ANNUAL REPORT 2011

For the year ended January 31, 2011

Sekisui House, Ltd.

Our Corporate Profile

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

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Forward-Looking Statements

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

Financial Highlights

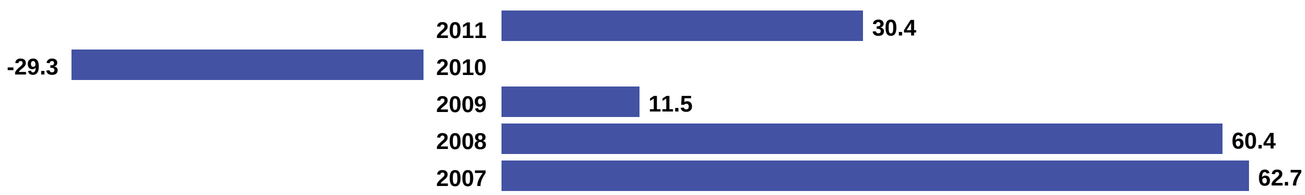
Sekisui House, Ltd. and Subsidiaries

	Millions of yen					Thousands of U.S. dollars
	2011	2010	2009	2008	2007	**2011**
For the year:						
Net sales	¥ **1,488,370**	¥ 1,353,186	¥ 1,514,172	¥ 1,597,807	¥ 1,596,183	$ **18,122,123**
Net income (loss)	**30,421**	(29,277)	11,517	60,352	62,663	**370,401**
At year ended						
Total assets	**1,341,309**	1,353,946	1,387,237	1,349,441	1,278,770	**16,331,535**
Net assets	**738,029**	716,296	754,130	770,963	798,303	**8,986,107**
	Yen					U.S. dollars
	2011	2010	2009	2008	2007	**2011**
Per share:						
Net income (loss)	¥ **45.02**	¥ (43.32)	¥ 17.04	¥ 87.70	¥ 89.26	$ **0.55**
Cash dividends applicable to the year	**21.00**	10.00	24.00	24.00	22.00	**0.26**

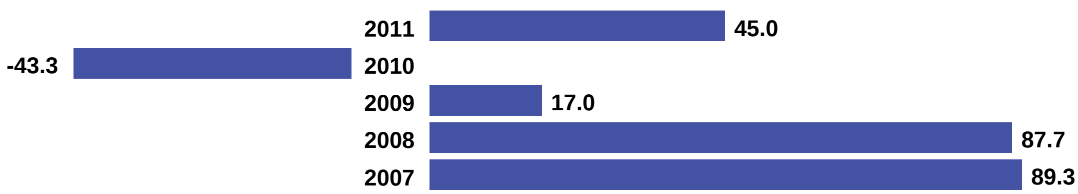
Note: U.S. dollar amounts above and elsewhere in this report represent translations of Japanese yen, for convenience only, at the approximate exchange rate of ¥82.13 = U.S. $1, effective at January 31, 2011.

Net Sales
Billions of yen

Net Income
Billions of yen



Net Income Per Share
Yen



To Our Shareholders and Investors

We express our sincere condolences and sympathy to those affected by the Great East Japan Earthquake that occurred March 11, 2011, and we hope for a swift recovery in the areas affected.

Immediately following the earthquake, we at Sekisui House launched the Great East Japan Earthquake Response Unit, headed by our president Abe. The response unit has worked to confirm the safety of owners of homes and to assess damage to structures built by Sekisui House in the areas affected. The unit has also helped deliver goods needed by the areas affected.
Moreover, the entire Sekisui House Group is involved in the construction of temporary housing in the areas affected and will continue to help achieve a swift recovery of the areas affected.

Toshinori Abe
President & COO

Isami Wada
Chairman & CEO

Business results beating our mid-term management plan
Remaining firmly rooted in our domestic business, we will also seek growth overseas.

<Implementation of Mid-term Management Plan >

① Strengthen core businesses through *Green First* and area-specific marketing strategies

② Reform earnings structure

③ Leverage group ties to further enhance customer satisfaction and expand business

④ Expand our business portfolio

ull of appreciation for our customers, Sekisui House will continue to evolve as a green company

We commemorate our 50th anniversary with deep appreciation for our many customers who have made it possible for us to reach two million homes built to date and a solid earnings recovery. Moreover, we would like our shareholders and other investors to know that all corporate activities at Sekisui House will continue to be rooted in our appreciation for our customers.
Our *Green First* Strategy to expand sales of eco-friendly housing is driving our current earnings recovery. The *Green First* concept is rooted in safety and peace of mind while it seeks to achieve comfort, economic savings and consideration for the environment. Our *Green First* models account for more than 70% of new orders for detached homes. We have equipped more than 10,000 homes annually-an industry first-with solar power generation systems and have set the record in Japan for the largest number of homes sold with residential fuel cell systems.
Our *Green First Premium* homes combine energy generation with energy conservation to reduce CO_2 emissions up to 100%. The popularity of our *Green First Premium* and *Sha-Maison Green First* rental housing products is contributing significantly to our earnings recovery. Moving forward, we will maintain our position as a green company that is a step or two ahead of the competition by implementing measures such as providing electric vehicle charger outlets as a standard feature to answer growing demand.

laking steady progress reinforcing our sales force and raising production efficiencies

Reinforcing our sales force is another important challenge. We continue to put our best foot forward in terms of strengths such as *Green First*. At the same time, we are pursuing area-specific marketing strategies. Specifically, we have added resources to the Tokyo metropolitan area to make our strengths even stronger. At the same time, we plan to operate efficient organizations and enhance regimes to better fit today's needs in areas outside of Tokyo.
We are also reforming our earnings structure in our production division as a pillar of the Company's structural reform. At our

Shizuoka Plant, where we manufacture our 50th anniversary *Be Sai+e* model, we have introduced 127 automation robots, achieving a completely made to order production regime and significantly reducing costs. We have also changed accounting standards to percentage of completion from a completed contract basis, which has help level production and installation loads.

Our stock business, backed by two million homes built to date, and intragroup ties are contributing to a stronger business base. By single-sourcing and sharing customer data, we have raised occupancy rates in *Sha-Maison* rental housing and deliver remodeling business results in line with plan.

We are now on pace to surpass the targets set forth under our mid-term management plan, thanks to the ideal interchange between divisional business reforms and intragroup ties.

Robotic automation line

■nvisioning a growth strategy overseas

At Sekisui House, our core detached house business in Japan serves as a springboard for the business strategies that we are currently implementing overseas. Over the past 50 years, the homebuilding industry in Japan has established itself. We are confident the prefabricated homebuilding expertise and know-how accumulated over those 50 years coupled with Sekisui House proprietary green technologies will garner global attention and fulfill needs overseas as well.

While growing our domestic business, we at Sekisui House will broaden our horizons globally to pursue an overseas strategy. Wherever you go, people appreciate the real thing. We are confident we can leverage our prefabricated homebuilding expertise with green technologies to solidify our domestic base, expand our horizons overseas and implement a new growth strategy.

Financial analysis

Japan's economy has experienced a moderate recovery in corporate earnings, driven by increased exports fueled by economic growth in emerging countries and increased capital investments primarily in Asia. However, the economic outlook remains obscured by a downturn since the effects of government stimulus measures have dissipated, downward pressure on corporate earnings due to the strong yen and prolonged deflation.

However, the market benefited from government measures aimed at promoting homeownership and upgrades to existing homes. Specifically, tax incentives such as the largest tax cut on mortgage loans in history were implemented. Subsidies aimed at promoting more environmentally friendly housing were extended. The eco-point system was introduced for housing. And tax exemptions were expanded for monetary gifts inter vivos to family members buying a home. Along with moderate recoveries in consumer spending and employment environment, the effect of these measures was a recovery in the number of new housing starts including owner-occupied homes. Condominium sales in urban areas have also indicated a rebound.

Under such an environment, Sekisui House has aggressively pursued business initiatives set forth in our mid-term management plan, which include strengthening our core businesses, expanding our business portfolio and deploying our Green First Strategy as a driver of business growth in eco-friendly housing. We became the first homebuilder to sell more than an annual 10,000 detached homes equipped with solar power generation systems, and we lead the industry with the largest number of homes equipped with residential fuel cell systems. We commemorated our 50th anniversary of Sekisui House's foundation on August 1 this year. Under the catchphrase, "Come home to a Sekisui House", we announced reaching the milestone of two million houses sold to date and expressed our appreciation to Sekisui House owners through a far-reaching campaign utilizing mass media outlets including TV broadcasts and customer home visits.

To expand our business portfolio, we participated in a joint acquisition of all shares in Joint REIT's asset management firm (Sekisui House acquired a 75% stake) with Spring Investment Co., Ltd. In June, the name of Joint Reit Investment Corporation was changed to Sekisui House SI Investment Corporation. This allowed us to make a full-fledged entry into the residential REIT business. Additionally, to expand business opportunities across all aspects of real estate, we have forged a business alliance with KOWA REAL ESTATE CO., LTD. that has a good track record in office leasing, with whom we will jointly pursue a wide variety of businesses, from development to leasing and more.

In Australia, we acquired the built-to-order homebuilding unit of AV Jennings, a company with a 70-plus year history, and agreed to a business and development alliance with the leading developer, Lend Lease Group. In the United States, we have agreed to participate in the joint development of residential and commercial complexes with leading real estate developer and homebuilder Miller and Smith on the One Loudoun Project in the suburbs of Washington D.C., and with Newland Real Estate Group on the Cinco Ranch housing and commercial development project located in western Houston.

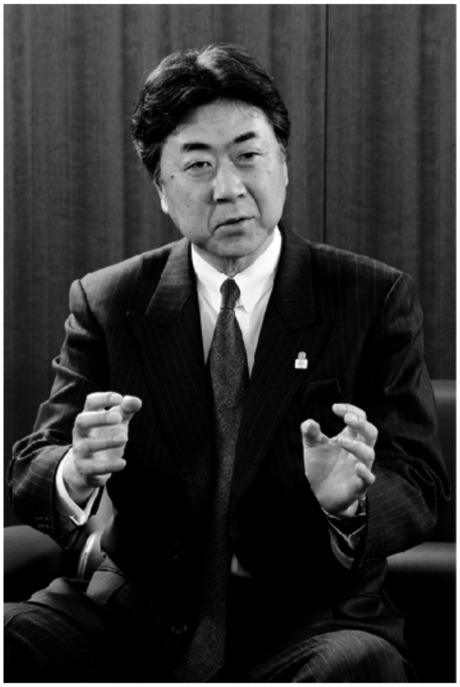
Under our Urban Redevelopment Business, we began construction in March at Osaka Station North District Phase 1 Development Area Project. In June, construction finished at Hommachi Garden City, home to The St. Regis Osaka, the hotel chain's first foray into Japan, and many retail stores. October was the grand opening.

Our business in general performed well, helped by a steady increase in orders driven by our Green First Strategy coupled with the effects of the government's measures, our 50th anniversary commemorative products and sales promotion events.

As a result, Net sales amounted to ¥1,488,370 million, (up 10% from the previous year). Operating income grew to ¥56,355 million, and net income to ¥30,421 million.

