of rental houses managed is growing steadily. Efforts will be made to attain the stable growth of the Real Estate Management Fees Business.	Under the Japanese version of the Continuing Care Retirement Community (CCRC) program, Sekisui House will continue to implement high quality community development. It will also endeavor to strengthen its exit strategy, including sales of properties to REITs. The Overseas business remains brisk, as the operations of new properties for rent are in good order in North America. It will make a strong contribution to the Development Business.

To Our Shareholders and Investors

For the final year under the Medium-Term Management Plan, we aim to steadily expand our business on the basis of profit growth and shareholder returns.

Toshinori Abe
President & COO

Isami Wada
Chairman & CEO

■Three business models for well-balanced support for profit growth

After making healthy progress with our financial results and business strategies, we are now in the final fiscal year under the FY2014 Medium-Term Management Plan, which defines the residential-related business as a priority challenge. We hereby promise to shareholders that we will aim to constantly achieve continued profit growth through business management that is ahead of the times while accelerating progress.

The healthy results were backed by the establishment of our revenue bases in three business models – the Built-to-Order Business, the Supplied Housing Business and the Development Business – attained through our structural reform since the Lehman crisis and intra-group collaboration that has been strengthened since our 50th anniversary. At present, the Built-to-Order Business earns around 50% of our revenue, while the Supplied Housing Business and the Development Business cover approximately 25% each. Sekisui House's growth has been supported by the Built-to-Order Business centered on custom detached houses. It now has three pillars. This adds greater stability to its future potential. To take a closer look at this Built-to-Order Business, more than half of its revenue comes from the Rental Housing Business.

With the efforts for personnel reassignment and massive cost cuts, the operating profit margin in the three business models has improved, and their break-even points have reduced significantly. They have also steadily increased their synergy. A strong, lean corporate structure is being constructed in which the individual segments complement one another in terms of performance, even amid economic fluctuations and changes in social circumstances. For the fiscal year ended January 2016, new highs were reached in operating income and ordinary income for the third straight year, despite a valuation loss in the China business in view of the local business conditions in the future. In the future, Sekisui House will continue to develop its growth strategies with stability while making the most of its overall strength.

The resolution of social issues is a challenge that is significant for growth. Housing is at the heart of this resolution. Sekisui House believes that the path to its evolution to a new stage will be opened by supplying different houses that are in demand at different times in answer to needs for the resolution of social issues on the basis of its brand vision, represented by the brand vision SLOW & SMART.

■Attaining growth by serving to resolve social issues concerning the environment, energy and the aging of society

At the COP21 meeting at the end of last year, Japan pledged to reduce greenhouse gas emissions by 26% from the 2013 level by 2030. To meet this commitment, it is necessary to achieve a massive 39.3% reduction in the household sector. The Japanese government set a target of increasing Zero Energy Houses, in which the energy balance is zero for living, to at least half of all newly built houses by 2020. Meanwhile, Sekisui House has set a yet higher goal of 80% as the percentage of Zero Energy Houses among newly built houses in a bid to lead the governmental policy, which may be seen as a national project.

For existing houses, which far exceed newly built houses in terms of quantity, Sekisui House is working to introduce state-of-the-art environmental technologies that it has nurtured. It proposes renovations for energy conservation that achieves both comfort and environmentally-friendly lifestyles as well as the Green First Renovation, which is a larger-scale renovation that achieves economic efficiency and environmental friendliness. The Green First Renovation is an initiative that suits the times and is of high urgency.

On the occasion of the Public-Private Dialogue toward Investment for the Future in November 2015, Sekisui House stressed the current circumstances as described above and requested specific policies. The government side suggested encouraging the shift to Zero Energy Houses and a policy of supporting remodeling and renovation for energy conservation. Sekisui House presented the importance of the roles of housing in environmental and energy issues as well as in welfare for the elderly from a new perspective to successfully gain the assent of the prime minister and other governmental officials. This was quite significant from the comprehensive viewpoint of improving Japan's housing environment.

Three- or four-story residential houses are also important for responding to social demand. They are in growing demand as buildings for the cohabitation of three generations and as partly leased houses for reducing inheritance tax. In response to this trend, Sekisui House has obtained approval for the performance of the housing model, which leads to efficiency in the operation to apply for confirmation of design and buildings, with regard to the its original *ß* system construction method for four-story heavy steel frame structures. Sekisui House will fully stress its capability to design houses to make good use of small spaces or houses that are matched with diverse lifestyles to step up its sales activities. Sekisui House's rental housing is gaining in popularity due to the sophisticated look of its exterior and the common spaces, functionality, security and other overall qualities. Providing greater satisfaction for tenants, it is accepted despite its rent being set at high levels to earn good revenue in the Real Estate Management Fees Business. As a result, it achieves a virtuous cycle.

In terms of production, the DYNE CONCRETE exterior wall that is unique to the highly competitive steel-framed IS SERIES lines and the BELLBURN original earthenware exterior wall that is unique to the wood-framed SHAWOOD-HOME products are being shifted to internal production. In addition to the Shizuoka Factory, an automated line in the Kanto Factory will be coming into operation. Sekisui House will continue its comprehensive reform of all processes including production, design and construction, and will work to improve product appeal.

■Sekisui House makes powerful progress by developing human resources who support mixed development and the integration of management resources.

The Development Business aims to boost its income by increasing the asset turnover. In the Overseas Business, operations in Australia and the United States are reaching the phase of attaining profitability. In November 2015, Sekisui House announced a business alliance with Konoike Construction Co., Ltd. The efficient integration between management resources related to housing and those related to construction and civil engineering is a combination with a high level of affinity from the perspective of corporate culture. Sekisui House is convinced that it is an efficient preparatory step with potential for a range of expansion.

With respect to the development of human resources that will implement these businesses, the development of female personnel and their performance of significant roles have produced positive results in different forms. Among others, the staff of a housing manufacturer think about the different lifestyles of customers and continue to serve them attentively in day-to-day operations. Sekisui House believes that its growth and innovations would definitely not be possible without creating workplaces that allow not only women but also many different human resources to work actively.

In a bid to respond to social demand, Sekisui House will steadily take root in customers' lives and in social activities and take strong steps forward in a bid to meet social expectations.

■Financial analysis

In the fiscal year under review, the Japanese economy saw a continued moderate recovery trend in corporate earnings and solid consumer spending, despite concern over a slowdown in economic growth in emerging countries in Asia and uncertainty over the outlook of stock markets due to the impact of decreased crude oil prices.

In the housing market, interest in purchasing housing showed some signs of recovery, thanks to government measures supporting home purchasing, such as an expansion in tax exemptions for gifts for the purpose of purchasing residential housing, a broader application of preferential interest rates for the Flat 35S, and the implementation of the point program for energy-saving homes, in addition to an improved employment and income environment. Demand remained strong in the rental housing market, mainly in urban areas, reflecting asset utilization in response to the revision of inheritance taxes enforced in January 2015.

Under these circumstances, the Company developed its business and expanded the housing and residential-related businesses as a group, while seeking to develop new markets, in accordance with its FY2014 Medium-Term Management Plan, the brand vision SLOW & SMART and the Group's basic direction of "Strengthening synergies in the Group and taking on new challenges in the ‘residential’-related business.” The Company also held sales promotion events nationwide, including *Sumai no sankan-bi* (visits to model houses) and Sha Maison Festa, and worked to win orders.

Net sales in FY2015 amounted to ¥1,858,879 million ($15,379,159 thousand), down 2.8% from the previous fiscal year, reflecting the sales decline in the Custom Detached Houses Business and a decrease in property sales in the Urban Redevelopment Business. Operating income amounted to ¥149,645 million ($1,238,066 thousand, up 2.1%), and net income amounted to ¥84,303 million ($697,468 thousand, down 6.6%) as a result of posting of extraordinary losses.

Total assets increased by ¥100,384 million to ¥2,029,794 million at the end of the fiscal year under review, primarily owing to the increases in real estate for sale. Liabilities increased to ¥961,366 million, mainly due to an increase in short-term loans payable and the issue of short-term bonds payable. Net assets decreased to ¥1,068,428 million chiefly due to the payment of dividends, the acquisition of treasury stock and a decrease in foreign currency translation adjustment, despite the posting of net income. Equity ratio was 52.1%.

Going forward, consumer confidence is expected to rise in Japan as employment and income improve amid a continued moderate recovery trend in its economy. Some sectors of the housing market will remain uncertain, however, mainly reflecting a surge in demand associated with the consumption tax hike scheduled for April 2017 as well as an associated backlash. That said, it appears that housing demand will increase on the back of a number of support policies that are being launched in conjunction with new constructions and renovations of eco-friendly houses.

For the fiscal year ending January 31, 2017, the Company forecasts consolidated net sales of ¥1,985,000 million, consolidated operating income of ¥170,000 million, and net income attributable to owners of parent of ¥111,000 million.

■Basic Policy on profit distribution and dividend

The Company recognizes the maximization of shareholder value as one of its most important management challenges, and seeks to promote the growth of earnings per share through sustained business growth. In addition, considering such factors as earnings and cash flows in the respective fiscal years, as well as the future outlook, it is working to enhance the profits of shareholders through efforts to improve the asset efficiency, such as investments for growth and dividends, as well as share buybacks and retirement of treasury stocks. Under the above policy, the Company seeks to accomplish a total return ratio of 60% for shareholders, with the share buybacks equivalent to 20% of net profit, while securing an average payout ratio of a minimum of 40% on a medium- to long-term basis, to achieve high-level profit sharing and maintain sound management for a medium-to long period of time.

For the year ended January 31, 2016, we paid an interim dividend of ¥27 and plan to pay out a year-end dividend of ¥27. For the next fiscal year ending January 31, 2017, we plan to pay out an interim dividend of ¥32 and a year-end dividend of ¥32, totaling ¥64 for the full year.

I. Wada

Isami Wada
Chairman & CEO

Toshinori Abe

Toshinori Abe
President & COO

Segment Information

FY2015 Business results
Consolidated net sales: ¥1,858,879 million, Consolidated operating income: ¥149,645 million

Custom Detached Houses

Sales
¥ 393,787 million
(down 7.8% year-on-year)

Operating income
¥ 47,208 million
(down 3.4% year-on-year)

[Business details]

Design, construction, and contracting of built-to-order detached houses

[Summary]

Despite efforts to expand the sales of Green First Zero, three- and four-story houses, and other high value-added houses, sales tumbled following the stagnation in orders received in the previous fiscal year. Meanwhile, the gross profit and operating profit margin both soared as a result of strengthening the profit-making structure with the use of the Group's strength in production, construction, distribution, and other areas.

Built-to-Order Rental Housing

Sales
¥ 400,601 million
(up 0.5% year-on-year)

Operating income
¥ 51,919 million
(up 13.3% year-on-year)

[Business details]

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

[Summary]

Demand continues to grow in urban areas, and there is a need for measures in response to the heavier taxation on inherited properties. Three- and four-story rental houses posted strong sales because they can be used for many different purposes, allowing for flexible proposals. As with the custom detached houses business, profit margin jumped significantly following cost cuts.

Remodeling

Sales
¥ 134,459 million
(up 0.2% year-on-year)

Operating income
¥ 15,848 million
(up 5.7% year-on-year)

[Business details]

Remodeling of residential properties

[Summary]

After a decline in demand due to the consumption tax hike, sales remained nearly flat from the previous fiscal year. The state of orders was healthy after stepping up the promotion of renovation for energy conservation, large-scale renovation, and proposal-based remodeling into rental houses which we have built, and the strengthening proposals for the general remodeling of existing houses and condominiums.

(after)

(before)

Real Estate Management Fees

Sales
¥ 448,751 million
(up 4.8% year-on-year)

Operating income
¥ 26,819 million
(up 14.6% year-on-year)

[Business details]

Sub-lease, management, operation and brokerage of real estate

[Summary]

The Built-to-Order Rental Housing Business supplied high quality residences to achieve a high occupancy ratio and a steady increase in the number of units under management. The occupancy rate rose 0.1 percentage point from the end of the preceding fiscal year to 96.5%. The number of units under management exceeded 565,000.

