

Sekisui House, Ltd.

April 3, 2013

1-88, Oyodonaka 1-chome, Kita-ku, Osaka  
 Chairman & Representative Director (CEO)  
 Isami Wada

### NOTICE OF THE 62<sup>ND</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS

We express our deep appreciation to each of the shareholders for their extraordinary support.

Now, since the 62nd Ordinary General Meeting of Shareholders of Sekisui House, Ltd. (the “Company” or “Sekisui House”) is to be held as stated below, we would like to ask you to attend the meeting.

If you are unable to attend the meeting in person, we ask you to please review the enclosed “Reference Documents for the General Meeting of Shareholders” and exercise your voting rights by the methods such as the Internet or writing by 6:00 p.m. of Wednesday, April 24, 2013.

**1. Date and Time:** 10:00 a.m., Thursday, April 25, 2013

**2. Place of the Meeting:** Umeda Stella Hall  
 3F, Tower West, Umeda Sky Building  
 1-30, Oyodonaka 1-chome, Kita-ku, Osaka

**3. Agenda:**

**Items for reporting:**

1. Reports on the Business Report, and the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 62nd fiscal year (February 1, 2012 - January 31, 2013)
2. Report on the Results of Audit conducted by the Accounting Auditor and the Audit & Supervisory Board with respect to the Consolidated Financial Statements for the 62nd fiscal year ended January 31, 2013

**Propositions to be tabled:**

|             |  |
|-------------|--|
| <b>No.1</b> | Appropriation of retained earnings for the 62nd fiscal year ended January 31, 2013 |
| <b>No.2</b> | Election of 1 Audit & Supervisory Board Member                                     |
| <b>No.3</b> | Provision of Bonus to Directors as a group   |

[**Translation:** Please note that this document purports to be a translation from the Japanese original Notice of Convocation of the Ordinary General Meeting of Shareholders 2013 of Sekisui House, Ltd. prepared for the convenience of foreign readers. However, in the case of any discrepancy between the translation and the Japanese original, the latter shall prevail. Please also be advised that certain statements regarding voting procedures for domestic shareholders are not applicable to the shareholders outside Japan.]

#### 4. Guideline of the Exercise of Voting Rights:

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1. Guidelines regarding the exercise of a voting right in writing:

Please indicate on the enclosed voting form whether you approve or disapprove the proposals listed, and return it to the Company by 6:00 p.m. of Wednesday, April 24, 2013.

2. Guidelines regarding the exercise of a voting right *via* the Internet:

On the website for the exercise of voting rights (<http://www.evotage.jp/>), please use the log-in ID and temporary password which are shown on the vote exercise form. After logging in, please indicate whether you approve or disapprove the items on the agenda by following the instructions on the display screen by 6:00 p.m. of Wednesday, April 24, 2013. In case that a voting right is exercised more than once *via* the Internet, only the last vote will be recognized as valid. Please refer to next page, Guideline of the Exercise of Voting Rights for more information.

3. Handling of votes if a voting right is exercised using both mail and the Internet:

In case that a voting right is exercised using both mail and the Internet, then only the vote registered *via* the Internet will be recognized as valid.

4. Internet disclosure

Following matters are made available on the Company's website (<http://www.sekisuihouse.co.jp/company/financial/holders/shotsu/index.html>) pursuant to the relevant laws and regulations, and Article 16 of the Articles of Incorporation of the Company.

- 1) "2.5 System which ensures the due execution of business" in the Business Report
- 2) "List of Notes to Consolidated Financial Statements" in the Consolidated Financial Statements
- 3) "List of Notes to Non-Consolidated Financial Statements" in the Non-Consolidated Financial Statements

5. Announcement method if the statements of the Reference Documents for General Meeting of Shareholders and other documents are amended:

In case that any amendment to the statements of the Reference Document for General Meeting of Shareholders, business report and consolidated financial statements, or non-consolidated financial statements is necessary, please be advised that the Company will post such amendments where applicable on the Company's website (<http://www.sekisuihouse.co.jp/company/financial/holders/shotsu/index.html>).

6. Electronic Voting Platform

If you are a nominee shareholder such a trust bank (including a standing proxy) and apply in advance to use the electronic voting platform operated by ICJ, Inc. established by the Tokyo Stock Exchange and others, you are entitled to use the platform for uses other than the aforementioned exercise of your voting rights electronically *via* the Internet as a method for exercising your voting rights.

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If attending the meeting in person, please submit the enclosed Voting Right Exercise Form to the receptionist at the meeting

## Reference Documents for General Meeting of Shareholders

### Proposition No.1: Appropriation of retained earnings for the 62nd fiscal year ended January 31, 2013

It is proposed to appropriate retained earnings for the fiscal year under review according to the schedule shown below.

#### 1. Matters related to year-end dividends:

In view of profit situation and dividend policy, the Company proposes that a dividend of ¥16 per share will be paid for the fiscal year under review. Since the Company paid an interim dividend of ¥12 per share on September 28, 2012, the annual dividend for the fiscal year under review totals ¥28 per share.

##### (1) Type of dividend property:

Cash

##### (2) Matters related to the appropriation of dividend property to shareholders and total amount thereof:

16 yen per common share of the Company      Total amount: 10,749,257,424 yen

##### (3) Date on which dividends take effect:

April 26, 2013

#### 2. Other matters related to the appropriation of surplus:

For the purpose of strengthening management bases for active future business development, the Company proposes to appropriate a portion of surplus according to the schedule shown below.

##### (1) Item of surplus that increases and amount thereof:

General reserve      7,000,000,000 yen

##### (2) Item of surplus that decreases and amount thereof:

Retained earnings brought forward      7,000,000,000 yen

**Proposition No. 2: Election of 1 Audit & Supervisory Board Member:**

Since the term of the office of Audit & Supervisory Board Member, Takaharu Dohi expires at the close of this Ordinary General Meeting of Shareholders, the Company proposes to elect him as Audit & Supervisory Board Member again.

This proposition has already received approval from the Audit & Supervisory Board.

We have a candidate as follows:

| Name<br>(Date of birth)           | Career summary, post in the Company<br>(Significant concurrent position of other companies)  | (1) Company shares owned<br>(2) Special interest in Company |
|-----------------------------------|--|---|
| Takaharu Dohi<br>(July. 12, 1933) | Apr. 1958: Public prosecutor<br>Nov. 1984: assumed the office of the public prosecutor of the Supreme Public prosecutors Office<br>Jul. 1993: assumed the office of superintendent public prosecutor, the Osaka High Public Prosecutors Office<br>Jul. 1995: assumed the office of superintendent public prosecutor, the Tokyo High Public Prosecutors Office<br>Jan. 1996: assumed the office of the Public Prosecutor General<br>Jul. 1998: registered as lawyer (up to the present)<br>Apr. 2002: assumed the office of the Audit & Supervisory Board Member of the Company (up to the present)<br>(Significant concurrent position of other companies)<br>Dohi Law Office : Lawyer<br>Kansai Telecasting Corporation : Director<br>The Kansai Electric Power Co., Inc. : Audit & Supervisory Board Member<br>Hankyu Hanshin Holdings, Inc. : Audit & Supervisory Board Member<br>Kawase Computer Supplies Co., Ltd. : Audit & Supervisory Board Member | (1) 15,000 shares<br>(2) None                               |

Notes: 1.Mr.Takaharu Dohi is a candidate for an outside Audit & Supervisory Board Member.

2.Matters concerning the outside Audit & Supervisory Board Member are as stated below:

(1) Reason for election;

The Company requests the shareholders to elect Mr. Takaharu Dohi, as Outside Audit & Supervisory Board Member, to reflect his professional point of view as a lawyer, and knowledge and experience engaged in other company's management to strengthen the Company's audit system. Furthermore, he has not been engaged in the management of the Company other than in the office of Outside Director or Outside Audit & Supervisory Board Member, however the Company made judgment that he will be able duly to discharge duties of Outside Audit & Supervisory Board Member.

(2) Years since the assumption of office of Audit & Supervisory Board Member;

Mr. Takaharu Dohi is currently in the office of Audit & Supervisory Board Member and it will be eleven years at the close of the Ordinary General Meeting of Holders since his assumption.

(3) Agreement on Limitation of Outside Audit & Supervisory Board Members' Liability;

The Company entered into an agreement with Mr. Takaharu Dohi that if Outside Audit & Supervisory Board Member causes damages to the Company by neglect of his duty, where deemed his conduct to be made in good faith without gross negligence, his liability under each agreement is without fail limited to the sum of the amount provided by the items in Article 425, Section 1 of the Companies Act.

**Proposition No. 3: Provision of Bonus to Directors as a group:**

In order to reward services of Directors during the fiscal year under review, the Company, taking into consideration, among other factors, the business results, proposes that bonus in the aggregated amount of 180 million yen (including 6 million yen for two Outside Directors) be paid for 11 Directors (including two Outside Directors) as a group in office at the end of the fiscal year under review.

The Company also proposes that the amount to be paid each Director be entrusted to the Board of Directors.

## Attached Documents

### **The Business Report for the 62nd fiscal year (Feb.1, 2012 – Jan.31, 2013)**

#### **1. Business Conditions**

##### **1) Progress and Results of Sekisui House Group**

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

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

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

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

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

Below are the results of each business segment.

### **Custom Detached Houses Business**

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

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

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

### **Rental Housing Business**

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

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

In addition, SHAIDD55, the Company's original floor-sound insulation system that has been contributing to orders with its differentiation from competitor's products, won the 20<sup>th</sup> Technical Development Award from the Acoustical Society of Japan for its contribution to the advancement and development of acoustical engineering technology.

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

### **Remodeling Business**

In the Remodeling Business, under the banner of Green First Remodeling, we have been appealing to market needs by selling and proactively proposing solar power generation systems installation, insulation improvement remodeling, remodeling to improve energy conservation and efficiency.

In addition, we have worked to strengthen sales by holding sales promotion events such as the Remodeling Fair and Lifestyle Seminars. We were also active in promoting sales of solar power generation systems in particular. As a result, our performance in this segment remained strong, and the number of units sold was 2.8 times more than the result for the previous year.