Looking at overview of business segments, in our Built to Order Housing Business, we strengthened our sales force to actively implement our Green First Strategy, as a part of our mid-term management plan, and to further drive sales of the Green First brand. Green First models have accounted for approximately 70% of our order bookings, showing steady sales growth. We launched new products including 50th anniversary commemorative models in this segment.
Our efforts resulted in a continued recovery in detached housing orders and signs of recovery for apartments primarily in major urban areas.
Sales in the Built to Order Housing Business increased to ¥697,388 million (up 18.1% from the previous fiscal year) and operating income to ¥70,817 million (up 45.8%).

In the Built for Sale Housing Business, we held the sales promotion event Machinami Sankan-bi (visits to existing subdivisions with superb living environments) to stimulate sales. We leveraged our brand power to actively promote our Green First Strategy. This business line also benefited from mortgage tax breaks, leading to signs of a modest recovery in some geographical areas. Under such an environment, we strove to promote sales by developing communities that deliver highly value-added asset creation, which is where we can best exhibit a competitive edge.
In our Condominium Business, we promoted sales by emphasizing the property attractiveness, product concept and added value of condominiums currently available for sale. Sales have been strong on increased activity in the overall condominium market, especially in Tokyo.
Condominiums at Wentworth Point in the suburb of Sydney, Australia, a business we began two years ago, is progressing solidly with over 90% of units under contract.
In our Urban Redevelopment Business, we held the grand opening of Hommachi Garden City (Osaka) in October. Also construction is progressing steadily at our Garden City Shinagawa Gotenyama (Shinagawa, Tokyo) and Hommachi Minami Garden City (Osaka) projects.
Generally in this business, we continued our nationwide efforts to adjust inventories and improve asset turnover including detached houses for sale, but were unable to achieve a substantial improvement.
For the Real Estate for Sale Business, sales decreased to ¥229,484 million (down 9.5% from the previous fiscal year), and operating loss came to ¥3,166 million.



In the Real Estate for Leasing Business, the number of units of Sha-Maison low-rise apartments for block leasing and management by Sekiwa Real Estate companies showed a steady increase. While occupancy rates stagnate nationwide, we pushed forward with marketing activities as an integrated group, actively proposing remodeling aimed at maintaining and enhancing owner's asset value and strengthened ties with exclusive agents of Sekiwa Real Estate companies. As a result, we were able to maintain high occupancy rates mainly in Tokyo, Osaka and other urban areas. Furthermore, we worked to grow earnings in the Real Estate for Leasing Business by introducing new supply based on pinpointed area marketing to propose Sha-Maison Town etc.
Sales in the Real Estate for Leasing Business grew to ¥377,667 million (up 3.7% from the previous fiscal year) and operating income decreased by 0.4% to ¥14,125 million.

In Other Businesses, our Remodeling Business as part of our Green First Strategy fared well as we actively marketed remodeling proposals aimed at energy conservation with the installation of photovoltaic power generation systems and high-efficiency hot water supply systems. Aside from environmental features, we proposed remodeling ideas to support comfort in living tailored to diversifying lifestyles. As a result, business fared well, helped by the effects of eco-points for housing.

Orders and inquiries for the Sekiwa no Ki no Ie, a second brand from the Sekiwa Construction Group, were strong due to housing designs tailored to regional characteristics and the trustworthiness of the Sekisui House Group.
For this segment, sales amounted to ¥183,831 million (up 26.8% from the previous year) and operating income to ¥9,455 million (up 52.0%).

For the outlook, Japan's economy has experienced a moderate recovery in corporate earnings, resulting in recoveries in employment and personal incomes though downward pressure on corporate earnings remains due to the strong yen and row material price hikes. Under such environment, we continue to promote our Green First Strategy, main driver of our business, and expect continued benefits from government measures including the housing eco-point system and tax breaks aimed at promoting homeownership.
For the fiscal year ending January 2012, we forecast consolidated earnings of ¥1,510 billion in sales (up 1.5% from FY2010), ¥63 billion in operating income (up 11.8%), and ¥34 billion in net income (up 11.8%).

In regards to profit distribution, for the year ended January 2011, we paid an interim dividend of ¥8 and commemorative dividend of ¥5 to celebrate our 50th anniversary at the end of first half, and plan to pay out a year-end dividend of ¥8 (totaling ¥21: common dividend of ¥16 + commemorative dividend of ¥5) over the full year.
For the next fiscal year, ending January 2012,we plan to pay out an interim dividend of ¥10 and a year-end dividend of ¥10, totaling ¥20 for the full year.

I. Wada

Isami Wada
Chairman & CEO

Toshinori Abe

Toshinori Abe
President & COO

Sekisui House Topics

Environmental and Social Responsibility

Our milestone announcements of the Environmental Future Plan in 1999 and the Declaration of Sustainability in 2005, together with our certification in 2008 as an Eco First Company, clearly underline the determination of our Company to create a sustainable society. Since the 2010 announcement of our Medium Term Management Plan, we have centered our business on our Green First Strategy and aimed to achieve superior sustainable development as a company, through which we continue to lead the industry today. We introduce below some of our Company's many efforts.

To prevent global warming, Japan must immediately act to reduce CO_2 emissions in households. Sekisui House, having celebrated the milestone 50th anniversary of its founding in 2010, has a heavy responsibility in this regard as the world's leading homebuilder, having constructed more than two million houses total in fifty years. We believe in the significance of becoming a national and international role model in terms of global warming measures and supplying eco-friendly houses.

Sekisui House, Industry Leader

We are an Eco-First company working on"Challenge 25".

In the Eco-First system, the Ministry of the Environment certifies leading companies in each industry sector as forerunners in environmental initiatives, and obtains their commitment to developing and advancing their initiatives, with the goal of promoting environmental programs and higher levels of ecology in each industry. Sekisui House is the only company in the housing and construction industry to have achieved Eco-First certification as soon as the system came into effect in June 2008. (There were 34 certified companies as of January 31, 2011.)

ECO FIRST

Sekisui House takes part in the "Challenge 25"Project as an "Eco First Company" authorized by the Ministry of Environment.

Challenge 25

The Japanese government is running the "Challenge 25" campaign, which began started in January 2010. This is a public initiative to prevent global warming, targeting the goal raised in the 1990 Kyoto Protocol of reducing greenhouse gas emissions by 25% by 2020. As an Eco-First company, we are striving to achieve "Challenge 25" through policies such as subsidies, tax reductions, and the housing Eco-Point system, to promote eco-friendly housing and lifestyle hints in new housing constructions and in renovations.

The Environmental Technologies of Sekisui House

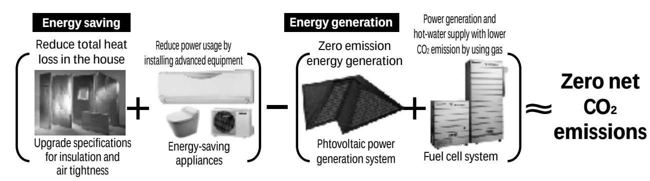
From *Carbon Neutral House* to *Zero Emission House*, a futuresque housing system that demonstrates our environmental technology to the world

Sekisui House has focused on global warming issues from an early stage, developing technological innovations designed to reduce CO_2. We standardized double-glazed glass in houses, and in 2000 made double-glazed, thermal insulation glass and heat insulating aluminum sash a standard feature. In 2003 we became the first in the industry to standardize next-generation energy saving standards. In 2005, we launched our unique "Action Plan 20*" and worked with our customers to reduce CO_2 emissions in the fight against global warming.

*Our unique action is based on the idea that if we set 1990 as the base year and reduce CO_2 emissions, which are expected to increase 13.5% for the following 20 years, by 20%, we could achieve a reduction of 6% compared to the base year.

It was after these actions that we began commercial sales of *Carbon Neutral House* in 2008, which reduces the CO_2 emitted from daily life using intensive energy-saving and thermal insulation technology. This was the development of a sustainable house based on the thinking that [Energy conserved (amount emitted)] - [Energy created (amount reduced)] ≈ [CO_2 fully offset]. It made use of advanced technology and offered sufficient consideration of environmental issues.

●Mechanisms used in the Carbon Neutral House



When the government built the *Zero Emission House* at the G8 Hokkaido Toyako Summit held in July 2008 based on the theme of the "environment," we adopted our accumulated know-how and experience to provide full cooperation. *Zero Emission House* is a futuresque house that does more than reduce CO_2; it zeroes CO_2 emissions throughout the lifecycle of the product from production to dismantling, using advanced technology such as Double Generation (which generates power with a fuel cell, recovering emissions, and uses photovoltaic power generation to sell surplus power). The international media reported on our technologies in eco-friendly housing and our underlying message, and we received high acclaim.

The introduction of Japanese advanced environmental technologies to interior/exterior parties in front of the International Media Center during the G8 Hokkaido Toyako Summit

After the Summit, we moved the house to the *Zero Emission Center* at our Kanto Factory (Ibaraki Prefecture), where it is on public display. The house is attracted more than 50,000 visitors from around the world (54,000 as of Feb. 28, 2011).

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

■utting CO_2 emissions in daily life - *Green First* Strategy

Since March 2009, we have centered our business on eco-friendly housing and have been pursuing our *Green First* Strategy. We equip our steel-framed and wooden houses with photovoltaic power generation and home-use fuel cells, and recommend the *Green First* models, which are designed to reduce CO_2 emissions by 60-100% during residence. The *Green First* models accounted for 70% of all detached houses that were delivered in fiscal 2010. We built 10,931 houses equipped with photovoltaic power generation systems, up 55% from the previous year, and sold 2,974 houses with home-use fuel cells, a record for the housing industry. We also sold 2,262 *Green First Premium* houses, equipped with both photovoltaic power generation systems and home-use fuel cells. The *Green First* Strategy achieved significant success by helping reduce CO_2 emissions during residence by 49% in comparison with the 1990 level.

We also incorporate all-electric systems and photovoltaic power generation in our rental houses, and have sold 890 *Sha-Maison Green First* rental houses, which feature a photovoltaic power generation system. With these initiatives we are pursuing the highest level of eco-friendliness.

The *Green First* homes that we recommend to consumers are very much in line with what the government of Japan is trying to encourage. At Sekisui House, we aim to build more *Green First* homes, to contribute to global warming issues and establish a de facto standard for eco-friendly homes.

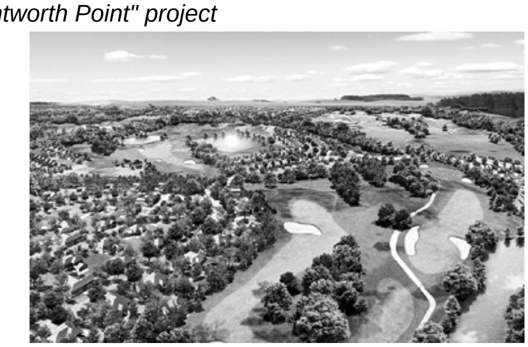
We are also taking steps to conserve energy in existing homes, as another important step to reducing CO_2 emissions in the household sector. Through renovation technology to improve heat insulation performance and our proposal to install energy-conserving equipment, we strive to heighten comfort and ecology levels among our users.

