

Sekisui House, Ltd.

April 1, 2014

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

### NOTICE OF THE 63<sup>RD</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS

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

Now, since the 63rd 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 Tuesday, April 22, 2014.

**1. Date and Time:** 10:00 a.m., Wednesday, April 23, 2014

**2. Place of the Meeting:** The Westin Osaka, 2nd Floor, Rose Room, 1-20, Oyodonaka 1-chome, Kita-ku, Osaka, Japan

Note:

The above place is changed from the place of the meeting of last year. In addition ,if Rose Room would be full, the Company will guide shareholders to the Second place of Meeting. We appreciate your understanding.

**3. Agenda:**

**Items for reporting:**

- 1.Reports on the Business Report, and the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 63rd fiscal year (February 1, 2013 - January 31, 2014)
- 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 63rd fiscal year ended January 31, 2014

**Propositions to be tabled:**

<b>No.1</b>	Appropriation of retained earnings for the 63rd fiscal year ended January 31, 2014
<b>No.2</b>	Election of 11 Directors
<b>No.3</b>	Election of 1 Audit & Supervisory Board Member
<b>No.4</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 2014 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 Tuesday, April 22, 2014.

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

On the website for the exercise of voting rights (<http://www.evotep.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 Tuesday, April 22, 2014. 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 63rd fiscal year ended January 31, 2014

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 ¥23 per share will be paid for the fiscal year under review. Since the Company paid an interim dividend of ¥20 per share on September 30, 2013, the annual dividend for the fiscal year under review totals ¥43 per share.

(1) Type of dividend property:

Cash

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

23 yen per common share of the Company      Total amount: 15,764,203,013 yen

(3) Date on which dividends take effect:

April 24, 2014

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      20,000,000,000yen

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

Retained earnings brought forward      20,000,000,000yen

### Proposition No. 2: Election of 11 Directors:

The term of post of all the 11 current Directors (including 2 Outside Directors) terminates at the close of this Ordinary General Meeting of Shareholders.

The Company proposes the election of eleven 11 Directors (including 2 Outside Directors).

We have candidates as follows:

No	Name (Date of birth)	Career summary, post and responsibility in the Company (Significant concurrent position of other companies)	(1) Number of Company's shares owned  (2) Special interest in Company
1	Isami Wada (Apr. 29, 1941)	Apr. 1965: joined the Company Apr. 1990: Director of the Company Apr. 1994: Managing Director of the Company Apr. 1996: Senior Managing Director of the Company Apr. 1998: President & Representative Director of the Company Apr. 2008: Chairman & Representative Director and CEO of the Company (up to the present)  (Significant concurrent post of other companies) Executive Advisor & Director of Almetax Manufacturing Co., Ltd.	(1) 270,535 shares  (2) None

No	Name (Date of birth)	Career summary, post and responsibility in the Company (Significant concurrent position of other companies)	(1) Number of Company's shares owned (2) Special interest in Company
2	Toshinori Abe (Oct. 27, 1951)	<p>Apr. 1975: joined the Company</p> <p>Apr. 2004: Executive Officer of the Company</p> <p>May. 2005: Managing Officer of the Company</p> <p>Apr. 2006: Director of the Company</p> <p>May. 2007: Senior Managing Officer of the Company</p> <p>Apr. 2008: President &amp; Representative Director and COO of the Company (up to the present)</p>	<p>(1) 44,100 shares</p> <p>(2) None</p>
3	Sumio Wada (Jul. 8, 1945)	<p>Sep. 1971: joined the Company</p> <p>Apr. 1998: Director of the Company assigned to the post of Superintendent of Kanto Factory</p> <p>Apr. 2002: Managing Officer of the Company in charge of production</p> <p>Apr. 2004: in charge of ICT promoting assigned to the post of General Manager of Technology Headquarters</p> <p>Apr. 2006: Senior Managing Officer of the Company in charge of technology and design</p> <p>Apr. 2006: in charge of technology, design and purchasing</p> <p>Apr. 2008: management of technology, In charge of purchasing (up to the present)</p> <p>May. 2008: assigned to the post of Chief Manager of International Business Department (up to the present)</p> <p>May. 2011: Executive Vice President &amp; Director of the Company, Executive Vice President &amp; Executive Officer of the Company (up to the present)</p> <p>(Significant concurrent post of other companies)</p> <p>President &amp; Representative Director of Sekisui House Australia Holdings Pty Limited</p> <p>Chairman &amp; CEO of North America Sekisui house, LLC</p> <p>Chairman &amp; Representative Director of Sekisui House Changcheng (Suzhou) Real Estate Development Co., Ltd. (Josei)</p> <p>Chairman &amp; Representative Director of Sekisui House Changcheng (Suzhou) Real Estate Development Co., Ltd. (Josyo)</p> <p>Chairman &amp; Representative Director of Sekisui House (Wuxi) Co., Ltd.</p> <p>Chairman &amp; Representative Director of Sekisui House (Taicang) Co., Ltd.</p> <p>Chairman &amp; Representative Director of Sekisui jutaku (Taicang) Co., Ltd.</p> <p>Chairman &amp; Representative Director of Sekisui House (Shenyang) Co., Ltd.</p> <p>Chairman &amp; Representative Director of Sekisui House No1 (Shenyang) Co., Ltd.</p> <p>Chairman &amp; Representative Director of Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd.</p> <p>Chairman &amp; Representative Director of Sekisui House No2 (Shenyang) Co., Ltd.</p> <p>Director of Sekiwa Woods, Ltd.</p>	<p>(1) 36,300 shares</p> <p>(2) None</p>