Houses for Sale

Sales
¥ 137,485 million
(up 15.8% year-on-year)

Operating income
¥ 11,920 million
(up 40.4% year-on-year)

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

[Summary]
The implementation of high quality community development, *Machinami Sankambi* sales promotion events, and a sales strategy that seeks to use land all contributed greatly to the significant rise in sales.

Condominiums

Sales
¥ 81,470 million
(up 43.7% year-on-year)

Operating income
¥ 8,031 million
(up 69.5% year-on-year)

[Business details]
Sale of condominiums

[Summary]
The delivery of large properties in the central part of Tokyo area led to massive growth in sales and income. The receipt of orders was also brisk, driven by the strong sales of newly released properties.

Urban Redevelopment

Sales
¥ 93,038 million
(down 47.8% year-on-year)

Operating income
¥ 24,748 million
(down 4.1% year-on-year)

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

[Summary]
Sales and income dropped as a result of the significant decline from the preceding fiscal year in sales earned through the sell-off of properties to Sekisui House Reit, Inc. and other entities.

Overseas Businesses

Sales
¥ 89,523 million
(up 12.1% year-on-year)

Operating loss
¥ 5,673 million

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

[Summary]
Despite healthy operations in Australia and North America, losses which included a loss on the valuation of inventories were posted in a project for Chinese operations in view of the local future business environment. As a result, an operating loss was incurred.

Other Businesses

[Business details] Mainly involving in exterior business, etc

Sales: ¥79,765 million (down 12.5% year-on-year), **Operating income**: ¥2,511 million (down 19.6% year-on-year)

Non Financial Information regarding ESG

■ Environmental Strategy at the Heart of Management Strategy

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

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

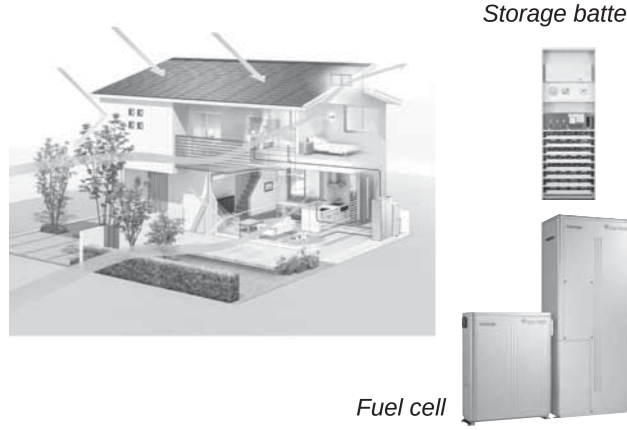
In 2008, we announced the Carbon Neutral House, which combines energy saving with energy generation to achieve zero net CO_2 emissions when occupied. To coincide with the 2008 G-8 Hokkaido Toyako Summit, we provided full support for the construction of the Zero Emission House as a futuristic residential building that emits no carbon dioxide throughout its product lifecycle, from production to dismantlement. Our environmental technologies and message were presented to the world through the media, earning strong praise. In addition, with its efforts having earned high marks, Sekisui House has been certified as Eco-First Company by the Ministry of the Environment since 2008.

In 2009, we defined environmentally friendly houses as a business axis and launched the Green First Strategy. We propose the Green First series of eco-friendly residential houses equipped with solar power generation systems as well as household fuel cells and storage batteries to cut CO_2 emissions by 50% and more in a state of occupancy. In 2011, we announced the Green First Hybrid, the world's first smart house equipped with photovoltaic cells, fuel cells and storage batteries to perform optimal energy control with a home energy management system (HEMS).

In April 2013, the Company launched Green First Zero, in order to be ahead of time in realizing Zero Energy Houses (ZEH), which drastically reduces energy consumption through high insulation values and the latest energy conservation facilities, as well as generating power using solar batteries and fuel cells, to aim for a Zero Energy Balance. The Japanese government aims to make half of all the newly built houses the Zero Energy Houses by 2020, while our Green First Zero accounted for approximately 71% of all detached house orders received in fiscal 2015, and the accumulated orders received since its launch exceeded 19,000. This result gives Sekisui House the clear lead in the industry, and we see it as evidence of our strengths, such as the high-quality standard specifications of our housing and our sophisticated consulting proposals.

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

Storage battery



Fuel cell

■ Brand Vision - SLOW & SMART

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

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

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

■Development of our overseas business

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

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

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

■ Actions for Sustainability

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

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

In 2015, Sekisui House introduced integrated management of information on individual residential houses in all phases, covering sales, design, factory work, construction, and after-sales maintenance with the use of information technology. In addition, it made active use of mobile terminals to carry out operational and production reforms and to level out construction. In recognition of these actions, Sekisui House was selected as a Competitive IT Strategy Company, an honor jointly established by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange.

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

In 2013, Sekisui House established *Sumufumulab* as an open innovation facility aiming to create a new housing culture. The Company transmits the values of day-to-day life to various stakeholders based on the research and development capabilities it has been cultivating for years. In 2015, the Sekisui House Eco First Park was inaugurated. The park brought together residential houses for demonstrative trials that exhibited our cutting-edge environmental technologies.

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

■ Promoting Diversity

In 2006, Sekisui House issued its Declaration for Human Resource Sustainability. It contained three pillars for supporting the participation of women in the workforce, the use of diverse human resources, and support for many different work styles and work-life balance. In the same year, the company set up the Diversity Development Team to actively work to encourage women to play active roles. In 2014, the Diversity and Inclusion Promoting Office was launched. Sekisui House carries out different efforts to help it become a sustainable corporate group that produces great extra value through mutual respect and by developing the potential of its broad range of human resources.

Specific initiatives include the Sekisui House Women's College, which is an internal training program under which prospective female executives selected from across the country learn about the managerial perspectives needed for managers and business administration in a curriculum lasting two years. Sekisui House also endeavors to develop young sales staff. As of the end of January 2016, there were more than 250 female sales personnel.

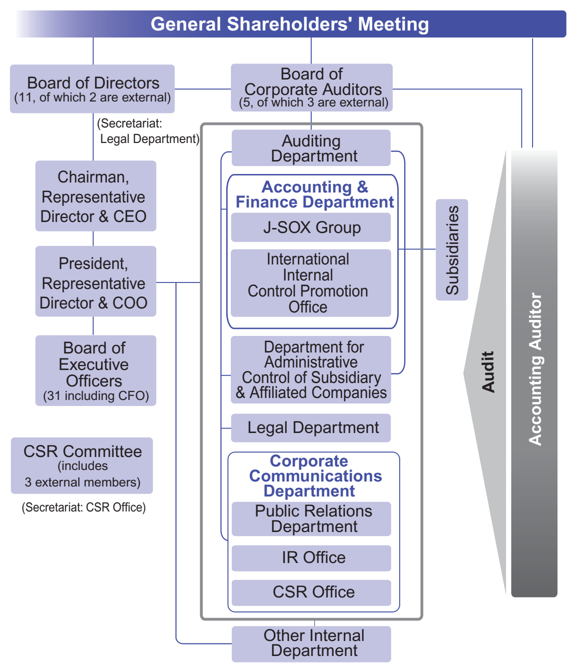
Sekisui House has introduced a highly flexible working system that allows working at home as well as reduced, earlier and later working hours. It has created many different programs for assistance in nursing care for family members to support the many different work styles of employees and their work-life balance. In addition, efforts are made to employ individuals with disabilities and to enhance the internal human resource development program.

As a result of these efforts, Sekisui House has been included in the Nadeshiko list of companies that empower women and their careers through a scheme jointly run by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange. It has been named a total of three times since the scheme was started in 2013, including selection for the fiscal year under review. Sekisui House is the only company in the housing and construction industry that has made this list three times.

■ Governance Structure

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

Corporate Governance Structure(as of April 2016)



*Actions for compliance with the Corporate Governance Code are currently being examined. They will be announced as soon as they are determined.

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

Information on these and other ESG related initiatives for FY2015 will be released in our "Sustainability Report 2016" 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
	2016	2015	2014	2013	2012	**2016**
Net sales	**¥ 1,858,879**	¥ 1,912,722	¥ 1,805,102	¥ 1,613,816	¥ 1,530,578	**$ 15,379,159**
Cost of sales	**1,485,011**	1,544,275	1,446,602	1,314,313	1,255,254	**12,286,018**
Operating income	**149,645**	146,596	131,930	86,197	70,897	**1,238,066**
Net income	**84,303**	90,225	79,801	46,459	28,962	**697,468**

Segment Information (Note 21)
Sales by each segment

	Millions of yen					Thousands of U.S. dollars
	2016	2015	2014	2013	2012	**2016**
Custom detached houses	**¥ 393,787**	¥ 427,044	¥ 517,691	¥ 465,149	¥ 475,330	**$ 3,257,938**
Rental housing	**400,601**	398,483	356,203	303,713	289,028	**3,314,313**
Remodeling	**134,459**	134,167	125,047	111,549	102,180	**1,112,426**
Real estate management fees	**448,751**	428,227	408,404	393,978	378,248	**3,712,675**
Houses for Sale	**137,485**	118,731	133,405	127,810	127,123	**1,137,462**
Condominiums	**81,470**	56,699	63,084	52,539	39,682	**674,030**
Urban redevelopment	**93,038**	178,345	42,428	45,529	37,720	**769,736**
Overseas Business	**89,523**	79,835	85,393	54,845	24,264	**740,655**
Other	**79,765**	91,191	73,447	58,704	57,003	**659,924**
Consolidated	**1,858,879**	1,912,722	1,805,102	1,613,816	1,530,578	**15,379,159**

Amounts per share (Note 18)	Yen					U.S. dollars
	2016	2015	2014	2013	2012	**2016**
Net income per share	**¥ 120.16**	¥ 130.91	¥ 118.63	¥ 69.17	¥ 42.90	**$ 0.99**
Diluted	**119.41**	125.22	110.50	64.32	41.12	**0.99**
Net assets	**1,508.81**	1,527.52	1,358.60	1,200.63	1,107.43	**12.48**
Dividends	**54.00**	50.00	43.00	28.00	20.00	**0.45**

Ratios

	2016	2015	2014	2013	2012
Equity ratio	**52.11%**	55.38%	52.63%	52.39%	51.45%
Return on assets (ROA)*	**8.25%**	8.40%	8.15%	5.96%	5.28%
Return on equity (ROE)	**7.93%**	9.03%	9.19%	5.99%	3.91%
DE ratio	**40.28%**	32.92%	31.14%	33.31%	35.67%

* ROA = (Operating income + Interest and dividend income + Equity in earnings of affiliates) / Total assets

* See notes to consolidated financial statements.