In our production sector, we have installed an automated robot line in our Shizuoka Factory, raising the automation ratio from 60% to 95% and achieving greater cost savings. Using this production line, which can adapt flexibly to advanced, free design, we are manufacturing our 50th anniversary product the *Be Sai+e*, characterized by its wide open "slow living room." We are also pushing forward with a modal shift, transporting via railroad to achieve energy-efficient distribution from our Shizuoka Factory to sites nationwide.

■xpanding portfolio - International business outlook

In 2009, we launched our international business. With the excellent reputation for our eco-friendly technology and experience in building quality housing, described above many projects are underway in countries such as Australia, the United States, China, and Singapore. We will be operating urban development and housing construction and sales businesses in partnership with major local developers and homebuilders, evaluating the market situations and business adaptability in each area. As a company that creates living environments, we aim to help to improve local living environments and culture, and intend to operate our business targeting countries and regions with growth potential and enthusiastic demand for fulfilling, quality housing.

Australia "Wentworth Point" project



Australia "Camden Hills"

The Sustainability Efforts of Sekisui House

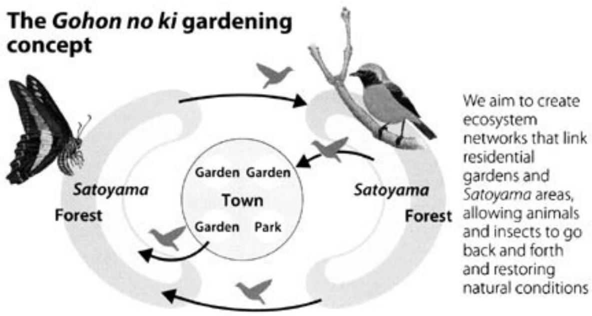
■estoring ecosystems - Incorporating biological diversity perspectives in our primary business with the *Gohon no ki* project and townscape development

Sekisui House has initiated the *Gohon no ki* project out of an aspiration to play a role in maintaining ecosystems by planting indigenous trees as a gathering ground for wild birds. By using certain species of trees that attract wild birds and butterflies in the gardens for the houses and housing complexes we construct, we create a small ecosystem and a network with nature. Based on guidelines produced from our independent research, we select species and suggest the plantation of trees that match the climate and vegetation of the area. We have also opened a mobile search site that enables anyone to understand the relationship between trees and living beings, encouraging the public to come on more intimate terms with nature and heighten awareness of the need to preserve it. In fiscal 2010, we planted 910,000 trees under the *Gohon no ki project.* This is a unique activity that attempts to tackle biodiversity issues in our primary field of business.

We are also one of 34 companies from six countries that endorse the Biodiversity in Good Company Initiative, which strives to conserve ecosystems. And we are one of many private companies to cooperate in the 10th Conference of the Parties to the Convention on Biological Diversity (CBD COP10) held in Nagoya in 2010.

<Establishing a brand for urban development>

As part of efforts to strengthen our real estate business nationwide, we drafted an *"Urban Development Charter"* in 2005, based on which we work with residents to create comfortable communities. Aiming to create beautiful and refined communities that encourage long-term residence, the Charter is our own unique and voluntary guideline that goes a step beyond laws and administrative guidance. It consists not only of environmental considerations in architectural design but also the development concepts of actively preserving local topography and trees, producing environments of fieldstones and waterfront areas, and building architecture with attention to design, local scenery, positioning, color, and materials. The plan will also actively incorporate the *Gohon no ki* plan mentioned above.



The country will be categorized using five climate zones with representative indigenous trees selected for each zone. A single indigenous tree can support several hundred birds and other species.

Based on these Companywide concepts, we have since 2006 hosted *Machinami Sankan-bi* twice a year, in the spring and fall, opening all of our houses and housing complexes nationwide to the public. Through these efforts, we establish a brand of housing complexes that is compatible with local culture and characteristics and fosters a sense of community.

At Shinagawa, Tokyo, we have begun work on a major redevelopment project called *Garden City Shinagawa Gotenyama*, and have constructed an office building that contributes to the local environment and landscape. At *Hommachi Garden City*, which we constructed in Osaka's downtown Midosuji Boulevard, we have built a world-class hotel, the St. Regis Hotel, which attracted considerable attention with its debut in the Japanese market. Our urban redevelopment business is another area in which we aim to create sophisticated townscapes that take advantage of local characteristics. Through these means, we actively incorporate the vast expertise we have accumulated as a leading homebuilder into major urban redevelopment projects with high added value, to high acclaim.

"Garden City Shinagawa Gotenyama"

<Enforcing our procurement guidelines>

In 2007, Sekisui House led the industry in drafting its own guidelines to procure wood and chemical substances to further improve the quality of its supply chain management and traceability. The "Wood Procurement Guideline" promotes the use of FairWood to prevent illegal lumbering and consider benefits to local economies, the environment, and ecosystems. We have collaborated with international non-government organizations in drafting this guideline. Recognizing our responsibility as a homebuilder that uses substantial volumes of wood resources, we have worked with suppliers to raise the procurement levels of FairWood. The ratio between the procurement level and our use of traceable S and A class wood rose to 87% in fiscal 2010, up 34 percentage points from fiscal 2007 when the guideline went into effect. The "Chemical Substances Guideline" sets a voluntary standard that eliminates the use of certain substances that are not yet prohibited and demands strict and comprehensive management of substances that are subject to management.

[redacted]ecycling resources - Working toward zero emission

Sekisui House is committed to a policy of Reduce, Reuse, and Recycle, striving to reduce construction waste and use resources efficiently. In 2002, we achieved zero emissions at our production factories, and after becoming the first company in the construction industry to obtain "Cross-Regional Certification*" under the Waste Management and Public Cleansing Act in 2004, our efforts to recycle waste gathered momentum. We went on to achieve zero emissions at construction sites in 2005 and in renovation work in 2007. We are currently aiming to achieve zero emissions at dismantling sites.

*An exceptional rule that eases Waste Management and Public Cleansing Act regulations on a company's recycling/collection efforts, certified by the Minister of the Environment as a well-developed system. Exempts the company from local government approval needed to transport waste through multiple prefectures.

In our zero emission systems, waste is sorted into 27 categories at the construction site, and is then sorted further into about 60 categories at each production factory's recycling center and sent to the factory's recycling system. By undertaking the entire waste management process within the Company in this way, we have developed a system with high traceability. In fiscal 2010, we set up a next-generation zero emission system at production factories nationwide that manages this process using IC tags.

A zero emission system would, for example, restrict a construction site from producing waste, and we have already reduced emissions from approximately 2,900 kg per house built (figure for 2000) to 1,308 kg in fiscal 2010. We are determined to reduce this figure further.

Next-generation zero emissions system using IC tags

On a test basis, we have implemented a next-generation zero emissions system that uses IC tags to enable the collection of detailed waste generation data and analyze separation.

In recognition of the Company's efforts, in July 2008 the Japan Automatic Identification Systems Association presented the company with "the Fuji Sankei Business-i Award" at the 10th Automatic Identification System Grand Prix.

[redacted]nticipating the government's policy to extend the life of housing as part of the social infrastructure

The average life (both physical and social) of housing in Japan used to be shorter than that in Western nations, at a mere 30 years. Now, in a mature society and an age of environmental concerns, Japanese housing policies are shifting their focus from quantity to quality, to improve the standard of living. Sekisui House adopted high quality, high endurance structural frames at a very early stage, and incorporated interior components and facilities capable of meeting changes in family composition and lifestyles. In 2000, we launched the"U-trus system", offering 20-year guarantee on the structural frame and renewable ten-year guarantees, becoming the forerunner in pursuing housing longevity.

The government has also begun to shift its conventional housing policies, enacting the Basic Act for Housing in 2006 and starting the Long-Life Quality Housing Scheme in 2009. Our philosophy of forming stock housing as quality social infrastructure with earthquake resistance and endurance is now seen in government policy. We believe that our mission is to encourage more of these movements.

<*EVERLOOP* - A recycling system to repurchase houses the Company sold in the past >

Japan has yet to develop a social system for assessing the fair value of previously owned housing. As a consequence, its secondary housing market is smaller than its counterparts in Western countries. Developing a system to preserve housing for several generations is a national concern.

Anticipating these social trends, we launched a new business in 2007 called *Everloop*, which repurchases houses that we developed in the past, rejuvenates them with our unique remodeling technology, and resells them as attractive, high-performing housing. We are enhancing both the sales and repurchasing sides of the business. This business aims to stimulate the fledging secondhand home market in Japan and heighten asset value for customers. The structural durability and high quality of prefabricated houses, together with our unique extended warranty system and after-sales support, make this business possible. We think it is important for the efficient use of resources and the development of social infrastructure that Japan's largest housing builder take this initiative.

[redacted]aunching demonstration tests on Smart House, and collaborating with the academic sector

As part of its ongoing research of new environmental technologies, Sekisui House has started demonstration tests in Yokohama and Nara with its *Smart House*, a housing system that combines photovoltaic power generation, fuel cells, storage batteries, and electric vehicles to manage and optimize energy consumption within a home and use the energy produced efficiently. In Yokohama, we are involved in a government project that aims to demonstrate a lifestyle of energy conservation and creation using telecommunications and IT technology. In Nara, we have started live-in experiments jointly with Osaka Gas. We intend to incorporate these groundwork technologies in our contributions to the *Smart Grid system*, which is set to experience increased demand across the globe. We have built an experimental house in Tokyo based on themes of sustainability, adopting technologies that bring nature into the urban home and using domestic timber and recycled construction material. This house is open to the public. At our factories, we are conducting demonstration tests on a biomass gasification power generation system.

We are also active in collaborating with the academic sector, conducting joint research with academic institutions such as Osaka and Chiba Universities and Chiba Institute of Technology to research academic fields such as environmental technology, resource recycling technology, health effects, robot technology, and life & community, all of which are vital in considering sustainability. One of the fruits of this joint research is "Chemicare Standard", our housing feature with effects on indoor air. In Chemicare, we adopt our own strict standards for five specific chemical substances that release allergens such as formaldehyde, and succeeded in keeping their levels to below half the government standard. We have begun offering Chemicare as housing feature effective in improving indoor air quality.

Smart House in Yokohama "KANKANKYO"

[redacted]ctivities for superior lifestyles

One of our social missions has always been to pass on to society the broad knowledge and experience we have acquired through our housing business and to help create richly "human" housing and environments. We have made public our housing knowledge through hands-on experience and experiments at facilities such as the Comprehensive Housing R&D Institute, the largest of its kind in Japan, the Nattoku Kobo (Home Amenities Experience Studio) in Kyoto, and the six experiment-based facilities Sumai-no-Yume-Kojo nationwide, where visitors can use all of their five senses to experience and learn about housing. These facilities are open to homebuilders, professionals in architecture and welfare, and the general public, and are also available for specialist, college-level education. In fiscal 2010, these facilities attracted approximately 117,000 visitors (a cumulative total of about 767,000). We also offer education, hosting seminars for citizens and schools to discuss themes on housing and daily life and their role in global warming issues and ecosystem conservation.