No	Name (Date of birth)	Career summary, post and responsibility in the Company (Significant concurrent position of other companies)	(1) Number of Company's shares owned (2) Special interest in Company
4	Shiro Inagaki (Jun. 25, 1950)	<p>Apr. 1973: joined the Company</p> <p>Apr. 2002: Executive Officer of the Company assigned to the post of Chief Manager of Finance department</p> <p>Apr. 2004: Managing Officer of the Company in charge of accounting and information &amp; computer system</p> <p>Apr. 2004: Director of the Company</p> <p>Apr. 2006: Senior Managing Officer of the Company in charge of accounting &amp; finance and information &amp; computer system</p> <p>Aug. 2007: in charge of accounting &amp; finance, information &amp; computer system and auditing</p> <p>Apr. 2008: in charge of accounting &amp; finance, information &amp; computer system, auditing ,TKC project and corporate marketing</p> <p>Feb. 2009: in charge of accounting &amp; finance, IT operation, auditing ,TKC project and corporate marketing</p> <p>May. 2010: in charge of accounting &amp; finance, IT operation, and auditing</p> <p>May. 2011: Executive Vice President &amp; Director of the Company, Executive Vice President &amp; Executive Officer of the Company (up to the present)</p> <p>Apr. 2012: in charge of, corporate management planning, accounting &amp; finance, IT operation and auditing (up to the present)</p> <p>Apr. 2012: CFO of the Company (up to the present)</p> <p>(Significant concurrent post of other companies) President &amp; Representative Director of Sekisui House Financial Services Co., Ltd.</p>	<p>(1) 19,400 shares</p> <p>(2) None</p>
5	Teruyuki Saegusa (Nov. 16, 1940)	<p>Apr. 1963: joined Hanshin Department Store, Ltd.</p> <p>Jun. 1995: President &amp; Representative Director of Hanshin Department Store, Ltd.</p> <p>Jun. 2001: Corporate Auditor of Shinki Bus Co., Ltd. (up to the present)</p> <p>Jun. 2005: Chairman &amp; Representative Director of Hanshin Department Store, Ltd.</p> <p>Jun. 2006: Executive Advisor of Hanshin Department Store, Ltd.</p> <p>Jun. 2007: Representative Director of Saegusa Circulation Research Co., Ltd. (up to the present)</p> <p>Apr. 2009: Corporate Auditor of the Company</p> <p>Apr. 2012: Director of the Company (up to the present)</p> <p>(Significant concurrent post of other companies) Representative Director of Saegusa Circulation Research Co., Ltd. Corporate Auditor of Shinki Bus Co., Ltd.</p>	<p>(1) 19,500 shares</p> <p>(2) None</p>

No	Name (Date of birth)	Career summary, post and responsibility in the Company (Significant concurrent position of other companies)	(1) Number of company's shares owned (2) Special interest in Company
6	Shiro Wakui (Nov. 22, 1951)	<p>Jan. 1972: Established Ishikatu Exterior.Ltd President &amp; Representative Director of Ishikatu Exterior.Ltd</p> <p>Jun. 2002: Executive Advisor of Ishikatu Exterior.Ltd</p> <p>Jun. 2008: Director of Sekisui Jushi Co.Ltd (up to the present)</p> <p>Apr. 2010: Professor of the Faculty of Environmental Studies of Tokyo City University (up to the present)</p> <p>(Significant concurrent post of other companies) Professor of the Faculty of Environmental Studies of Tokyo City university Director of Sekisui Jushi Co.Ltd</p>	(1) None (2) None
7	Fumiaki Hirabayashi (Nov. 14, 1946)	<p>Apr. 1971: joined the Company</p> <p>Apr. 2002: Executive Officer of the Company in charge of advertising &amp; sales promoting assigned to the post of Chief Secretary</p> <p>Apr. 2004: Managing Officer of the Company, assigned to the post of General Manager of Tokyo Administration Office (up to the present)</p> <p>Apr. 2006: Director of the Company (up to the present)</p> <p>May. 2010: in charge of Corporate Communications and TKC project</p> <p>Nov. 2010: in charge of TKC project (up to the present) assigned to the post of Office and Chief Manager of Corporate Communications Department.</p> <p>May. 2011: Senior Managing Officer of the company (up to the present)</p> <p>(Significant concurrent post of other companies) President &amp; Representative Director of Sumai no Toshokan Co., Ltd.</p>	(1) 27,900 shares (2) None
8	Tetsuo Iku (Aug. 3, 1949)	<p>Apr. 1976: joined the Company</p> <p>Apr. 2004: Executive Officer of the Company assigned to the post of Chief Manager of Product Planning &amp; Design Department</p> <p>Apr. 2006: Managing Officer of the Company assigned to the post of General Manager of Design Headquarters</p> <p>Apr. 2008: Director of the Company (up to the present) in charge of design and technology</p> <p>Feb. 2009: assigned to the post of General Manager of Technology Headquarters (up to the present)</p> <p>Jun. 2009: in charge of design, technology and environment</p> <p>May. 2010: in charge of design, technology, construction and environment</p> <p>Apr. 2012: Senior Managing Officer of the company, in charge of design, technology development and construction (up to the present)</p> <p>Feb. 2012: assigned to the post of Chief Manager of Development</p>	(1) 6,700 shares (2) None

No	Name (Date of birth)	Career summary, post and responsibility in the Company (Significant concurrent position of other companies)	(1) Number of Company's shares owned (2) Special interest in Company
9	Takashi Uchida (Apr. 19, 1951)	Apr. 1976: joined the Company Apr. 2004: Executive Officer of the Company assigned to the post of Chief Manager of Accounting Department Apr. 2006: Managing Officer of the Company assigned to the post of Chief Manager of Accounting & Finance Department Apr. 2006: Director of the Company (up to the present) Feb. 2009: in charge of administrative control of subsidiary & affiliated companies May. 2010: assigned to the post of General Manager of Saitama Sales Administration Headquarters Feb. 2012: assigned to the post of Chief Manager of Personnel Department (up to the present) May. 2012: in charge of administrative control of subsidiary & affiliated companies (up to the present) Apr. 2014: Senior Managing Officer of the company (up to the present)	(1) 15,500 shares (2) None
10	Fumiyasu Suguro (Aug. 26, 1957)	Apr. 1970: joined the Company Apr. 2008: Executive Officer of the Company assigned to the post of Chief Secretary Jun. 2010: in charge of Secretary assigned to the post of Senior Manager of International Business Department (up to the present) Apr. 2012: Managing Officer of the Company (up to the present)	(1) 6,100 shares (2) None
11	Kunpei Nishida (Feb. 11, 1954)	Apr. 1976: joined the Company Apr. 2012: Executive Officer of the Company assigned to the post of General Manager of Kansai Sha Maison Sales Administration Headquarters Aug. 2012: assigned to the post of General Manager of West Japan Sha Maison Sales Administration Headquarters (up to the present) Apr. 2014: Managing Officer of the Company, in charge of Sha Maison Sales(West Japan) (up to the present)	(1) 8,000 shares (2) None

Notes: 1. Mr. Teruyuki Saegusa and Mr. Shiro Wakui are candidates for Outside Directors.