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

### **Real Estate Management Fees Business**

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

### **Houses for Sales Business**

In the Houses for Sale Business, as a leading smart house company, we focused on sales of a new high value-added home for sale that eliminates shortfalls in electric power and, during disasters, provides emergency power to enable safe and secure living to continue. Following the opening of Japan's first smart town, Smart Common City Akaishidai in Tomiyamachi on the outskirts of Sendai City in Miyagi Prefecture, we opened Smart Common Stage Keyakidaira (Ibaragi Prefecture) and Teriha Smart Town (Fukuoka Prefecture), which each achieves zero CO<sub>2</sub> emissions. We also started new projects in three prefectures in the Tokai region. With these initiatives, we have been developing smart towns nationwide. The Company's Smart Common City project won the Eco Products Awards Steering Committee's special prize for power-saving excellence at the 9th Eco Products Awards on the merits of these initiatives.

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

### **Condominium Business**

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

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

### **Urban Redevelopment Business**

In the Urban Redevelopment Business, occupancy rates of Sekisui House Group's rental properties such as its Prime Maison series rental apartments remained firm.

In addition, 10 properties including Prime Maison properties were sold to J-REIT Sekisui House SI Investment Corporation, which contributed to the construction of their new portfolio.

In Kita-ku, Tokyo, the construction of a multigenerational type rental condominium, where households with children and elderly households interact in the same space, Mast Life Furukawa Teien, was completed, presenting new rental housing to the market.

The Gotenyama project, a large-scale complex of offices and condominiums, won the Land, Infrastructure, Transport and Tourism Minister Prize, the highest prize, in the Roof, Wall and Special Green Technology Contest sponsored by the Organization for Landscape and Urban Green Infrastructure.



## **Overseas Business**

In the Overseas Business, handover was nearly completed for the Catania and Messina buildings of Wentworth Point condominiums in Australia, for which contracts had been concluded at a favorable pace. The handover of house plots also began in Camden Hills where sales started during the fiscal year under review. In the United States, largely in the Houston area of Texas, sales of subdivisions were strong. In China, the construction of a steel-frame housing manufacturing plant completed during the fiscal year under review in Shenyang City where the production of industrialized housing began. The construction of condominiums commenced in Heping district of the same city. In Singapore, sales remained robust for Punggol Watertown and other projects.

## **Other Businesses**

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

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

Orders in FY2012 amounted to ¥1,704,743 million, up 8.1% from the previous fiscal year. Net sales in FY2012 amounted to ¥1,613,816 million, up 5.4% from the previous fiscal year.

Operating income grew to ¥86,196 million (up 21.6%), ordinary income to ¥91,767 million (up 31.0%) and net income amounted to ¥46,458 million (up 60.4%), resulting in higher sales and higher income.

## **2) Issues for Sekisui House Group**

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

We sincerely ask for our shareholders' further support, assistance and guidance.

### 3) Breakdown of Orders Received and Net Sales of Sekisui House Group

Millions of yen

|   | Orders brought forward<br>from the previous year | Orders for the year to<br>Jan. 2013 | Net sales for the year to<br>Jan. 2013 | Orders carried<br>forward to the<br>following year |
|---|--|-------------------------------------|--|--|
| Custom Detached Houses<br>Business      | 216,628  | 495,511                             | 465,149                                | 246,990  |
| Rental Housing Business                 | 219,101  | 327,144                             | 303,712                                | 242,533  |
| Remodeling Business                     | 15,927   | 116,339                             | 111,548                                | 20,717   |
| Real Estate Management Fees<br>Business | —  | 393,978                             | 393,978                                | —  |
| Houses for Sale Business                | 28,656   | 135,409                             | 127,810                                | 36,255   |
| Condominiums Business                   | 27,914   | 72,048                              | 52,538                                 | 47,424   |
| Urban Redevelopment<br>Business         | —  | 45,528                              | 45,528                                 | —  |
| Overseas Business                       | 64,480   | 54,198                              | 54,844                                 | 63,833   |
| Other Businesses                        | 26,002   | 64,585                              | 58,704                                 | 31,883   |
| <b>Total</b>                            | <b>598,711</b>                                   | <b>1,704,743</b>                    | <b>1,613,816</b>                       | <b>689,639</b>                                     |

Note:

Each business division is set out in 6) Major businesses.

### 4) Business Results and Financial Situation of Sekisui House Group

Millions of yen

|                          | Year to Jan. 2010 | Year to Jan. 2011 | Year to Jan. 2012 | Year to Jan. 2013 |
|--------------------------|-------------------|-------------------|-------------------|-------------------|
| Net sales                | 1,353,186         | 1,488,369         | 1,530,577         | 1,613,816         |
| Net income               | △29,277           | 30,421            | 28,962            | 46,458            |
| Net income per share (¥) | △ ¥43.32          | ¥45.02            | ¥42.90            | ¥69.17            |
| Total assets             | 1,353,946         | 1,341,308         | 1,445,828         | 1,539,272         |
| Net assets               | 716,295           | 738,029           | 750,374           | 814,063           |

### 5) Plant-and-equipment investment and conditions of financing

The aggregate amount of plant-and-equipment investments made by the Sekisui House Group during the fiscal year under review amounted to 60,915 million yen and the main component were acquisition of the real estate for investments (including transfer from inventories) and, construction and improvement of production facilities.

The Company procured funds during the fiscal year under review mainly through borrowing from the financial institutions in a total amount of 30,000 million yen and issuing unsecured debentures of 20,000 million yen.

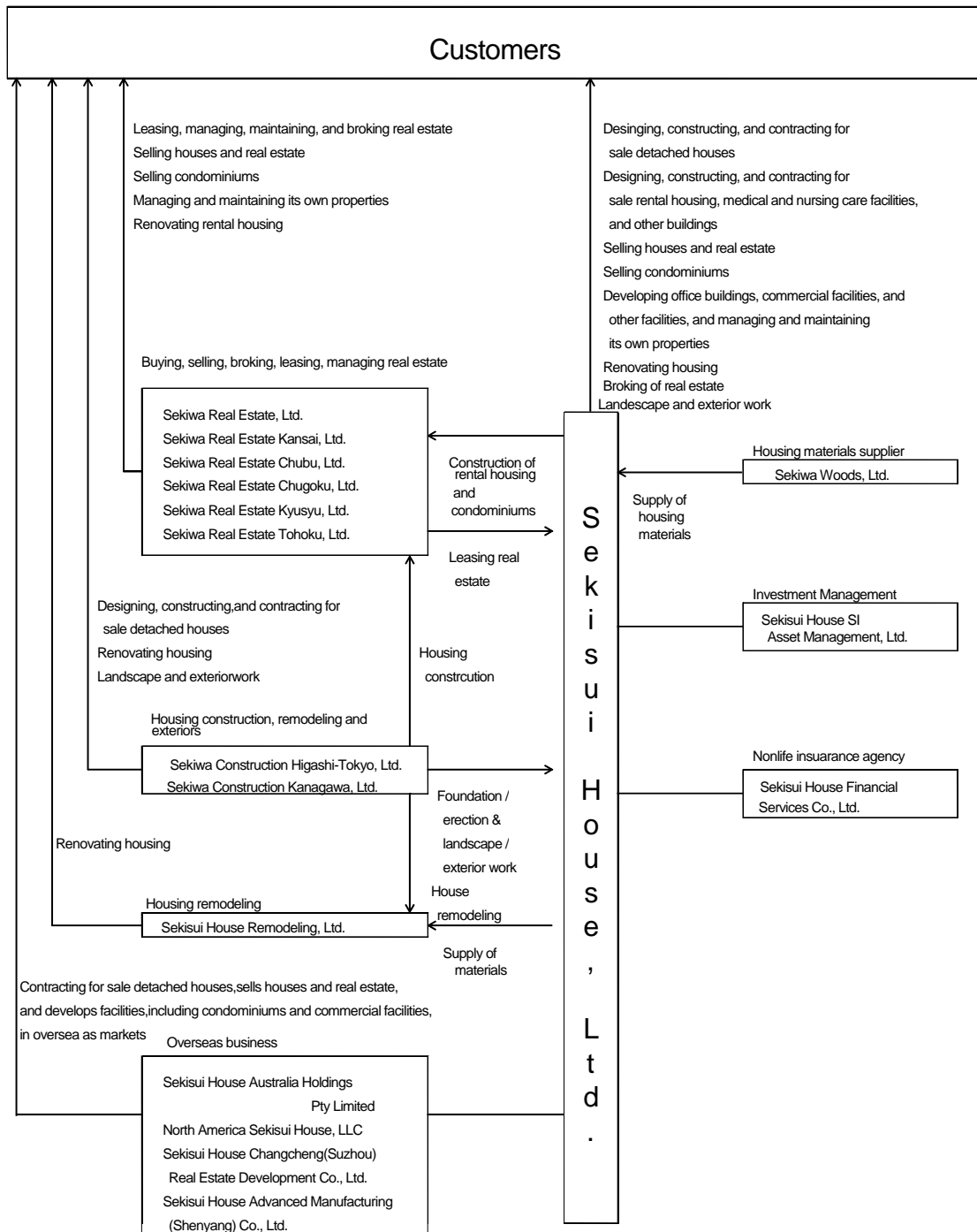
## 6) Major Businesses

The Company and the Sekisui House Group companies are involved in the contract design, construction, and letting of prefabricated houses. They also buy and sell, act as agents for, lease and manage real estate.