[redacted]romoting CSR

It is the seventh year since the CSR committee, chaired by CEO Isami Wada and including outside members, began functioning as an advisory body to our Board of Directors. The three outside members of the committee include a former CEO, a management professor, and a lawyer. Meeting four times a year, the committee discusses and exchanges opinions actively, and is creating a virtuous circle in which its awareness of public views and opinions encourages action. Monitoring employee opinions through surveys and encouraging training and committee activities in the workplace, we are determined to operate with a commitment to compliance and diversity, and to fulfill our social responsibility through communication with stakeholders.

Information on these and other corporate environment and social responsibility initiatives for fiscal 2010 will be released in our "Sustainability Report 2011" and on our website.

http://www.sekisuihouse.co.jp/english/sustainabilityreport/2011.html
※ will be published in August

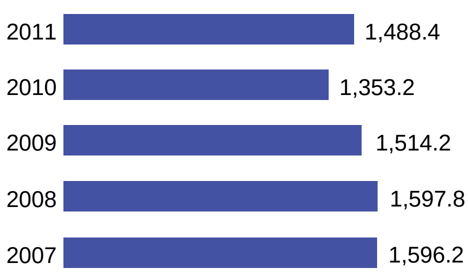
Management's Discussion and Analysis

Results of Operations

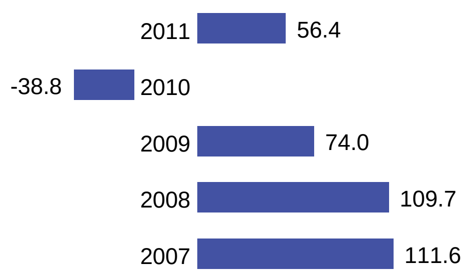
For the year ended January 31

	Millions of yen (percentage change)									
	2011		2010		2009		2008		2007	
Net sales..	**¥ 1,488,370**	**(10.0)**	1,353,186	(-10.6)	1,514,172	(-5.2)	1,597,807	(0.1)	1,596,183	(6.3)
Cost of sales....................................	**¥ 1,231,162**	**(2.9)**	1,196,849	(-2.1)	1,222,923	(-3.6)	1,269,243	(0.1)	1,267,995	(4.5)
Operating income (loss)..................	**¥ 56,355**	**—**	(38,755)	—	73,960	(-32.6)	109,728	(-1.7)	111,571	(39.5)
Net income (loss)............................	**¥ 30,421**	**—**	(29,277)	—	11,517	(-80.9)	60,352	(-3.7)	62,663	(45.6)
	Yen (percentage change)									
Net income (loss) per share(Note 19)..	**¥ 45.02**	**—**	(43.32)	—	17.04	(-80.6)	87.70	(-1.7)	89.26	(41.8)

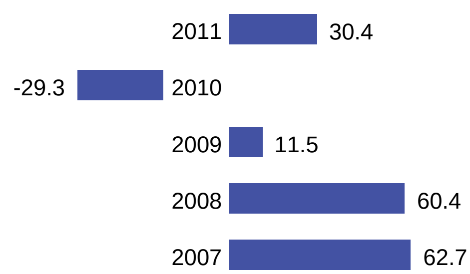
Net Sales
Billions of yen



Operating Income
Billions of yen



Net Income
Billions of yen

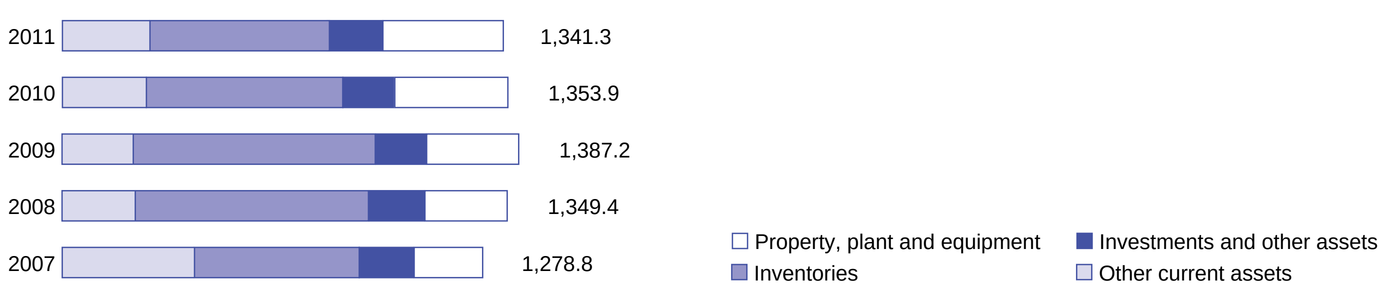


Financial Position

For the year ended January 31

	% of total assets				
	2011	2010	2009	2008	2007
Current assets................................	**61.3**	62.8	68.6	68.7	70.3
Inventories......................................	**41.0**	44.1	53.2	52.6	39.0
Investments and other assets.......	**12.4**	11.9	11.4	13.2	13.5
Property, plant and equipment.........	**26.3**	25.3	20.0	18.1	16.2
Current liabilities.............................	**24.2**	34.0	21.8	28.1	29.7
Long-term liabilities........................	**20.8**	13.1	23.8	14.8	7.9
Long-term debt...............................	**13.8**	6.6	18.0	8.9	1.6
Total net assets.............................	**55.0**	52.9	54.4	57.1	62.4

Total Assets
Billions of yen



Five-year Summary

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

	Millions of yen					Thousands of U.S. dollars
	2011	2010	2009	2008	2007	**2011**
Net sales	¥ **1,488,370**	1,353,186	1,514,172	1,597,807	1,596,183	**$ 18,122,123**
Operating income (loss)	¥ **56,355**	(38,755)	73,960	109,728	111,571	**$ 686,168**
Net income (loss)	¥ **30,421**	(29,277)	11,517	60,352	62,663	**$ 370,401**
Total assets	¥ **1,341,309**	1,353,946	1,387,237	1,349,441	1,278,770	**$ 16,331,535**
Net assets	¥ **738,029**	716,296	754,130	770,963	798,303	**$ 8,986,107**

	Millions of yen					Thousands of U.S. dollars
Segment information (Note 23):	**2011**	2010	2009	2008	2007	**2011**
Built to order housing	¥ **704,527**	598,761	692,273	715,097	725,869	**$ 8,578,193**
Real estate for sale	¥ **229,962**	253,795	317,293	403,083	421,064	**$ 2,799,975**
Real estate for leasing	¥ **379,543**	366,056	359,633	336,228	311,881	**$ 4,621,247**
Other	¥ **186,559**	150,955	160,895	160,123	150,607	**$ 2,271,509**

*Sales composition for each segment includes intragroup sales and transfers.

	Yen					U.S. dollars
Amounts per share (Note 19):	**2011**	2010	2009	2008	2007	**2011**
Net income (loss) per share	¥ **45.02**	(43.32)	17.04	87.70	89.26	**$ 0.55**
Diluted	¥ **45.00**	–	17.03	87.68	89.25	**$ 0.55**
Net assets	¥ **1,090.67**	1,059.18	1,115.20	1,139.63	1,125.75	**$ 13.28**
Dividends	¥ **21.00**	10.00	24.00	24.00	22.00	**$ 0.26**

*See notes to consolidated financial statements.

Consolidated Balance Sheets

Sekisui House, Ltd. and Subsidiaries
January 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Assets			
Current assets:			
Cash and cash equivalents *(Notes 10 and 20)*	**¥ 151,983**	¥ 148,630	**$ 1,850,517**
Short-term investments *(Notes 5, 10 and 20)*	**5**	1,975	**61**
Notes and accounts receivable :			
Affiliates	**159**	76	**1,936**
Trade *(Notes 4 and 20)*	**35,545**	11,391	**432,789**
Other	**15,784**	13,223	**192,183**
Less allowance for doubtful accounts	**(2,361)**	(2,137)	**(28,747)**
	49,127	22,553	**598,161**
Inventories *(Notes 6 and 10)*	**550,436**	597,444	**6,702,009**
Deferred income taxes *(Note 11)*	**52,640**	65,787	**640,935**
Other current assets	**18,339**	14,545	**223,293**
Total current assets	**822,530**	850,934	**10,014,976**
Property, plant and equipment, at cost:			
Land *(Notes 7 and 10)*	**193,249**	189,362	**2,352,965**
Buildings and structures *(Notes 7 and 10)*	**241,411**	234,463	**2,939,376**
Machinery, equipment and other *(Note 7)*	**88,068**	87,702	**1,072,300**
Construction in progress	**11,100**	6,161	**135,152**
	533,828	517,688	**6,499,793**
Less accumulated depreciation	**(181,696)**	(175,455)	**(2,212,298)**
Property, plant and equipment, net	**352,132**	342,233	**4,287,495**
Investments and other assets:			
Long-term loans receivable	**28,831**	32,792	**351,041**
Less allowance for doubtful accounts	**(1,445)**	(1,483)	**(17,594)**
	27,386	31,309	**333,447**
Investments in securities *(Notes 5, 10 and 20)*	**68,107**	63,757	**829,258**
Investments in affiliates *(Notes 8, 10 and 20)*	**4,343**	3,653	**52,880**
Deferred income taxes *(Note 11)*	**18,651**	17,274	**227,091**
Intangible assets	**9,809**	9,071	**119,433**
Other assets	**38,351**	35,715	**466,955**
Total investments and other assets	**166,647**	160,779	**2,029,064**
	¥ 1,341,309	¥ 1,353,946	**$16,331,535**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Liabilities and net assets			
Current liabilities:			
Short-term loans *(Note 9)*	**¥ 25**	¥ –	**$ 305**
Notes and accounts payable *(Note 20)* :			
Affiliates	**3,312**	3,554	**40,326**
Trade	**146,402**	132,105	**1,782,564**
Current portion of long-term debt *(Notes 9, and 10)*	**27,593**	173,013	**335,967**
Accrued income taxes *(Note 11)*	**9,039**	4,810	**110,057**
Advances received on construction projects in progress	**75,539**	90,426	**919,749**
Allowance for employees' bonuses	**14,419**	6,177	**175,563**
Allowance for directors' and corporate auditors' bonuses	**663**	–	**8,073**
Allowance for warranties for completion contracts	**2,762**	2,390	**33,630**
Other current liabilities	**44,335**	47,991	**539,815**
Total current liabilities	**324,089**	460,466	**3,946,049**
Long-term liabilities:			
Long-term debt *(Notes 9, 10 and 20)*	**185,966**	90,190	**2,264,288**
Guarantee deposits received *(Note 10)*	**52,593**	54,439	**640,362**
Accrued retirement benefits for employees *(Note 12)*	**34,914**	29,347	**425,107**
Accrued retirement benefits for directors and corporate auditors	**1,023**	1,126	**12,456**
Other liabilities	**4,695**	2,082	**57,166**
Total long-term liabilities	**279,191**	177,184	**3,399,379**
Contingent liabilities *(Note 13)*			
Net assets:			
Shareholders' equity *(Note 14)*:			
Common stock:			
Authorized: 1,978,281,000 shares			
Issued: 676,885,078 shares in 2011 and 2010	**186,554**	186,554	**2,271,448**
Capital surplus	**237,523**	237,523	**2,892,037**
Retained earnings	**309,362**	287,738	**3,766,736**
Less treasury stock, at cost	**(1,417)**	(1,386)	**(17,254)**
Total shareholders' equity	**732,022**	710,429	**8,912,967**
Valuation and translation adjustments:			
Net unrealized holding gain on securities	**2,813**	3,152	**34,251**
Deferred gain on hedges	**12**	5	**146**
Translation adjustments	**2,116**	2,152	**25,764**
Total valuation and translation adjustments	**4,941**	5,309	**60,161**
Stock subscription rights *(Note 14)*	**292**	232	**3,555**
Minority interests	**774**	326	**9,424**
Total net assets	**738,029**	716,296	**8,986,107**
	¥ 1,341,309	¥ 1,353,946	**$16,331,535**

*See notes to consolidated financial statements.