2. Matters concerning candidates for Outside Directors are as stated below:

(1) Reason for election;

The Company proposes the shareholders to elect Mr. Teruyuki Saegusa as Outside Director to reflect his rich knowledge and experience engaged in other company's management and experience in the Company's business as the Outside Audit & Supervisory Board Member for three years to strengthened management of the Company. And the Company proposes the shareholders to elect Mr. Shiro Wakui as Outside Director to reflect his view on environmental issues and his wide knowledge accumulated during a university professor and another company's management to strengthen management of the Company..

(2) Years since the assumption of post of Outside Director;

Mr. Teruyuki Saegusa is currently in the post of Outside Director and it will have been two years at the close of this Ordinary General Meeting of Shareholders since his assumption.

(3) Agreement on Limitation of Outside Director's Liability;

The Company entered into an agreement with Mr. Teruyuki Saegusa that if Outside Director 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 the agreement is without fail limited to the sum of the amount provided by Article 425, Section 1 of the Companies

Act. In case the proposition is approved, the Company will continue the agreement. And the Company will enter into the same agreement with Mr. Shiro Wakui, in case the proposition is approved.

**Proposition No. 3: Election of 1 Audit & Supervisory Board Member:**

Since the term of the office of Audit & Supervisory Board Member, Yoshiro Kubota expires at the close of this Ordinary General Meeting of Shareholders, the Company proposes to elect a new Audit & Supervisory Board Member.

This proposition has already been approved by the Audit & Supervisory Board.

We have a candidate as follows:

Name (Date of birth)	Career summary, post in the Company (Significant concurrent position of other companies)	(1) Company shares owned (2) Special interest in Company
Kengo Yoshida (Aua. 20, 1948)	Aug. 1973: joined the Company Apr. 2008: Executive Officer of the Company assigned to the post of Superintendent of Yamaguchi Factory Feb. 2009: assigned to the post of General Manager of Manufacturing Department and Superintendent of Yamaguchi Factory. Apr. 2009: Managing Officer of the Company May. 2009: assigned to the post of General Manager of Manufacturing Department. Apr. 2010: Director of the Company (up to the present)	(1) 17,100 shares (2) None

**Proposition No. 4: 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 270 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 63rd fiscal year (Feb.1, 2013 – Jan.31, 2014)**

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

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

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

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

Under these circumstances, the Company has followed its medium-term management plan and aims to realize sustainable profit growth in Japanese markets under its brand vision “SLOW & SMART.” The Company has also been promoting its business to get its overseas operations on track for growth.

At Tohoku Factory, a production line for the Bellburn earthenware exterior wall for the wood-framed Sha-Wood line was installed in September 2013. This allows monthly production of 80,000 square meters of exterior wall, 1.6 times the conventional capacity, to fully supply the products to customers and also to help increase employment in the Tohoku region and contribute to local production for local consumption.

As a new product, the Company launched BERE0 PLUS, a four-story complex multipurpose condominium in January 2014, and continued to implement product developments aiming to appeal to the market needs.

The Company added a new model which comes with lithium storage batteries to its product line of Green First HYBRID smart house in October 2013, which provides three types of automatically linked batteries (solar cells, fuel cells, and storage batteries), in an attempt to increase options for storage capacity while improving functionality.

In April 2013, the Company established Sumufumulab (in Grand Front Osaka in Kita-ku, Osaka) as an open innovation facility aiming to create a new housing culture. The Company transmitted the values of day-to-day life to various stakeholders based on the research and development capabilities it has been cultivating for years. The number of visitors to this facility has already exceeded 150,000 people.

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

Looking at business performance, the Company focused on the further growth of orders by holding sales promotion events, Sumai no sankan-bi (visits to model houses) and Sha-Maison Festa, nationwide. In addition to these efforts made by the Company, the improved economic environment, a last-minute surge in demand before the tax consumption hike, and other factors contributed to stable amounts of orders received.

Orders in the fiscal year ended January 31, 2013 amounted to ¥1,928,571 million, up 13.1% from the previous fiscal year. Net sales in the same fiscal year amounted to ¥1,805,102 million, up 11.9% from the previous fiscal year.

Operating income grew to ¥131,930 million (up 53.1%), ordinary income to ¥137,794 million (up 50.2%), while net income amounted to ¥79,801 million (up 71.8%.)

Business results by segments are as follows.

#### **Custom Detached Houses Business**

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

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

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

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

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

#### **Rental Housing Business**

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

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

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

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

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

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

#### **Remodeling Business**

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

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

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

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

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

#### **Houses for Sales Business**

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

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

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

#### **Condominium Business**

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

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

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

#### **Urban Redevelopment Business**

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

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

#### **Overseas Business**

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

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

#### **Other Businesses**

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

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

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

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

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 from the previous year	Orders for the year to Jan. 2014	Net sales for the year to Jan. 2014	Orders carried forward to the following year
Custom Detached Houses Business	246,990	525,072	517,691	254,372
Rental Housing Business	242,533	426,644	356,202	312,975
Remodeling Business	20,717	135,123	125,046	30,794
Real Estate Management Fees Business	—	408,403	408,403	—
Houses for Sale Business	36,255	132,511	133,405	35,361
Condominiums Business	47,424	76,649	63,083	60,989
Urban Redevelopment Business	—	44,658	42,428	2,230
Overseas Business	63,833	82,599	85,392	61,040
Other Businesses	31,883	96,907	73,447	55,344
<b>Total</b>	<b>689,639</b>	<b>1,928,571</b>	<b>1,805,102</b>	<b>813,108</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. 2011	Year to Jan. 2012	Year to Jan. 2013	Year to Jan. 2014
Net sales	1,488,369	1,530,577	1,613,816	1,805,102
Net income	30,421	28,962	46,458	79,801
Net income per share (¥)	¥45.02	¥42.90	¥69.17	¥118.63
Total assets	1,341,308	1,445,828	1,539,272	1,769,005
Net assets	738,029	750,374	814,063	941,415

### 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 130,243 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 50,000 million yen.

