ANNUAL REPORT 2015

For the year ended
January 31, 2015

Sekisui House, Ltd.

Our Corporate Profile

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

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

Contents

Forward-Looking Statements

The information in this annual report contains forward-looking statements regarding the Company's plan, outlook, strategies and results for the future. All the forward-looking statements are based on the Company's judgments derived from information available at the time of publication.

Therefore, certain risks and uncertainties could cause the Company's actual results to differ materially from any projections presented here.

Financial Highlights

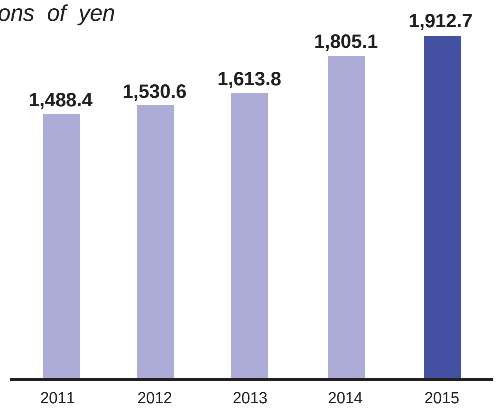
Sekisui House, Ltd. and Subsidiaries
For the year ended January 31

	Millions of yen					Thousands of U.S. dollars
	2015	2014	2013	2012	2011	**2015**
For the year:						
Net sales	**¥ 1,912,722**	¥ 1,805,102	¥ 1,613,816	¥ 1,530,578	¥ 1,488,370	**$ 16,175,239**
Operating income	**146,596**	131,930	86,197	70,897	56,355	**1,239,712**
Net income	**90,225**	79,801	46,459	28,962	30,421	**763,002**
At year ended						
Total assets	**1,929,410**	1,769,005	1,539,273	1,445,829	1,341,309	**16,316,364**
Net assets	**1,079,065**	941,415	814,064	750,374	738,029	**9,125,286**

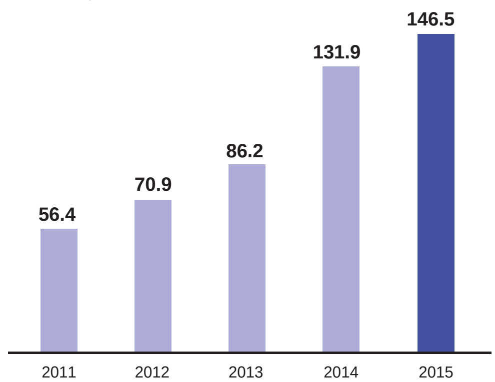
	Yen					U.S. dollars
	2015	2014	2013	2012	2011	**2015**
Per share:						
Net income	**¥ 130.91**	¥ 118.63	¥ 69.17	¥ 42.90	¥ 45.02	**$ 1.11**
Net assets	**1,527.52**	1,358.60	1,200.63	1,107.43	1,090.67	**12.92**
Cash dividends applicable to the year	**50.00**	43.00	28.00	20.00	21.00	**0.42**

Note: U.S. dollar amounts above and elsewhere in this report represent translations of Japanese yen, for convenience only, at the approximate exchange rate of ¥118.25 = U.S. $1, effective at January 31, 2015.

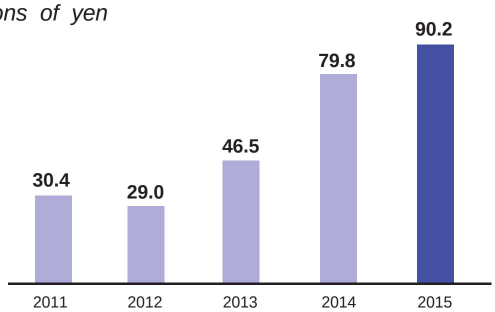
Net Sales
Billions of yen



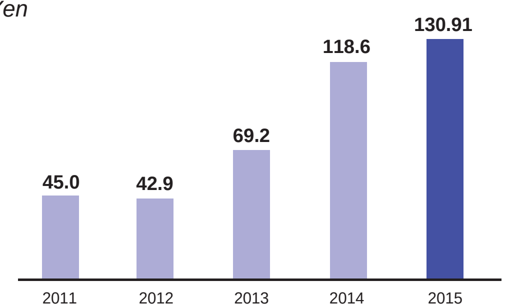
Operating Income
Billions of yen



Net Income
Billions of yen



Net Income Per Share
Yen

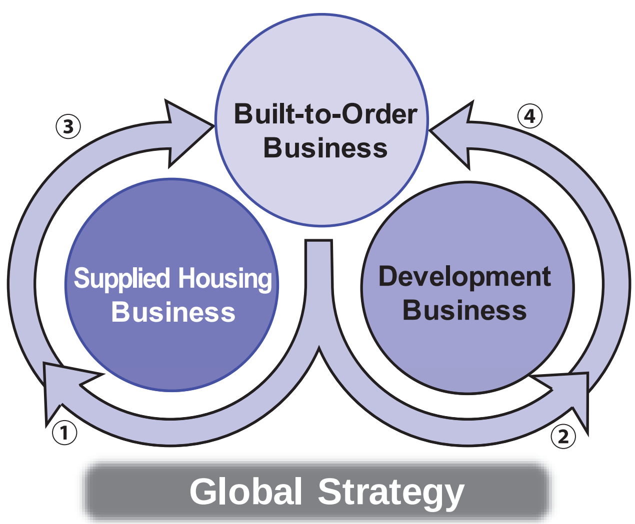


FY2014 Mid-term Management Plan (FY2014 through FY2016)

FY2014 Mid-term Management Plan for the period up until the fiscal year ending January 31, 2017 has begun.
Under our previous FY2012 Mid-term Management Plan (FY2012 - FY2014), we achieved results exceeding our consolidated performance targets of net sales of ¥1.9 trillion and operating income of ¥134 billion (OP margin of 7.1%) through the deployment of strategies focused on the residential domain and the acceleration of profit growth through business expansion. In light of these results, under our FY2014 Mid-term Management Plan, we will push ahead with growth strategies focused on the residential domain, with “Strengthening synergies in the Group and taking on new challenges in the ‘residential’-related business” as our basic direction.