Consolidated Statements of Operations

Sekisui House, Ltd. and Subsidiaries
Years ended January 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	**2011**
Net sales	**¥ 1,488,370**	**¥ 1,353,186**	**$18,122,123**
Cost of sales ***(Note 15)***	**1,231,162**	**1,196,849**	**14,990,405**
Gross profit	**257,208**	**156,337**	**3,131,718**
Selling, general and administrative expenses ***(Note 15)***	**200,853**	**195,092**	**2,445,550**
Operating income (loss)	**56,355**	**(38,755)**	**686,168**
Other income (expenses):			
Interest and dividend income	**2,159**	**1,934**	**26,288**
Interest expense	**(2,639)**	**(2,965)**	**(32,132)**
Commission income	**1,194**	**1,162**	**14,538**
Loss on sales or disposal of fixed assets	**(2,235)**	**(1,973)**	**(27,213)**
Equity in earnings of affiliates	**917**	**388**	**11,165**
Loss on revaluation of investments in securities	**(232)**	**(874)**	**(2,825)**
Loss on impairment of fixed assets *(Note 7)*	**(126)**	**–**	**(1,534)**
Cost of business structure improvement *(Notes 7 and 16)*	**–**	**(4,822)**	**–**
Other, net	**(1,579)**	**(517)**	**(19,225)**
Income (loss) before income taxes and minority interests	**53,814**	**(46,422)**	**655,230**
Income taxes ***(Note 11)*****:**			
Current	**12,636**	**8,699**	**153,855**
Deferred	**10,735**	**(25,870)**	**130,707**
	23,371	**(17,171)**	**284,562**
Income (loss) before minority interests	**30,443**	**(29,251)**	**370,668**
Minority interests in earnings of subsidiaries	**(22)**	**(26)**	**(267)**
Net income (loss)	**¥ 30,421**	**¥ (29,277)**	**$ 370,401**

*See notes to consolidated financial statements.

Consolidated Statements of Changes in Net Assets

Sekisui House, Ltd. and Subsidiaries
Years ended January 31, 2011 and 2010

	Millions of yen										
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Deferred gain on hedges	Translation adjustments	Stock subscription rights	Minority interests	Total net assets
Balance at January 31, 2009	**676,885,078**	**¥186,554**	**¥237,523**	**¥331,895**	**¥(1,355)**	**¥(961)**	**¥(8)**	**¥ —**	**¥158**	**¥324**	**¥754,130**
Net loss for the year......................	—	—	—	(29,277)	—	—	—	—	—	—	(29,277)
Cash dividends.............................	—	—	—	(14,871)	—	—	—	—	—	—	(14,871)
Purchases of treasury stock..........	—	—	—	—	(54)	—	—	—	—	—	(54)
Sales of treasury stock..................	—	—	—	(9)	23	—	—	—	—	—	14
Other changes...............................	—	—	—	—	—	4,113	13	2,152	74	2	6,354
Balance at January 31, 2010	**676,885,078**	**¥186,554**	**¥237,523**	**¥287,738**	**¥(1,386)**	**¥3,152**	**¥5**	**¥2,152**	**¥232**	**¥326**	**¥716,296**
Net income for the year................	—	—	—	30,421	—	—	—	—	—	—	30,421
Cash dividends.............................	—	—	—	(8,786)	—	—	—	—	—	—	(8,786)
Purchases of treasury stock..........	—	—	—	—	(62)	—	—	—	—	—	(62)
Sales of treasury stock..................	—	—	—	(11)	31	—	—	—	—	—	20
Other changes...............................	—	—	—	—	—	(339)	7	(36)	60	448	140
Balance at January 31, 2011	**676,885,078**	**¥186,554**	**¥237,523**	**¥309,362**	**¥(1,417)**	**¥2,813**	**¥12**	**¥2,116**	**¥292**	**¥774**	**¥738,029**

	Thousands of U.S. dollars (Note 1)									
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Deferred gain on hedges	Translation adjustments	Stock subscription rights	Minority interests	Total net assets
Balance at January 31, 2010	**$2,271,448**	**$2,892,037**	**$3,503,446**	**$(16,876)**	**$ 38,378**	**$ 61**	**$ 26,202**	**$ 2,825**	**$ 3,969**	**$8,721,490**
Net income for the year................	—	—	370,401	—	—	—	—	—	—	370,401
Cash dividends.............................	—	—	(106,977)	—	—	—	—	—	—	(106,977)
Purchases of treasury stock..........	—	—	—	(755)	—	—	—	—	—	(755)
Sales of treasury stock..................	—	—	(134)	377	—	—	—	—	—	243
Other changes...............................	—	—	—	—	(4,127)	85	(438)	730	5,455	1,705
Balance at January 31, 2011	**$2,271,448**	**$2,892,037**	**$3,766,736**	**$(17,254)**	**$ 34,251**	**$146**	**$ 25,764**	**$ 3,555**	**$ 9,424**	**$8,986,107**

*See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Sekisui House, Ltd. and Subsidiaries
Years ended January 31, 2011 and 2010

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2011	2010	2011
Cash flows from operating activities			
Income (loss) before income taxes and minority interests	¥ 53,814	¥ (46,422)	$ 655,230
Adjustments for:			
Depreciation and amortization	16,383	16,579	199,476
Increase in accrued retirement benefits	5,567	7,785	67,783
Decrease in prepaid pension cost	–	4,893	–
Interest and dividend income	(2,159)	(1,934)	(26,288)
Interest expense	2,639	2,965	32,132
Equity in earnings of affiliates	(917)	(388)	(11,165)
Loss on revaluation of investments in securities	232	874	2,825
(Increase) decrease in notes and accounts receivable	(24,003)	1,797	(292,256)
Decrease in inventories	42,030	85,962	511,750
Increase (decrease) in notes and accounts payable	9,052	(13,331)	110,216
(Decrease) increase in advances received on construction projects in progress	(14,909)	5,699	(181,529)
Other	5,785	(517)	70,436
Subtotal	93,514	63,962	1,138,610
Interest and dividends received	2,194	1,989	26,713
Interest paid	(3,701)	(3,106)	(45,063)
Income taxes paid	(9,857)	(12,590)	(120,017)
Income taxes refunded	2,911	5,147	35,444
Net cash provided by operating activities	85,061	55,402	1,035,687
Cash flows from investing activities			
Proceeds from sales of short-term investments	1,280	2,050	15,585
Proceeds from sales of property, plant and equipment	4,165	174	50,712
Purchases of property, plant and equipment	(21,936)	(21,631)	(267,089)
Proceeds from sales of investments in securities	311	26	3,787
Purchases of investments in securities	(4,067)	(2,651)	(49,519)
Increase in loans receivable	(967)	(4,819)	(11,774)
Collection of loans receivable	5,318	4,782	64,751
Other	(5,093)	(4,403)	(62,011)
Net cash used in investing activities	(20,989)	(26,472)	(255,558)
Cash flows from financing activities			
Increase in short-term loan	25	–	304
Proceeds from issuance of bonds	70,000	–	852,307
Proceeds from long-term debt	53,197	8,201	647,717
Repayment of long-term debt	(174,326)	(206)	(2,122,562)
Cash dividends paid	(8,786)	(14,871)	(106,977)
Purchases of treasury stock	(62)	(54)	(755)
Other	(180)	(39)	(2,191)
Net cash used in financing activities	(60,132)	(6,969)	(732,157)
Effect of exchange rate changes on cash and cash equivalents	(587)	2,151	(7,147)
Net increase in cash and cash equivalents	3,353	24,112	40,825
Cash and cash equivalents at beginning of the year	148,630	124,518	1,809,692
Cash and cash equivalents at end of the year	¥151,983	¥148,630	$1,850,517

*See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Sekisui House, Ltd. and Subsidiaries
January 31, 2011 and 2010

1. Basis of Preparation

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

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the year ended January 31, 2010 to the 2011 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 ¥82.13 = U.S.$1.00, the approximate rate of exchange in effect on January 31, 2011. This translation should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollar amounts at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

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

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

For consolidation purposes, the financial statements of the subsidiaries whose balance sheet date is March 31 were prepared as of and for the year ended January 31, 2011.

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

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

(b) Foreign currency translation

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

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

(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 net assets. Cost of securities sold is determined by the moving average method. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

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

(e) Inventories

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

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

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

(g) Intangible assets(except for leased assets)

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

(h) Leases

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

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

(i) Income taxes

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

(j) Consumption taxes

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

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

(k) Allowance for doubtful accounts

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

(l) Allowance for employees' bonuses

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

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

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

(n) Allowance for warranties for completed construction

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

(o) Accrued retirement benefits

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

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

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

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

(p) Recognition of revenues and costs of construction contracts

Revenues and costs of construction contracts that commenced on or after February 1, 2010 are recognized by the percentage-of-completion method when the progress toward completion, revenues and costs can be estimated reliably. The percentage of completion is measured by comparing costs incurred to date with the most recent estimate of the total costs required to complete the contract (cost-to-cost basis.) The completed-contract method has been consistently applied to those construction contracts not accounted for by the percentage-of-completion method.

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

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

(r) Research and development cost

Research and development cost is charged to income as incurred.

(s) Capitalization of interest expenses

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

For the year ended January 31, 2011, interest expenses that were capitalized and included in inventories as part of construction for sale, including projects under construction, land held for sale and land held for development were ¥472 million ($5,747 thousand), ¥674 million ($8,207 thousand) and ¥670 million ($8,158 thousand) respectively.

For the year ended January 31, 2010, interest expenses that were capitalized and included in inventories as part of land held for sale and land held for development were ¥338 million and ¥396 million, respectively.

(t) Derivative transactions and hedge accounting

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

3. Changes in Accounting Policies

(a) Recognition of revenues and costs of construction contracts

Up to the year ended January 31, 2010, revenues and costs of construction contracts were recognized by the completed-contract method. Effective the year ended January 31, 2011, the Company and its domestic subsidiaries have adopted "Accounting Standard for Construction Contracts" (Accounting Standards Board of Japan ("ASBJ") Statement No.15 issued on December 27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No.18 issued on December 27, 2007). Revenues and costs of construction contracts that commenced on or after February 1, 2010, exclusive of short-term construction projects, are recognized by the percentage-of-completion method when the progress toward completion, revenues and costs can be estimated reliably. The Company and its domestic subsidiaries measure the percentage of completion by comparing costs incurred to date with the most recent estimate of the total costs required to complete the contract (cost-to-cost basis.) The completed-contract method has been consistently applied to those construction contracts not accounted for by the percentage-of-completion method.