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

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

The outline of the major business of the Sekisui House Group is set out below:



## 7) Major Operations of Sekisui House Group

### 1. Location of Major Operations of the Company

|   |  |                    |
|---|--|--------------------|
| <b>Head office:</b>                                     | 1-88, Oyodonaka 1-chome, Kita-ku, Osaka  |                    |
| <b>Tokyo office:</b>                                    | 15-1, Akasaka 4-chome, Minato-ku, Tokyo  |                    |
| <b>Sales and project headquarters:</b>                  |  | <u>City</u>        |
| Tohoku Sales Administration Headquarters                |  | Sendai             |
| Tokyo Sales Administration Headquarters                 |  | Shibuya-ku, Tokyo  |
| Tokyo Sha Maison Sales Administration Headquarters      |  | Shibuya-ku, Tokyo  |
| Kanagawa Sales Administration Headquarters              |  | Yokohama           |
| Saitama Sales Administration Headquarters               |  | Saitama            |
| Higashi Kanto Sales Administration Headquarters         |  | Chiba              |
| Kita Kanto Sales Administration Headquarters            |  | Utsunomiya         |
| Chubu Daiichi Sales Administration Headquarters         |  | Nagoya             |
| Chubu Daini Sales Administration Headquarters           |  | Shizuoka           |
| West Japan Sha Maison Sales Administration Headquarters |  | Osaka              |
| Kansai Daiichi Sales Administration Headquarters        |  | Osaka              |
| Kansai Daini Administration Headquarters                |  | Osaka              |
| Chugoku Sales Administration Headquarters               |  | Hiroshima          |
| Shikoku Sales Administration Headquarters               |  | Takamatsu          |
| Kyushu Sales Administration Headquarters                |  | Fukuoka            |
| International Department                                |  | Osaka              |
| Development Department                                  |  | Osaka              |
| Condominium Headquarters                                |  | Shinjuku-ku, Tokyo |
| <b>Branches:</b>  | 119 Branches                             |                    |
| <b>Sales Offices:</b>                                   | 4 Sales Offices                          |                    |
| <b>Customer Service Centers:</b>                        | 30 Customer Service Centers              |                    |
| <b>Factories:</b>                                       |  |                    |
| Tohoku Factory  | Shikama-cho, Kami-gun, Miyagi Prefecture |                    |
| Kanto Factory   | Koga-City, Ibaraki Prefecture            |                    |
| Shizuoka Factory  | Kakegawa-City, Shizuoka Prefecture       |                    |
| Yamaguchi Factory                                       | Yamaguchi-City                           |                    |
| Hyogo Factory   | Kato-City, Hyogo Prefecture              |                    |
| Azai Shewood center                                     | Nagahama-City, Shiga Prefecture          |                    |
| <b>R&amp;D Institute</b>                                |  |                    |
| Comprehensive Housing R&D Institute                     | Kizugawa- City, Kyoto Prefecture         |                    |

2. Address of Major Operations of subsidiaries

|   |   |
|---|---|
| Sekiwa Real Estate, Ltd.  | Head office: 1-1, Yoyogi 2-chome, Shibuya-ku, Tokyo             |
| Sekiwa Real Estate Kansai, Ltd.   | Head office: 1-30, Oyodonaka 1-chome, Kita-ku, Osaka            |
| Sekiwa Real Estate Chubu, Ltd.  | Head office: 5-28, Meieki 4-chome, Nakamura-ku, Nagoya          |
| Sekiwa Real Estate Chugoku, Ltd.  | Head office: 1-25, Komachi, Naka-ku, Hiroshima                  |
| Sekiwa Real Estate Kyushu, Ltd.   | Head office: 25-21, Hakataekimae 3-chome, Hakata-ku, Fukuoka    |
| Sekiwa Real Estate Tohoku, Ltd.   | Head office: 16-10, Honcho 2-chome, Aoba-ku, Sendai             |
| Sekisui House Remodeling, Ltd.  | Head office: 1-90, Oyodonaka 1-chome, Kita-ku, Osaka            |
| Sekisui House Financial Services Co., Ltd.                                  | Head office: 1-90, Oyodonaka 1-chome, Kita-ku, Osaka            |
| Sekiwa Woods, Ltd.  | Head office: 27-3, Ariso 2-chome, Imizu-City, Toyama Prefecture |
| Sekisui House SI Asset Management, Ltd.                                     | Head office: 12, Kojimachi 2-chome, Chiyoda-ku, Tokyo           |
| Sekisui House Australia Holdings Pty Limited.                               | Head office: New South Wales, Australia                         |
| North America Sekisui House, LLC  | Head office: Virginia, U.S.A.                                   |
| Sekisui House Changcheng (Suzhou) Real Estate Development Co., Ltd. (Josei) | Head office: Jiangsu Suzhou City, China                         |
| Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd.                   | Head office: Liaoning Shenyang City, China                      |

## 8) Outline of main subsidiaries

Millions of yen

| Company Name  | Capital                  | Percentage owned | Main business   |
|---|--------------------------|------------------|---|
| Sekiwa Real Estate, Ltd.  | 1,758                    | 100.0%           | Houses for sale Business,<br>Real Estate Management Fees Business |
| Sekiwa Real Estate Kansai, Ltd.   | 5,829                    | 100.0%           | Houses for sale Business,<br>Real Estate Management Fees Business |
| Sekiwa Real Estate Chubu, Ltd.  | 1,368                    | 100.0%           | Houses for sale Business,<br>Real Estate Management Fees Business |
| Sekiwa Real Estate Chugoku, Ltd.  | 379                      | 100.0%           | Houses for sale Business,<br>Real Estate Management Fees Business |
| Sekiwa Real Estate Kyushu, Ltd.   | 263                      | 100.0%           | Houses for sale Business,<br>Real Estate Management Fees Business |
| Sekiwa Real Estate Tohoku, Ltd.   | 200                      | 100.0%           | Houses for sale Business,<br>Real Estate Management Fees Business |
| Sekisui House Remodeling, Ltd.  | 100                      | 100.0%           | Remodeling Business   |
| Sekisui House Financial Services Co., Ltd.                                  | 100                      | 100.0%           | Other Businesses  |
| Sekiwa Woods, Ltd.  | 480                      | 100.0%           | Custom Detached Houses Business                                   |
| Sekisui House SI Asset Management, Ltd                                      | 200                      | 75.0%            | Real Estate Management Fees Business                              |
| Sekisui House Australia Holdings Pty Limited.                               | 794<br>(Millions of AUD) | 100.0%           | Overseas Business   |
| North America Sekisui House, LLC  | 288<br>(Millions of USD) | 100.0%           | Overseas Business   |
| Sekisui House Changcheng (Suzhou) Real Estate Development Co., Ltd. (Josei) | 259<br>(Millions of USD) | 97.8%            | Overseas Business   |
| Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd.                   | 105<br>(Millions of USD) | 100.0%           | Overseas Business   |

Note:

There are 148 consolidated subsidiaries, and 18 companies to which equity method of accounting is applied.



## 9) Employees

### 1. Outline of Sekisui House Group

| Number of employees | Change compared to the previous year |
|---------------------|--------------------------------------|
| 21,476              | 201 (increased)                      |

### 2. Outline of Sekisui House, Ltd.

| Number of employees | Change compared to the previous year | Average age    | Average length of employment |
|---------------------|--------------------------------------|----------------|------------------------------|
| 14,353              | 199 (decreased)                      | 40.6 years old | 16.3years                    |

Note:

The number of employees stated above includes those dispatched to subsidiaries and the like.

## 10) Principal Lenders

*Millions of yen*

| Name of lenders                               | Amount of loan |
|---|----------------|
| The Bank of Tokyo-Mitsubishi UFJ, Ltd.        | 50,532         |
| Sumitomo Mitsui Banking Corporation           | 16,507         |
| Mizuho Corporate Bank, Ltd.                   | 7,500          |
| Australia and New Zealand Banking Group, Ltd. | 6,725          |
| Resona Bank, Ltd.                             | 6,700          |

Note:

The balance of borrowings in denominated by foreign currency is converted using a term-end rate of exchange.

## 2. Present Conditions of the Company as of January 31, 2013

### 1) Description of Common Shares of the Company

|   |   |  |
|---|---|--|
| 1 | Total number of shares authorized to be issued              | 1,978,281,000 shares                     |
| 2 | Total number of shares issued<br>(Including treasury stock) | 676,885,078 shares<br>(5,056,489 shares) |
| 3 | Total number of shareholders                                | 38,507                                   |
| 4 | Details of main shareholders are as follows:                |  |
|   | Name  | Number of shares held<br>(thousands)     |
|   | Ratio of shareholding                                       |  |
|   | Sekisui Chemical Co., Ltd.                                  | 72,168                                   |
|   | The Master Trust Bank of Japan, Ltd. (Trust account)        | 46,429                                   |
|   | Japan Trustee Services Bank, Ltd. (Trust account)           | 45,517                                   |
|   | Sekisui House <i>Ikushikai</i>                              | 18,677                                   |
|   | Japan Trustee Services Bank, Ltd. (Trust account 9)         | 17,077                                   |
|   | The Bank of Tokyo-Mitsubishi UFJ, Ltd.                      | 13,624                                   |
|   | SSBT OD05 OMNIBUS ACCOUNT – TREATY CLIENTS                  | 12,327                                   |
|   | The Dai-ichi Life Insurance Company, Limited                | 12,158                                   |
|   | State Street Bank and Trust Company 505225                  | 11,016                                   |
|   | Nippon Life Insurance Company                               | 9,706                                    |

Notes:

1. Sekisui House *Ikushikai* is the Company's employee stock holding association.
2. The ratio of shareholding is calculated deducting shares of treasury stock from the total number of shares issued.