Basic Direction of FY2014 Mid-term Management Plan

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



① Strengthening the customer base by providing quality housing stock in the Built-to-Order Business, the core business, and expanding the Supplied Housing Business

② Raising the asset turnover ratio in the Development Business by harnessing the techniques and expertise developed in the Built-to-Order Business for “residential” environment creation, in community and town development in Japan and overseas

③ Expanding the domain of the Supplied Housing Business, including property management, remodeling, and the promotion of housing distribution, thereby maintaining and improving customers’ asset value and gaining advantage in the Built-to-Order Business

④ Improving our brand value through quality community and town development, creating living environments and making the most of the brand value in the Built-to-Order Business and Supplied Housing Business

Key strategies for each business model

Built-to-Order Business

- Strengthening sales of mid-range and high-end products by enhancing value-added proposals
- Strengthening sales of multifamily housing by enhancing three-and four-story houses
- Reinforcing sales of Green First Zero
- Promoting sales for elderly housing with supportive services

Supplied Housing Business

- Strengthening the large-scale renovation for detached houses, rental housing, and condominiums
- Strengthening the brokerage business for sales of detached houses and rental housing
- Promoting SumStock(The Provision of Quality Housing Stock Association) business
- Strengthening the block leasing of elderly housing with supportive services

Development Business

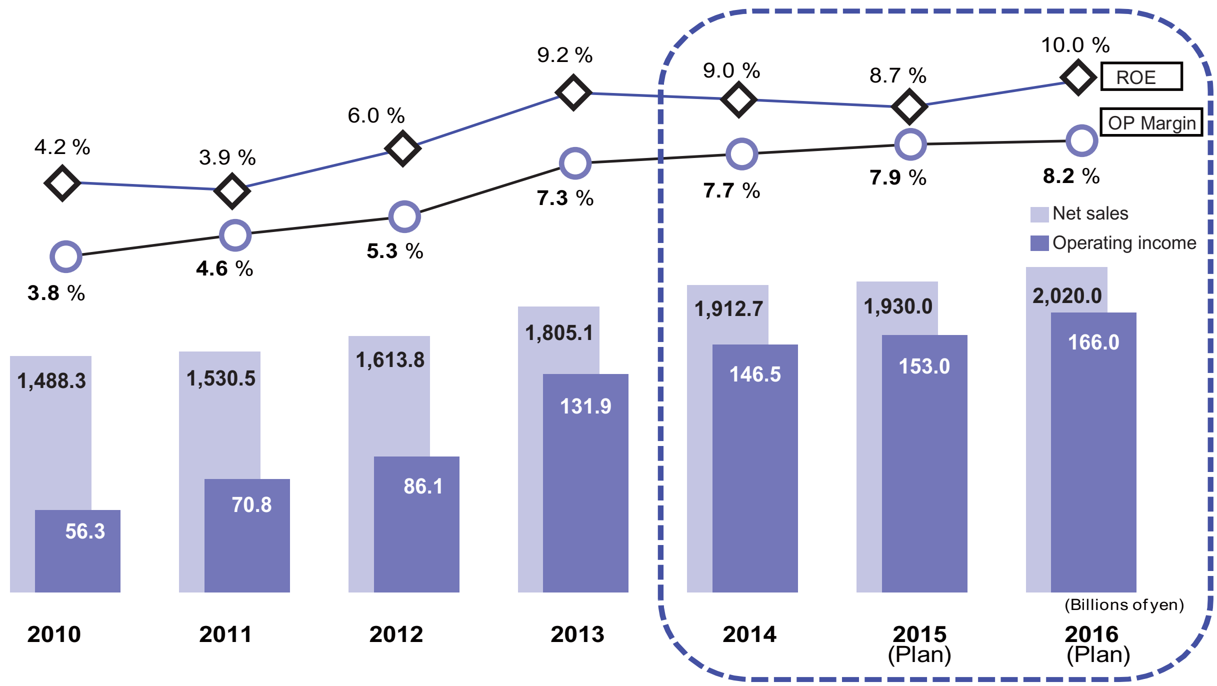
- Creating quality communities to promote sales in the Houses for Sale Business
- Bolstering exit strategies through Sekisui House Investment Advisors, Ltd.
- Strengthening brand building in the Overseas Business

■Three goals of Sekisui House

- ✓ Establishing our position as the top brand in the Built-to-Order Business
- ✓ Taking on challenges in new residential-related business fields in the Supplied Housing Business
- ✓ Increasing the asset turnover ratio and profitability in the Development Business

Maintaining an ROE of 10% or more

■Consolidated Performance Targets



■Shareholder Return

	FY2013	FY2014	FY2015 Plan	FY2016 Plan
EPS (yen)	118.63	130.91	132.96	151.04
Dividends per share (yen)	43.00	50.00	54.00	A payout ratio of approximately 40%
Payout ratio (%)	36.2	38.2	40.6	
Share Buybacks	-	10 million shares	13 million shares*	Share buybacks of approximately 20% of net income

*Notice regarding Decision on Matters relating to Share Repurchase was disclosed on March 5, 2015.

To Our Shareholders and Investors

After posting record sales and income for a second straight year, Sekisui House aims to set new records for the third year running, and move onto the next stage.

Toshinori Abe
President & COO

Isami Wada
Chairman & CEO

■Focusing on both the attainment of performance and management goals and shareholder returns

First, we are pleased to report that this fiscal year, the final year of our FY2012 Mid-Term Management Plan in which we sought to accelerate profit growth through business expansion, we succeeded in setting new records for both sales and income for the second year running. We have now launched our FY2014 Mid-Term Management Plan, which sets out the basic direction of strengthening synergies in the Group and taking on new challenges in the "residential"-related business. We will continue to pursue the interests of our shareholders, focusing on our performance and management goals as well as shareholder returns.

Our basic policy on profit distribution is that we will have a total shareholder return ratio of 60%, combining an average dividend payout ratio of 40% and share buybacks, which will be around 20% of net income. Under this policy, we repurchased 10,000,000 of our own shares during FY2014. We also aim to maintain an ROE of 10% or more by increasing EPS through earnings growth and improving capital efficiency.

To accomplish this, Sekisui House will expand its business domain, harnessing the strength of the Sekisui House brand and cooperation within the Group, and move on to the next stage. We have also set clear paths for our three business models: (1) Establishing our position as the top brand in the Built-to-Order Business; (2) Taking on challenges in new residential-related business fields in the Supplied Housing Business; and (3) Increasing the asset turnover ratio and profitability in the Development Business. We are resolved to press onward, aware that there is no value in a company's existence without growth.

■Combining the strengths of individual group companies in our three business models

"Housing" is at the center of a multitude of social issues facing Japan today, including the environment, energy issues, the falling birth rate and aging population, and safety and security. Sekisui House plans to implement each of its business models based on the three keywords: "Environment," "Existing houses" and "Aging society."