Consolidated Balance Sheet

Sekisui House, Ltd. and Subsidiaries
January 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Assets			
Current assets:			
Cash and cash equivalents *(Note 19)*	**¥ 192,338**	¥ 195,008	**$ 1,591,280**
Short-term investments *(Notes 4, 10 and 19)*	**5,700**	1,421	**47,158**
Notes and accounts receivable :			
Affiliates	**2,246**	908	**18,582**
Trade *(Note 19)*	**49,220**	53,646	**407,214**
Other	**30,662**	26,023	**253,678**
Less allowance for doubtful accounts	**(1,226)**	(1,258)	**(10,143)**
	80,902	79,319	**669,331**
Inventories *(Notes 5 and 10)*	**914,911**	787,354	**7,569,380**
Deferred income taxes *(Note 11)*	**31,177**	35,272	**257,938**
Other current assets	**39,905**	30,893	**330,148**
Total current assets	**1,264,933**	1,129,267	**10,465,235**
Property, plant and equipment, at cost:			
Land *(Notes 6, 8 and 10)*	**311,431**	301,089	**2,576,578**
Buildings and structures *(Notes 6, 8 and 10)*	**346,174**	355,501	**2,864,019**
Machinery, equipment and other *(Note 6)*	**94,976**	98,939	**785,770**
Construction in progress	**10,330**	7,808	**85,464**
	762,911	763,337	**6,311,831**
Less accumulated depreciation	**(229,736)**	(219,625)	**(1,900,687)**
Property, plant and equipment, net	**533,175**	543,712	**4,411,144**
Investments and other assets:			
Long-term loans receivable	**50,627**	57,578	**418,855**
Less allowance for doubtful accounts	**(543)**	(591)	**(4,492)**
	50,084	56,987	**414,363**
Investments in securities *(Notes 4, 10 and 19)*	**84,413**	92,031	**698,378**
Investments in affiliates *(Notes 7, 10 and 19)*	**31,128**	17,398	**257,533**
Goodwill	**106**	337	**877**
Intangible assets	**14,674**	15,787	**121,403**
Deferred income taxes *(Note 11)*	**2,292**	2,328	**18,962**
Asset for retirement benefits *(Note 12)*	**3,229**	28,780	**26,715**
Other assets *(Note 10)*	**45,760**	42,783	**378,589**
Total investments and other assets	**231,686**	256,431	**1,916,820**
	¥ 2,029,794	¥ 1,929,410	**$16,793,199**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Liabilities and net assets			
Current liabilities:			
Short-term loans *(Notes 9 and 10)*	**¥ 146,189**	¥ 67,975	**$ 1,209,473**
Short-term bonds *(Note 9)*	**60,000**	20,000	**496,401**
Current portion of long-term debt and lease obligation *(Notes 9,10 and 19)*	**98,651**	81,273	**816,174**
Notes and accounts payable *(Note 19)* :			
Affiliates	**3,567**	2,786	**29,511**
Trade	**162,518**	158,044	**1,344,568**
Accrued income taxes *(Note 11)*	**33,009**	23,391	**273,095**
Advances received on construction projects in progress	**117,254**	102,324	**970,084**
Accrued employees' bonuses	**26,628**	25,461	**220,303**
Accrued directors' and corporate auditors' bonuses	**1,063**	1,055	**8,795**
Provision for warranties for completed construction	**2,795**	3,244	**23,124**
Other current liabilities	**83,702**	76,682	**692,496**
Total current liabilities	**735,376**	562,235	**6,084,024**
Long-term liabilities:			
Long-term debt and lease obligation *(Notes 9, 10 and 19)*	**121,173**	182,483	**1,002,507**
Guarantee deposits received *(Note 10)*	**59,141**	59,909	**489,294**
Accrued retirement benefits for directors and corporate auditors	**1,151**	1,057	**9,523**
Liabilities for retirement benefits *(Note 12)*	**19,293**	17,550	**159,618**
Deferred income taxes	**1,435**	12,916	**11,872**
Other liabilities	**23,797**	14,195	**196,881**
Total long-term liabilities	**225,990**	288,110	**1,869,695**
Contingent liabilities *(Note 14)*			
Net assets:			
Shareholders' equity *(Notes 15 and 24)*:			
Common stock:			
Authorized: 1,978,281,000 shares			
Issued: 709,683,466 shares in 2016 and 699,845,934 shares in 2015	**202,591**	197,716	**1,676,106**
Capital surplus	**253,559**	248,684	**2,097,783**
Retained earnings	**498,094**	466,950	**4,120,907**
Less treasury stock, at cost	**(17,577)**	(500)	**(145,421)**
Total shareholders' equity	**936,667**	912,850	**7,749,375**
Accumulated other comprehensive income:			
Net unrealized holding gain on securities	**26,672**	28,203	**220,667**
Deferred (loss) gain on hedges	**(13)**	0	**(108)**
Translation adjustments	**68,748**	91,168	**568,777**
Retirement benefits liability adjustements	**25,622**	36,202	**211,980**
Total accumulated other comprehensive income	**121,029**	155,573	**1,001,316**
Stock subscription rights *(Notes 15 and 24)*	**623**	537	**5,154**
Minority interests	**10,109**	10,105	**83,635**
Total net assets	**1,068,428**	1,079,065	**8,839,480**
	¥ 2,029,794	¥ 1,929,410	**$16,793,199**

*See notes to consolidated financial statements.

Consolidated Statement of Income

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Net sales *(Note 21)*	**¥ 1,858,879**	¥ 1,912,722	**$15,379,159**
Cost of sales	**1,485,011**	1,544,275	**12,286,018**
Gross profit	**373,868**	368,447	**3,093,141**
Selling, general and administrative expenses *(Note 16)*	**224,223**	221,851	**1,855,075**
Operating income	**149,645**	146,596	**1,238,066**
Other income (expenses):			
Interest and dividend income	**4,148**	3,444	**34,318**
Interest expense	**(1,031)**	(1,108)	**(8,530)**
Loss on sales or disposal of fixed assets	**(3,189)**	(1,275)	**(26,384)**
Equity in earnings of affiliates	**9,428**	5,307	**78,001**
Gain on sales of investments in securities *(Note 4)*	**8,996**	6,155	**74,427**
Loss on impairment of fixed assets *(Note 6)*	**(10,617)**	(1,913)	**(87,838)**
Loss on project change	**(4,443)**	–	**(36,759)**
Loss on revaluation of investments in securities	**(482)**	(7,186)	**(3,988)**
Foreign exchange (loss) gains, net	**(478)**	3,478	**(3,955)**
Other, net	**(1,123)**	(1,290)	**(9,290)**
Income before income taxes and minority interests	**150,854**	152,208	**1,248,068**
Income taxes *(Note 11)*:			
Current	**54,589**	43,759	**451,634**
Deferred	**10,078**	16,131	**83,379**
	64,667	59,890	**535,013**
Income before minority interests	**86,187**	92,318	**713,055**
Minority interests in earnings of subsidiaries	**(1,884)**	(2,093)	**(15,587)**
Net income	**¥ 84,303**	¥ 90,225	**$ 697,468**

*See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Income before minority interests	**¥ 86,187**	¥ 92,318	**$ 713,055**
Other comprehensive (loss) income *(Note 22)*:			
Net unrealized holding (loss) gain on securities	**(1,543)**	588	**(12,766)**
Deferred loss on hedges	**(12)**	(46)	**(99)**
Translation adjustments	**(21,830)**	34,182	**(180,607)**
Retirement benefits liability adjustments	**(10,580)**	–	**(87,532)**
Share of other comprehensive (loss) income of affiliates accounted for by the equity method	**(628)**	719	**(5,196)**
Total other comprehensive (loss) income	**(34,593)**	35,443	**(286,200)**
Comprehensive income	**¥ 51,594**	¥ 127,761	**$ 426,855**
Total comprehensive income attributable to:			
Shareholders of Sekisui House, Ltd.	**¥ 49,759**	¥ 125,495	**$ 411,673**
Minority interests	**1,835**	2,266	**15,182**

*See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2016

	Millions of yen											
						Accumulated other comprehensive income						
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Deferred (loss) gain on hedges	Translation adjustments	Retirement benefits liability adjustments	Stock subscription rights	Minority interests	Total net assets
Balance at February 1, 2014	**686,895,078**	**¥191,559**	**¥243,218**	**¥413,447**	**¥(1,380)**	**¥27,612**	**¥48**	**¥56,441**	**¥ -**	**¥474**	**¥9,996**	**¥941,415**
Issuance of new shares..............	12,950,856	6,157	6,733	-	-	-	-	-	-	-	-	12,890
Net income for the year..............	-	-	-	90,225	-	-	-	-	-	-	-	90,225
Cash dividends...........................	-	-	-	(33,073)	-	-	-	-	-	-	-	(33,073)
Purchases of treasury stock........	-	-	-	-	(15,266)	-	-	-	-	-	-	(15,266)
Sales of treasury stock................	-	-	(1,267)	(3,649)	16,146	-	-	-	-	-	-	11,230
Other changes............................	-	-	0	-	-	591	(48)	34,727	36,202	63	109	71,644
Balance at February 1, 2015	**699,845,934**	**¥197,716**	**¥248,684**	**¥466,950**	**¥(500)**	**¥28,203**	**¥0**	**¥91,168**	**¥36,202**	**¥537**	**¥10,105**	**¥1,079,065**
Cumulative effects of changes in accounting policies...............	-	-	-	(15,237)	-	-	-	-	-	-	-	(15,237)
Balance at February 1, 2015, as adjusted...............................	699,845,934	197,716	248,684	451,713	(500)	28,203	0	91,168	36,202	537	10,105	1,063,828
Issuance of new shares..............	9,837,532	4,875	4,875	-	-	-	-	-	-	-	-	9,750
Net income for the year..............	-	-	-	84,303	-	-	-	-	-	-	-	84,303
Cash dividends...........................	-	-	-	(36,391)	-	-	-	-	-	-	-	(36,391)
Purchases of treasury stock........	-	-	-	-	(20,037)	-	-	-	-	-	-	(20,037)
Sales of treasury stock................	-	-	-	(1,531)	2,960	-	-	-	-	-	-	1,429
Other changes............................	-	-	-	-	-	(1,531)	(13)	(22,420)	(10,580)	86	4	(34,454)
Balance at January 31, 2016	**709,683,466**	**¥202,591**	**¥253,559**	**¥498,094**	**¥(17,577)**	**¥26,672**	**¥(13)**	**¥68,748**	**¥25,622**	**¥623**	**¥10,109**	**¥1,068,428**

	Thousands of U.S. dollars (Note 1)										
					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Deferred (loss) gain on hedges	Translation adjustments	Retirement benefits liability adjustments	Stock subscription rights	Minority interests	Total net assets
Balance at February 1, 2015	**$1,635,773**	**$2,057,450**	**$3,863,242**	**$(4,137)**	**$233,333**	**$0**	**$754,265**	**$299,512**	**$4,442**	**$83,602**	**$8,927,482**
Cumulative effects of changes in accounting policies...............	-	-	(126,061)	-	-	-	-	-	-	-	(126,061)
Balance at February 1, 2015, as adjusted...............................	1,635,773	2,057,450	3,737,181	(4,137)	233,333	0	754,265	299,512	4,442	83,602	8,801,421
Issuance of new shares..............	40,333	40,333	-	-	-	-	-	-	-	-	80,666
Net income for the year..............	-	-	697,468	-	-	-	-	-	-	-	697,468
Cash dividends...........................	-	-	(301,075)	-	-	-	-	-	-	-	(301,075)
Purchases of treasury stock........	-	-	-	(165,773)	-	-	-	-	-	-	(165,773)
Sales of treasury stock................	-	-	(12,667)	24,489	-	-	-	-	-	-	11,822
Other changes............................	-	-	-	-	(12,666)	(108)	(185,488)	(87,532)	712	33	(285,049)
Balance at January 31, 2016	**$1,676,106**	**$2,097,783**	**$4,120,907**	**$(145,421)**	**$220,667**	**$(108)**	**$568,777**	**$211,980**	**$5,154**	**$83,635**	**$8,839,480**