### 2) Outlines of Stock Acquisition Rights

1. Outlines of Stock Acquisition Rights granted in consideration of the performance of duties as of January 31, 2013

·Number of stock acquisition rights

656 units

·Type and number of shares to be issued upon exercise of stock acquisition rights

656,000 common shares of the Company (1,000 shares per unit)

• Current situation of stock acquisition rights held by posts

| Posts<br>(Exercise period)  | Directors<br>(Outside Directors) |   | Executive<br>Officers   |   | Audit &<br>Supervisory Board<br>Members |   | Others                  |   |
|---|----------------------------------|---|-------------------------|---|---|---|-------------------------|---|
|   | Number<br>of<br>holders          | Number<br>of stock<br>acquisition<br>rights | Number<br>of<br>holders | Number<br>of stock<br>acquisition<br>rights | Number<br>of<br>holders                 | Number<br>of stock<br>acquisition<br>rights | Number<br>of<br>holders | Number<br>of stock<br>acquisition<br>rights |
| No.1 Stock Acquisition Rights (Stock compensation-type stock option)<br>(From April 28, 2006 to April 27, 2026) | 8                                | 21  | 1                       | 1   | 2                                       | 5   | 8                       | 10  |
| No.2 Stock Acquisition Rights (Stock compensation-type stock option)<br>(From June 8, 2007 to June 7, 2027)     | 8                                | 24  | 1                       | 1   | 2                                       | 6   | 9                       | 13  |
| No.3 Stock Acquisition Rights (Stock compensation-type stock option)<br>(From June 7, 2008 to June 6, 2028)     | 10<br>(1)                        | 50<br>(2)                                   | 5                       | 11  | 1                                       | 5   | 12                      | 30  |
| No.4 Stock Acquisition Rights (Stock compensation-type stock option)<br>(From June 10, 2009 to June 9, 2029)    | 10<br>(1)                        | 58<br>(3)                                   | 5                       | 10  | 1                                       | 4   | 12                      | 28  |
| No.5 Stock Acquisition Rights (Stock compensation-type stock option)<br>(From June 17, 2010 to June 16, 2030)   | 10<br>(1)                        | 62<br>(2)                                   | 14                      | 29  | —                                       | —   | 5                       | 12  |
| No.6 Stock Acquisition Rights (Stock compensation-type stock option)<br>(From June 15, 2011 to June 14, 2031)   | 10<br>(1)                        | 79<br>(4)                                   | 14                      | 39  | —                                       | —   | 4                       | 11  |
| No.7 Stock Acquisition Rights (Stock compensation-type stock option)<br>(From June 14, 2012 to June 13, 2032)   | 11<br>(2)                        | 85<br>(6)                                   | 22                      | 62  | —                                       | —   | —                       | —   |

Notes:

1. The number of Executive Officers stated in the above table does not include Executive Officers who concurrently hold the office of Directors.
  2. The exercise price of stock acquisition rights above is 1 yen per share.
2. Outlines of Stock Acquisition Rights granted in consideration of the performance of duties during the fiscal year under review
- Name of stock acquisition rights  
No.7 Stock Acquisition Rights (Stock compensation-type stock option)
  - Number of stock acquisition rights  
147 units
  - Type and number of shares to be issued upon exercise of stock acquisition rights  
147,000 common shares of the Company (1,000 shares per unit)
  - Issuance price  
495 yen per share
  - Amount to be paid in upon exercise of each stock acquisition right  
1 yen per share
  - Exercise period of stock acquisition rights  
The period in which stock acquisition rights are exercisable will be determined by the Board of Directors of the Company within the period between June 14, 2012 and June 13, 2032.
  - Conditions for exercise of stock acquisition rights

- (i) Holders of stock acquisition rights can exercise stock acquisition rights from the day following the day on which they lose their positions as directors of the Company or its consolidated subsidiaries (including corporate officers in a case where the Company turns into "company with committees" in the future); Audit & Supervisory Board Member, or executive officers (the "start date of exercise of stock acquisition rights").
- (ii) Notwithstanding the description in the above item (i), if either of the following two cases (a) or (b) occurs, holders of stock acquisition rights can exercise their stock acquisition rights within the periods specified (provided, however, that with respect to (b), the foregoing shall not be applied to a case in which stock acquisition rights of the reorganized company are assigned newly to the holders of stock acquisition rights).
- (a) Holders of stock acquisition rights are unable to have the start date of exercise of stock acquisition rights commencing before June 13, 2031:  
Between June 14, 2031 and June 13, 2032
- (b) The general meeting of shareholders of the Company approves a resolution for a merger contract in which the Company becomes a dissolving company or a resolution for a share exchange or transfer contract or plan in which the Company becomes a wholly-owned subsidiary (in case of resolution of the general meeting of shareholders of the Company being not required, a resolution of the Board of Directors will substitute therefor):  
For 15 days from the date following the date on which the approval is granted
- (iii) If holders of stock acquisition rights waive their rights, they cannot exercise the rights.
- (iv) No partial exercise of a single stock acquisition right is allowed.
- (v) The terms and conditions of the stock acquisition rights other than the above shall be provided for in the Stock Acquisition Rights Allotment Agreement entered into between the Company and each of the officers to whom stock acquisition rights were allotted.

• Terms and conditions for acquisition of stock acquisition rights:

If the general meeting of shareholders of the Company approves proposals (1), (2), (3), (4) and (5) below, the Company may acquire the stock acquisition rights without compensation on a date separately determined by the Board of Directors (if an approval of the general meeting of shareholders is not required, then, the day on which the Board of Directors of the Company adopts a resolution).

- (1) a proposal for approval of a merger contract in which the Company is to be dissolved;
- (2) a proposal for approval of a corporate division agreement or plan under which the Company becomes a split company;
- (3) a proposal for approval of a share exchange or transfer contract or plan in which the Company becomes a wholly-owned subsidiary;
- (4) a proposal for approval of changes in the Articles of Incorporation to establish the provisions that the Company's approval is required for acquisition by transfer of any shares issued by the Company;
- (5) a proposal for approval of changes in the Articles of Incorporation to establish the provisions that the Company's approval is required for acquisition by transfer of shares to be issued upon exercise of stock acquisition rights, or that the Company shall acquire all shares of a specified type by resolution of its general meeting of shareholders.

• Current situation of stock acquisition rights held by posts

| Posts | Directors<br>(Outside Directors) |                                       | Executive<br>Officers |                                       |
|-------|----------------------------------|---------------------------------------|-----------------------|---------------------------------------|
|       | Number of holders                | Number of stock<br>acquisition rights | Number of<br>holders  | Number of stock<br>acquisition rights |
|       | 11<br>(2)                        | 85<br>(6)                             | 22                    | 62                                    |

Note:

The number of Executive Officers stated in the above table does not include Executive Officers who concurrently hold the post of Directors.

3. Other important matters concerning Stock Acquisition Rights

Outlines of the Stock Acquisition Rights referred to Zero Coupon Convertible Bonds due 2016 (bonds with stock acquisition rights), that were issued based on the resolution of the Board of the Directors of the Company held on June 16, 2011 are stated below.

|            |              |
|------------|--------------|
| Issue date | July 5, 2011 |
|------------|--------------|

|   |  |
|---|--|
| Number of stock acquisition rights                                      | 5,000 units  |
| Type of shares to be issued upon exercise of stock acquisition rights   | Common shares of the Company   |
| Number of shares to be issued upon exercise of stock acquisition rights | The number is determined by dividing the aggregate principal amount of the bonds upon exercise of the stock acquisition rights by the Conversion Price.  |
| Conversion Price  | ¥1,000 per share (subject to adjustment in certain circumstances)  |
| Exercise period of stock acquisition rights                             | Between July 19, 2011 and June 21, 2016  |
| Conditions for exercise of stock acquisition rights                     | No partial exercise of a single stock acquisition right is allowed<br><br>Prior to (but not including) 6 July 2015, only if the closing price of the common shares of the Company for any 20 trading days in a period of 30 consecutive trading days ending on the last trading day of any particular fiscal quarter of the Company is more than 120 per cent. of the Conversion Price in effect on the last trading day of such fiscal quarter of the Company, a Bondholders exercise the Stock Acquisition Rights on and after the first day of the immediately following fiscal quarter of the Company until the end of such fiscal quarter of the Company (or, in the case of the fiscal quarter of the Company commencing on 1 May 2015, until 3 July 2015) |
| Balance of the Convertible Bonds  | ¥50,000 million  |

### 3) Directors and Audit & Supervisory Board Members

#### 1. Names and posts of Directors and Audit & Supervisory Board Members

|  |  |
|--|--|
| Chairman, Representative Director & CEO(Chief Executive Officer).  | Isami Wada   |
| President, Representative Director & COO(Chief Operating Officer). | Toshinori Abe  |
| Directors:   |  |
| Sumio Wada   | Executive Vice President & Executive Officer, management of technology, in charge of purchasing, Chief Manager of International Business Department            |
| Shiro Inagaki  | CFO(Chief Financial Officer)<br>Executive Vice President & Executive Officer, in charge of corporate planning, accounting & finance, IT operation and auditing |
| Katsuhiko Machida  |  |
| Teruyuki Saegusa   |  |
| Fumiaki Hirabayashi  | Senior Managing Officer, in charge of TKC project, General Manager of Tokyo Administration Office and Chief Manager of Corporate Communications Department     |
| Tetsuo Iku   | Senior Managing Officer, in charge of design, technology development, and construction, General Manager of Technology Headquarters                             |
| Takashi Uchida   | Managing Officer, in charge of administrative control of subsidiary & affiliated companies and Chief Manager of Personnel Department                           |
| Daiji Kuroki   | Managing Officer, General Manager of Chubu Daiichi Sales Administration Headquarters   |
| Kengo Yoshida  | Managing Officer, General Manager of Manufacturing Headquarters  |
| Standing Audit & Supervisory Board Members (full-time):            |  |
| Tadashi Iwasaki  |  |
| Yoshiro Kubota   |  |
| Audit & Supervisory Board Members:                                 |  |
| Takaharu Dohi  |  |
| Yoshinori Shinohara  |  |
| Koichi Kunisada  |  |

#### Notes:

- Names, posts and responsibilities of Director and Audit & Supervisory Board Members who retired during the fiscal year under review are stated below.