In the Built-to-Order Business, demand for three- and four-story houses to accommodate diverse lifestyles, such as multi-family housing and rental housing combined with commercial properties, is increasing in response to the stronger levy of inheritance tax introduced this year. Sekisui House aims to further increase orders received by making proposals better suited to customers' urban lifestyles and family structures.

Sekisui House is also actively expanding business for the elderly in general, which it calls the "Platinum Business." In November 2014, we put in place a structure to support the elderly housing business, establishing Sekiwa Grand Mast, Ltd., which acts as an intermediary between land owners and medical and care providers and takes charge of the whole process from construction to lease. Sekisui House firmly believes that the new realities of an aging society represent an opportunity to expand new markets by utilizing its diverse strengths, not least Sekisui House's unique perspective and expertise. In the future, we plan to quickly roll out rental housing for the elderly nationwide under the Grand Mast brand name.

Under the FY2014 Mid-Term Management Plan, we positioned the Supplied Housing Business as a key part of our growth strategy. To date, Sekisui House has supplied around 2.23 million houses, including custom detached houses and rental housing, and the relationships we have maintained with owners since delivery through services such as after-sales maintenance and remodeling, etc. will continue for many years to come. As the years go by, the lifestyles of the owners will also undergo various changes and remodeling (large-scale renovation) is one of the possible ways of addressing such changes.

In this area of enormous potential, Sekisui House has three channels: Sekisui House Remodeling for houses built by Sekisui House, Sekiwa Real Estate for Sha Maison rental housing, and Sekiwa Construction for various types of remodeling for houses built by other than us.

Moving forward, individual group companies will demonstrate their strengths in their own respective fields and at the same time we will work to enhance cooperation within the group with a view to expanding business further than previously imagined, including large-scale renovation. We also endorse the aims of the Provision of Quality Housing Stock Association (SumStock), which are to revitalize the circulation of Quality Housing Stock and form a well organized housing resale market and, in this business area also, we plan to play a pivotal role.

Finally, in the Development Business, Sekisui House Reit, Inc. was listed on the Tokyo Stock Exchange at the end of last year. This is a key strategy that will improve the profitability and asset efficiency of the Development Business. We will continue to sell assets to increase our asset turnover ratio and expand the asset size of Sekisui House Reit, Inc.

■Addressing social issues and growing with society

Since last year, the problem of “vacant houses” has emerged as a new social issue and has become a subject of debate in all quarters. The number of vacant dwellings has risen to around 8.2 million, exceeding 13% of the total number of dwellings. This figure includes a large number of high quality vacant houses because, in new towns built from the high-growth period to around the 1980s, the number of elderly living alone has risen and an increasing number of elderly are moving out of detached houses mainly due to their care needs.

Sekisui Houses has launched comprehensive new consulting services for these home owners and has put in place a structure that allows it to provide a one-stop shop solution for all kinds of situations.

The renovation of vacant houses leads to the development of new business opportunities such as the creation of a master lease and management business in the case of leasing, brokerage and sale in lots in the case of a sale, and rebuilding or parking lot management in the case of demolition. Only

Sekisui House can provide total solutions that draw on the expertise of individual group companies and the overall strength of the group, and we can also cooperate with security companies to meet demand for security and patrol services. This also ties in with our commitment to creating shared value (CSV) with the community and society.

Sekisui House's Tohoku Factory was chosen, together with Shikama-cho in Miyagi Prefecture, as one of the stops on the study tour of the Third UN World Conference on Disaster Risk Reduction held in March 2015. We welcomed representatives of countries from around the world and told the world about Sekisui House's advanced housing disaster prevention technologies and *Smart energy system*.

The Sekisui House Group intends to focus strongly on high value-added business with an even more sound approach, based on its three business models and the three socially important themes of "Environment," "Existing housing" and "Aging society." By changing with the times and society, we will develop new seeds for growth, and you can look forward to watching Sekisui House constantly evolve in the future.

■Financial analysis

In the fiscal year under review, the Japanese economy experienced sluggish consumer spending in the wake of the consumption tax hike. However, the employment and income situations showed signs of improvement, and corporate earnings remained on a moderate recovery path. Expectations for an economic recovery also rose, mainly driven by government economic policies, in addition to the progress of yen depreciation and high stock prices on the back of additional monetary easing by the Bank of Japan.

In the housing market, custom detached houses were affected beyond expectations by the impact, in large part, of a decline in consumer confidence against the backdrop of waning anticipation of higher interest rates and the consumption tax hike. Consequently, orders remained at a low level, as a tendency towards more prolonged investigations prior to the conclusion of contracts was observed. However, once the reactionary fall in demand associated with the consumption tax subsided, the market began to show signs of recovery in the second half of the fiscal year. Orders for rental housing held firm, as demand in urban areas climbed and interest in minimizing inheritance taxes remained strong.

Under these circumstances, the Company enhanced product lines, pursuing differentiation from its competitors, centered on Green First Zero eco-friendly homes and three- and four-story houses that support diversifying construction needs, under its brand vision SLOW & SMART. Consequently, we have achieved to record high sales and income in the two straight fiscal periods.

Net sales in FY2014 amounted to ¥1,912,722 million ($16,175,239 thousand), up 6.0% from the previous fiscal year. Operating income grew to ¥146,596 million ($1,239,712 thousand, up 11.1%), while net income amounted to ¥90,225 million ($763,002 thousand, up 13.1%).

Total assets increased by ¥160,404 million to ¥1,929,410 million at the end of the fiscal year under review, primarily owing to the increases in real estate for sale and property, plant and equipment. Liabilities increased to ¥850,345 million, mainly due to the issuance of bonds and the increases in short-term loans payable. Net assets increased to ¥1,079,065 million chiefly due to posting of net income and an increase in foreign currency translation adjustment. Equity ratio was 55.4%

Looking ahead, in Japan, corporate earnings, which continue to improve, are expected to have a positive impact on personal income, while the backlash of the increase in consumer confidence that was seen ahead of the consumption tax hike is also dwindling. Against this backdrop, it appears that the Japanese economy remains on a recovery track. The housing industry also saw government policies launched to stimulate housing demand, such as an expansion in tax exemption for gifts for the purpose of purchasing residential housing and a broader application of preferential interest rates for the Flat 35.

For the fiscal year ending January 31, 2016, the Company forecasts consolidated net sales of ¥1,930,000 million, consolidated operating income of ¥153,000 million, and consolidated net income of ¥93,000 million.