*See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2016

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2016	2015	**2016**
Cash flows from operating activities			
Income before income taxes and minority interests	**¥ 150,854**	¥ 152,208	**$ 1,248,068**
Adjustments for:			
Depreciation and amortization	**24,438**	25,692	**202,184**
Loss on impairment of fixed assets	**10,617**	1,913	**87,838**
Increase in asset for retirement benefits	**(13,518)**	(462)	**(111,839)**
Increase (decrease) in liability for retirement benefits	**75**	(8,589)	**621**
Interest and dividend income	**(4,148)**	(3,444)	**(34,318)**
Interest expense	**1,031**	1,108	**8,530**
Equity in earnings of affiliates	**(9,428)**	(5,307)	**(78,001)**
Gain on sales of investments in securities	**(8,996)**	(6,155)	**(74,427)**
Loss on revaluation of investments in securities	**482**	7,186	**3,988**
Decrease (Increase) in notes and accounts receivable	**3,600**	(7,464)	**29,784**
(Increase) decrease in inventories	**(97,632)**	28,970	**(807,744)**
Increase (decrease) in notes and accounts payable	**6,133**	(10,794)	**50,740**
Increase (decrease) in advances received on construction projects in progress	**15,296**	(14,580)	**126,549**
Other	**9,314**	7,313	**77,058**
Subtotal	**88,118**	167,595	**729,031**
Interest and dividends received	**4,152**	3,355	**34,351**
Interest paid	**(1,447)**	(2,233)	**(11,971)**
Income taxes paid	**(44,938)**	(51,358)	**(371,788)**
Net cash provided by operating activities	**45,885**	117,359	**379,623**
Cash flows from investing activities			
Proceeds from sales of short-term investments	**440**	1,045	**3,640**
Proceeds from sales of property, plant and equipment	**144**	247	**1,192**
Purchases of property, plant and equipment	**(77,818)**	(119,997)	**(643,816)**
Proceeds from sales and redemption of investments in securities	**13,600**	16,699	**112,518**
Purchases of investments in securities	**(9,913)**	(15,249)	**(82,014)**
Increase in loans receivable	**(1,360)**	(12,165)	**(11,252)**
Collection of loans receivable	**4,851**	3,404	**40,134**
Other	**(6,111)**	(2,513)	**(50,558)**
Net cash used in investing activities	**(76,167)**	(128,529)	**(630,156)**
Cash flows from financing activities			
Proceeds from issuance of short-term bonds	**40,000**	20,000	**330,934**
Increase in short-term loans, net	**78,332**	21,643	**648,068**
Proceeds from issuance of bonds	**30,000**	40,000	**248,201**
Redemption of bonds	**(70,000)**	–	**(579,135)**
Proceeds from long-term debt	**100,991**	46,680	**835,534**
Repayment of long-term debt	**(89,723)**	(57,626)	**(742,310)**
Cash dividends paid	**(36,391)**	(33,073)	**(301,075)**
Purchases of treasury stock	**(20,035)**	(15,266)	**(165,757)**
Other	**(1,089)**	(2,747)	**(9,010)**
Net cash provided by financing activities	**32,085**	19,611	**265,450**
Effect of exchange rate changes on cash and cash equivalents	**(4,473)**	5,243	**(37,007)**
Net (decrease) increase in cash and cash equivalents	**(2,670)**	13,684	**(22,090)**
Cash and cash equivalents at beginning of the year	**195,008**	181,324	**1,613,370**
Cash and cash equivalents at end of the year	**¥ 192,338**	¥ 195,008	**$ 1,591,280**

*See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Sekisui House, Ltd. and Subsidiaries
January 31, 2016

1. Basis of Preparation

The accompanying consolidated financial statements of Sekisui House, Ltd. (the “Company”) and its subsidiaries (collectively, the "Group") have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to present them in a form which is familiar to readers outside Japan. In addition, the notes to the accompanying consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.
Certain reclassifications of previously reported amounts have been made to confirm the accompanying consolidated financial statements for the year ended January 31, 2015 to the 2016 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 ¥120.87 = U.S.$1.00, the approximate rate of exchange in effect on January 31, 2016. 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 subsidiaries 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 dates are either March 31, May 31 or November 30 were prepared as of and for the year ended January 31, 2016.
The balance sheet date of overseas subsidiaries and one domestic subsidiary is December 31. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from January 1 through January 31 have been adjusted, if necessary.

(b) Foreign currency translation

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

(c) Cash and cash equivalents

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

(d) Short-term investments and investments in securities

Securities other than those of affiliates are classified into three categories: trading securities, held-to-maturity debt securities and other securities.
Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain or loss, both realized and unrealized, is credited or charged to income. Held-to-maturity debt securities are stated at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income. Cost of securities sold is determined by the moving average method. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.
Under the Corporation Law of Japan (the “Law”), 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) Goodwill

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

(h) 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.

(i) 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.

(j) 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.

(k) 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 the 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.

(l) Allowance for doubtful accounts

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

(m) Accrued employees’ bonuses

Accrued 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.

(n) Accrued directors’ and corporate auditors’ bonuses

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

(o) Provision for warranties for completed construction

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

(p) Retirement benefits

The retirement benefit is attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.

Actuarial gain or loss is amortized from 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 certain domestic subsidiaries are customarily entitled to lump-sum payments under an unfunded retirement benefit plan. The accrued retirement benefits for these officers has been made at an estimated amount based on each subsidiary’s internal regulations.

(q) 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.

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

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

(s) Research and development cost

Research and development cost is charged to income as incurred.

(t) 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, 2016 and 2015, 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 ¥9,765 million ($80,789 thousand) and ¥6,485 million, ¥1,598 million ($13,221 thousand) and ¥826 million, and ¥1,024 million ($8,472 thousand) and ¥1,039 million, respectively.

(u) Derivative transactions and hedge accounting

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

(Accounting standards issued but not yet effective)

Accounting standards for business combinations and consolidated financial statements

“Accounting Standard for Business Combinations” (Accounting Standards Board of Japan (“ASBJ”) Statement No.21), “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No.22), and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10) were revised on September 13, 2014. However, these revised accounting standards have not yet been adopted as of January 31, 2016.

Under these revised accounting standards, major accounting changes are as follows:

(1) Any differences arising from the movement of ownership interests in a subsidiary shall be accounted for as a change in capital surplus as long as the parent company retains control over the subsidiary. In addition, “minority interests” in the current year’s consolidated balance sheet will be changed to “non-controlling interests.”

(2) Acquisition-related costs shall be accounted for as expenses when incurred.

(3) If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report provisional amounts for the items whose accounting is incomplete in its financial statements (“provisional accounting”). Under

these revised accounting standards, if accounting for a business combination is completed during the next fiscal year (the "completion period") and consolidated financial statements for the completion period and those for the acquisition period are comparatively disclosed, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to the completed amounts and shall reflect new information on facts and circumstances that existed as of the acquisition date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.
(4) "Income before minority interests" in the current year's consolidated statement of income will be changed to "net income," and "net income" in the current year's consolidated statement of income will be changed to "net income attributable to shareholders of Sekisui House, Ltd."
The Company and its domestic subsidiaries will adopt these accounting standards effective the fiscal year ending January 31, 2017. However, provisional accounting will be adopted for business combinations conducted on or after February 1, 2016. At present, the Company is in the process of evaluating the impact on the consolidated financial statements from the adoption of these revised accounting standards.

Implementation guidance on recoverability of deferred tax assets
On December 28, 2015, the ASBJ issued "Implementation Guidance on Recoverability of Deferred Tax Assets" (ASBJ Guidance No.26).
The ASBJ basically continues to apply the framework used in "Audit Treatment of Judgments with Regard to Recoverability of Deferred Tax Assets" (Audit Committee Report No. 66, Japanese Institute of Certified Public Accountants), where an entity is classified into one of five categories according to certain criteria and the recoverability of deferred tax assets is assessed based on the entity's assigned category. However, the ASBJ reflected necessary changes in the guidance regarding the following accounting treatments:
(1) Treatment is clarified for entities that do not meet the criteria for any of the five categories.
(2) Criteria for classifying entities as "Category 2" or "Category 3" is changed from ordinary income to taxable income in the absence of infrequent or unusual events.
(3) For "Category 2" entities, deferred tax assets attributable to deductible temporary differences for which scheduling the timing of the reversals is not possible are considered to be realizable if certain conditions are met. Under Audit Committee Report No.66, deferred tax assets are considered to be realizable to the extent not exceeding the amount based on a scheduling of future reversals of temporary differences.
(4) For "Category 3" entities, the future period of estimated taxable income can be estimated in excess of five years if certain conditions are met. Under Audit Committee Report No.66, the future estimable period is generally limited to five years.
(5) For entities classified as "Category 4," they can be treated as "Category 2" or "Category 3" if certain conditions are met and such entities can use the methods of measurement of deferred tax assets stipulated in "Category 2" or "Category 3."
The Company and its domestic subsidiaries will adopt the guidance effective from February 1, 2017. At present, the Company is in the process of evaluating the impact on the consolidated financial statements of the adoption of this implementation guidance.

3. Changes in Accounting Policies

(a) Changes in holding purposes of assets
Due to changes in holding purpose, ¥71 million ($587 thousand) and ¥344 million of inventories, which were mainly included in "Land held for development" and "Land held for sale," were principally reclassified to "Land" at January 31, 2016 and 2015, respectively. In addition, ¥54,735 million ($452,842 thousand) and ¥17,283 million of investment real estate and land for internal use, which were mainly included in "Buildings and structures" and "Land," were reclassified to "Construction for sale, including projects under construction" and "Land held for sale," classified as inventories in the accompanying consolidated balance sheets at January 31, 2016 and 2015, respectively.

(b) Accounting standards for retirement benefits
Effective the year ended January 31, 2016, the Company and its domestic subsidiaries adopted "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26 revised on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25 revised on March 26, 2015) (certain provisions described in the main clause of Section 35 of the standard and in the main clause of Section 67 of the guidance). As a result, the methods for calculating the retirement benefit obligation and service cost have been revised in the following respects: the method for attributing expected benefits to each period has been changed from the straight-line method to the benefit formula method, and the method for determining the discount rate has been changed. The cumulative effect of changing the methods for calculating the retirement benefit obligation and service cost was recognized by adjusting retained earnings at February 1, 2015, in accordance with the transitional treatment provided in Section 37 of Accounting Standard for Retirement Benefits. As a result, as of February 1, 2015, liability for retirement benefits increased by ¥968 million ($8,009 thousand), and asset for retirement benefits and retained earnings decreased by ¥21,464 million ($177,579 thousand) and ¥15,237 million ($126,061 thousand), respectively. The impact on operating income and income before taxes and minority interests for the year ended January 31, 2016 was not material.

4. Short-Term Investments and Investments in Securities

Held-to-maturity debt securities and other securities at January 31, 2016 and 2015 were as follows:

	Millions of yen							
	Held-to-maturity debt securities							
	2016				2015			
	Carrying value	Gross unrealized gain	Gross unrealized loss	Estimated fair value	Carrying value	Gross unrealized gain	Gross unrealized loss	Estimated fair value
Market value determinable:								
Bonds	**¥ 4,787**	**¥ 5**	**¥ –**	**¥ 4,792**	¥ 4,685	¥ 5	¥ (0)	¥ 4,690
	¥ 4,787	**¥ 5**	**¥ –**	**¥ 4,792**	¥ 4,685	¥ 5	¥ (0)	¥ 4,690

	Thousands of U.S. dollars			
	Held-to-maturity debt securities			
	2016			
	Carrying value	Gross unrealized gain	Gross unrealized loss	Estimated fair value
Market value determinable:				
Bonds	$ 39,605	$ 41	$ –	$ 39,646
	$ 39,605	$ 41	$ –	$ 39,646

	Millions of yen							
	Other securities							
	2016				2015			
	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	**¥37,211**	**¥37,883**	**¥ (293)**	**¥74,801**	¥41,863	¥41,980	¥ (343)	¥83,500
	¥37,211	**¥37,883**	**¥ (293)**	**¥74,801**	¥41,863	¥41,980	¥ (343)	¥83,500

	Thousands of U.S. dollars			
	Other securities			
	2016			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Market value determinable:				
Equity securities	$307,860	$313,419	$ (2,424)	$618,855
	$307,860	$313,419	$ (2,424)	$618,855

Sales of other securities for the years ended January 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Sales	**¥13,624**	¥10,536	**$112,716**
Gross realized gain	**8,996**	6,155	**74,427**

5. Inventories

Inventories at January 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Land held for sale	**¥510,247**	¥457,694	**$4,221,453**
Land held for development	**86,881**	78,704	**718,797**
Construction for sale, including projects under construction	**301,126**	232,567	**2,491,321**
Contracts in process	**9,396**	8,647	**77,736**
Other	**7,261**	9,742	**60,073**
	¥914,911	¥787,354	**$7,569,380**

Loss on devaluation of inventories included in cost of sales for the years ended January 31, 2016 and 2015 amounted to ¥14,876 million ($123,074 thousand) and ¥2,173 million, respectively.

6. Impairment of Fixed Assets

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

For the years ended January 31, 2016, the Group has written down certain factory assets and certain real estate for lease to their respective net recoverable values. For the years ended January 31, 2015, the Group has mainly written down certain real estate for lease to their respective net recoverable values.

Consequently, the Group recorded losses on impairment of fixed assets of ¥10,617 million ($87,838 thousand) and ¥1,913 million in the accompanying consolidated statements of income for the years ended January 31, 2016 and 2015, respectively.