As a result of the adoption of these accounting standards, net sales increased by ¥72,989 million ($888,701 thousand), and operating income and income before income taxes and minority interests increased by ¥14,946 million ($181,980 thousand) for the year ended January 31, 2011 from the corresponding amounts which would have been recorded under the method applied in the previous year. The impact on segment information is described in the relevant section.

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

Effective the year ended January 31, 2011, the Company and its domestic subsidiaries have adopted "Partial Amendments to Accounting Standard for Retirement Benefits (Part 3)," (ASBJ Statement No.19 issued on July 31, 2008).

There was no effect of this adoption on the accompanying consolidated financial statements for the year ended January 31, 2011.

(c) Accounting Standard for Business Combinations

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

(d) Accounting Standard for Measurement of Inventories

Effective the year ended January 31, 2010, the Company and its domestic subsidiaries adopted "Accounting Standard for Measurement of Inventories" (Accounting Standards Board of Japan (ASBJ) Statement No.9 issued on July 5, 2006). As a result of the adoption of this accounting standard, operating loss and loss before income taxes and minority interests increased by ¥67,852 million for the year ended January 31, 2010 as compared to the corresponding amounts which would have been recorded under the method applied in the previous year.

(e) Accounting Standard for Lease Transactions

Until the year ended January 31, 2009, finance leases other than those which transfer the ownership of the leased assets to the lessee were accounted for as operating leases.

Effective the year ended January 31, 2010, the Company and its domestic subsidiaries adopted "Accounting Standard for Lease Transactions" (ASBJ Statement No.13 originally issued by the First Committee of the Business Accounting Council on June 17, 1993 and revised on March 30, 2007) and "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No.16 originally issued by the Accounting System Committee of the Japanese Institute of Certified Public Accountants on January 18, 1994 and revised on March 30, 2007). Under these accounting standards, such transactions are accounted for as ordinary sale and purchase transactions.

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 are accounted for in the same manner as operating leases.

The effect of this adoption on operating result was immaterial for the year ended January 31, 2010.

(f) Changes in Accounting Policies Applied to Overseas Subsidiaries

Effective the year ended January 31, 2010, "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ Practical Issues Task Force No.18, May 17, 2006), was applied.

The effect of this adoption on operating result was immaterial for the year ended January 31, 2010.

(g) Changes in Holding Purposes of Assets

Due to changes in holding purpose, ¥5,284 million ($64,337 thousand) and ¥60,998 million of inventories, which consist of "Construction for sale, including projects under construction" and "Land held for sale" were principally reclassified to "Buildings and structures" and "Land" at January 31, 2011 and 2010, respectively. In addition, ¥262 million of a dormitory for internal use and rental properties, which had been mainly included in "Buildings and structures" and "Land," were reclassified to "Construction for sale, including projects under construction" and "Land held for sale," classified as inventories in the accompanying consolidated balance sheet at January 31, 2010.

4. Notes Receivable

The balance sheet date for the year ended January 31, 2010 fell on a bank holiday. Consequently, notes receivable - trade of ¥1 million with a maturity date of January 31, 2010 were included in the account balance and were settled on the next business day.

5. Short-Term Investments and Investments in Securities

Held-to-maturity debt securities and other securities at January 31, 2011 and 2010 were as follows:

	Millions of yen							
	Held-to-maturity debt securities							
	2011				2010			
	Book value	Gross unrealized gain	Gross unrealized loss	Estimated fair value	Book value	Gross unrealized gain	Gross unrealized loss	Estimated fair value
Market value determinable:								
Bonds	**¥ 2,355**	**¥ 0**	**¥ (6)**	**¥ 2,349**	¥ 1,331	¥ 5	¥ (0)	¥ 1,336
	¥ 2,355	**¥ 0**	**¥ (6)**	**¥ 2,349**	¥ 1,331	¥ 5	¥ (0)	¥ 1,336

	Thousands of U.S. dollars			
	Held-to-maturity debt securities			
	2011			
	Book value	Gross unrealized gain	Gross unrealized loss	Estimated fair value
Market value determinable:				
Bonds	**$ 28,674**	**$ 0**	**$ (73)**	**$ 28,601**
	$ 28,674	**$ 0**	**$ (73)**	**$ 28,601**

	Millions of yen							
	Other securities							
	2011				2010			
	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	**¥43,832**	**¥ 9,965**	**¥ (6,046)**	**¥47,751**	¥42,378	¥ 9,640	¥ (6,389)	¥45,629
	¥43,832	**¥ 9,965**	**¥ (6,046)**	**¥47,751**	¥42,378	¥ 9,640	¥ (6,389)	¥45,629

	Thousands of U.S. dollars			
	Other securities			
	2011			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Market value determinable:				
Equity securities	**$533,691**	**$121,332**	**$(73,615)**	**$581,408**
	$533,691	**$121,332**	**$(73,615)**	**$581,408**

Sales of other securities for the years ended January 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Sales	**¥311**	¥ 26	**$ 3,787**
Gross realized gain	**134**	6	**1,632**

6. Inventories

Inventories at January 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Land held for sale	**¥329,487**	¥357,322	**$4,011,774**
Land held for development	**70,836**	71,090	**862,486**
Construction for sale, including projects under construction	**131,738**	115,643	**1,604,018**
Contracts in process	**12,213**	47,541	**148,703**
Other	**6,162**	5,848	**75,028**
	¥550,436	¥597,444	**$6,702,009**

7. 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.

One domestic subsidiary recognized loss on impairment of fixed assets for the year ended January 31, 2011 as follows:

2011				
Location	Use	Classification	Millions of yen	Thousands of U.S. dollars
Omaezaki, Shizuoka Prefecture etc.	Real estate for lease	Buildings and structures	¥ 59	$ 718
		Land	67	816
			¥ 126	$ 1,534

The Company recognized loss on impairment of fixed assets for the year ended January 31, 2010 as follows:

2010			
Location	Use	Classification	Millions of yen
Ritto, Shiga Prefecture	Factory	Buildings and structures	¥ 488
		Machinery	954
		Other	30
			¥ 1,472

For the year ended January 31, 2011, the Company has written down certain real estate for lease to their respective net recoverable values. Consequently, the Company recorded a loss on impairment of fixed assets of ¥126 million ($1,534 thousand) in the accompanying consolidated statement of operations for the year ended January 31, 2011.

For the year ended January 31, 2010, the Company wrote down certain fixed assets, which were discontinued, to their respective net recoverable values. Consequently, the Company recorded a loss on impairment of fixed assets of ¥1,472 million and accounted for such cost as cost of business structure improvement in the accompanying consolidated statement of operations for the year ended January 31, 2010 (Refer to Note 16).

The recoverable value of the above impaired fixed assets was measured at estimated net selling value. The net selling value amount is measured at the disposal value for the year ended January 31, 2011 and at the valuation for property tax purposes or nil for the year ended January 31, 2010.

8. Investments in Affiliates

Investments in affiliates at January 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Investments in capital stock, at cost	¥ **3,186**	¥ 2,936	$ **38,792**
Equity in undistributed earnings since acquisition, net	**1,157**	717	**14,088**
	¥ **4,343**	¥ 3,653	$ **52,880**

9. Short-Term Loan and Long-Term Debt

Short-term loan consists of an unsecured bank loan. The average interest rate on the short-term bank loan outstanding at January 31, 2011 was 4.82%.

Long-term debt at January 31, 2011 and 2010 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
1.37% yen unsecured discount bonds, due 2012	¥ **59,991**	¥ 59,986	$ **730,440**
0.70% yen unsecured bonds, due 2015	**70,000**	−	**852,307**
Interest rate of 0.58% on unsecured loans from banks due 2013	**50,000**	−	**608,791**
Interest rate of 0.95% on unsecured loans from a bank, due 2011	**20,000**	20,000	**243,516**
Nonrecourse loans at interest rates ranging from 7.41% to 7.65% from a bank, due 2011	**7,455**	−	**90,771**
Interest rate of 7.37% on unsecured loans from banks due 2012	**3,341**	−	**40,679**
Nonrecourse loans at interest rate of 6.0% from a bank, due 2015	**1,219**	−	**14,842**
Interest rates ranging from 1.1% to 1.6% on unsecured loans from banks, due 2010	−	170,000	−
Nonrecourse loans at interest rates ranging from 7.0% to 7.7% from a bank, due 2012	−	11,680	−
Lease obligations	**1,553**	1,537	**18,909**
	213,559	263,203	**2,600,255**
Less current portion	**(27,593)**	(173,013)	**(335,967)**
	¥ 185,966	¥ 90,190	**$ 2,264,288**

The aggregate annual maturities of long-term debt subsequent to January 31, 2011 are summarized as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 27,593	$ 335,967
2013	63,784	776,622
2014	50,428	614,002
2015	70,387	857,019
2016 and thereafter	1,376	16,775
	¥213,568	$2,600,365

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, 2011 was as follows:

	Millions of yen	Thousands of U.S. dollars
	2011	2011
Lines of credit	¥ 50,000	$ 608,791
Credit utilized	−	−
Available credit	¥ 50,000	$ 608,791

10. Mortgaged and Pledged Assets

At January 31, 2011 and 2010, 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 ¥14,186 million ($172,726 thousand) and ¥12,464 million, respectively.

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Cash and cash equivalents	¥ **−**	¥ 200	$ **−**
Inventories	**29,139**	22,549	**354,791**
Land	**3,457**	3,544	**42,092**
Buildings and structures	**609**	634	**7,415**
Investments in affiliates	**21**	17	**256**
	¥ **33,226**	¥ 26,944	$ **404,554**

In addition, for the purpose of covering warranty obligations for latent defects on certain housing, ¥2,350 million ($28,613 thousand) of short-term investments and investments in securities were deposited in accordance with relevant laws at January 31, 2011.

11. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 40.4% for the years ended January 31, 2011 and 2010. 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 operations for the year ended January 31, 2011 differs from the above statutory tax rate for the following reasons:

	2011
Statutory tax rate	40.4%
Non-deductible entertainment expenses	2.0
Non-taxable dividend income	(0.4)
Inhabitants' per capita taxes	1.1
Valuation allowance	(1.9)
Other	2.2
Effective tax rate	43.4%

The reconciliation between the statutory tax rate and effective tax rate as of January 31, 2010 was omitted because loss before income taxes and minority interests was recorded for the year ended January 31, 2010.

The significant components of the Group's deferred tax assets (liabilities) at January 31, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Loss on revaluation of real estate held for sale	¥ **43,449**	¥ 55,783	**$ 529,027**
Accrued retirement benefits for employees	**14,413**	12,224	**175,490**
Loss on impairment of fixed assets	**8,548**	8,846	**104,079**
Allowance for employees bonuses	**5,857**	2,507	**71,314**
Unrealized profit on fixed assets	**1,699**	1,895	**20,687**
Loss on revaluation of investments in securities	**1,683**	2,742	**20,492**
Tax loss carryforwards	**1,224**	5,175	**14,903**
Net unrealized holding gain on securities	**(1,028)**	(71)	**(12,517)**
Other	**6,003**	5,484	**73,091**
Less valuation allowance	**(10,557)**	(11,524)	**(128,540)**
Net deferred tax assets	¥ **71,291**	¥ 83,061	**$ 868,026**

12. Accrued Retirement Benefits

Employees of the Company and its domestic subsidiaries are covered by an employees' retirement allowances plan and employees' pension plans. The employees' retirement allowances plan provides for a lump-sum payment determined by reference to the rate of pay, length of service and conditions under which termination occurs. The employees' pension plans consist of a defined benefit pension plan and a defined contribution pension plan.