■Basic Policy on profit distribution and dividend

The Company recognizes the maximization of shareholder value as one of its most important management challenges, and seeks to promote the growth of earnings per share through sustained business growth. In addition, considering such factors as earnings and cash flows in the respective fiscal years, as well as the future outlook, it is working to enhance the profits of shareholders through efforts to improve the asset efficiency, such as investments for growth and dividends, as well as share buybacks and retirement of treasury stocks.

Under the above policy, the Company seeks to accomplish a total return ratio of 60% for shareholders, with the share buybacks equivalent to 20% of net profit, while securing an average payout ratio of a minimum of 40% on a medium- to long-term basis, to achieve high-level profit sharing and maintain sound management for a medium-to long period of time.

For the year ended January 31, 2015, we paid an interim dividend of ¥25 and a year-end dividend of ¥25. For the next fiscal year ending January 31, 2016, we plan to pay out an interim dividend of ¥27 and a year-end dividend of ¥27, totaling ¥54 for the full year.

I. Wada

Isami Wada
Chairman & CEO

Toshinori Abe

Toshinori Abe
President & COO

Segment Information

FY2014 Business results
Consolidated net sales: ¥1,912,722 million, Consolidated operating income: ¥146,596 million

Custom Detached Houses

Sales
¥ 427,044 million
(down 17.5% year-on-year)

Operating income
¥ 48,894 million
(down 25.7% year-on-year)

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

[Summary]
Sales decreased due to the effects of reactionary decline after the last-minute surge in demand ahead of the consumption tax hike, despite efforts to expand sales of high value-added houses, including Green First Zero, and the IS SERIES. The gross profit margin remained at the year-ago level, however, reflecting ongoing cost reductions and improvement in business efficiency through the unification of steel frame two-story house construction methods, as well as the realignment of product brands.

Built-to-Order Rental Housing

Sales
¥ 398,483 million
(up 11.9% year-on-year)

Operating income
¥ 45,826 million
(up 25.6% year-on-year)

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

[Summary]
Sales increased, reflecting strong sales of three-and four-story rental houses, especially in urban areas, due to the need to minimize rising inheritance taxes and rental demand in urban areas, and a strong performance in the Platinum business, including houses with support services for the elderly.

Remodeling

Sales
¥ 134,167 million
(up 7.3% year-on-year)

Operating income
¥ 14,998 million
(up 6.8% year-on-year)

[Business details]
Remodeling of residential properties

[Summary]
Sales rose because the Company proactively proposed large-scale remodeling projects and remodeling to conserve energy.
The Company established a renovation design center dedicated solely to the design of large-scale projects, and strengthened proposal-based remodeling sales.

Real Estate Management Fees

Sales
¥ 428,227 million
(up 4.9% year-on-year)

Operating income
¥ 23,405 million
(up 16.7% year-on-year)

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

[Summary]
Business results showed steady growth, supported by steady supply of rental housing, with the number of units under management exceeding 54.5 thousand, and the occupancy rate climbing 0.2% year-on-year to 96.4%.

Houses for Sale

Sales
¥ 118,731 million
(down 11.0% year-on-year)

Operating income
¥ 8,492 million
(down 4.3% year-on-year)

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

[Summary]
Both sales and orders were weak, reflecting the effects of reactionary decline after the last-minute surge in demand ahead of the consumption tax hike. However, operating income rose and the operating margin also improved considerably thanks to increased profitability.

Condominiums

Sales
¥ 56,699 million
(down 10.1% year-on-year)

Operating income
¥ 4,738 million
(up 19.1% year-on-year)

[Business details]
Sale of condominiums

[Summary]
Sales fell as a result of decline in the number of properties delivered despite strong sales of new properties. Profit increased, however, thanks to higher profit margins.

Urban Redevelopment

Sales
¥ 178,345 million
(up 320.3% year-on-year)

Operating income
¥ 25,803 million
(up 201.4% year-on-year)

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

[Summary]
Both sales and profits increased sharply, boosted by sales of properties equal to ¥114.3 billion to Sekisui House Reit, Inc., which was listed in December 2014, in addition to increased rent income.

Overseas Businesses

Sales
¥ 79,835 million
(down 6.5% year-on-year)

Operating income
¥ 4,419 million
(down 48.5% year-on-year)

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

[Summary]
Despite steady sales progress in Australia and the United States, sales fell due to fewer properties delivered. In China, sales began in each project.

Other Businesses

[Business details] Mainly involving in exterior business, etc

Sales: ¥ 91,191 million (up 24.2% year-on-year), **Operating income:** ¥ 3,123 million (up 84.8% year-on-year)

Non Financial Information regarding ESG

■ Environmental Strategy at the Heart of Management Strategy

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

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

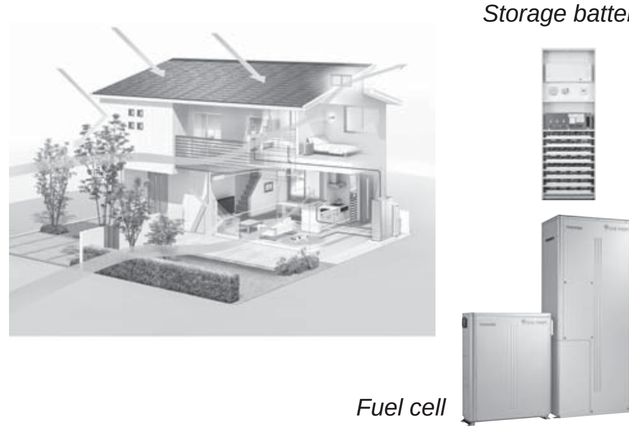
In 2008, we announced the Carbon Neutral House, which combines energy saving with energy generation to achieve zero net CO_2 emissions when occupied. To coincide with the 2008 G-8 Hokkaido Toyako Summit, we provided full support for the construction of the Zero Emission House as a futuristic residential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

In 2009, we defined environmentally friendly houses as a business axis and launched the Green First Strategy. We propose the Green First series of eco-friendly residential houses equipped with solar power generation systems as well as household fuel cells and storage batteries to cut CO_2 emissions by 50% and more in a state of occupancy. The Green First models accounted for approximately 83% of total detached house orders received in fiscal 2014.

In 2011, we announced the Green First Hybrid, the world's first smart house equipped with photovoltaic cells, fuel cells and storage batteries to perform optimal energy control with a home energy management system (HEMS).