The losses on impairment of fixed assets for the years ended January 31, 2016 and 2015 are outlined as follows:

2016

Location	Use	Classification	Millions of yen	Thousands of U.S. dollars
Shenyang City, China etc.	Factory etc.	Buildings and structures	¥ 6,860	$ 56,755
		Machinery, equipment and other	1,737	14,371
		Land	1,603	13,262
		Other	417	3,450
			¥10,617	$ 87,838

2015

Location	Use	Classification	Millions of yen
Nakamura-ku, Nagoya City etc.	Real estate for lease etc.	Buildings and structures	¥ 476
		Machinery, equipment and other	15
		Land	1,422
			¥ 1,913

The recoverable value of the above impaired fixed assets was measured at estimated value in use or net selling value. The value in use amount is measured based on future cash-flows using a discount rate of 12.0%. The net selling value amount is measured considering appraisals conducted by real estate appraisers.

7. Investments in Affiliates

Investments in affiliates at January 31, 2016 and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Investments in capital stock, at cost	**¥ 12,509**	¥ 6,978	**$ 103,491**
Equity in undistributed earnings since acquisition, net	**18,619**	10,420	**154,042**
	¥ 31,128	¥ 17,398	**$ 257,533**

8. Investment and Rental Properties

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

For the years ended January 31, 2016 and 2015, rental profit and loss on impairment of these rental properties amounted to ¥8,721 million ($72,152 thousand) and ¥6,377 million and ¥3,860 million ($31,935 thousand) and ¥1,839 million, respectively.

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

For the year ended January 31, 2016, loss on sales or disposal of investment and rental properties amounted to ¥2,271 million ($18,789 thousand).

The carrying value in the accompanying consolidated balance sheets as of January 31, 2016 and 2015 and corresponding fair value of those properties are as follows:

Millions of yen			
Carrying value			Fair value
January 31, 2015	Net change	January 31, 2016	January 31, 2016
¥ 447,372	¥ (1,082)	¥ 446,290	¥ 485,441

Millions of yen			
Carrying value			Fair value
January 31, 2014	Net change	January 31, 2015	January 31, 2015
¥ 364,510	¥ 82,862	¥ 447,372	¥ 483,550

Thousands of U.S. dollars			
Carrying value			Fair value
January 31, 2015	Net change	January 31, 2016	January 31, 2016
$ 3,701,266	$ (8,952)	$ 3,692,314	$ 4,016,224

Notes:
1. The carrying value represents the acquisition cost less accumulated depreciation and impairment losses.
2. The main components of net change in carrying value are the increase of ¥70,321 million ($581,790 thousand) in acquisitions of real estate and the decreases of ¥54,664 million ($452,254 thousand) in transfer to inventories, ¥10,157 million ($84,032 thousand) in depreciation and ¥3,860 million ($31,935 thousand) in loss on impairment of the rental properties for the year ended January 31, 2016. The main components of net change in carrying value are the increase of ¥112,511 million in acquisitions of real estate and ¥16,517 million in transfer from inventories and the decrease of ¥10,883 million in depreciation for the year ended January 31, 2015.
3. The fair value of main real estate is computed based on appraisal amounts valued by real estate appraisers. The fair value of the others is computed by the Group in accordance with "Real Estate Appraisal Standards."

9. Short-Term Loans, Short-Term Bonds and Long-Term Debt

Short-term loans consist of unsecured bank loans. The average interest rates on the short-term loans outstanding at January 31, 2016 and 2015 were 1.09% and 1.17%, respectively.
The interest rates on the short-term bonds outstanding at January 31, 2016 and 2015 were 0.08% and 0.09%, respectively.
Long-term debt at January 31, 2016 and 2015 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unsecured loans from banks and insurance companies at interest rates ranging from 0.00% to 6.00%, due from 2016 to 2018	**¥ 65,510**	¥ 58,086	**$ 541,987**
Unsecured bonds denominated in yen at an interest rate of 0.70%, due 2015	**–**	70,000	**–**
Zero-coupon unsecured convertible bonds with stock subscription rights, due 2016	**1,130**	12,300	**9,349**
Nonrecourse bank loans at interest rates ranging from 2.55% to 7.28%, due from 2016 to 2023	**59,624**	59,677	**493,291**
Unsecured bonds denominated in yen at interest rates ranging from 0.11% to 0.31%, due 2017	**40,000**	40,000	**330,934**
Unsecured bonds denominated in yen at an interest rate of 0.13%, due 2018	**15,000**	–	**124,100**
Unsecured bonds denominated in yen at an interest rate of 0.18%, due 2019	**20,000**	20,000	**165,467**
Unsecured bonds denominated in yen at an interest rate of 0.22%, due 2020	**15,000**	–	**124,100**
Lease obligations	**3,560**	3,693	**29,453**
	219,824	263,756	**1,818,681**
Less current portion	**(98,651)**	(81,273)	**(816,174)**
	¥ 121,173	¥ 182,483	**$ 1,002,507**

Zero-coupon unsecured convertible bonds with stock subscription rights at the gross issuance amount of ¥1,130 million ($9,349 thousand) are convertible into shares of common stock of the Company at ¥990.0 ($8.2) per share at February 1, 2016 and are exercisable from July 19, 2011 to June 21, 2016.

The aggregate annual maturities of long-term debt subsequent to January 31, 2016 are summarized as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2017	¥ 98,651	$ 816,174
2018	53,335	441,259
2019	21,214	175,511
2020	27,869	230,570
2021 and thereafter	18,755	155,167
	¥219,824	$1,818,681

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, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Lines of credit	**¥ 343,307**	¥ 260,342	**$ 2,840,299**
Credit utilized	**132,373**	91,772	**1,095,168**
Available credit	**¥ 210,934**	¥ 168,570	**$ 1,745,131**

10. Mortgaged and Pledged Assets

At January 31, 2016 and 2015, 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 ¥61,245 million ($506,701 thousand) and ¥61,372 million, respectively.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Inventories	**¥ 131,603**	¥ 154,046	**$ 1,088,798**
Land	**3,109**	3,138	**25,722**
Buildings and structures	**528**	546	**4,368**
Investments in affiliates	**1,062**	32	**8,786**
	¥ 136,302	¥ 157,762	**$ 1,127,674**

In addition, for the purpose of covering warranty obligations for latent defects on certain housing, ¥1,985 million ($16,423 thousand) and ¥4,231 million of investments in securities, ¥2,788 million ($23,066 thousand) and ¥368 million of short-term investments, and ¥1,057 million ($8,745 thousand) and ¥100 million of other assets were deposited in accordance with relevant laws at January 31, 2016 and 2015, respectively.

11. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income which, in the aggregate, resulted in statutory tax rates of approximately 35.4% and 37.8% for the years ended January 31, 2016 and 2015, respectively. Overseas subsidiaries are subject to the income taxes of the countries in which they operate.

The effective tax rate reflected in the accompanying consolidated statement of income for the year ended January 31, 2016 differs from the above statutory tax rate for the following reasons:

	2016
Statutory tax rate	35.4%
Non-deductible entertainment expenses	0.9
Non-taxable dividend income	(0.3)
Inhabitants' per capita taxes	0.4
Valuation allowance	3.9
Equity in earnings of affiliates	(2.2)
Effect of changes in corporation tax rates	2.6
Tax rate differences with the overseas subsidiaries	1.8
Other	0.4
Effective tax rate	42.9%

The reconciliation of the differences between the statutory tax rate and the effective tax rate for the year ended January 31, 2015 was omitted because the differences is less than 5% of the statutory tax rate.

The significant components of the Group's deferred tax assets (liabilities) at January 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Loss on revaluation of real estate held for sale	¥ 17,676	¥ 18,923	$ 146,240
Liability for retirement bebefits	6,528	6,760	54,009
Accrued employees' bonuses	8,901	9,049	73,641
Accumulated losses on impairment of fixed assets	8,553	6,185	70,762
Unrealized gain on fixed assets	3,776	2,842	31,240
Tax loss carryforwards	5,113	2,730	42,302
Loss on revaluation of securities	2,855	3,170	23,620
Asset for retirement benefits	(1,083)	(10,208)	(8,960)
Net unrealized holding gain on securities	(10,952)	(13,457)	(90,610)
Other, net	9,953	8,034	82,345
Less valuation allowance	(19,286)	(9,343)	(159,560)
Net deferred tax assets	¥ 32,034	¥ 24,685	$ 265,029

On March 31, 2015, the "Act for Partial Revision of the Income Tax Act etc." (Act No. 9 of 2015) and the "Act for Partial Revision of the Local Tax Act etc." (Act No.2 of 2015) were officially issued. Accordingly, the statutory tax rates used for calculating deferred tax assets and liabilities will be reduced from 35.4% to 32.8% for temporary differences which are expected to be realized during the period from February 1, 2016 to January 31, 2017 and to 32.1% for those that are expected to be realized on or after February 1, 2017.

As a result of this change, deferred tax assets, net of deferred tax liabilities, decreased by ¥1,520 million ($12,575 thousand) and income taxes – deferred, net unrealized holding gain on securities and retirement benefits liability adjustments increased by ¥3,891 million ($32,192 thousand), ¥1,125 million ($9,308 thousand) and ¥1,245 million ($10,300 thousand), respectively as of and for the year ended January 31, 2016.

On March 31, 2016, the "Act for Partial Revision of the Income Tax Act etc." (Act No. 15 of 2016) and the "Act for Partial Revision of the Local Tax Act etc." (Act No.13 of 2016) were officially issued. Accordingly, the statutory tax rates used for calculating deferred tax assets and liabilities will be reduced from 32.1% to 30.7% for temporary differences which are expected to be realized during the period from February 1, 2017 to January 31, 2019 and to 30.5% for those which are expected to be realized on or after February 1, 2019.

As a result of this change, deferred tax assets, net of deferred tax liabilities, would have decreased by ¥402 million ($3,326 thousand) and income taxes – deferred (debit), net unrealized holding gain on securities and retirement benefits liability adjustments would have increased by ¥1,552 million ($12,840 thousand), ¥546 million ($4,517 thousand) and ¥604 million ($4,997 thousand), respectively, as of and for the year ended January 31, 2016, if these revised statutory tax rates were applied at January 31, 2016.

12. Retirement Benefit Plans

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 defined contribution pension plans.

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

In certain cases, special retirement benefits may be paid to employees.

Defined benefit pension plan

The changes in the retirement benefit obligations, including those for which the Simplified Method is applied, during the years ended January 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Retirement benefit obligations at the beginning of the year	¥ 224,131	¥ 246,082	$ 1,854,315
Cumulative effects of changes in accounting policies	22,432	–	185,588
Balance at the beginning of the year,as adjusted	246,563	246,082	2,039,903
Service cost	9,594	8,905	79,375
Interest cost	3,437	4,692	28,435
Actuarial loss	1,070	1,201	8,852
Retirement benefit paid	(7,189)	(8,433)	(59,477)
Prior service cost	(9)	(28,316)	(74)
Reclassification of retirement benefit obligations resulting from change from the Simplified Method	(64)	–	(530)
Retirement benefit obligations at the end of the year	¥ 253,402	¥ 224,131	$ 2,096,484

The changes in plan assets, including those for which the Simplified Method is applied, during the years ended January 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Plan assets at the beginning of the year	¥ 235,361	¥ 207,488	$ 1,947,224
Expected return on plan assets	5,853	4,972	48,424
Actuarial (loss) gain	(5,531)	19,428	(45,760)
Contributions paid by the Company	8,046	10,835	66,568
Retirement benefits paid	(6,267)	(7,362)	(51,849)
Reclassification of retirement benefit obligations resulting from change from the Simplified Method	(124)	–	(1,026)
Plan assets at the end of the year	¥ 237,338	¥ 235,361	$ 1,963,581

The following table sets forth the funded status of the plan assets and the amounts recognized in the consolidated balance sheets as of January 31, 2016 and 2015 for the Company's and domestic subsidiaries' defined benefit pension plans, including those for which the Simplified Method is applied:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Funded retirement benefit obligation	¥ 234,109	¥ 206,581	$ 1,936,866
Plan assets at fair value	(237,338)	(235,361)	(1,963,581)
	(3,229)	(28,780)	(26,715)
Unfunded retirement benefit obligation	19,293	17,550	159,618
Net liability (asset) for retirement benefits in the balance sheets	16,064	(11,230)	$ 132,903
Liability for retirement benefits	19,293	17,550	$ 159,618
Asset for retirement benefits	(3,229)	(28,780)	(26,715)
Net liability (asset) for retirement benefits in the balance sheets	¥ 16,064	¥ (11,230)	$ 132,903

The components of retirement benefit expenses for the years ended January 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Service cost	**¥ 9,594**	¥ 8,905	**$ 79,375**
Interest cost	**3,437**	4,692	**28,435**
Expected return on plan assets	**(5,852)**	(4,972)	**(48,415)**
Amortization of actuarial gain	**(5,028)**	(4,095)	**(41,598)**
Amortization of prior service cost	**(6,701)**	(1,950)	**(55,440)**
Reclassification of retirement benefit obligations resulting from change from the Simplified Method	**60**	–	**496**
Other	**644**	467	**5,328**
Retirement benefit expenses	**¥ (3,846)**	¥ 3,047	**$ (31,819)**

(Note)
Retirement benefit expenses of certain subsidiaries adopting the Simplified Method are included in "service cost."