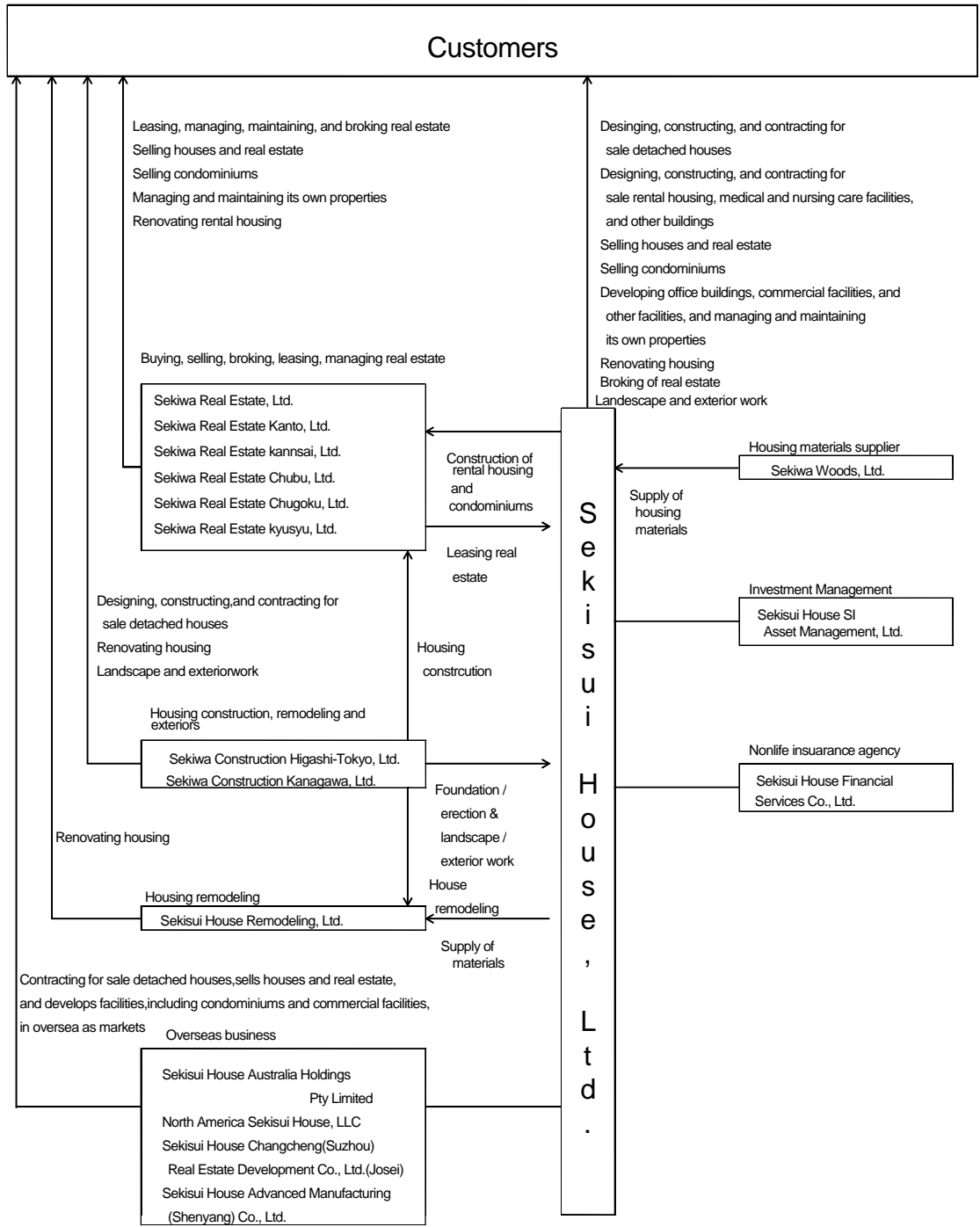
#### 6) Major Businesses

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 Business Department		Osaka
Development Department		Osaka
Condominium Headquarters		Shinjuku-ku, Tokyo
<b>Branches:</b>	121 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	
<b>R&amp;D Institute</b>		
Comprehensive Housing R&D Institute	Kizugawa-City, Kyoto Prefecture	

Note: Kansai Daini Sales Administration Headquarters was moved to Kyoto-City February 2014

2. Address of Major Operations of subsidiaries

Sekiwa Real Estate, Ltd.	Head office: 1-1, Yoyogi 2-chome, Shibuya-ku, Tokyo
Sekiwa Real Estate Kantou, 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: 24-16, 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: 2-1, 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: 84, Higashinocho, Nagahama-City, Shiga
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, Real Estate Management Fees Business
Sekiwa Real Estate Kantou Ltd.	480	100.0%	Houses for sale Business, Real Estate Management Fees Business
Sekiwa Real Estate Kansai, Ltd.	5,829	100.0%	Houses for sale Business, Real Estate Management Fees Business
Sekiwa Real Estate Chubu, Ltd.	1,368	100.0%	Houses for sale Business, Real Estate Management Fees Business
Sekiwa Real Estate Chugoku, Ltd.	379	100.0%	Houses for sale Business, Real Estate Management Fees Business
Sekiwa Real Estate Kyushu, Ltd.	263	100.0%	Houses for sale Business, Real Estate Management Fees Business
Sekiwa Real Estate Tohoku, Ltd.	200	100.0%	Houses for sale Business, 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.	827 (Millions of AUD)	100.0%	Overseas Business
North America Sekisui House, LLC	432 (Millions of USD)	100.0%	Overseas Business
Sekisui House Changcheng (Suzhou) Real Estate Development Co., Ltd. (Josei)	296 (Millions of USD)	99.0%	Overseas Business
Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd.	105 (Millions of USD)	100.0%	Overseas Business