In April 2013, the Company launched Green First Zero, in order to be ahead of time in realizing Zero Energy Houses (ZEH), which the government aims to disseminate as a standard house by 2020. 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. Green First Zero accounted for approximately 59% of all detached house orders received in fiscal 2014, and the accumulated orders received since its launch exceeded 10,000. This result gives Sekisui House the clear lead in the industry, and we see it as evidence of our strengths, such as the high-quality standard specifications of our housing and our sophisticated consulting proposals.

Storage battery



Fuel cell

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

■ Brand Vision - SLOW & SMART

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

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

Japan sees growing needs for, and mounting interest in, natural energy and energy conservation technologies. From an early stage, Sekisui House has focused on the smart house. We have conducted demonstrative and residential experiments in collaboration with many different companies, energy business operators and research institutions. A model house was put on public display in Yokohama. For community building, we develop 16 smart towns across the country. We will continue to advance housing and community construction to achieve SLOW & SMART lifestyles all over Japan and around the world.

■ Development of our overseas business

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

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

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

■ Actions for Sustainability

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

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

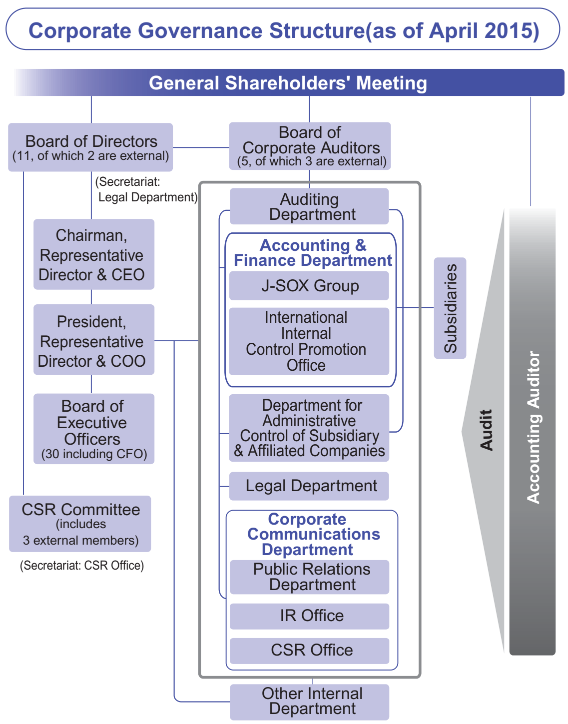
We understand that one of our social missions is to pass the extensive knowledge and experience we have cultivated in our housing business on to society to help create comfortable living environments where both communities and homeowners thrive. For this reason, we engage in numerous educational activities,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

In 2013, Sekisui House established Sumufumulab (Osaka City) as an open innovation facility aiming to create a new housing culture. The Company transmits the values of day-to-day life to various stakeholders based on the research and development capabilities it has been cultivating for years.

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

Governance Structure

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



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

Information on these and other ESG related initiatives for FY2014 will be released in our “Sustainability Report 2015” and on our website.

Management's Discussion and Analysis

Results of Operations

For the year ended January 31

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	2015	2014	2013	2012	2011	**2015**
Net sales	**¥ 1,912,722**	¥ 1,805,102	¥ 1,613,816	¥ 1,530,578	¥ 1,488,370	**$ 16,175,239**
Cost of sales	**1,544,275**	1,446,602	1,314,313	1,255,254	1,231,162	**13,059,408**
Operating income	**146,596**	131,930	86,197	70,897	56,355	**1,239,712**
Net income	**90,225**	79,801	46,459	28,962	30,421	**763,002**

Segment Information (Note 21)
Sales by each segment

	Millions of yen					Thousands of U.S. dollars
	2015	2014	2013	2012	2011	**2015**
Custom detached houses	**¥ 427,044**	¥ 517,691	¥ 465,149	¥ 475,330	455,239	**$ 3,611,366**
Rental housing	**398,483**	356,203	303,713	289,028	277,660	**3,369,835**
Remodeling	**134,167**	125,047	111,549	102,180	91,443	**1,134,605**
Real estate management fees	**428,227**	408,404	393,978	378,248	361,989	**3,621,370**
Houses for Sale	**118,731**	133,405	127,810	127,123	146,471	**1,004,068**
Condominiums	**56,699**	63,084	52,539	39,682	77,185	**479,484**
Urban redevelopment	**178,345**	42,428	45,529	37,720	22,209	**1,508,203**
Overseas Business	**79,835**	85,393	54,845	24,264	–	**675,137**
Other	**91,191**	73,447	58,704	57,003	56,174	**771,171**
Consolidated	**1,912,722**	1,805,102	1,613,816	1,530,578	1,488,370	**16,175,239**

Amounts per share (Note 18)	Yen					U.S. dollars
	2015	2014	2013	2012	2011	**2015**
Net income per share	**¥ 130.91**	¥ 118.63	¥ 69.17	¥ 42.90	¥ 45.02	**$ 1.11**
Diluted	**125.22**	110.50	64.32	41.12	45.00	**1.06**
Net assets	**1,527.52**	1,358.60	1,200.63	1,107.43	1,090.67	**12.92**
Dividends	**50.00**	43.00	28.00	20.00	21.00	**0.42**

Ratios

	2015	2014	2013	2012	2011
Equity ratio	**55.38%**	52.63%	52.39%	51.45%	54.94%
Return on assets (ROA)*	**8.40%**	8.15%	5.96%	5.28%	4.34%
Return on equity (ROE)	**9.03%**	9.19%	5.99%	3.91%	4.19%
DE ratio	**32.92%**	31.14%	33.31%	35.67%	28.77%

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

* See notes to consolidated financial statements.