"Other" mainly consists of special retirement benefits paid to employees.

The components of retirement benefit liability adjustments included in other comprehensive income (before tax effect) for the year ended January 31, 2016 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2016	**2016**
Prior service cost	**¥ (6,692)**	**$ (55,365)**
Actuarial gain	**(11,613)**	**(96,079)**
Total	**¥ (18,305)**	**$(151,444)**

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of January 31, 2016 and 2015 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Unrecognized prior service cost	**¥ 22,690**	¥ 29,382	**$ 187,722**
Unrecognized actuarial gain	**15,045**	26,658	**124,473**
Total	**¥ 37,735**	¥ 56,040	**$ 312,195**

The fair values of plan assets, by major category, as a percentage of total plan assets as of January 31, 2016 and 2015 are as follows:

	2016	2015
Debt securities	**42%**	37%
Equity securities	**23**	29
Hedge fund	**17**	11
General accounts at insurance companies	**11**	8
Cash and deposits	**3**	4
Other	**4**	11
Total	**100%**	100%

The expected rate of return on plan assets has been estimated considering the anticipated allocation to each asset class and the expected long-term rates of returns on assets held in each category.
The assumptions used in accounting for the above retirement benefit plans for the years ended January 31, 2016 and 2015 are as follows:

	2016	2015
Discount rates	**1.4%**	2.0%
Expected long-term rate of return on plan assets	**2.5%**	2.5%

Defined contribution pension plan
Total contributions paid by the domestic subsidiaries to the defined contribution plan for the years ended January 31, 2016 and 2015 were ¥8 million ($66 thousand) and ¥7 million, respectively.

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 at the beginning of the year and the anticipated future useful lives for each housing exhibition, office or real estate.

The changes in asset retirement obligations for the years ended January 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Balance at the beginning of the year	**¥ 2,174**	¥ 2,054	**$ 17,986**
Liabilities incurred for assets acquired	**261**	202	**2,159**
Accretion expense	**17**	18	**141**
Liabilities settled	**(82)**	(100)	**(678)**
Balance at the end of the year	**¥ 2,370**	¥ 2,174	**$ 19,608**

Detailed information on the asset retirement obligations at January 31, 2016 and 2015 was omitted because the total amount of asset retirement obligations at January 31, 2016 and 2015 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, 2016:

	Millions of yen	Thousands of U.S. dollars
Guarantees of housing loans to customers	¥ 85,282	$ 705,568
Guarantees of bank loans of a third party	254	2,101
	¥ 85,536	$ 707,669

15. Shareholders' Equity

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, 2016 and 2015 amounted to ¥23,129 million ($191,354 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 option plan
Stock option expenses per accounts for the years ended January 31, 2016

and 2015 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Cost of sales	**¥ 3**	¥ 2	**$ 0.02**
Selling, general and administrative expenses	**92**	90	**0.76**

Description of each stock option plan as of January 31, 2016 is as follows:

Stock option plans	Plan approved on April 27, 2006 (the 2006 plan)	Plan approved on May 17, 2007 (the 2007 plan)	Plan approved on May 15, 2008 (the 2008 plan)
Individuals covered by the plan	Total 27 Directors and Executive Officers	Total 26 Directors and Executive Officers	Total 32 Directors and Executive Officers
Type and number of shares to be issued upon the exercise of the share subscription rights	48,000 shares of common stock	55,000 shares of common stock	108,000 shares of common stock
Grant date	April 27, 2006	June 7, 2007	June 6, 2008
Vesting period	No applicable period of service is specified	No applicable period of service is specified	No applicable period of service is specified
Exercise period	From April 28, 2006 to April 27, 2026	From June 8, 2007 to June 7, 2027	From June 7, 2008 to June 6, 2028

	Plan approved on May 21, 2009 (the 2009 plan)	Plan approved on May 20, 2010 (the 2010 plan)	Plan approved on May 19, 2011 (the 2011 plan)
Individuals covered by the plan	Total 30 Directors and Executive Officers	Total 30 Directors and Executive Officers	Total 28 Directors and Executive Officers
Type and number of shares to be issued upon the exercise of the share subscription rights	106,000 shares of common stock	105,000 shares of common stock	130,000 shares of common stock
Grant date	June 9, 2009	June 16, 2010	June 14, 2011
Vesting period	No applicable period of service is specified	No applicable period of service is specified	No applicable period of service is specified
Exercise period	From June 10, 2009 to June 9, 2029	From June 17, 2010 to June 16, 2030	From June 15, 2011 to June 14, 2031

	Plan approved on May 17, 2012 (the 2012 plan)	Plan approved on May 16, 2013 (the 2013 plan)	Plan approved on May 15, 2014 (the 2014 plan)
Individuals covered by the plan	Total 33 Directors and Executive Officers	Total 32 Directors and Executive Officers	Total 34 Directors and Executive Officers
Type and number of shares to be issued upon the exercise of the share subscription rights	147,000 shares of common stock	68,000 shares of common stock	100,000 shares of common stock
Grant date	June 13, 2012	June 13, 2013	June 13, 2014
Vesting period	No applicable period of service is specified	No applicable period of service is specified	No applicable period of service is specified
Exercise period	From June 14, 2012 to June 13, 2032	From June 14, 2013 to June 13, 2033	From June 14, 2014 to June 13, 2034

	Plan approved on May 21, 2015 (the 2015 plan)
Individuals covered by the plan	Total 34 Directors and Executive Officers
Type and number of shares to be issued upon the exercise of the share subscription rights	63,000 shares of common stock
Grant date	June 12, 2015
Vesting period	No applicable period of service is specified
Exercise period	From June 13, 2015 to June 12, 2035

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

	The 2006 plan	The 2007 plan	The 2008 plan	The 2009 plan	The 2010 plan	The 2011 plan	The 2012 plan	The 2013 plan	The 2014 plan	The 2015 plan
Number of stock options:										
Non-vested										
Outstanding at February 1, 2015	27,000	31,000	59,000	65,000	85,000	107,000	134,000	62,000	100,000	−
Granted	−	−	−	−	−	−	−	−	−	63,000
Forfeited	−	−	−	−	−	−	−	−	−	−
Vested	1,000	1,000	2,000	2,000	−	−	−	−	−	−
Outstanding at Janyuary 31, 2016	26,000	30,000	57,000	63,000	85,000	107,000	134,000	62,000	100,000	63,000
Vested										
Outstanding at February 1, 2015	3,000	3,000	14,000	17,000	14,000	17,000	10,000	4,000	−	−
Vested	1,000	1,000	2,000	2,000	−	−	−	−	−	−
Exercised	1,000	1,000	2,000	5,000	3,000	−	−	−	−	−
Forfeited	−	−	−	−	−	−	−	−	−	−
Outstanding at January 31, 2016	3,000	3,000	14,000	14,000	11,000	17,000	10,000	4,000	−	−
Exercise price (Yen)	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1
Average stock price at exercise (Yen)	¥2,079	¥2,079	¥2,089	¥1,937	¥1,863	−	−	−	−	−
Fair valu price at grant date (Yen)	−	¥1,571	¥876	¥681	¥717	¥592	¥495	¥1,071	¥974	¥1,507
Exercise price (USD)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Average stock price at exercise (USD)	$17	$17	$17	$16	$15	−	−	−	−	−
Fair value price at grant date (USD)	−	$13	$ 7	$ 6	$ 6	$ 5	$ 4	$ 9	$ 8	$12

The fair value as of the grant date for stock options which were issued during the year ended January 31, 2016 was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	Note	The 2015 plan
Expected volatility	*1	26.687%
Expected remaining period	*2	10 years
Estimated dividend per share	*3	¥50 ($0)
Risk-free rate	*4	0.535%

*1 Expected volatility was computed by the actual prices of the Company during the period from June 2005 to May 2015.

*2 Expected remaining period was estimated based on the assumption that the options are exercised in the middle of the exercise period.

*3 The estimated dividend per share was calculated at the actual amount for the year ended January 31, 2015.

*4 The risk-free rate was the yield on Japanese government bonds for the period that corresponds to the expected remaining period.

Because it is difficult to reasonably estimate the number of options that will expire in the future, the number of options that have actually forfeited is reflected.

Treasury stock

Movements in treasury stock during the years ended January 31, 2016 and 2015 are summarized as follows:

	Number of shares			
	2016			
	January 31, 2015	Increase	Decrease	January 31, 2016
Treasury stock	396,443	9,718,680	1,444,909	8,670,214

The increase in treasury stock consists of 9,699,300 shares resulting from the repurchasing under Article 165 (2) of the Companies Act, 18,556 shares resulting from the purchase of shares less than one unit by the Company, and 824 shares of treasury stock attributable to the Company resulting from the purchase by an affiliate for the year ended January 31, 2016. The decrease in treasury stock consists of 1,432,743 shares resulting from the conversion of convertible bonds, 166 shares resulting from sale of shares less than one unit by the Company, and 12,000 shares resulting from the exercise of stock option plans for the year ended January 31, 2016.

	Number of shares			
	2015			
	January 31, 2014	Increase	Decrease	January 31, 2015
Treasury stock	1,673,647	10,015,429	11,292,633	396,443

The increase in treasury stock consists of 10,000,000 shares resulting from the repurchasing under Article 165 (2) of the Companies Act, 15,003 shares resulting from the purchase of shares less than one unit by the Company, and 426 shares of treasury stock attributable to the Company resulting from the purchase by an affiliate for the year ended January 31, 2015. The decrease in treasury stock consists of 11,252,876 shares resulting from the conversion of convertible bonds, 757 shares resulting from sale of shares less than one unit by the Company, and 39,000 shares resulting from the exercise of stock option plans for the year ended January 31, 2015.

16. Research and Development Cost

Research and development cost charged to income amounted to ¥4,773 million ($39,489 thousand) and ¥4,727 million for the years ended January 31, 2016 and 2015, respectively.

17. Leases

(Lessee)

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

However, the related disclosures as of and for the years ended January 31, 2016 and 2015 were omitted because these amounts were immaterial.