Note:

There are 174 consolidated subsidiaries, and 19 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
22,379	903 (increased)

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

Number of employees	Change compared to the previous year	Average age	Average length of employment
14,749	396 (increased)	41.0 years old	16.1 years

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.	48,795
Sumitomo Mitsui Banking Corporation	30,193
Mizuho Bank, Ltd.	13,996
	9,980
China Construction Bank Corporation..	8,337

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, 2014

### 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 (Including treasury stock)	686,895,078 shares (1,494,947 shares)

Notes:

Compared to the previous fiscal year-end, the total number of shares issued was increased 10,010,000 shares issued during the fiscal year under review upon exercises of Zero Coupon Convertible Bonds due 2016 (bonds with stock acquisition rights).

3	Total number of shareholders	41,021
4	Details of main shareholders are as follows:	
	Name	Number of shares held (thousands)
		Ratio of shareholding
	Sekisui Chemical Co., Ltd.	721,68
	The Master Trust Bank of Japan, Ltd. (Trust account)	378,29
	Japan Trustee Services Bank, Ltd. (Trust account)	365,93
	State Street Bank and Trust Company 505243	147,11
	Japan Trustee Services Bank, Ltd. (Trust account 9)	144,88
	Sekisui House <i>Ikushikai</i>	140,85
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	136,24
	State Street Bank and Trust Company 505225	134,15
	The Dai-ichi Life Insurance Company, Limited	121,58
	MELLON BANK, N.A. AS AGENT FOR ITS CLIENT MELLON OMNIBUS US PENTION	90,10
	Notes:	
	1. Sekisui House <i>Ikushikai</i> 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.	
5	Other important matters concerning Stock Acquisition Rights	
	At December 2, 2013, the Company changed the number of shares constituting one unit of shares from 1,000 to 100 to amend the Articles of Incorporation in accordance with Article 195, Section 1 of the Companies Act.	

### 2) Outlines of Stock Acquisition Rights

#### 1. Outlines of Stock Acquisition Rights granted in consideration of the performance of duties as of January 31, 2014

· Number of stock acquisition rights

691 units

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

691,000 common shares of the Company (1,000 shares per unit)

·Current situation of stock acquisition rights held by posts

Posts (Exercise period)	Directors (Outside Directors)		Executive Officers		Audit & Supervisory Board Members		Others	
	Number of holders	Number of stock acquisition rights	Number of holders	Number of stock acquisition rights	Number of holders	Number of stock acquisition rights	Number of holders	Number of stock acquisition rights
No.1 Stock Acquisition Rights (Stock compensation-type stock option) (From April 28, 2006 to April 27, 2026)	8	21	—	—	2	5	7	8
No.2 Stock Acquisition Rights (Stock compensation-type stock option) (From June 8, 2007 to June 7, 2027)	8	24	—	—	2	6	8	9
No.3 Stock Acquisition Rights (Stock compensation-type stock option) (From June 7, 2008 to June 6, 2028)	10 (1)	50 (2)	2	4	1	5	11	25
No.4 Stock Acquisition Rights (Stock compensation-type stock option) (From June 10, 2009 to June 9, 2029)	10 (1)	58 (3)	2	4	1	4	11	24
No.5 Stock Acquisition Rights (Stock compensation-type stock option) (From June 17, 2010 to June 16, 2030)	10 (1)	62 (2)	11	22	—	—	7	17
No.6 Stock Acquisition Rights (Stock compensation-type stock option) (From June 15, 2011 to June 14, 2031)	10 (1)	79 (4)	11	31	—	—	6	18
No.7 Stock Acquisition Rights (Stock compensation-type stock option) (From June 14, 2012 to June 13, 2032)	11 (2)	85 (6)	19	52	—	—	3	10
No.8 Stock Acquisition Rights (Stock compensation-type stock option) (From June 14, 2013 to June 13, 2033)	10 (2)	42 (4)	22	26	—	—	—	—

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.8 Stock Acquisition Rights (Stock compensation-type stock option)

·Number of stock acquisition rights

68 units

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

68,000 common shares of the Company (1,000 shares per unit)

·Issuance price

1,071 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, 2013 and June 13, 2033.

·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, 2032:  
Between June 14, 2032 and June 13, 2033
- (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 (Outside Directors)		Executive Officers	
	Number of holders	Number of stock acquisition rights	Number of holders	Number of stock acquisition rights
	10 (2)	42 (4)	22	26

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 at the end of the fiscal year.

Issue date	July 5, 2011
Number of stock acquisition rights	3,639 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  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	¥36,390 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) 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	President & Representative Director of Sekisui House Remodeling Ltd	
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:

1. Director Messrs. Katsuhiko Machida and Teruyuki Saegusa are Outside Directors as prescribed in Article 2, Section 15 of the Companies Act.
2. Audit & Supervisory Board Members Messrs. Takaharu Dohi, Yoshinori Shinohara and Koichi Kunisada are Outside Audit & Supervisory Board Members as prescribed in Article 2, Section 16 of the Companies Act.
3. 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.
4. The Company designated each of Director Mr Teruyuki Saegusa, Audit & Supervisory Board Members Messrs Yoshinori Shinohara and Koichi Kunisada as an independent officer and submitted notification to that effect to the Tokyo Stock Exchange, Inc.
5. 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, 2014.
6. The duties of the Directors changed on February 1, 2014 as set forth below:  