Consolidated Balance Sheet

Sekisui House, Ltd. and Subsidiaries
January 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Assets			
Current assets:			
Cash and cash equivalents *(Note 19)*	**¥ 195,008**	¥ 181,324	**$ 1,649,116**
Short-term investments *(Notes 4, 10 and 19)*	**1,421**	1,854	**12,017**
Notes and accounts receivable :			
Affiliates	**908**	359	**7,679**
Trade *(Note 19)*	**53,944**	46,182	**456,186**
Other	**25,725**	24,187	**217,548**
Less allowance for doubtful accounts	**(1,258)**	(1,247)	**(10,639)**
	79,319	69,481	**670,774**
Inventories *(Notes 5 and 10)*	**787,354**	753,594	**6,658,385**
Deferred income taxes *(Note 11)*	**35,272**	47,402	**298,283**
Other current assets	**30,893**	24,934	**261,252**
Total current assets	**1,129,267**	1,078,589	**9,549,827**
Property, plant and equipment, at cost:			
Land *(Notes 6, 8 and 10)*	**301,089**	235,024	**2,546,207**
Buildings and structures *(Notes 6, 8 and 10)*	**355,501**	322,606	**3,006,351**
Machinery, equipment and other *(Note 6)*	**98,939**	96,662	**836,693**
Construction in progress	**7,808**	15,258	**66,030**
	763,337	669,550	**6,455,281**
Less accumulated depreciation	**(219,625)**	(203,015)	**(1,857,294)**
Property, plant and equipment, net	**543,712**	466,535	**4,597,987**
Investments and other assets:			
Long-term loans receivable	**57,578**	47,250	**486,918**
Less allowance for doubtful accounts	**(591)**	(595)	**(4,998)**
	56,987	46,655	**481,920**
Investments in securities *(Notes 4, 10 and 19)*	**92,031**	94,825	**778,275**
Investments in affiliates *(Notes 7, 10 and 19)*	**17,398**	11,605	**147,129**
Goodwill	**337**	567	**2,850**
Intangible assets	**15,787**	15,980	**133,505**
Deferred income taxes *(Note 11)*	**2,328**	14,235	**19,687**
Prepaid pension costs *(Note 12)*	**–**	1,176	**–**
Asset for retirement benefits *(Note 12)*	**28,780**	–	**243,383**
Other assets *(Note 10)*	**42,783**	38,838	**361,801**
Total investments and other assets	**256,431**	223,881	**2,168,550**
	¥ 1,929,410	¥ 1,769,005	**$16,316,364**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Liabilities and net assets			
Current liabilities:			
Short-term loans *(Notes 9 and 10)*	**¥ 67,975**	¥ 38,009	**$ 574,841**
Short-term bonds *(Note 9)*	**20,000**	–	**169,133**
Current portion of long-term debt and lease obligation *(Notes 9,10 and 19)*	**81,273**	45,787	**687,298**
Notes and accounts payable *(Note 19)* :			
Affiliates	**2,786**	3,503	**23,560**
Trade	**158,044**	171,223	**1,336,524**
Accrued income taxes *(Note 11)*	**23,391**	31,086	**197,810**
Advances received on construction projects in progress	**102,324**	116,352	**865,319**
Allowance for employees' bonuses	**25,461**	24,899	**215,315**
Allowance for directors' and corporate auditors' bonuses	**1,055**	961	**8,922**
Allowance for warranties for completed construction	**3,244**	3,484	**27,433**
Other current liabilities	**76,682**	67,356	**648,475**
Total current liabilities	**562,235**	502,660	**4,754,630**
Long-term liabilities:			
Long-term debt and lease obligation *(Notes 9, 10 and 19)*	**182,483**	206,064	**1,543,197**
Guarantee deposits received *(Note 10)*	**59,909**	54,802	**506,630**
Accrued retirement benefits for employees *(Note 12)*	**–**	55,038	**–**
Accrued retirement benefits for directors and corporate auditors	**1,057**	978	**8,939**
Liabilities for retirement benefits *(Note 12)*	**17,550**	–	**148,414**
Deferred income taxes	**12,916**	203	**109,226**
Other liabilities	**14,195**	7,845	**120,042**
Total long-term liabilities	**288,110**	324,930	**2,436,448**
Contingent liabilities *(Note 14)*			
Net assets:			
Shareholders' equity *(Notes 15 and 24)*:			
Common stock:			
Authorized: 1,978,281,000 shares			
Issued: 699,845,934 shares in 2015 and 686,895,078 shares in 2014	**197,716**	191,559	**1,672,017**
Capital surplus	**248,684**	243,218	**2,103,036**
Retained earnings	**466,950**	413,447	**3,948,837**
Less treasury stock, at cost	**(500)**	(1,380)	**(4,228)**
Total shareholders' equity	**912,850**	846,844	**7,719,662**
Accumulated other comprehensive income:			
Net unrealized holding gain on securities	**28,203**	27,612	**238,503**
Deferred gain on hedges	**0**	48	**0**
Translation adjustments	**91,168**	56,441	**770,977**
Retirement benefits liability adjustements	**36,202**	–	**306,148**
Total accumulated other comprehensive income	**155,573**	84,101	**1,315,628**
Stock subscription rights *(Notes 15 and 24)*	**537**	474	**4,541**
Minority interests	**10,105**	9,996	**85,455**
Total net assets	**1,079,065**	941,415	**9,125,286**
	¥ 1,929,410	¥ 1,769,005	**$16,316,364**

∗See notes to consolidated financial statements.

Consolidated Statement of Income

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Net sales *(Note 21)*	**¥ 1,912,722**	¥ 1,805,102	**$16,175,239**
Cost of sales	**1,544,275**	1,446,602	**13,059,408**
Gross profit	**368,447**	358,500	**3,115,831**
Selling, general and administrative expenses *(Note 16)*	**221,851**	226,570	**1,876,119**
Operating income	**146,596**	131,930	**1,239,712**
Other income (expenses):			
Interest and dividend income	**3,444**	2,961	**29,125**
Interest expense	**(1,108)**	(995)	**(9,370)**
Loss on sales or disposal of fixed assets	**(1,275)**	(1,471)	**(10,782)**
Equity in earnings of affiliates	**5,307**	2,848	**44,879**
Foreign exchange gains, net	**3,478**	909	**29,412**
Gain on sales of investments in securities *(Note 4)*	**6,155**	–	**52,051**
Loss on revaluation of investments in securities	**(7,186)**	(37)	**(60,770)**
Loss on impairment of fixed assets *(Note 6)*	**(1,913)**	(4,234)	**(16,178)**
Gain on bargain purchase of subsidiary's shares	**–**	327	**–**
Other, net	**(1,290)**	282	**(10,908)**
Income before income taxes and minority interests	**152,208**	132,520	**1,287,171**
Income taxes *(Note 11)*:			
Current	**43,759**	49,584	**370,055**
Deferred	**16,131**	(195)	**136,414**
	59,890	49,389	**506,469**
Income before minority interests	**92,318**	83,131	**780,702**
Minority interests in earnings of subsidiaries	**(2,093)**	(3,330)	**(17,700)**
Net income	**¥ 90,225**	¥ 79,801	**$ 763,002**