Future minimum lease payments subsequent to January 31, 2016 under non-cancellable operating leases are summarized as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2017	¥ 6,216	$ 51,427
2018 and thereafter	18,392	152,164
	¥ 24,608	$ 203,591

(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, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Current assets:			
Gross lease receivables	**¥ 3,023**	¥ 3,160	**$ 25,010**
Less unearned interest income	**(11)**	(18)	**(91)**
Net lease receivables	**¥ 3,012**	¥ 3,142	**$ 24,919**

Contractual maturities of the above gross lease receivables subsequent to January 31, 2016 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
2017	¥ 137	$ 1,133
2018	137	1,133
2019	137	1,133
2020	125	1,034
2021	112	927
2022 and thereafter	2,375	19,650
	¥ 3,023	$ 25,010

Contractual maturities of lease receivables from finance lease transactions subsequent to January 31, 2016 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
2017	¥ 156	$ 1,291
2018	156	1,291
2019	156	1,291
2020	155	1,282
2021	155	1,282
2022 and thereafter	3,540	29,287
	¥ 4,318	$ 35,724

Future minimum lease receipts subsequent to January 31, 2016 under non-cancellable operating leases are summarized as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2017	¥ 7,451	$ 61,645
2018 and thereafter	17,344	143,493
	¥ 24,795	$ 205,138

Lease receivables and lease obligations in which the ownership of the leased assets is not transferred to the lessee as of January 31, 2016 and 2015 under sub-lease transactions are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Lease receivables:			
Current	**¥ 2,936**	¥ 3,048	**$ 24,291**
Lease obligations:			
Current	**117**	117	**968**
Non-current	**2,947**	3,063	**24,382**

18. Amounts per Share

Per share amounts as of and for the years ended January 31, 2016 and 2015 are as follows:

	Yen		U.S. dollars
	2016	2015	**2016**
Net income :			
Basic	**¥ 120.16**	¥ 130.91	**$ 0.99**
Diluted	**119.41**	125.22	**0.99**
Net assets	**1,508.81**	1,527.52	**12.48**
Cash dividends	**54.00**	50.00	**0.45**

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, 2016 and 2015 in the table above are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Information on basic net income per share:			
Net income	**¥ 84,303**	¥ 90,225	**$ 697,468**
Net income not attributable to common stockholders	**–**	–	**–**
Adjusted net income attributable to common stockholders	**¥ 84,303**	¥ 90,225	**$ 697,468**

	Thousands of shares	
	2016	2015
Weighted-average number of shares of common stock outstanding during the year	**701,606**	689,205

Financial data for the computation of net assets per share at January 31, 2016 and 2015 in the above table is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2016**
Total net assets	**¥1,068,428**	¥1,079,065	**$ 8,839,480**
Deductions from total net assets:			
Stock subscription rights	**(623)**	(537)	**(5,154)**
Minority interests	**(10,109)**	(10,105)	**(83,635)**
Total net assets attributable to common stockholders	**¥1,057,696**	¥1,068,423	**$ 8,750,691**

	Thousands of shares	
	2016	2015
Number of shares of common stock used in the calculation of net assets per share	**701,013**	699,449

19. Financial Instruments and Related Disclosures

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

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

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

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

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

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

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

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

The carrying values of financial instruments on the accompanying consolidated balance sheets as of January 31, 2016 and 2015 and their estimated fair values are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Millions of yen			Thousands of U.S. dollars		
	2016			2016		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Cash and cash equivalents	¥ 192,338	¥ 192,338	¥ −	$ 1,591,280	$ 1,591,280	$ −
Notes and accounts receivable - trade	50,256			415,785		
Less allowance for doubtful accounts	(349)			(2,887)		
Sub total	49,907	49,907	−	412,898	412,898	−
Short-term investments and investments in securities and affiliates:						
Held-to-maturity debt securities	4,787	4,792	5	39,605	39,646	41
Investments in affiliates	3,344	1,791	(1,553)	27,666	14,818	(12,848)
Other securities	77,702	77,702	−	642,856	642,856	−
Total	328,078	326,530	(1,548)	2,714,305	2,701,498	(12,807)
Notes and accounts payable	166,085	166,085	−	1,374,079	1,374,079	−
Short-term loans	146,189	146,189	−	1,209,473	1,209,473	−
Bonds	90,000	90,136	136	744,602	745,727	1,125
Long-term loans including current portion	125,134	125,135	1	1,035,278	1,035,286	8
Total	¥ 527,408	¥ 527,545	¥ 137	$ 4,363,432	$ 4,364,565	$ 1,133
Derivative transactions (*)	¥ 45	¥ 45	¥ −	$ 372	$ 372	$ −

	Millions of yen		
	2015		
	Carrying value	Estimated fair value	Difference
Cash and cash equivalents	¥ 195,008	¥ 195,008	¥ −
Notes and accounts receivable - trade	53,944		
Less allowance for doubtful accounts	(376)		
Sub total	53,568	53,568	−
Short-term investments and investments in securities and affiliates:			
Held-to-maturity debt securities	4,685	4,689	4
Investments in affiliates	3,471	2,007	(1,464)
Other securities	84,481	84,481	−
Total	341,213	339,753	(1,460)
Notes and accounts payable	160,830	160,830	−
Bonds	130,000	130,181	181
Long-term loans including current portion	117,763	117,768	5
Total	¥ 408,593	¥ 408,779	¥ 186
Derivative transactions (*)	¥ 118	¥ 118	¥ −

(*)The value of assets and liabilities arising from derivatives is shown at net value, and the amounts in parentheses represent net liability position. The fair values of cash and cash equivalents and notes and accounts receivable – trade approximate their carrying values since these items are settled in a short period of time.

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

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

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

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

Regarding derivative transactions, refer to Note 20.

Financial instruments for which it is extremely difficult to determine the fair value as of January 31, 2016 and 2015 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	**2015**
Investments in special purpose entities	**¥ 590**	¥ 590	**$ 4,881**
Unlisted stocks	**32,564**	16,211	**269,413**
Investments in silent partnership	**1,220**	412	**10,094**
Preferred stocks	**999**	999	**8,265**
Investments in investment limited liability partnerships	**34**	−	**281**

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

The redemption schedules for cash and cash equivalents, notes and accounts receivable and short-term investments and investments in securities with maturities at January 31, 2016 are as follows:

	2016			
	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	¥ 192,338	¥ −	¥ −	¥ −
Notes and accounts receivable	50,253	3	−	−
Short-term investments and investments in securities:				
Held-to-maturity debt securities (National government bonds)	2,800	1,990	−	−
Other securities with maturities (Debt securities)	2,901	−	−	−
Total	¥ 248,292	¥ 1,993	¥ −	¥ −

	2016			
	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	$ 1,591,280	$ −	$ −	$ −
Notes and accounts receivable	415,761	24	−	−
Short-term investments and investments in securities:				
Held-to-maturity debt securities (National government bonds)	23,165	16,464	−	−
Other securities with maturities (Debt securities)	24,001	−	−	−
Total	$2,054,207	$ 16,489	$ −	$ −

The redemption schedules for long-term debt are disclosed in Note 9 “Short-Term Loans, Short-Term Bonds and Long-Term Debt.”

20. Derivative Transactions and Hedging Activities

The contract value (notional principal amount) and the estimated fair value of the derivative instruments outstanding which did not qualify for deferral hedge accounting at January 31, 2016 and 2015 were as follows:

Currency-related transactions

		2016			
		Millions of yen			
Classification	Description of transaction	Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value	Unrealized gain
Over-the-counter transactions	Currency swap contracts	¥ 2,534	¥ 2,534	¥ 64	¥ 64

		2015			
		Millions of yen			
Classification	Description of transaction	Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value	Unrealized gain
Over-the-counter transactions	Currency swap contracts	¥ 7,392	¥ 2,526	¥ 119	¥ 119

		2016			
		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 gain
Over-the-counter transactions	Currency swap contracts	$ 20,965	$ 20,965	$ 525	$ 525

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, 2016 and 2015 was as follows:

Interest-rate related transactions

			2016		
			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	¥ 3,517	¥ –	¥ (19)

			2015		
			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	¥ 1,719	¥ 1,719	¥ (1)

			2016		
			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	$ 29,097	¥ –	$ (157)

The fair value of the above derivative transactions is determined based on the prices provided by counterparty financial institutions at January 31, 2016 and 2015.

21. Segment Information

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

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

Details of the reportable segments are as follows:

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

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

Information on net sales, income or loss, assets and other items by each reportable segment for the years ended January 31, 2016 and 2015 is outlined as follows:

	Millions of yen					
	2016					
	Reportable segments					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Sales to third parties	¥ 393,787	¥ 400,601	¥ 134,459	¥ 448,751	¥ 137,485	¥ 81,470
Intersegment sales and transfers	0	4,808	233	3,160	−	−
Net sales	393,787	405,409	134,692	451,911	137,485	81,470
Segment income (loss)	¥ 47,208	¥ 51,919	¥ 15,848	¥ 26,819	¥ 11,920	¥ 8,031
Segment assets	¥ 64,218	¥ 44,813	¥ 14,577	¥ 95,670	¥ 164,911	¥ 149,139
Other items:						
Depreciation and amortization	4,506	2,736	95	886	1,142	20
Increase in property, plant and equipment and intangible assets	2,628	591	13	828	600	29

	Millions of yen						
	2016						
	Reportable segments						
	Urban redevelopment	Overseas	Sub Total	Other	Total	Adjustments	Consolidated
Sales to third parties	¥ 93,038	¥ 89,523	¥ 1,779,114	¥ 79,765	¥ 1,858,879	¥ −	¥ 1,858,879
Intersegment sales and transfers	123	−	8,324	4,705	13,029	(13,029)	−
Net sales	93,161	89,523	1,787,438	84,470	1,871,908	(13,029)	1,858,879
Segment income (loss)	¥ 24,748	¥ (5,673)	¥ 180,820	¥ 2,511	¥ 183,331	¥ (33,686)	¥ 149,645
Segment assets	¥556,932	¥721,320	¥ 1,811,580	¥ 17,345	¥ 1,828,925	¥ 200,869	¥ 2,029,794
Other items:							
Depreciation and amortization	10,214	1,635	21,234	961	22,195	2,243	24,438
Increase in property, plant and equipment and intangible assets	72,318	332	77,339	41	77,380	3,879	81,259

	Millions of yen					
	2015					
	Reportable segments					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Sales to third parties	¥ 427,044	¥ 398,483	¥ 134,167	¥ 428,227	¥ 118,731	¥ 56,699
Intersegment sales and transfers	−	2,533	457	3,132	−	−
Net sales	427,044	401,016	134,624	431,359	118,731	56,699
Segment income	¥ 48,894	¥ 45,826	¥ 14,998	¥ 23,405	¥ 8,492	¥ 4,738
Segment assets	¥ 72,171	¥ 46,738	¥ 13,169	¥ 96,793	¥ 142,246	¥ 135,612
Other items:						
Depreciation and amortization	4,996	2,587	113	990	995	81
Increase in property, plant and equipment and intangible assets	3,738	710	18	558	570	3

	Millions of yen						
	2015						
	Reportable segments						
	Urban redevelopment	Overseas	Sub Total	Other	Total	Adjustments	Consolidated
Sales to third parties	¥ 178,345	¥ 79,835	¥ 1,821,531	¥ 91,191	¥ 1,912,722	¥ −	¥ 1,912,722
Intersegment sales and transfers	129	−	6,251	5,682	11,933	(11,933)	−
Net sales	178,474	79,835	1,827,782	96,873	1,924,655	(11,933)	1,912,722
Segment income	¥ 25,803	¥ 4,419	¥ 176,575	¥ 3,123	¥ 179,698	¥ (33,102)	¥ 146,596
Segment assets	¥556,704	¥631,559	¥ 1,694,992	¥ 14,286	¥ 1,709,278	¥ 220,132	¥ 1,929,410
Other items:							
Depreciation and amortization	10,958	1,515	22,235	1,042	23,277	2,415	25,692
Increase in property, plant and equipment and intangible assets	112,245	410	118,252	157	118,409	3,142	121,551

	Thousands of U.S. dollars					
	2016					
	Reportable segments					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Sales to third parties	$3,257,938	$3,314,313	$1,112,426	$3,712,675	$1,137,462	$ 674,030
Intersegment sales and transfers	0	39,778	1,928	26,144	−	−
Net sales	3,257,938	3,354,091	1,114,354	3,738,819	1,137,462	674,030
Segment income (loss)	$ 390,569	$ 429,544	$ 131,116	$ 221,883	$ 98,618	$ 66,443
Segment assets	$ 531,298	$ 370,754	$ 120,601	$ 791,511	$1,364,367	$1,233,879
Other items:						
Depreciation and amortization	37,280	22,636	786	7,330	9,448	165
Increase in property, plant and equipment and intangible assets	21,742	4,889	108	6,851	4,964	240

	Thousands of U.S. dollars						
	2016						
	Reportable segments						
	Urban redevelopment	Overseas	Sub Total	Other	Total	Adjustments	Consolidated
Sales to third parties	$ 769,736	$ 740,655	$14,719,235	$ 659,924	$15,379,159	$ −	$15,379,159
Intersegment sales and transfers	1,017	−	68,867	38,926	107,793	(107,793)	−
Net sales	770,753	740,655	14,788,102	698,850	15,486,952	(107,793)	15,379,159
Segment income (loss)	$ 204,749	$ (46,935)	$ 1,495,987	$ 20,775	$ 1,516,762	$ (278,696)	$ 1,238,066
Segment assets	$4,607,694	$5,967,734	$14,987,838	$ 143,501	$15,131,339	$1,661,860	$16,793,199
Other items:							
Depreciation and amortization	84,504	13,527	175,676	7,951	183,627	18,557	202,184
Increase in property, plant and equipment and intangible assets	598,312	2,747	639,853	339	640,192	32,092	672,284

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

Adjustments in the above tables:

The adjustments of segment income in the amounts of ¥33,686 million ($278,696 thousand) and ¥33,102 million for the years ended January 31, 2016 and 2015 are eliminations of intersegment transactions of ¥3,084 million ($25,515 thousand) and ¥3,519 million and corporate expenses of ¥30,602 million ($253,181 thousand) and ¥29,583 million, which were related to administration expenses and research and development costs, respectively.