|                                  |                  |  |                            |
|----------------------------------|------------------|--|----------------------------|
| Director                         | Junichi Terada   | Senior Managing Officer, in charge of detached house projects, real estate, corporate marketing, personnel and administrative control of subsidiary & affiliated companies | Retired on April 26, 2012  |
| Audit & Supervisory Board Member | Teruyuki Saegusa |  | Resigned on April 26, 2012 |
| Audit & Supervisory Board Member | Eiji Mansho      |  | Retired on April 26, 2012  |
- Director Messrs. Teruyuki Saegusa and Audit & Supervisory Board Members Messrs. Yoshinori Shinohara, Koichi Kunisada were newly elected at the 61<sup>st</sup> Ordinary General Meeting of Shareholders held on April 26, 2012 and assumed the office.
- Director Mr. Katsuhiko Machida and Teruyuki Saegusa is Outside Director as prescribed in Section 15 of Article 2 of the Companies Act.
- Audit & Supervisory Board Members Messrs. Takaharu Dohi, Yoshinori Shinohara and Koichi Kunisada are Outside Audit & Supervisory Board Members as prescribed in Section 16 of Article 2 of the Companies Act.
- Audit & Supervisory Board Member Mr. Yoshinori Shinohara is a certified public accountant and is acquainted with knowledge and information on finance and accounting to the reasonable extent.
- The Company designated each of Director Teruyuki Saegusa, Audit & Supervisory Board Member Yoshinori Shinohara and Audit & Supervisory Board Member Koichi Kunisada as an independent officer and submitted notification to that effect to the Tokyo Stock Exchange, Inc.
- In order to promote prompt management through a clear distinction between the decision-making and the business operations of the management system and to create a management structure that can accurately meet the needs of a volatile economic and market environment, the Company has adopted an Executive Officer System. In addition to the executive officers mentioned above, who simultaneously serve as Directors, the Company has 22 full-time executive officers as of January 31, 2013.
- Director Daiji Kuroki resigned as Managing Officer as of February 1, 2013 and assumed the office of Deputy President of Sekisui House Remodeling, Ltd. Furthermore, he is scheduled to assume the office of Representative Director and President of Sekisui House Remodeling, Ltd. as from March 28, 2013.

9. The duties of the Directors changed on February 6, 2013 as set forth below:

Director Tetsuo Iku Senior Managing Officer, in charge of design, technology development, and construction, General Manager of Technology Headquarters and Chief Manager of Product Design & Development Department

10. Directors and Audit & Supervisory Board Members who concurrently hold the important post of other companies are stated below.

| Directors:                         |   |   |
|------------------------------------|---|---|
| Name                               | Company in which Directors and Audit & Supervisory Board Members of the Company hold an concurrent post | Post  |
| Isami Wada                         | Almetax Manufacturing Co., Ltd.   | Executive Advisor & Director                                |
| Sumio Wada                         | Sekisui House Australia Holdings Pty Limited  | President & Director  |
|                                    | North America Sekisui house, LLC  | Chairman & CEO  |
|                                    | Sekisui House Changcheng (Suzhou) Real Estate Development Co., Ltd. (Josei)                             | Chairman & Representative Director                          |
|                                    | Sekisui House Changcheng (Suzhou) Real Estate Development Co., Ltd. (Josyo)                             | Chairman & Representative Director                          |
|                                    | Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd.   | Chairman & Representative Director                          |
|                                    | Sekisui House (Shenyang) Co., Ltd.  | Chairman & Representative Director                          |
|                                    | Sekisui House No.1(Shenyang) Co., Ltd   | Chairman & Representative Director                          |
|                                    | Sekisui House No.2(Shenyang) Co., Ltd.  | Chairman & Representative Director                          |
|                                    | Sekisui House (Taicang) Co., Ltd  | Chairman & Representative Director                          |
| Shiro Inagaki                      | Sekisui House Financial Services Co., Ltd.  | President & Representative Director                         |
| Katsuhiko Machida                  | SHIONOGI & CO.,LTD  | Director  |
| Teruyuki Saegusa                   | Saegusa Circulation Research Co., Ltd<br>Shinki Bus Co., Ltd  | Representative Director<br>Audit & Supervisory Board Member |
| Fumiaki Hirabayashi                | Sumai no Toshokan Co., Ltd.   | President & Representative Director                         |
| Daiji Kuroki                       | Sekiwa Real Estate Chubu, Ltd.  | Audit & Supervisory Board Member                            |
| Kengo Yoshida                      | Sekiwa Woods, Ltd.  | Director  |
|                                    | Sekisui House Advanced Manufacturing (Shenyang) Co.,Ltd.  | Director  |
| Audit & Supervisory Board Members: |   |   |
| Name                               | Company in which Directors and Audit & Supervisory Board Members of the Company hold an concurrent post | Post  |
| Tadashi Iwasaki                    | Sekiwa Real Estate Kansai, Ltd.   | Audit & Supervisory Board Member                            |
|                                    | Sekiwa Real Estate Chugoku, Ltd.  | Audit & Supervisory Board Member                            |
|                                    | Sekiwa Real Estate Kyushu, Ltd.   | Audit & Supervisory Board Member                            |
|                                    | Sekiwa Real Estate Tohoku, Ltd.   | Audit & Supervisory Board Member                            |
|                                    | Sekisui House Remodeling, Ltd.  | Audit & Supervisory Board Member                            |
| Yoshiro Kubota                     | Almetax Manufacturing Co., Ltd.   | Audit & Supervisory Board Member                            |
| Takaharu Dohi                      | Dohi Law Office   | Lawyer  |
|                                    | Kansai Telecasting Corporation  | Director  |
|                                    | The Kansai Electric Power Co., Inc.   | Audit & Supervisory Board Member                            |
|                                    | Hankyu Hanshin Holdings, Inc.   | Audit & Supervisory Board Member                            |
| Yoshinori Shinohara                | Kawase Computer Supplies Co., Ltd.  | Audit & Supervisory Board Member                            |
|                                    | Shinohara Yoshinori CPA Accounting Firm   | Certified Public Accountant                                 |
|                                    | Shinohara Management and Economics Research Institute, Ltd  | Representative Director                                     |
| Koichi Kunisada                    | TSI HOLDINGS Co., Ltd   | Director  |
|                                    | The Corporate intelligence Department of Osaka Gakuin University  | Professor   |

2. Remunerations paid for Directors and Audit & Supervisory Board Members

|  | Directors<br>(Outside Director) |                                    | Audit & Supervisory Board<br>Members<br>(Outside Audit & Supervisory<br>Board Members) |                                    | Total<br>(Outside Officers) |                                    |
|--|---------------------------------|------------------------------------|--|------------------------------------|-----------------------------|------------------------------------|
|  | Number of<br>people             | Remunerations<br>(Millions of yen) | Number of<br>people  | Remunerations<br>(Millions of yen) | Number of<br>people         | Remunerations<br>(Millions of yen) |
| Remunerations based on a<br>general meeting of<br>shareholders' resolution | 12<br>(2)                       | 389<br>(33)                        | 7<br>(5)   | 95<br>(45)                         | 19<br>(7)                   | 484<br>(78)                        |
| Stock compensation-type<br>stock options (stock<br>acquisition rights)     | 12<br>(2)                       | 43<br>(2)                          | —  | —                                  | 12<br>(2)                   | 43<br>(2)                          |
| Directors' bonuses<br>accounted for as costs                               | 11<br>(2)                       | 180<br>(6)                         | —  | —                                  | 11<br>(2)                   | 180<br>(6)                         |

Notes:

1. Out of the above table, remunerations based on the general meeting of shareholders' resolution and stock compensation-type stock options (stock acquisition rights) include those for one Directors and two Audit & Supervisory Board Members who retired as the offices at the close of the 61st Ordinary General Meeting of Shareholders held on April 26, 2012.
2. Remunerations based on the general meeting of shareholders' resolution to the Directors (43 million yen or less per month for all Directors as a group) were within the limit fixed pursuant to resolution of the 43rd Ordinary General Meeting of Shareholders held on April 27, 1994, and also to Audit & Supervisory Board Members (nine million yen or less per month for all Audit & Supervisory Board Members as a group) were within the limit fixed pursuant to resolution of the 55th Ordinary General Meeting of Shareholders held on April 27, 2006.
3. Stock compensation-type stock options (stock acquisition rights) were within the limit fixed pursuant to resolution of the 56th Ordinary General Meeting of Shareholders held on April 26, 2007 (the maximum amount and number are 90 million yen and 90 stock acquisition rights per year).
4. Directors' bonuses accounted for as costs in the above table are made in consideration for the services rendered during the fiscal year under review and are scheduled to be paid based on a resolution to be adopted at the 62nd Ordinary General Meeting of Shareholders that will be held on April 25, 2013



### 3. Matters concerning Outside Officers

·The principal performance of Outside Director and Audit & Supervisory Board Members during the fiscal year under review:

| Post                             | Name                | Principal performance  |
|----------------------------------|---------------------|--|
| Director                         | Katsuhiko Machida   | Mr. Machida attended all 11 meetings of the Board of Directors. He stated timely opinions based on his knowledge and experience accumulated through engagement in other company's management.  |
| Director                         | Teruyuki Saegusa    | Mr Saegusa attended all 11 meetings of the Board of Directors and all 3 meetings of the Audit & Supervisory Board. He stated timely opinions based on his knowledge and experience accumulated through engagement in other company's management.   |
| Audit & Supervisory Board Member | Takaharu Dohi       | Mr. Dohi attended 10 meetings out of 11 meetings of the Board of Directors and all 12 meetings of the Audit & Supervisory Board. He stated timely opinions from a legal viewpoint as a lawyer and based on his knowledge and experience accumulated through acting as other company's outside officers.                          |
| Audit & Supervisory Board Member | Yoshinori Shinohara | Mr. Shinohara attended all 9 meetings of the Board of Directors and all 9 meetings of the Audit & Supervisory Board. He stated timely opinions from a based on his professional knowledge as a certified public accountant, and his knowledge and experience accumulated through engagement in other company's outside director. |
| Audit & Supervisory Board Member | Koichi Kunisada     | Mr. Kunisada attended all 9 meetings of the Board of Directors and all 9 meetings of the Audit & Supervisory Board. He stated timely opinions based on his knowledge and experience accumulated through engagement in other company's management and his wide knowledge as a university.   |

Notes:

Director Mr. Teruyuki Saegusa resigned Audit & Supervisory Board Member, was newly elected Director at the conclusion of the 61<sup>st</sup>

Ordinary General Meeting of Shareholders held on April 26, 2012 and assumed the office.