∗See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Income before minority interests	**¥ 92,318**	¥ 83,131	**$ 780,702**
Other comprehensive income:			
Net unrealized holding gain on securities	**588**	15,649	**4,972**
Deferred (loss) gain on hedges	**(46)**	91	**(389)**
Translation adjustments	**34,182**	39,741	**289,065**
Share of other comprehensive income of affiliates accounted for by the equity method	**719**	300	**6,080**
Total other comprehensive income	**35,443**	55,781	**299,728**
Comprehensive income	**¥ 127,761**	¥ 138,912	**$1,080,430**
Total comprehensive income attributable to:			
Shareholders of Sekisui House, Ltd.	**¥ 125,495**	¥ 135,184	**$1,061,267**
Minority interests	**2,266**	3,728	**19,163**

∗See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2015

	Millions of yen											
						Accumulated other comprehensive income						
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Deferred gain on hedges	Translation adjustments	Retirement benefits liability adjustments	Stock subscription rights	Minority interests	Total net assets
Balance at February 1, 2013	**676,885,078**	**¥186,554**	**¥237,523**	**¥357,831**	**¥(4,219)**	**¥11,951**	**¥(45)**	**¥16,812**	-	**¥429**	**¥7,228**	**¥814,064**
Issuance of new shares..............	10,010,000	5,005	5,005	-	-	-	-	-	-	-	-	10,010
Net income for the year..............	-	-	-	79,801	-	-	-	-	-	-	-	79,801
Cash dividends...........................	-	-	-	(24,185)	-	-	-	-	-	-	-	(24,185)
Purchases of treasury stock........	-	-	-	-	(99)	-	-	-	-	-	-	(99)
Sales of treasury stock................	-	-	690	-	2,938	-	-	-	-	-	-	3,628
Other changes.............................	-	-	-	-	-	15,661	93	39,629	-	45	2,768	58,196
Balance at February 1, 2014	**686,895,078**	**¥191,559**	**¥243,218**	**¥413,447**	**¥(1,380)**	**¥27,612**	**¥48**	**¥56,441**	-	**¥474**	**¥9,996**	**¥941,415**
Issuance of new shares..............	12,950,856	6,157	6,733	-	-	-	-	-	-	-	-	12,890
Net income for the year..............	-	-	-	90,225	-	-	-	-	-	-	-	90,225
Cash dividends...........................	-	-	-	(33,073)	-	-	-	-	-	-	-	(33,073)
Purchases of treasury stock........	-	-	-	-	(15,266)	-	-	-	-	-	-	(15,266)
Sales of treasury stock................	-	-	(1,267)	(3,649)	16,146	-	-	-	-	-	-	11,230
Other changes.............................	-	-	0	-	-	591	(48)	34,727	36,202	63	109	71,644
Balance at January 31, 2015	**699,845,934**	**¥197,716**	**¥248,684**	**¥466,950**	**¥(500)**	**¥28,203**	**¥ 0**	**¥91,168**	**¥36,202**	**¥537**	**¥10,105**	**¥1,079,065**

	Thousands of U.S. dollars (Note 1)										
					Accumulated other comprehensive income						
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding gain on securities	Deferred gain on hedges	Translation adjustments	Retirement benefits liability adjustments	Stock subscription rights	Minority interests	Total net assets
Balance at February 1, 2014	**$1,619,949**	**$2,056,812**	**$3,496,381**	**$(11,670)**	**$233,505**	**$ 406**	**$477,302**	**$ -**	**$ 4,008**	**$84,533**	**$7,961,226**
Issuance of new shares...............	52,068	56,939	-	-	-	-	-	-	-	-	109,007
Net income for the year................	-	-	763,002	-	-	-	-	-	-	-	763,002
Cash dividends.............................	-	-	(279,687)	-	-	-	-	-	-	-	(279,687)
Purchases of treasury stock..........	-	-	-	(129,099)	-	-	-	-	-	-	(129,099)
Sales of treasury stock..................	-	(10,715)	(30,859)	136,541	-	-	-	-	-	-	94,967
Other changes...............................	-	0	-	-	4,998	(406)	293,675	306,148	533	922	605,870
Balance at January 31, 2015	**$1,672,017**	**$2,103,036**	**$3,948,837**	**$ (4,228)**	**$ 238,503**	**$ 0**	**$770,977**	**$306,148**	**$ 4,541**	**$85,455**	**$9,125,286**

∗See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2015

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2015	2014	**2015**
Cash flows from operating activities			
Income before income taxes and minority interests	**¥ 152,208**	¥ 132,520	**$ 1,287,171**
Adjustments for:			
Depreciation and amortization	**25,692**	22,582	**217,268**
Loss on impairment of fixed assets	**1,913**	4,234	**16,178**
Increase in asset for retirement benefits	**(462)**	–	**(3,907)**
Increase in prepaid pension costs	**–**	(1,176)	**–**
Decrease in liability for retirement benefits	**(8,589)**	–	**(72,634)**
Increase in accrued retirement benefits	**–**	1,823	**–**
Interest and dividend income	**(3,444)**	(2,961)	**(29,125)**
Interest expense	**1,108**	995	**9,370**
Equity in earnings of affiliates	**(5,307)**	(2,848)	**(44,879)**
Gain on sales of investments in securities	**(6,155)**	–	**(52,051)**
Gain on bargain purchase of subsidiary's shares	**–**	(327)	**–**
Loss on revaluation of investments in securities	**7,186**	37	**60,770**
Increase in notes and accounts receivable	**(7,464)**	(7,370)	**(63,121)**
Decrease (increase) in inventories	**28,970**	(85,405)	**244,989**
(Decrease) increase in notes and accounts payable	**(10,794)**	25,858	**(91,281)**
(Decrease) increase in advances received on construction projects in progress	**(14,580)**	28,060	**(123,298)**
Other	**7,313**	7,682	**61,844**
Subtotal	**167,595**	123,704	**1,417,294**
Interest and dividends received	**3,355**	2,823	**28,372**
Interest paid	**(2,233)**	(2,975)	**(18,884)**
Income taxes paid	**(51,358)**	(45,479)	**(434,317)**
Net cash provided by operating activities	**117,359**	78,073	**992,465**
Cash flows from investing activities			
Proceeds from sales of short-term investments	**1,045**	2,100	**8,837**
Proceeds from sales of property, plant and equipment	**247**	255	**2,089**
Purchases of property, plant and equipment	**(119,997)**	(75,930)	**(1,014,774)**
Proceeds from sales of investments in securities	**16,699**	689	**141,218**
Purchases of investments in securities	**(15,249)**	(5,233)	**(128,956)**
Increase in loans receivable	**(12,165)**	(5,526)	**(102,875)**
Collection of loans receivable	**3,404**	4,738	**28,786**
Other	**(2,513)**	(1,731)	**(21,251)**
Net cash used in investing activities	**(128,529)**	(80,638)	**(1,086,926)**
Cash flows from financing activities			
Proceeds from issuance of short-term bonds	**20,000**	–	**169,133**
Increase in short-term loans, net	**21,643**	14,179	**183,028**
Proceeds from issuance of bonds	**40,000**	–	**338,266**
Proceeds from long-term debt	**46,680**	98,807	**394,757**
Repayment of long-term debt	**(57,626)**	(87,511)	**(487,323)**
Cash dividends paid	**(33,073)**	(24,185)	**(279,687)**
Purchases of treasury stock	**(15,266)**	(99)	**(129,099)**
Other	**(2,747)**	(1,973)	**(23,230)**
Net cash provided by (used in) financing activities	**19,611**	(782)	**165,845**
Effect of exchange rate changes on cash and cash equivalents	**5,243**	5,429	**44,337**
Net increase in cash and cash equivalents	**13,684**	2,082	**115,721**
Cash and cash equivalents at beginning of the year	**181,324**	179,242	**1,533,395**
Cash and cash equivalents at end of the year	**¥ 195,008**	¥ 181,324	**$ 1,649,116**