The adjustments of segment assets in the amounts of ¥200,869 million ($1,661,860 thousand) and ¥220,132 million at January 31, 2016 and 2015, 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 ¥2,243 million ($18,557 thousand) and ¥2,415 million for the years ended January 31, 2016 and 2015, 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 ¥3,879 million ($32,092 thousand) and ¥3,142 million for the years ended January 31, 2016 and 2015, respectively, consist of the purchase of machinery and equipment by the Company.

The total amount of segment income (loss) in the above tables is adjusted to operating income of the accompanying consolidated statements of income for the years ended January 31, 2016 and 2015.

Information on each product and service for the years ended January 31, 2016 and 2015 was omitted because it was identical to that of the reportable segment information.

Geographical information and sales information by major customer for the years ended January 31, 2016 and 2015 was omitted because there were no items that meet the disclosure criteria.

Information on loss on impairment of fixed assets by reportable segment for the years ended January 31, 2016 and 2015 was as follows:

	Millions of yen					
	Year ended January 31, 2016					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Loss on impairment of fixed assets	¥ 856	¥ –	¥ –	¥ –	¥ –	¥ –

	Millions of yen					
	Year ended January 31, 2016					
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Loss on impairment of fixed assets	¥3,861	¥5,540	¥ –	¥10,257	¥ 360	¥10,617

	Millions of yen					
	Year ended January 31, 2015					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Loss on impairment of fixed assets	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –

	Millions of yen					
	Year ended January 31, 2015					
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Loss on impairment of fixed assets	¥1,840	¥ –	¥ –	¥1,840	¥ 73	¥1,913

	Thousands of U.S. dollars					
	Year ended January 31, 2016					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Loss on impairment of fixed assets	$7,082	$ –	$ –	$ –	$ –	$ –

	Thousands of U.S. dollars					
	Year ended January 31, 2016					
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Loss on impairment of fixed assets	$31,944	$45,834	$ –	$84,860	$2,978	$87,838

Information on amortization of goodwill and the remaining balance by reportable segment as of and for the years ended January 31, 2016 and 2015 was as follows:

	Millions of yen					
	As of and for the year ended January 31, 2016					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Amortization of goodwill	¥ 182	¥ –	¥ –	¥ –	¥ 21	¥ –
Remaining balance	30	–	–	–	3	–

	Millions of yen					
	As of and for the year ended January 31, 2016					
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Amortization of goodwill	¥ –	¥ 121	¥ –	¥ 324	¥ –	¥ 324
Remaining balance	–	72	–	105	–	105

	Millions of yen					
	As of and for the year ended January 31, 2015					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Amortization of goodwill	¥ 182	¥ –	¥ –	¥ 114	¥ 21	¥ –
Remaining balance	212	–	–	–	24	–

	Millions of yen					
	As of and for the year ended January 31, 2015					
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Amortization of goodwill	¥ –	¥ 31	¥ –	¥ 348	¥ –	¥ 348
Remaining balance	–	101	–	337	–	337

	Thousands of U.S. dollars					
	As of and for the year ended January 31, 2016					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Amortization of goodwill	$ 1,506	$ –	$ –	$ –	$ 174	$ –
Remaining balance	248	–	–	–	25	–

	Thousands of U.S. dollars					
	As of and for the year ended January 31, 2016					
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Amortization of goodwill	$ –	$1,001	$ –	$ 2,681	$ –	$ 2,681
Remaining balance	–	596	–	869	–	869

There was no information on gain on bargain purchase for the years ended January 31, 2016 and 2015.

22. Other Comprehensive Income

The following table presents an analysis of other comprehensive (loss) income for the years ended January 31, 2016 and 2015.

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Net unrealized holding gain on securities:			
Amount arising during the year	¥ 4,466	¥ 7,417	$ 36,948
Reclassification adjustments for gain included in net income	(8,514)	(5,847)	(70,439)
Before tax effect	(4,048)	1,570	(33,491)
Tax effect	2,505	(982)	20,725
Net unrealized holding gain on securities	(1,543)	588	(12,766)
Deferred loss on hedges:			
Amount arising during the year	(17)	(74)	(141)
Before tax effect	(17)	(74)	(141)
Tax effect	5	28	42
Deferred loss on hedges	(12)	(46)	(99)
Translation adjustments:			
Amount arising during the year	(21,830)	34,182	(180,607)
Retirement benefits liability adjustments:			
Amount arising during the year	(6,576)	–	(54,406)
Reclassification adjustments for gains included in net income	(11,729)	–	(97,038)
Before tax effect	(18,305)	–	(151,444)
Tax effect	7,725	–	63,912
Retirement benefits liability adjustments	(10,580)	–	(87,532)
Share of other comprehensive (loss) income of affiliates accounted for by the equity method:			
Amount arising during the year	(628)	719	(5,196)
Total other comprehensive (loss) income	¥ (34,593)	¥ 35,443	$(286,200)

23. Supplemental Information to Consolidated Statements of Cash Flows

During the years ended January 31, 2016 and 2015, stock subscription rights were exercised and the related convertible bonds converted to common stock without any cash settlement. Details of the movement resulting from the exercise of stock subscription rights are as follows:

	Millions of yen		Thousands of U.S. dollars
	2016	2015	2016
Increase in common stock	¥ 4,875	¥ 6,157	$ 40,333
Increase in capital surplus	4,875	6,733	40,333
Gain on disposal of treasury stock	–	246	–
Loss on disposal of treasury stock	(1,517)	(5,158)	(12,551)
Decrease in treasury stock	2,937	16,111	24,299
Decrease in convertible bonds	¥ 11,170	¥ 24,089	$ 92,414

24. Subsequent Events

(1) Cash dividends

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, 2016, was approved at a shareholders' meeting held on April 27, 2016:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥27 = U.S.$0.22 per share)	¥ 18,932	$ 156,631

(2) Acquisition of treasury stock

The Company determined to acquire treasury stock in accordance with Article 156 and Article 165 (3) of the Law at a meeting of the Board of Directors held on March 10, 2016. Details of the acquisition of treasury stock are as follows:

Objective	In order to improve shareholder returns through flexible financing corresponding to the changes in the business environment and the improvement of return on equity
Class of treasury stock	Common stock
Total treasury stock the Company may acquire	13,000,000 shares, at maximum
Total acquisition amount	¥22,000 million ($182 million), at maximum
Acquisition period	From March 11, 2016 to January 31, 2017
Acquisition method	Tender offer (including Nagoya Stock Exchange Trading Network Off-Auction Own Share Repurchase Trading System(N-NET3))

Under the above determination, the Company acquired treasury stocks as follows:

Class of treasury stock	Common stock
Total treasury stock the Company acquired	795,400 shares
Total acquisition amount	¥1,543 million ($13 million)
Acquisition period	From March 11 to 31, 2016
Acquisition method	Tender offer at Tokyo Stock Exchange

Independent Auditor's Report

The Board of Directors
Sekisui House, Ltd.

We have audited the accompanying consolidated financial statements of Sekisui House, Ltd. and subsidiaries, which comprise the consolidated balance sheet as at January 31, 2016, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sekisui House, Ltd. and subsidiaries as at January 31, 2016, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

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

April 28, 2016
Osaka, Japan

Ernst & Young ShinNihon LLC

Ernst & Young ShinNihon LLC
Auditors

Corporate Data

Outline of the Company

(As of January 31, 2016)

Established
August 1, 1960

Capital Stock Issued
¥202,591 million

Employees
23,089 (Consolidated)

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

Factories
Ibaraki, Shizuoka, Yamaguchi, Miyagi and Hyogo

Laboratory
Comprehensive Housing R & D Institute (Kyoto)

Major Subsidiaries and Affiliates
Sekiwa Real Estate, Ltd.
Sekisui House Remodeling, Ltd.
Sekiwa Construction Higashi-Tokyo, Ltd.
Sekisui House Investment Advisors,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.

Stock Information

(As of January 31, 2016)

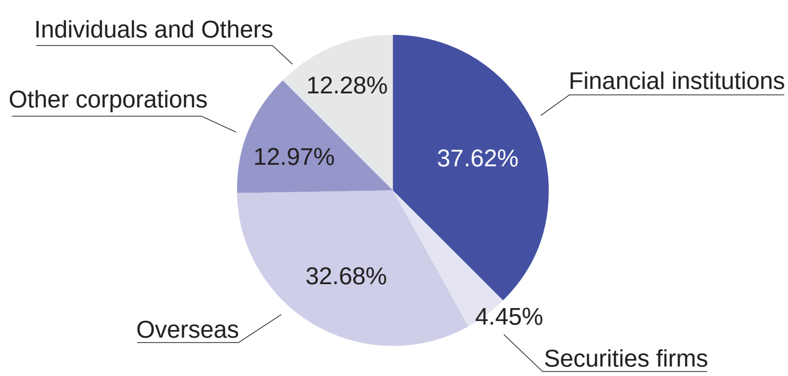
Stock Listing
Tokyo, Nagoya

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

Major Shareholders

	Name	Number of shares	Shareholding ratio (%)
1	Sekisui Chemical Co., Ltd.	52,168,727	7.35
2	The Master Trust Bank of Japan, Ltd. (Trust account)	45,507,900	6.41
3	Japan Trustee Services Bank, Ltd. (Trust account)	40,765,600	5.74
4	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,624,515	1.92
5	The Dai-ichi Life Insurance Company, Limited	12,158,730	1.71
6	THE BANK OF NEW YORK MELLON SA/NV 10	12,092,533	1.70
7	Employees' Stockholding	11,938,756	1.68
8	Japan Trustee Services Bank, Ltd. (Trust account 9)	10,733,000	1.51
9	STATE STREET BANK AND TRUST COMPANY 505225	10,131,999	1.43
10	STATE STREET BANK WEST CLIENT-TREATY 505234	8,842,086	1.25

Stock Composition



Directors and Corporate Auditors
(As of April 27, 2016)

Chairman, Representative Director & CEO
Isami Wada

President, Representative Director & COO
Toshinori Abe

Executive Vice President & Director & CFO
Shiro Inagaki

Executive Vice President & Director
Tetsuo Iku

Directors
Teruyuki Saegusa
Shiro Wakui
Takashi Uchida
Fumiyasu Suguro
Kunpei Nishida
Yousuke Horiuchi
Yoshihiro Nakai

Standing Corporate Auditors
Sumio Wada
Kengo Yoshida

Corporate Auditors
Takaharu Dohi
Yoshinori Shinohara
Kouichi Kunisada

Executive Officers
(As of April 27, 2016)

Executive Vice President
Shiro Inagaki
Tetsuo Iku

Senior Managing Officers
Takashi Uchida
Fumiyasu Suguro

Managing Officers
Kunpei Nishida
Yousuke Horiuchi
Yoshihiro Nakai
Motohiko Fujiwara
Koji Nakata
Noboru Ashida
Hiroyuki Sato
Kazushi Mitani
Haruyuki Iwata
Daisuke Akamatsu
Kenichi Ishida
Noriaki Ogata
Kazuchika Uchiyama
Toshiharu Miura
Toru Ishii

Executive Officers
Michio Yoshizaki
Hisao Yamada
Yuichi Matsushima
Akira Kuroda
Osamu Minagawa
Toshikazu Shimanuki
Futoshi Teramura
Hideyuki Kamijo
Hitoshi Kuroyanagi
Takakazu Koi
Yutaka Amemiya
Masayoshi Ishii

ANNUAL REPORT 2016

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