Director	Fumiaki Hirabayashi	Senior Managing Officer, in charge of TKC project and General Manager of Tokyo Administration Office
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7. 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 a 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 (Wuxi) Co., Ltd.	Chairman & Representative Director
	Sekisui House (Taicang) Co. Ltd.	Chairman & Representative Director
	Sekisui jutaku (Taicang) 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 Advanced Manufacturing (Shenyang) Co., Ltd	Chairman & Representative Director
	Sekisui House No.2(Shenyang) Co., Ltd.	Chairman & Representative Director
	Sekiwa Woods, Ltd.	Director

Directors:		
Name	Company in which Directors and Audit & Supervisory Board Members of the Company hold an concurrent post	Post
Shiro Inagaki	Sekisui House Financial Services Co., Ltd.	President & Representative Director
Katsuhiko Machida	SHIONOGI & CO.,LTD	Director
Teruyuki Saegusa	Saegusa Circulation Research Co., Ltd Shinki Bus Co., Ltd	Representative Director Audit & Supervisory Board Member
Fumiaki Hirabayashi	Sumai no Toshokan Co., Ltd.	President & Representative Director
Daiji Kuroki	Sekisui House Remodeling Ltd	Audit & Supervisory Board Member
Kengo Yoshida	Sekiwa Woods, Ltd. Sekisui House Advanced Manufacturing (Shenyang) Co.,Ltd.	Director 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. Sekisui House Remodeling, Ltd.	Audit & Supervisory Board Member Audit & Supervisory Board Member
Yoshiro Kubota	Almetax Manufacturing Co., Ltd.	President & Representative Director
Takaharu Dohi	Dohi Law Office Kansai Telecasting Corporation The Kansai Electric Power Co., Inc. Hankyu Hanshin Holdings, Inc. Kawase Computer Supplies Co., Ltd.	Lawyer Director Audit & Supervisory Board Member Audit & Supervisory Board Member Audit & Supervisory Board Member
Yoshinori Shinohara	Shinohara Yoshinori CPA Accounting Firm Shinohara Management and Economies Research Institute, Ltd TSI HOLDINGS Co., Ltd	Certified Public Accountant Representative Director Director
Koichi Kunisada	The Corporate intelligence Department of Osaka Gakuin University	Professor

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

	Directors (Outside Directors)		Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)		Total (Outside Officers)	
	Number of people	Remunerations (Millions of yen)	Number of people	Remunerations (Millions of yen)	Number of people	Remunerations (Millions of yen)
Remunerations based on a general meeting of shareholders' resolution	11 (2)	372 (33)	5 (3)	96 (45)	16 (5)	468 (84)
Stock compensation-type stock options (stock acquisition rights)	11 (2)	44 (3)	—	—	11 (2)	44 (3)
Directors' bonuses accounted for as costs	11 (2)	270 (6)	—	—	11 (2)	2700 (6)

Notes:

1. 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 (9 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.
2. 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).
3. 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 63rd Ordinary General Meeting of Shareholders that will be held on April 23, 2014

### 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 12 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 10 meetings out of 12 meetings of the Board of Directors. 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 11 meetings out of 12 meetings of the Board of Directors and 11 meetings out of 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 12 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 11 meetings out of 12 meetings of the Board of Directors and all 12 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:

·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	¥144 million
The aggregate amount of remuneration payable to Accounting Auditor by the Company and its consolidated companies	¥193 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, 2014			
<i>Millions of yen</i>			
<b>Assets</b>	<b>1,769,005</b>	<b>Liabilities</b>	<b>827,589</b>
<b>Current assets</b>	<b>1,078,589</b>	<b>Current liabilities</b>	<b>502,589</b>
Cash on deposits	182,134	Notes payable, accounts payable for construction contracts	110,860
Notes receivable, accounts receivable from completed construction contracts	46,182	Electronically recorded obligations-operating	63,865
Short-term investment securities	1,044	Short-term loans payable	38,009
Costs on uncompleted construction contracts	10,558	Current portion of long-term loans payable	45,587
Buildings for sale	178,220	Income taxes payable	31,085
Land for sale in lots	472,377	Advances received on uncompleted construction contracts	116,352
Undeveloped land for sale	81,139	Provision for bonuses	24,898
Other inventories	11,298	Provision for directors' bonuses	961
Deferred tax assets	47,402	Provision for warranties for completed construction	3,484
Other	49,479	Other	67,554
Allowance for doubtful accounts	(1,246)		
<b>Noncurrent assets</b>	<b>690,415</b>	<b>Noncurrent liabilities</b>	<b>324,929</b>
<b>Property, plant and equipment</b>	<b>466,534</b>	Bonds payable	90,000
Buildings and structures	194,169	Bonds with subscription rights to shares	36,390
Machinery, equipment and vehicles	16,261	Long-term loans payable	77,391
Tools, furniture and fixtures	5,496	Long-term lease and guarantee deposited	54,801
Land	235,023	Deferred tax assets	203
Lease assets	324	Provision for retirement benefits	55,037
Construction in progress	15,258	Provision for directors' retirement benefits	977
<b>Intangible assets</b>	<b>16,546</b>	Other	10,127
Goodwill	566	<b>Net assets</b>	<b>941,415</b>
Industrial property	25	<b>Shareholders' equity</b>	<b>846,843</b>
Leasehold right	4,486	<b>Capital stock</b>	191,559
Software	10,344	<b>Capital surplus</b>	243,217
Right of using facilities	251	<b>Retained earnings</b>	413,446
Telephone subscription right	858	<b>Treasury stock</b>	(1,379)
Other	13	<b>Accumulated other comprehensive income</b>	<b>84,101</b>
<b>Investments and other assets</b>	<b>207,333</b>	<b>Valuation difference on available-for-sale securities</b>	27,612
Investment securities	106,429	<b>Deferred gains or losses on hedges</b>	47
Long-term loans receivable	47,249	<b>Foreign currency translation adjustment</b>	56,440
Deferred tax assets	1,175	<b>Subscription rights to shares</b>	<b>474</b>
Other	38,838	<b>Minority Interests</b>	<b>9,996</b>
Allowance for doubtful accounts	(594)		
<b>Total assets</b>	<b>1,769,005</b>	<b>Total Liabilities and Net assets</b>	<b>1,769,005</b>