·Outlines of agreement to limit Outside Director's liability and Audit & Supervisory Board Member's liability:

The agreement which the Company entered into with the Outside Director or each of all the Outside Audit & Supervisory Board Members provides that if Outside Director or Outside Audit & Supervisory Board Member causes damages to the Company attributable to neglect of the duty of the Outside Director or the Outside Audit & Supervisory Board Member, his liability under each the agreement is without fail limited to the sum of the amount provided for by the items in Article 425, Section 1 of the Companies Act on the assumption that his conduct was made in good faith without gross negligence.

#### 4) Outline of Accounting Auditor

1. Name Ernst & Young Shin Nihon LLC

#### 2. Remuneration

|  | Remuneration |
|--|--------------|
| The aggregate amount of remuneration payable to Accounting Auditor by the Company for the fiscal year under review | ¥137 million |
| The aggregate amount of remuneration payable to Accounting Auditor by the Company and its consolidated companies   | ¥181 million |

Notes:

1. The amount of remuneration for auditing made pursuant to the Companies Act and the amount of remuneration pursuant to the Financial Instrument and Exchange Act are not divided in the Auditing Agreement, which both the Company and the Accounting Auditor agreed to. Also, since it is impossible to state separately in practice, the amount represents the aggregate amount of the remuneration paid by the Company.
2. Sekisui House Australia Holdings Pty Limited and other important overseas subsidiaries were audited by other audit corporations.

#### 3. Dismissal or Non-reappointment of Accounting Auditor

If any of the dismissal causes provided by Article 340 of the Companies Act is applicable to the Accounting Auditor, the Audit & Supervisory Board shall dismiss the Accounting Auditor subject to the consent of all Audit & Supervisory Board Members, and if the Company considers that it is impossible for the Accounting Auditor to appropriately carry out the duties, the Company shall submit a proposal of the dismissal or non re-appointment of the Accounting Auditor to a general meeting of shareholders subject to consent or requests from the Audit & Supervisory Board.

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Note:

Amounts of the Business Report are given in the stated unit of the presentation, by disregarding any amount less than the stated unit of the presentation.

| <b>CONSOLIDATED BALANCE SHEETS</b>  |                  |  |                  |
|---|------------------|--|------------------|
| As of January 31, 2012  |                  |  |                  |
| <i>Millions of yen</i>  |                  |  |                  |
| <b>Assets</b>   | <b>1,539,272</b> | <b>Liabilities</b>   | <b>725,208</b>   |
| <b>Current assets</b>   | <b>955,891</b>   | <b>Current liabilities</b>                                   | <b>411,024</b>   |
| Cash on deposits  | 180,232          | Notes payable, accounts payable for construction contracts   | 91,872           |
| Notes receivable, accounts receivable from completed construction contracts | 38,612           | Electronically recorded obligations-operating                | 58,715           |
| Short-term investment securities  | 2,098            | Short-term loans payable                                     | 18,696           |
| Costs on uncompleted construction contracts                                 | 8,455            | Current portion of long-term loans payable                   | 50,201           |
| Buildings for sale  | 149,674          | Income taxes payable   | 26,840           |
| Land for sale in lots   | 388,707          | Advances received on uncompleted construction contracts      | 87,886           |
| Undeveloped land for sale   | 94,384           | Provision for bonuses  | 18,384           |
| Other inventories   | 7,600            | Provision for directors' bonuses                             | 828              |
| Deferred tax assets   | 46,876           | Provision for warranties for completed construction          | 3,128            |
| Other   | 41,071           | Other  | 54,476           |
| Allowance for doubtful accounts   | (1,823)          |  |                  |
| <b>Noncurrent assets</b>  | <b>583,381</b>   | <b>Noncurrent liabilities</b>                                | <b>314,184</b>   |
| <b>Property, plant and equipment</b>  | <b>386,983</b>   | Bonds payable  | 90,000           |
| Buildings and structures  | 140,235          | Bonds with subscription rights to shares                     | 50,000           |
| Machinery, equipment and vehicles   | 12,953           | Long-term loans payable                                      | 58,130           |
| Tools, furniture and fixtures   | 3,390            | Long-term lease and guarantee deposited                      | 53,019           |
| Land  | 210,654          | Provision for retirement benefits                            | 53,214           |
| Lease assets  | 407              | Provision for directors' retirement benefits                 | 1,140            |
| Construction in progress  | 19,342           | Other  | 8,678            |
| <b>Intangible assets</b>  | <b>15,329</b>    | <b>Net assets</b>  | <b>810,063</b>   |
| Goodwill  | 892              | <b>Shareholders' equity</b>                                  | <b>777,688</b>   |
| Industrial property   | 19               | <b>Capital stock</b>   | 186,554          |
| Leasehold right   | 4,036            | <b>Capital surplus</b>                                       | 237,522          |
| Software  | 9,257            | <b>Retained earnings</b>                                     | 357,830          |
| Right of using facilities   | 230              | <b>Treasury stock</b>  | (4,219)          |
| Telephone subscription right  | 861              |  |                  |
| Other   | 31               | <b>Accumulated other comprehensive income</b>                | <b>28,718</b>    |
| <b>Investments and other assets</b>   | <b>181,067</b>   | <b>Valuation difference on available-for-sale securities</b> | 11,951           |
| Investment securities   | 79,109           | <b>Deferred gains or losses on hedges</b>                    | (45)             |
| Long-term loans receivable  | 43,574           | <b>Foreign currency translation adjustment</b>               | 16,812           |
| Deferred tax assets   | 21,562           | <b>Subscription rights to shares</b>                         | <b>429</b>       |
| Other   | 37,562           | <b>Minority Interests</b>                                    | <b>7,228</b>     |
| Allowance for doubtful accounts   | (741)            |  |                  |
| <b>Total assets</b>   | <b>1,539,272</b> | <b>Total Liabilities and Net assets</b>                      | <b>1,539,272</b> |

| <b>CONSOLIDATED STATEMENTS OF INCOME</b>                 |                  |
|--|------------------|
| From February 1, 2012 to January 31, 2013                |                  |
| <i>Millions of yen</i>                                   |                  |
| <b>Net sales</b>   | <b>1,613,816</b> |
| <b>Cost of sales</b>                                     | <b>1,314,312</b> |
| <b>Gross profit</b>                                      | <b>299,503</b>   |
| <b>Selling, general and administrative expenses</b>      | <b>213,306</b>   |
| <b>Operating income</b>                                  | <b>86,196</b>    |
| <b>Non-operating income</b>                              | <b>10,981</b>    |
| Interest and dividends income                            | 2,775            |
| Equity in earnings of affiliates                         | 312              |
| Other  | 7,893            |
| <b>Non-operating expenses</b>                            | <b>5,411</b>     |
| Interest expenses  | 1,620            |
| Other  | 3,790            |
| <b>Ordinary income</b>                                   | <b>91,767</b>    |
| <b>Extraordinary loss</b>                                | <b>5,306</b>     |
| Impairment loss  | 2,301            |
| Loss on valuation of investment securities               | 1,538            |
| Loss on sales and retirement of noncurrent assets        | 1,466            |
| <b>Income before income taxes and minority interests</b> | <b>86,461</b>    |
| Income taxes-current                                     | 38,113           |
| Income taxes-deferred                                    | (239)            |
| <b>Income before minority interests</b>                  | <b>48,587</b>    |
| Minority interests in income                             | 2,128            |
| <b>Net income</b>  | <b>46,458</b>    |

**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

(From February 1, 2012 to January 31, 2013)

*Millions of yen*

|  | Shareholders' equity |                 |                   |                |          |
|--|----------------------|-----------------|-------------------|----------------|----------|
|  | Capital stock        | Capital surplus | Retained earnings | Treasury stock | Total    |
| Balance as of the beginning of the 62 <sup>nd</sup> business term        | 186,554              | 237,522         | 326,153           | (4,201)        | 746,028  |
| Changes of items during the period                                       |                      |                 |                   |                |          |
| Dividends from surplus   | —                    | —               | (14,780)          | —              | (14,780) |
| Net income   | —                    | —               | 46,458            | —              | 46,458   |
| Purchase of treasury stock   | —                    | —               | —                 | (31)           | (31)     |
| Disposal of treasury stock   | —                    | —               | (0)               | 13             | 13       |
| Net changes of items other than "Shareholders' equity" during the period | —                    | —               | —                 | —              | —        |
| Total changes of items during the period                                 | —                    | —               | 31,677            | (18)           | 31,659   |
| Balance as of the end of the 62 <sup>nd</sup> business term              | 186,554              | 237,522         | 357,830           | (4,219)        | 777,688  |

|  | Accumulated other comprehensive income                |                                    |   |  | Subscription rights to shares | Minority interests | Total net assets |
|--|---|------------------------------------|---|--|-------------------------------|--------------------|------------------|
|  | Valuation difference on available-for-sale securities | Deferred gains or losses on hedges | Foreign currency translation adjustment | Total accumulated other comprehensive income |                               |                    |                  |
| Balance as of the beginning of the 62 <sup>nd</sup> business term        | 1,575   | (7)                                | (3,766)                                 | (2,198)                                      | 365                           | 6,178              | 750,374          |
| Changes of items during the period                                       |   |                                    |   |  |                               |                    |                  |
| Dividends from surplus   | —   | —                                  | —                                       | —  | —                             | —                  | (14,780)         |
| Net income   | —   | —                                  | —                                       | —  | —                             | —                  | 46,458           |
| Purchase of treasury stock   | —   | —                                  | —                                       | —  | —                             | —                  | (31)             |
| Disposal of treasury stock   | —   | —                                  | —                                       | —  | —                             | —                  | 8                |
| Net changes of items other than "Shareholders' equity" during the period | 10,376  | (37)                               | 20,578                                  | 30,917                                       | 64                            | 1,049              | 32,030           |
| Total changes of items during the period                                 | 10,376  | (37)                               | 20,578                                  | 30,917                                       | 64                            | 1,049              | 63,689           |
| Balance as of the end of the 62 <sup>nd</sup> business term              | 11,951  | (45)                               | 16,812                                  | 28,718                                       | 429                           | 7,228              | 814,063          |