The following table sets forth the funded and accrued status of the pension plans, and the amounts recognized in the accompanying consolidated balance sheets at January 31, 2011 and 2010 for the Group's defined benefit pension plans:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Retirement benefit obligation at end of year	**¥ (219,127)**	¥ (213,958)	**$ (2,668,051)**
Fair value of plan assets at end of year	**158,674**	147,779	**1,931,986**
Unfunded retirement benefit obligation	**(60,453)**	(66,179)	**(736,065)**
Unrecognized actuarial loss	**25,539**	36,832	**310,958**
Accrued retirement benefits	**¥ (34,914)**	¥ (29,347)	**$ (425,107)**

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

The components of net retirement benefit expenses for the years ended January 31, 2011 and 2010 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Service cost	**¥ 9,709**	¥ 9,940	**$ 118,215**
Interest cost	**5,195**	5,196	**63,253**
Expected return on plan assets	**(5,704)**	(5,219)	**(69,451)**
Amortization of actuarial loss	**7,423**	11,662	**90,381**
Additional retirement benefits paid	**789**	3,155	**9,607**
Contribution to a defined contribution plan	**15**	19	**183**
Retirement benefit expenses	**¥ 17,427**	¥ 24,753	**$ 212,188**

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

The assumptions used in accounting for the defined benefit pension plans for the years ended January 31, 2011 and 2010 were as follows:

	2011	2010
Discount rate	**2.5%**	2.5%
Expected rate of return on plan assets	**4.0%**	4.0%

13. Contingent Liabilities

The Group had the following contingent liabilities at January 31, 2011:

	Millions of yen	Thousands of U.S. dollars
Guarantees of housing loans to customers	¥ 108,661	$1,323,037
Guarantees of bank loans of a third party	671	8,170
	¥ 109,332	$1,331,207

14. Shareholders' Equity

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

The Company's legal reserve included in retained earnings at January 31, 2011 and 2010 amounted to ¥23,129 million ($281,615 thousand) and ¥23,129 million, respectively.

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

Stock-based compensation plan

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

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

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

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

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

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

	The 2010 plan	The 2009 plan	The 2008 plan	The 2007 plan	The 2006 plan
Number of stock options:					
Outstanding at February 1, 2009	–	–	108,000	54,000	46,000
Granted	–	106,000	–	–	–
Cancelled	–	2,000	–	–	–
Exercised	–	–	–	2,000	1,000
Outstanding at January 31, 2010	–	104,000	108,000	52,000	45,000
Granted	105,000	–	–	–	–
Exercised	–	–	5 ,000	6,000	6,000
Outstanding at January 31, 2011	105,000	104,000	103,000	46,000	39,000
Fair value of stock options as of the grant date	¥ 717	¥ 681	¥ 876	¥ 1,571	–

Treasury stock

Movements in treasury stock during the years ended January 31, 2011 and 2010 are summarized as follows:

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

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

	2010			
	January 31, 2009	Increase	Decrease	January 31, 2010
Treasury stock	1,089,368	66,767	18,471	1,137,664

The increase in treasury stock consists of 66,471 shares resulting from purchase of shares less than one unit by the Company and 296 shares of treasury stocks attributable to the Company resulting from the purchase by an affiliate for the year ended January 31, 2010. The decrease in treasury stock consists of 15,471 shares resulting from sale of shares less than one unit by the Company and 3,000 shares resulting from the exercise of stock option plan for the year ended January 31, 2010.

15. Research and Development Cost

Research and development cost charged to income amounted to ¥4,657 million ($56,703 thousand) and ¥5,087 million for the years ended January 31, 2011 and 2010, respectively.

16. Cost of Business Structure Improvement

The Company suspended production at the Shiga factory on March 31, 2009 in order to integrate its factories and improve productivity. As a result, the Company recorded ¥4,822 million of losses on disposal, relocation and impairment of its facilities, and additional retirement benefits paid with regard to an early retirement scheme as cost of business structure improvement in the consolidated statement of operations for the year ended January 31, 2010.

17. Supplementary Cash Flow Information

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

	Millions of yen	Thousands of U.S. dollars
	2011	2011
Current assets	¥ 1,835	$ 22,343
Non-current assets	238	2,898
Current liabilities	(52)	(633)
Long-term liabilities	(286)	(3,483)
Acquisition cost for the business	1,735	21,125
Increase in cash and cash equivalents resulting from the acquisition of the business	(0)	(0)
Cash disbursement	¥ 1,735	$ 21,125

The Company purchased shares of one company and initially consolidated its accounts for the year ended January 31, 2010. The assets and liabilities included in consolidation and the relationship between investment cost and net cash disbursements for the acquisition are summarized as follow:

	Millions of yen
	2010
Current assets	¥ 4,363
Non-current assets	0
Current liabilities	(491)
Long-term liabilities	(2,431)
Investment cost for subsidiary's shares	1,441
Cash and cash equivalents of the business or company acquired	(8)
Cash disbursement	¥ 1,433

18 Leases

(Lessee)

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

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of property leased to the Group at January 31, 2010, which would have been reflected in the accompanying consolidated balance sheets if finance leases other than those which transfer the ownership of the leased property (accounted for as operating leases) were capitalized:

	Millions of yen		
	2010		
	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥ 23,387	¥ 21,275	¥ 2,112
Machinery and equipment	5,894	4,739	1,155
Intangible assets	896	722	174
	¥ 30,177	¥ 26,736	¥ 3,441

Lease payments relating to finance leases accounted for as operating leases and depreciation/amortization and interest expense, which have not been reflected in the consolidated statement of operations for the year ended January 31, 2010 were as follows:

	Millions of yen
	2010
Lease payments	¥ 4,428
Depreciation/amortization	4,090
Interest expense	166

Depreciation and amortization is calculated by the straight-line method over the respective lease terms assuming a nil residual value.

No loss on impairment of leased assets was recorded for the year ended January 31, 2010.

The above disclosures as of and for the year ended January 31, 2011 were omitted because these amounts were immaterial.

Future minimum lease payments subsequent to January 31, 2011 under operating leases are summarized as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2012	¥ 44	$ 536
2013 and thereafter	70	852
	¥ 114	$ 1,388

(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, 2011 and 2010 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Current assets:			
Gross lease receivables	**¥ 1,424**	¥ 1,553	**$ 17,338**
Less unearned interest income	**(59)**	(71)	**(718)**
Net lease receivables	**¥ 1,365**	¥ 1,482	**$ 16,620**

Contractual maturities of the above gross lease receivables subsequent to January 31, 2011 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
2012	¥ 68	$ 828
2013	68	828
2014	68	828
2015	68	828
2016	68	828
2017 and thereafter	1,084	13,198
	¥ 1,424	$ 17,338

Contractual maturities of lease receivables from finance lease transactions subsequent to January 31, 2011 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
2012	¥ 97	$ 1,181
2013	97	1,181
2014	97	1,181
2015	97	1,181
2016	97	1,181
2017 and thereafter	2,716	33,070
	¥ 3,201	$ 38,975

Lease receivables and lease obligations in which the ownership of the leased assets is not transferred to the lessee as of January 31, 2011 and 2010 under sub-lease transactions are as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Lease receivables:			
Current	**¥ 1,213**	¥ 1,256	**$ 14,769**
Lease obligations:			
Current	**43**	43	**524**
Non-current	**1,170**	1,213	**14,246**

19. Amounts per Share

Per share amounts as of and for the years ended January 31, 2011 and 2010 are as follows:

	Yen		U.S. dollars
	2011	2010	**2011**
Net income (loss):			
Basic	**¥ 45.02**	¥ (43.32)	**$ 0.55**
Diluted	**45.00**	–	**0.55**
Net assets	**1,090.67**	1,059.18	**13.28**
Cash dividends	**21.00**	10.00	**0.26**

Basic net income (loss) per share has been computed based on the net income (loss) 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. Diluted net loss per share for the year ended January 31, 2010 is omitted because the Group recorded net loss.

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 (loss) per share for the years ended January 31, 2011 and 2010 in the table above are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Information on basic net income (loss) per share:			
Net income (loss)	**¥ 30,421**	¥ (29,277)	**$ 370,401**
Adjusted net income (loss) attributable to common stock	**¥ 30,421**	¥ (29,277)	**$ 370,401**

	Thousands of shares	
	2011	2010
Weighted-average number of shares of common stock outstanding during the year	**675,722**	675,772

Financial data for the computation of net assets per share at January 31, 2011 and 2010 in the above table is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Total net assets	**¥ 738,029**	¥ 716,296	**$ 8,986,107**
Deductions from total net assets:			
Stock subscription rights	**292**	232	**3,555**
Minority interests	**774**	326	**9,424**
Total net assets available to common stockholders	**¥ 736,963**	¥ 715,738	**$ 8,973,128**

	Thousands of shares	
	2011	2010
Number of shares of common stock used in the calculation of net assets per share	**675,697**	675,747

20. Financial Instruments and Related Disclosures

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

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

Trade notes and accounts receivable 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 trade notes and accounts payable have payment due dates within one year. Bank loans and bonds are utilized principally for working capital and capital investments. The redemption dates of bank loans and bonds extend up to five years subsequent to the balance sheet date. Bank loans have variable interest rates and are exposed to interest rate fluctuation risk.

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

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

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

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

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

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

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

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

	Thousands of U.S. dollars		
	2011		
	Carrying value	Estimated fair value	Difference
Cash and cash equivalents	$ 1,850,517	$ 1,850,517	$ −
Notes and accounts receivable - trade	432,789		
Less allowance for doubtful accounts	(9,960)		
Sub total	422,829	422,829	−
Short-term investments and investments in securities and affiliates:			
Held-to-maturity debt securities	28,674	28,601	(73)
Investments in affiliates	36,138	15,756	(20,382)
Other securities	581,408	581,408	−
Total	2,919,566	2,899,111	(20,455)
Notes and accounts payable	1,822,890	1,822,890	−
Bonds	1,582,747	1,601,266	18,519
Long-term borrowings including current portion	998,599	998,599	−
Total	$ 4,404,236	$ 4,422,755	$18,519
Derivative transactions (*)	$ (5,869)	$ (5,869)	$ −

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

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

The fair values of short-term investments and investments in 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 financial institutions. For further information of fair values of short-term investments and investments in securities, please refer to Note 5.

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

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

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

Regarding derivative transactions, refer to Note 21.