<b>CONSOLIDATED STATEMENTS OF INCOME</b>	
From February 1, 2013 to January 31, 2014	
<i>Millions of yen</i>	
<b>Net sales</b>	<b>1,805,102</b>
<b>Cost of sales</b>	<b>1,446,602</b>
<b>Gross profit</b>	<b>358,499</b>
<b>Selling, general and administrative expenses</b>	<b>226,569</b>
<b>Operating income</b>	<b>131,930</b>
<b>Non-operating income</b>	<b>10,424</b>
Interest and dividends income	2,961
Equity in earnings of affiliates	2,848
Other	4,614
<b>Non-operating expenses</b>	<b>4,559</b>
Interest expenses	995
Other	3,564
<b>Ordinary income</b>	<b>137,794</b>
<b>Extraordinary income</b>	<b>468</b>
Gain on negative goodwill	327
Gain on sales of shares of subsidiaries and associates	140
<b>Extraordinary loss</b>	<b>5,742</b>
Impairment loss	4,234
Loss on valuation of investment securities	1,471
Loss on sales and retirement of noncurrent assets	37
<b>Income before income taxes and minority interests</b>	<b>132,520</b>
Income taxes-current	49,583
Income taxes-deferred	(194)
<b>Income before minority interests</b>	<b>83,131</b>
Minority interests in income	3,330
<b>Net income</b>	<b>79,801</b>

**CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS**

(From February 1, 2013 to January 31, 2014)

*Millions of yen*

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance as of the beginning of the 63rd business term	186,554	237,522	357,830	(4,219)	777,688
Changes of items during the period					
Issuance of new shares	5,005	5,005	—	—	10,010
Dividends from surplus	—	—	(24,185)	—	(24,185)
Net income	—	—	79,801	—	79,801
Purchase of treasury stock	—	—	—	(98)	(98)
Disposal of treasury stock	—	690	—	2,938	3,628
Net changes of items other than "Shareholders' equity" during the period	—	—	—	—	—
Total changes of items during the period	5,005	5,695	55,615	2,839	69,155
Balance as of the end of the 63rd business term	191,559	243,217	413,446	(1,379)	846,843

	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 63rd business term	11,951	(45)	16,812	28,718	429	7,228	814,063
Changes of items during the period							
Issuance of new shares	—	—	—	—	—	—	10,010
Dividends from surplus	—	—	—	—	—	—	(24,185)
Net income	—	—	—	—	—	—	79,801
Purchase of treasury stock	—	—	—	—	—	—	(98)
Disposal of treasury stock	—	—	—	—	—	—	3,628
Net changes of items other than "Shareholders' equity" during the period	15,661	92	39,628	55,382	44	2,768	58,195
Total changes of items during the period	15,661	92	39,628	55,382	44	2,768	127,351
Balance as of the end of the 63rd business term	27,612	47	56,440	84,101	474	9,996	941,415

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, 2014			
<i>Millions of yen</i>			
<b>Assets</b>	<b>1,393,396</b>	<b>Liabilities</b>	<b>663,951</b>
<b>Current assets</b>	<b>568,571</b>	<b>Current liabilities</b>	<b>424,247</b>
Cash and deposits	84,883	Notes payable-trade	15,555
Notes receivable-trade	96	Electronically recorded obligations-operating	63,865
Accounts receivable from completed construction contracts	36,540	Accounts payable-trade	31,501
Accounts receivable-real estate business	1,610	Accounts payable for construction contracts	44,878
Short-term investment securities	949	Current portion of long-term loans payable	30,000
Costs on uncompleted construction contracts	2,930	Lease obligations	69
Buildings for sale	78,272	Accounts payable-other	2,660
Land for sale in lots	248,376	Accrued expenses	11,934
Undeveloped land for sale	34,249	Income taxes payable	20,103
Semi-finished goods and work in process	4,546	Accrued consumption taxes	4,686
Raw materials and supplies	3,220	Advances received on uncompleted construction contracts	58,871
Advance payments-trade	156	Advances received	12,941
Prepaid expenses	4,546	Deposits received	104,770
Short-term loans receivable	6,444	Provision for bonuses	17,828
Accounts receivable-other	13,931	Provision for directors' bonuses	270
Deferred tax assets	41,151	Provision for warranties for completed construction	3,480
Other	7,613	Asset Retirement obligations	411
Allowance for doubtful accounts	(949)	Other	417
<b>Noncurrent Assets</b>	<b>824,825</b>	<b>Noncurrent Liabilities</b>	<b>239,703</b>
<b>Property, plant and equipment</b>	<b>360,856</b>	Bonds payable	90,000
Buildings	121,294	Bond with subscription rights to shares	36,390
Structures	3,446	Long-term loans payable	50,000
Machinery and equipment	12,543	Lease obligations	122
Vehicles	75	Long-term lease and guarantee deposited	10,619
Tools, furniture and fixtures	4,034	Provision for retirement benefits	50,008
Land	206,144	Asset Retirement obligations	1,109
Lease assets	173	Other	1,453
Construction in progress	13,142		
<b>Intangible assets</b>	<b>12,711</b>	<b>Net assets</b>	<b>729,445</b>
Goodwill	439	<b>Shareholders' equity</b>	<b>701,340</b>
Industrial property	20	<b>Capital stock</b>	<b>191,559</b>
Leasehold right	1,608	<b>Capital surplus</b>	<b>248,003</b>
Software	9,880	Legal capital surplus	247,312
Lease assets	4	Other capital surplus	690
Right of using facilities	80	<b>Retained earnings</b>	<b>262,988</b>
Telephone subscription right	677	Legal retained earnings	23,128
		Other retained earnings	239,859
<b>Investments and other assets</b>	<b>451,257</b>	Reserve for dividends	18,000
Investment securities	94,494	General reserve	1,098
Stocks of subsidiaries and affiliates	277,438	Reserve for special depreciation	165,800
Long-term loans receivable	57,764	Retained earnings brought forward	54,960
Lease and guarantee deposits	11,225	<b>Treasury stock</b>	<b>(1,209)</b>
Long-term prepaid expenses	809	<b>Valuation and translation adjustments</b>	<b>27,630</b>
Deferred tax assets	5,893	<b>Valuation difference on available-for-sale securities</b>	<b>27,584</b>
Other	3,969	<b>Deferred gains or losses on hedges</b>	<b>45</b>
Allowance for doubtful accounts	(339)	<b>Subscription rights to shares</b>	<b>474</b>
<b>Total Assets</b>	<b>1,393,396</b>	<b>Total Liabilities and Net assets</b>	<b>1,393,396</b>