Note:

Amounts of the Consolidated Balance Sheet, Consolidated Statement of Income and Consolidated Statements of Changes in Net Assets are given in the stated unit of the presentation, by disregarding any amount less than the stated unit of the presentation.

| <b>NON-CONSOLIDATED BALANCE SHEETS</b>                    |                  |  |                  |
|---|------------------|--|------------------|
| As of January 31, 2013                                    |                  |  |                  |
| <i>Millions of yen</i>                                    |                  |  |                  |
| <b>Assets</b>   | <b>1,278,174</b> | <b>Liabilities</b>   | <b>609,404</b>   |
| <b>Current assets</b>                                     | <b>606,144</b>   | <b>Current liabilities</b>                                   | <b>380,251</b>   |
| Cash and deposits   | 92,761           | Notes payable-trade  | 14,354           |
| Notes receivable-trade                                    | 319              | Electronically recorded obligations-operating                | 58,715           |
| Accounts receivable from completed construction contracts | 32,301           | Accounts payable-trade                                       | 25,360           |
| Accounts receivable-real estate business                  | 822              | Accounts payable for construction contracts                  | 41,183           |
| Short-term investment securities                          | 2,098            | Current portion of long-term loans payable                   | 50,000           |
| Costs on uncompleted construction contracts               | 2,674            | Lease obligations  | 86               |
| Buildings for sale  | 108,694          | Accounts payable-other                                       | 1,897            |
| Land for sale in lots                                     | 243,909          | Accrued expenses   | 9,713            |
| Undeveloped land for sale                                 | 39,309           | Income taxes payable   | 16,236           |
| Semi-finished goods and work in process                   | 3,270            | Accrued consumption taxes                                    | 6,617            |
| Raw materials and supplies                                | 2,601            | Advances received on uncompleted construction contracts      | 43,847           |
| Advance payments-trade                                    | 226              | Advances received  | 6,175            |
| Prepaid expenses  | 3,526            | Deposits received  | 89,600           |
| Short-term loans receivable                               | 13,401           | Provision for bonuses  | 12,744           |
| Accounts receivable-other                                 | 13,203           | Provision for directors' bonuses                             | 180              |
| Deferred tax assets                                       | 41,605           | Provision for warranties for completed construction          | 3,118            |
| Other   | 6,815            | Asset Retirement obligations                                 | 256              |
| Allowance for doubtful accounts                           | (1,398)          | Other  | 163              |
| <b>Noncurrent Assets</b>                                  | <b>672,030</b>   | <b>Noncurrent Liabilities</b>                                | <b>229,153</b>   |
| <b>Property, plant and equipment</b>                      | <b>292,218</b>   | Bonds payable  | 90,000           |
| Buildings   | 73,934           | Bond with subscription rights to shares                      | 50,000           |
| Structures  | 2,861            | Long-term loans payable                                      | 30,000           |
| Machinery and equipment                                   | 9,651            | Lease obligations  | 160              |
| Vehicles  | 65               | Long-term lease and guarantee deposited                      | 8,585            |
| Tools, furniture and fixtures                             | 1,919            | Provision for retirement benefits                            | 48,212           |
| Land  | 186,328          | Asset Retirement obligations                                 | 1,125            |
| Lease assets  | 206              | Other  | 1,069            |
| Construction in progress                                  | 17,252           |  |                  |
| <b>Intangible assets</b>                                  | <b>11,768</b>    | <b>Net assets</b>  | <b>668,770</b>   |
| Goodwill  | 642              | <b>Shareholders' equity</b>                                  | <b>656,400</b>   |
| Industrial property                                       | 13               | <b>Capital stock</b>   | <b>186,554</b>   |
| Leasehold right   | 1,608            | <b>Capital surplus</b>                                       | <b>242,307</b>   |
| Software  | 8,739            | Legal capital surplus  | 242,307          |
| Lease assets  | 24               | <b>Retained earnings</b>                                     | <b>231,588</b>   |
| Right of using facilities                                 | 60               | Legal retained earnings                                      | 23,128           |
| Telephone subscription right                              | 680              | Other retained earnings                                      | 208,459          |
| <b>Investments and other assets</b>                       | <b>368,043</b>   | Reserve for dividends  | 18,000           |
| Investment securities                                     | 69,221           | General reserve  | 158,800          |
| Stocks of subsidiaries and affiliates                     | 226,924          | Retained earnings brought forward                            | 31,659           |
| Long-term loans receivable                                | 43,417           | <b>Treasury stock</b>  | <b>(4,049)</b>   |
| Lease and guarantee deposits                              | 11,121           | <b>Valuation and translation adjustments</b>                 | <b>11,940</b>    |
| Long-term prepaid expenses                                | 605              | <b>Valuation difference on available-for-sale securities</b> | <b>11,939</b>    |
| Deferred tax assets                                       | 13,048           | <b>Deferred gains or losses on hedges</b>                    | <b>0</b>         |
| Other   | 4,129            | <b>Subscription rights to shares</b>                         | <b>429</b>       |
| Allowance for doubtful accounts                           | (425)            |  |                  |
| <b>Total Assets</b>                                       | <b>1,278,174</b> | <b>Total Liabilities and Net assets</b>                      | <b>1,278,174</b> |

| <b>NON-CONSOLIDATED STATEMENT OF INCOME</b>         |                  |
|---|------------------|
| From February 1, 2012 to January 31, 2013           |                  |
| <i>Millions of yen</i>                              |                  |
| <b>Net sales</b>                                    | <b>1,022,340</b> |
| Completed construction contracts                    | 885,681          |
| Real estate business                                | 136,659          |
| <b>Cost of sales</b>                                | <b>829,591</b>   |
| Completed construction contracts                    | 706,420          |
| Real estate business                                | 123,170          |
| <b>Gross profit</b>                                 | <b>192,749</b>   |
| Gross profit from completed construction contracts  | 179,261          |
| Gross income from real estate business              | 13,488           |
| <b>Selling, general and administrative expenses</b> | <b>148,022</b>   |
| <b>Operating income</b>                             | <b>44,727</b>    |
| <b>Non-operating income</b>                         | <b>14,974</b>    |
| Interest and dividends income                       | 8,518            |
| Other   | 6,456            |
| <b>Non-operating expenses</b>                       | <b>3,737</b>     |
| Interest expenses                                   | 332              |
| Interest on bonds                                   | 1,252            |
| Other   | 2,153            |
| <b>Ordinary income</b>                              | <b>55,964</b>    |
| <b>Extraordinary Income</b>                         | <b>229</b>       |
| Gain on sales of subsidiaries' stocks               | 229              |
| <b>Extraordinary loss</b>                           | <b>4,627</b>     |
| Impairment loss                                     | 1,701            |
| Loss on valuation of investment securities          | 1,538            |
| Loss on sales and retirement of noncurrent assets   | 1,387            |
| <b>Income before income taxes</b>                   | <b>51,566</b>    |
| <b>Total Income taxes</b>                           | <b>20,528</b>    |
| Income taxes-current                                | 19,565           |
| Income taxes-deferred                               | 963              |
| <b>Net income</b>                                   | <b>31,038</b>    |

**NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

(From February 1, 2012 to January 31, 2013)

Millions of yen

|  | Shareholders' equity |                       |         |                         |                         |                 |                                   |          |
|--|----------------------|-----------------------|---------|-------------------------|-------------------------|-----------------|-----------------------------------|----------|
|  | Capital stock        | Capital surplus       |         | Legal retained earnings | Retained earnings       |                 |                                   | Total    |
|  |                      | Legal capital surplus | Total   |                         | Other retained earnings |                 |                                   |          |
|  |                      |                       |         |                         | Reserve for dividends   | General reserve | Retained earnings brought forward |          |
| Balance as of the beginning of the 62 <sup>nd</sup> business term        | 186,554              | 242,307               | 242,307 | 23,128                  | 18,000                  | 152,800         | 21,402                            | 215,331  |
| Changes of items during the period                                       |                      |                       |         |                         |                         |                 |                                   |          |
| Dividends from surplus   | —                    | —                     | —       | —                       | —                       | —               | (14,780)                          | (14,780) |
| Reversal of general Reserve  | —                    | —                     | —       | —                       | —                       | 6,000           | (6,000)                           | —        |
| Net income   | —                    | —                     | —       | —                       | —                       | —               | 31,038                            | 31,038   |
| Retirement of treasury stock   | —                    | —                     | —       | —                       | —                       | —               | —                                 | —        |
| Disposal of treasury stock   | —                    | —                     | —       | —                       | —                       | —               | (0)                               | (0)      |
| Net changes of items other than "Shareholders' equity" during the period | —                    | —                     | —       | —                       | —                       | —               | —                                 | —        |
| Total changes of items during the period                                 | —                    | —                     | —       | —                       | —                       | 6,000           | (10,256)                          | 16,256   |
| Balance as of the end of the 62 <sup>nd</sup> business term              | 186,554              | 242,307               | 242,307 | 23,128                  | 18,000                  | 158,800         | 31,659                            | 231,588  |

|  | Shareholders' equity |          | Valuation and translation adjustments                 |   |        | Subscripti on rights to shares | Total net assets |
|--|----------------------|----------|---|---|--------|--------------------------------|------------------|
|  | Treasury stock       | Total    | Valuation difference on available-for-sale securities | Foreign currency translation adjustment | Total  |                                |                  |
| Balance as of the beginning of the 62 <sup>nd</sup> business term        | (4,031)              | 640,161  | 1,650   | —                                       | 1,650  | 365                            | 642,176          |
| Changes of items during the period                                       |                      |          |   |   |        |                                |                  |
| Dividends from surplus   | —                    | (14,780) | —   | —                                       | —      | —                              | (14,780)         |
| Reversal of general Reserve  | —                    | —        | —   | —                                       | —      | —                              | —                |
| Net income   | —                    | 31,038   | —   | —                                       | —      | —                              | 31,038           |
| Retirement of treasury stock   | (31)                 | (31)     | —   | —                                       | —      | —                              | (31)             |
| Disposal of treasury stock   | 13                   | 13       | —   | —                                       | —      | —                              | 13               |
| Net changes of items other than "Shareholders' equity" during the period | —                    | —        | 10,289  | 0                                       | 10,290 | 64                             | 10,354           |
| Total changes of items during the period                                 | (17)                 | 16,239   | 10,289  | 0                                       | 10,290 | 64                             | 26,593           |
| Balance as of the end of the 62 <sup>nd</sup> business term              | (4,049)              | 656,400  | 11,939  | 0                                       | 11,940 | 429                            | 668,770          |

Note:

Amounts of the Balance Sheet, Statement of Income and Non-Consolidated Statements of Changes in Net Assets are given in the stated unit of the presentation, by disregarding any amount less than the stated unit of the presentation.