Financial instruments for which it is extremely difficult to determine the fair value are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2011	2010	**2011**
Unlisted foreign debt securities	**¥ 5,000**	¥ 5,000	**$ 60,879**
Investments in special purpose entities	**9,350**	9,350	**113,844**
Unlisted stocks	**3,915**	2,709	**47,668**
Preferred stocks	**999**	999	**12,164**
Investments in investment limited liability partnerships	**114**	12	**1,388**

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

The redemption schedule for cash and cash equivalents, notes and accounts receivable and short-term investments and investments in securities with maturities at January 31, 2011 is as follows:

	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	¥ 151,983	¥ −	¥ −	¥ −
Notes and accounts receivable	35,528	17	−	−
Short-term investments and investments in securities:				
Held-to-maturity debt securities (National government bonds)	5	2,355	−	−
Other securities with maturities (Debt securities)	−	−	−	5,000
Total	¥ 187,516	¥ 2,372	¥ −	¥ 5,000

	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	$1,850,517	$ −	$ −	$ −
Notes and accounts receivable	432,582	207	−	−
Short-term investments and investments in securities:				
Held-to-maturity debt securities (National government bonds)	61	28,674	−	−
Other securities with maturities (Debt securities)	−	−	−	60,879
Total	$2,283,160	$ 28,881	$ −	$ 60,879

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

21. Derivative Transactions and Hedging Activities

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

Currency-related transactions

		2011			
		Millions of yen			
Classification	Description of transaction	Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value	Unrealized loss
Transactions other than marketable transactions	Currency swap contracts	¥ 20,158	¥ 20,158	¥ (495)	¥ (495)

		2011			
		Thousands of U.S. dollars			
Classification	Description of transaction	Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value	Unrealized loss
Transactions other than marketable transactions	Currency swap contracts	$ 245,440	$ 245,440	$ (6,027)	$ (6,027)

The fair value of the above derivative transactions is determined based on the prices provided by 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, 2011 were as follows:

Interest-rate related transactions

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

		2011			
		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 floating / Receive fixed	Long-term borrowings	$ 131,645	$ –	$ 146

The fair value of the above derivative transactions is determined based on the discounted present value.

22. Investments and Rental Properties

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

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

For the year ended January 31, 2011, rental profit, loss on sales or disposal of these rental properties and loss on impairment of these rental properties amounted ¥4,566 million ($55,595 thousand), ¥869 million ($10,581 thousand), and ¥126 million ($1,534 thousand), respectively. Rental income is included in net sales and related costs are included in the cost of sales.

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

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

Thousands of U.S. dollars			
Carrying Value			Fair Value
January 31, 2010	Net Change	January 31, 2011	January 31, 2011
$ 2,975,539	$ 130,306	$ 3,105,845	$ 3,236,235

The carrying value represents the acquisition cost less accumulated depreciation. The main components of net change in carrying value is the increase in ¥18,791 million ($228,796 thousand) of acquisitions of real estate and the decrease in ¥4,855 million ($59,114 thousand) of depreciation. The fair value of main real estate is computed based on appraisal amounts valued by real estate appraisers. The fair value of the others is computed in accordance with "Real Estate Appraisal Standards."

23. Segment Information

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

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

Business segment information of the Group for the years ended January 31, 2011 and 2010 is outlined as follows:

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

	Millions of yen						
	2010						
	Built-to-order housing	Real estate for sale	Real estate for leasing	Other	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 590,377	¥ 253,572	¥ 364,218	¥ 145,019	¥1,353,186	−	¥1,353,186
Intragroup sales and transfers	8,384	223	1,838	5,936	16,381	¥ (16,381)	−
Net sales	598,761	253,795	366,056	150,955	1,369,567	(16,381)	1,353,186
Operating expenses	550,197	326,899	351,875	144,736	1,373,707	18,234	1,391,941
Operating income (loss)	¥ 48,564	¥ (73,104)	¥ 14,181	¥ 6,219	¥ (4,140)	¥ (34,615)	¥ (38,755)
Total assets	¥ 140,042	¥ 614,067	¥ 339,886	¥ 22,577	¥1,116,572	¥ 237,374	¥1,353,946
Depreciation and amortization	¥ 7,355	¥ 800	¥ 5,330	¥ 362	¥ 13,847	¥ 2,732	¥ 16,579
Loss on impairment of fixed assets	¥ 1,472	¥ −	¥ −	¥ −	¥ 1,472	¥ −	¥ 1,472
Capital expenditures	¥ 6,019	¥ 107	¥ 75,058	¥ 57	¥ 81,241	¥ 904	¥ 82,145

	Thousands of U.S. dollars						
	2011						
	Built-to-order housing	Real estate for sale	Real estate for leasing	Other	Total	Eliminations and other	Consolidated
Sales to third parties	$ 8,491,270	$ 2,794,155	$ 4,598,405	$ 2,238,293	$18,122,123	−	$18,122,123
Intragroup sales and transfers	86,923	5,820	22,842	33,216	148,801	$ (148,801)	−
Net sales	8,578,193	2,799,975	4,621,247	2,271,509	18,270,924	(148,801)	18,122,123
Operating expenses	7,715,938	2,838,524	4,449,264	2,156,386	17,160,112	275,843	17,435,955
Operating income (loss)	$ 862,255	$ (38,549)	$ 171,983	$ 115,123	$ 1,110,812	$ (424,644)	$ 686,168
Total assets	$ 1,648,046	$ 7,386,229	$ 4,219,664	$ 221,028	$13,474,967	$2,856,568	$16,331,535
Depreciation and amortization	$ 88,506	$ 7,890	$ 64,714	$ 4,627	$ 165,737	$ 33,739	$ 199,476
Loss on impairment of fixed assets	$ −	$ −	$ 1,534	$ −	$ 1,534	$ −	$ 1,534
Capital expenditures	$ 120,614	$ 974	$ 231,499	$ 18,811	$ 371,898	$ 26,141	$ 398,039

As described in Note 3(a), effective the year ended January 31, 2011, the Company and its domestic subsidiaries have adopted "Accounting Standard for Construction Contracts" (ASBJ Statement No.15 issued on December 27, 2007) and "Guidance on Accounting Standard for Construction Contracts" (ASBJ Guidance No.18 issued on December 27, 2007). As a result of the adoption of these accounting standards, net sales in the built-to-order housing segment, real estate for sale segment and other segment increased by ¥62,574 million ($761,890 thousand), ¥3,796 million ($46,219 thousand) and ¥6,618 million ($80,580 thousand), respectively, while operating income in the built-to-order housing segment and other segment increased by ¥13,240 million ($161,208 thousand) and ¥818 million ($9,960 thousand), respectively, and decreased in real estate for sale segment by ¥887 million ($10,800 thousand) for the year ended January 31, 2011 as compared to the corresponding amounts which would have been recorded under the method applied in the previous year.

As described in Note 3(d), effective the year ended January 31, 2010, the Company and its domestic subsidiaries adopted "Accounting Standard for Measurement of Inventories" (ASBJ Statement No.9 issued on July 5, 2006). As a result of this change, operating income in the real estate for sale segment decreased by ¥67,852 million for the year ended January 31, 2010 as compared to the corresponding amount which would have been recorded under the previous method.

As more than 90% of the consolidated net sales for the years ended January 31, 2011 and 2010 were made in Japan, the disclosure of geographical segment information and overseas sales information has been omitted.

In the previous fiscal year from February 1, 2009 to January 31, 2010, there were no applicable overseas sales. Since overseas sales in the fiscal year from February 1, 2010 to January 31, 2011 accounted for less than 10% of consolidated net sales, the Company has not presented overseas sales figures.

24. Related Party Transactions

Effective the year ended January 31, 2010, the Company adopted, "Accounting Standard for Related Party Disclosures" (ASBJ Statement No.11) and "Guidance on Accounting Standard for Related Party Disclosures" (ASBJ Guidance No. 13).

There were no changes in scope of disclosure for the year ended January 31, 2010 as a result of the adoption of these standards.

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

		Millions of yen	Thousands of U.S. dollars
Name of related party	Description	2011	2011
Teruyuki Saegusa	Sales of apartment house	¥ 72	$ 877

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

There were no items to be disclosed for the year ended January 31, 2010.

25. Subsequent Events

(1) 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, 2011, was approved at a shareholders' meeting held on April 26, 2011:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥8 = U.S.$0.10 per share)	¥ 5,406	$ 65,823

(2) The Company and certain domestic subsidiaries incurred some losses on fixed assets and inventories as a result of the Great East Japan Earthquake on March 11, 2011. However, the impact on the accompanying consolidated financial statements is immaterial.

The restoration costs for damaged properties have not yet been determined, and it is difficult to estimate the amount of such costs at the present time.

Report of Independent Auditors

The Board of Directors
Sekisui House, Ltd.

We have audited the accompanying consolidated balance sheets of Sekisui House, Ltd. and subsidiaries as of January 31, 2011 and 2010, and the related consolidated statements of operations, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sekisui House, Ltd. and subsidiaries at January 31, 2011 and 2010, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

Supplemental Information

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

As described in Note 3(d) to the consolidated financial statements, effective the year ended January 31, 2011, the Company and its domestic subsidiaries adopted the accounting standard for measurement of inventories.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended January 31, 2011 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Osaka, Japan
April 26, 2011

Ernst & Young ShinNihon LLC

Ernst & Young Shin Nihon & Co.
Auditors

Corporate Data

Corporate Officers
(As of April 26, 2011)

Chairman, Representative Director & CEO
Isami Wada

President, Representative Director & COO
Toshinori Abe

Directors
Katsuhiko Machida
Sumio Wada
Shiro Inagaki
Fumiaki Hirabayashi
Takashi Uchida
Junichi Terada
Tetsuo Iku
Daiji Kuroki
Kengo Yoshida

Standing Corporate Auditors
Tadashi Iwasaki
Yoshiro Kubota

Corporate Auditors
Takaharu Dohi
Teruyuki Saegusa
Eiji Mansho

Senior Managing Officers
Sumio Wada
Shiro Inagaki

Managing Officers
Fumiaki Hirabayashi
Takashi Uchida
Junichi Terada
Tetsuo Iku
Daiji Kuroki
Kengo Yoshida
Akihisa Terasaki

Executive Officers
Mitsugu Iijima
Yoshikazu Takatsuka
Tsutomu Motomura
Naoki Ishii
Takanobu Ishioka
Masaaki Oikawa
Fumiyasu Suguro
Michio Yoshizaki
Keigo Nakano
Kotaro Asano
Hisao Yamada
Yuichi Matsushima
Motohiko Fujiwara
Kazushi Mitani
Koji Nakata
Haruyuki Iwata

OUTLINE OF THE COMPANY
(As of January 31, 2011)

Established
August 1, 1960

Capital Stock Issued
¥186,554 million

Employees
15,032 (As of April 1, 2011)

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

Factories
Ibaraki, Shizuoka, Yamaguchi, Miyagi and Hyogo

Laboratory
Kyoto

Subsidiaries and Affiliates
Sekiwa Real Estate Tohoku, Ltd.
Sekiwa Real Estate, Ltd.
Sekiwa Real Estate Chubu, Ltd.
Sekiwa Real Estate Kansai, Ltd.
Sekiwa Real Estate Chugoku, Ltd.
Sekiwa Real Estate Kyushu, Ltd.
Sekisui House Remodeling, Ltd.
Sekiwa Construction Higashi-Tokyo, Ltd.
Sekisui House Umeda Operation Co., Ltd.
SGM Operation Co., Ltd.
Sekisui House Australia Holdings Pty Limited
All 106 subsidiaries and 9 affiliates

Stock Listing
Tokyo Stock Exchange
Osaka Securities Exchange
Nagoya Stock Exchange

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

SEKISUI HOUSE

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