<b>NON-CONSOLIDATED STATEMENT OF INCOME</b>	
From February 1, 2013 to January 31, 2014	
<i>Millions of yen</i>	
<b>Net sales</b>	<b>1,155,802</b>
Completed construction contracts	1,009,336
Real estate business	146,466
<b>Cost of sales</b>	<b>922,492</b>
Completed construction contracts	796,411
Real estate business	126,081
<b>Gross profit</b>	<b>233,310</b>
Gross profit from completed construction contracts	212,924
Gross income from real estate business	20,385
<b>Selling, general and administrative expenses</b>	<b>157,120</b>
<b>Operating income</b>	<b>76,189</b>
<b>Non-operating income</b>	<b>15,627</b>
Interest and dividends income	10,093
Other	5,534
<b>Non-operating expenses</b>	<b>3,095</b>
Interest expenses	374
Interest on bonds	575
Other	2,145
<b>Ordinary income</b>	<b>88,721</b>
<b>Extraordinary Income</b>	<b>164</b>
Gain on sales of subsidiaries' stocks	164
<b>Extraordinary loss</b>	<b>4,985</b>
Impairment loss	4,035
Loss on valuation of investment securities	912
Loss on sales and retirement of noncurrent assets	37
<b>Income before income taxes</b>	<b>83,900</b>
<b>Total Income taxes</b>	<b>28,315</b>
Income taxes-current	28,106
Income taxes-deferred	209
<b>Net income</b>	<b>55,585</b>

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

(From February 1, 2013 to January 31, 2014)

Millions of yen

	Shareholders' equity								
	Capital stock	Capital surplus			Legal retained earnings	Retained earnings			
		Legal capital surplus	Other capital surplus	Total		Other retained earnings			
						Reserve for dividends	General reserve	Retained earnings brought forward	
Balance as of the beginning of the 63rd business term	186,554	242,307	—	242,307	23,128	18,000	—	158,800	31,659
Changes of items during the period									
Issuance of new shares	5,005	5,005	—	5,005	—	—	—	—	—
Dividends from surplus	—	—	—	—	—	—	—	—	(24,185)
Provision of reserve for special depreciation	—	—	—	—	—	—	1,098	—	(1,098)
Provision of general Reserve	—	—	—	—	—	—	—	7,000	(7,000)
Net income	—	—	—	—	—	—	—	—	55,585
Purchase of treasury stock	—	—	—	—	—	—	—	—	—
Disposal of treasury stock	—	—	690	690	—	—	—	—	—
Net changes of items other than "Shareholders' equity" during the period	—	—	—	—	—	—	—	—	—
Total changes of items during the period	5,005	5,005	690	5,695	—	—	1,098	7,000	23,300
Balance as of the beginning of the 63rd business term	191,559	247,312	690	248,003	23,128	18,000	1,098	165,800	54,960

	Retained earnings	Shareholders' equity		Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Total	Treasury stock	Total	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total		
Balance as of the beginning of the 63rd business term	231,588	(4,049)	656,400	11,939	0	11,940	429	668,770
Changes of items during the period								
Issuance of new shares	—	—	10,010	—	—	—	—	10,010
Dividends from surplus	(24,185)	—	(24,185)	—	—	—	—	(24,185)
Provision of reserve for special depreciation	—	—	—	—	—	—	—	—
Provision of general Reserve	—	—	—	—	—	—	—	—
Net income	55,585	—	55,585	—	—	—	—	55,585
Purchase of treasury stock	—	(97)	(97)	—	—	—	—	(97)
Disposal of treasury stock	—	2,938	3,628	—	—	—	—	3,628
Net changes of items other than "Shareholders' equity" during the period	—	—	—	15,644	45	15,690	44	15,734
Total changes of items during the period	31,399	2,840	44,940	15,644	45	15,690	44	60,675
Balance as of the beginning of the 63rd business term	262,988	(1,209)	701,340	27,584	45	27,630	474	729,445

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 13, 2014

The Board of Directors  
Sekisui House, Ltd.

From: Ernst & Young Shin Nihon LLC.  
Ken Watabe  
Designated and Engagement Partner  
Certified Public Accountant  
Soji Yamamoto  
Designated and Engagement Partner  
Certified Public Accountant  
Hiroshi Nakashita  
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, 2013 through January 31, 2014.

*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 2013 fiscal year ended January 31, 2014 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 13, 2014

The Board of Directors  
Sekisui House, Ltd.

From: Ernst & Young Shin Nihon LLC.  
Ken Watabe  
Designated and Engagement Partner  
Certified Public Accountant  
Soji Yamamoto  
Designated and Engagement Partner  
Certified Public Accountant  
Hiroshi Nakashita  
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 63rd fiscal year from February 1, 2013 through January 31, 2014.

*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 2013 fiscal year ended January 31, 2014 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 63rd fiscal year (February 1, 2013 to January 31, 2014) 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 20, 2014

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

Yoshinori Shinohara, Audit & Supervisory Board Member

Koichi, Kunisada, Audit & Supervisory Board Member

## 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:

① 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.

② 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.

③ 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:

① 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.

② 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.

③ 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.)

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Service Support: dial-in 0120 (173) 027 \*

Business Hours: from 9:00am to 9:00 pm (call free)

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Note:\* The service is available in Japanese only.

- End -