REPORT OF INDEPENDENT ACCOUNTANTS

March 15, 2013

The Board of Directors  
Sekisui House, Ltd.

From: Ernst & Young Shin Nihon LLC.  
Ryu Ichida  
Designated and Engagement Partner  
Certified Public Accountant  
Soji Yamamoto  
Designated and Engagement Partner  
Certified Public Accountant  
Masahiko Inoue  
Designated and Engagement Partner  
Certified Public Accountant

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying consolidated financial statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the consolidated financial statements of Sekisui House, Ltd. ( the "Company") applicable to the fiscal year from February 1, 2012 through January 31, 2013.

*Management's Responsibility for the Consolidated Financial Statements*

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

*Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessment, the auditors consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the

entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

*Opinion*

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position and results of operations of the Sekisui House Group, which consisted of the Company and its consolidated subsidiaries, applicable to the 2012 fiscal year ended January 31, 2013 in conformity with accounting principles generally accepted in Japan.

*Conflicts of Interest*

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

- End -

REPORT OF INDEPENDENT ACCOUNTANTS

March 15, 2013

The Board of Directors  
Sekisui House, Ltd.

From: Ernst & Young Shin Nihon LLC.  
Ryu Ichida  
Designated and Engagement Partner  
Certified Public Accountant  
Soji Yamamoto  
Designated and Engagement Partner  
Certified Public Accountant  
Masahiko Inoue  
Designated and Engagement Partner  
Certified Public Accountant

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of Sekisui House, Ltd. (the "Company") applicable to the 62nd fiscal year from February 1, 2012 through January 31, 2013.

*Management's Responsibility for the Financial Statements and the Related Supplementary Schedules*

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

*Auditors' Responsibility*

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the related supplementary schedules. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*

In our opinion, the financial statements and the related supplementary schedules referred to above present fairly in all material respects, the financial position and results of operations of Sekisui House, Ltd. applicable to the 2012 fiscal year ended January 31, 2013 in conformity with accounting principles generally accepted in Japan.

*Conflicts of Interest*

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

- End -

## AUDIT REPORT

The Board of Corporate Auditors prepared this audit report based on audit reports prepared by each Corporate Auditor upon deliberation of the Corporate Auditors with respect to execution of duties by Directors for the 62nd fiscal year (February 1, 2012 to January 31, 2013) and report as follows:

### 1. Method and Contents of Audit by Corporate Auditors and the Board of Corporate Auditors

The Board of Corporate Auditors determined accounting policies and duties assigned to each Corporate Auditor, received reports and explanations on the audit and result of audit from each Corporate Auditor, received reports on the execution of duties of Directors and Accounting Auditor and requested additional explanations as necessary.

Each Corporate Auditor, in accordance with, *inter alia*, the audit policy set up and the duties assigned by the Board of Corporate Auditors, made efforts to communicate with Directors, Executive Officers, Audit Department and other employees, collect information and prepare and arrange for circumstances for audit. Furthermore, each Corporate Auditor attended meetings of the Board of Directors and other meetings as deemed important, received reports from the Directors and Executive Officers on their performance of duties, requested additional explanation as necessary, perused the documents whereby the important decisions were made and examined the business and financial conditions at the head office and the principal offices. Also, each Corporate Auditor supervised the resolutions of the Board of Directors relating to establishment of the system that ensures the performance of duties by Directors is in conformity with laws and regulations, and the Articles of Incorporation, and the system that ensures appropriate business of *Kabushiki Kaisha* as required under Article 100, Sections 1 and 3 of the Companies Act Enforcement Regulations, as well as the conditions of the system established under such resolutions (internal controlling system). With respect to subsidiaries, each Corporate Auditor communicated and exchanged information with the directors and corporate auditors of subsidiaries and received reports as necessary. Based on the method stated above, we examined financial statements and attached schedules for the fiscal year under review.

Additionally, we supervised and examined that the Accounting Auditor maintained their independent position and performed due audit, and received from the Accounting Auditor reports on the execution of their duties. We requested additional explanation as necessary.

The Company received a notice from the Accounting Auditor that they have prepared the "System to ensure due execution of audit (matters prescribed in each item of Section 131 of the Corporate Accounting Rules)" in accordance with, among other things, the "Quality Management Standards for Audit" (Business Accounting Board, October 28, 2005) and requested additional explanation as necessary.

In accordance with the method stated above, the Board of Corporate Auditors examined the non-consolidated financial statements for the fiscal year under review (the balance sheet, the statement of income, statement of change in net assets and list of notes to financial statements), attached schedules, and the consolidated financial statements (the consolidated balance sheet, the consolidated statement of income, consolidated statement of shareholders' equity and list of notes to consolidated financial statements).

### 2. Results of Audit

#### (1) Results of audit of business reports:

1. We confirmed that the business reports and the schedules fairly show the position of the Company, in conformity with the relevant laws and regulations and the Articles of Incorporation.
2. We do not find any unlawful acts to have been carried out by the Directors in the performance of their duties, nor do we find any material matters that are either unlawful or contrary to the Articles of Incorporation.
3. We confirmed that the resolutions of the Board of Directors relating to the internal controlling system are fair. We do not find any aspects to be pointed out for the Directors' performance of duties relating to the internal controlling system.

#### (2) Results of audit of the non-consolidated financial statements and attached schedules:

We confirmed that the method and the result of the audit carried out by Ernst & Young Shin Nihon LLC. Accounting Auditor, are fair.

#### (3) Results of audit of the consolidated financial statements:

We confirmed that the method and the result of the audit carried out by Ernst & Young Shin Nihon LLC. Accounting Auditor, are fair.

March 21, 2013

Audit & Supervisory Board of Sekisui House, Ltd.

Tadashi Iwasaki, Standing Audit & Supervisory Board Member (full-time)

Yoshiro Kubota, Standing Audit & Supervisory Board Member (full-time)

Takaharu Dohi, Audit & Supervisory Board Member (full-time)

Yoshinori Shinohara, Audit & Supervisory Board Member (full-time)

Koichi, Kunisada, Audit & Supervisory Board Member (full-time)

## Guidelines regarding the exercise of a voting right *via* the Internet:

When exercising a voting right *via* the Internet, the Company cordially requests shareholders to carefully read the matters stated below before any exercise of their voting rights. While the exercise of a voting right *via* the Internet is received by 6:00 p.m. on 24<sup>th</sup> April, 2013 (Wednesday), it is best to exercise your voting rights as soon as possible. If you have any inquiries, please contact the help desk below.

(1) Website for exercising votes:

- Exercising a voting right can only be made by accessing our designated website for the exercise of voting rights (<http://www.evotc.jp/>) from your personal computers or smart phones or mobile phones (i-mode, EZweb, Yahoo! *Keitai*). However, it is not possible to gain access to the designated website from 2:00 AM to 5:00 AM.

\* The “i-mode”, “EZweb” and “Yahoo!” are trademarks or registered trademarks of NTT DoCoMo, Inc., KDDI Corporation and Yahoo! Inc. of the U.S., respectively.

- Depending on the Internet connection of your computer (i.e., if a shareholder sets up a firewall, installs any security software or uses a proxy server), the service may not be available.
- When exercising a voting right through mobile phones, please use either of the services provided by i-mode, EZweb or Yahoo! *Keitai*. In addition, please note that if the handset of your mobile phone is incompatible with the SSL (Secure Socket Layer) transmission or other transmission service through mobile phones, the service may not be available for security reasons.

(2) Internet voting procedure:

- On the website for the exercise of voting rights (<http://evotc.jp/>), please use the log-in ID and temporary password which are shown on the vote exercise form. After logging in, please indicate whether you approve or disapprove the items on the agenda by following the instructions on the display screen.
- To prevent unauthorized access to the website by persons other than the shareholder (spoofing) or alteration of votes submitted, the Company requests the users change the temporary password given to the shareholder to another password on the website for the exercise of voting rights.
- The Company will inform you of the new log-in ID and temporary password at every convocation of general meetings of shareholders.

(3) Connection charges when accessing the exercise of voting rights website:

Any connection charges to be incurred when accessing the website for the exercise of voting rights (all internet connection charges and call charges) must be borne by the exercising shareholder. Similarly, if the shareholder uses a mobile phone to vote, the exercising shareholder must bear the costs incurred by paying by packet pack communications and other call charges.

(4) Method to receive the notice of convocation:

If a shareholder wishes to receive a notice of convocation by email, please follow the procedures listed on the website for the exercise of voting rights. After following such procedures, the Company will send the notice of convocation by email for the next meeting of shareholders. (Please note that this procedure cannot be taken from mobile phones and the email address of your mobile phone cannot also be designated as the recipient.)

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| Mitsubishi UFJ Trust and Banking Corporation<br>Corporate Agency Service Support: dial-in 0120 (173) 027 *<br>Business Hours: from 9:00am to 9:00 pm (call free) |
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Note:\* The service is available in Japanese only.

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