∗See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Sekisui House, Ltd. and Subsidiaries
January 31, 2015

1. Basis of Preparation

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

Certain reclassifications of previously reported amounts have been made to confirm the accompanying consolidated financial statements for the year ended January 31, 2014 to the 2015 presentation. Such reclassifications had no effect on consolidated net income or net assets.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader and has been made at ¥118.25 = U.S.$1.00, the approximate rate of exchange in effect on January 31, 2015. This translation should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollar amounts at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

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

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

For consolidation purposes, the financial statements of the subsidiaries whose balance sheet date is March 31 were prepared as of and for the year ended January 31, 2015.

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

(b) Foreign currency translation

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

The financial statements of overseas subsidiaries are translated into yen at the rate of exchange in effect at the balance sheet date except that the components of net assets are translated at their historical exchange rates. The income statement accounts are translated at the average exchange rate during the year. Differences arising from the translations are included in "Translation adjustments" and "Minority interests" in the accompanying consolidated balance sheets.

(c) Cash and cash equivalents

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

(d) Short-term investments and investments in securities

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

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

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

(e) Inventories

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

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

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

(g) Goodwill

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

(h) Intangible assets (except for leased assets)

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

(i) Leases

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

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

(j) Income taxes

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

(k) Consumption taxes

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

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

(l) Allowance for doubtful accounts

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

(m) Allowance for employees’ bonuses

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

(n) Allowance for directors’ and corporate auditors’ bonuses

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

(o) Allowance for warranties for completed construction

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

(p) Retirement benefits

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

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

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

(q) Recognition of revenues and costs of construction contracts

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

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

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

(s) Research and development cost

Research and development cost is charged to income as incurred.

(t) Capitalization of interest expenses

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

For the years ended January 31, 2015 and 2014, interest expenses that were capitalized and included in inventories as part of “construction for sale, including projects under construction,” “land held for sale” and “land held for development” were ¥6,485 million ($54,841 thousand) and ¥2,479 million, ¥826 million ($6,985 thousand) and ¥854 million, and ¥1,039 million ($8,787 thousand) and ¥1,059 million, respectively.

(u) Derivative transactions and hedge accounting

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

(Accounting standards issued but not yet effective)

Accounting standards for retirement benefits

“Accounting Standard for Retirement Benefits” (Accounting Standards Board of Japan (“ASBJ”) Statement No.26) and “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25) were revised on May 17, 2012. However, in these accounting standards, Section 35 of the “Accounting Standard for Retirement Benefits” (ASBJ) Stantement No.26 and Section 67 of the “Guidance on Accounting Standard for Retirement Benefits” (ASBJ Guidance No.25) have not yet been adopted as of January 31, 2015.

Under these revised accounting standards, the accounting treatment of unrecognized actuarial gain or loss and prior service cost, calculation method of retirement benefit obligations and service cost and disclosures were mainly revised. These revisions were made considering the viewpoint of enhancing financial reporting and international convergence of accounting standards.

The Company and its domestic subsidiaries will adopt the above sections, which require the amendment of the calculation method of retirement benefit obligations and service cost effective February 1, 2015. At present, the Company is in the process of evaluating the impact on the consolidated financial statements from the adoption of the above

Sectioms.

Accounting standards for business combinations and consolidated financial statements

"Accounting Standard for Business Combinations" (ASBJ Statement No.21), "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No.10) and "Accounting Standard for Consolidated Financial Statements" (ASBJ Statement No.22) were revised on September 13, 2013. However, these accounting standards have not yet been adopted as of January 31, 2015.

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

(1) Any differences arising from the movement of ownership interests in its subsidiaries shall be accounted for as changes in capital surplus as long as the parent company retains control over its subsidiary. In addition, "Minority interests" in the current year's consolidated balance sheet will be changed to "non-controlling interests."

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

(3) If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, an acquirer shall report provisioned amounts for the items whose accounting is incomplete in its financial statements ("provisional accounting"). Under these revised accounting standards, if accounting for a business combination is completed during the next fiscal year (the "completion period") and consolidated financial statements for the completion period and those for the acquisition period are comparatively disclosed, the acquirer shall retrospectively adjust the provisional amounts recognized at the acquisition date to the completed amounts and shall reflect new information on facts and circumstances that existed as of the acquisition date. Such adjustments shall be recognized as if the accounting for the business combination had been completed at the acquisition date.

(4) "Income before minority interests" in the current year's consolidated statements of income will be changed to "net income" and "net income" in the current year's consolidated statements of income will be changed to "net income attributable to shareholders of the parent company."

The Company and its domestic subsidiaries will adopt these accounting standards effective the fiscal year ending January 31, 2017. However, provisional accounting will be adopted for business combinations conducted on or after February 1, 2016. At present, the Company is in the process of evaluating the impact on the consolidated financial statements from the adoption of these revised accounting standards.

3. Changes in Accounting Policies

(a) Changes in holding purposes of assets

Due to changes in holding purpose, ¥344 million ($2,909 thousand) and ¥47,901 million of inventories, which were mainly included in "Construction for sale, including projects under construction" and "Land held for sale," were principally reclassified to "Buildings and structures" and "Land" at January 31, 2015 and 2014, respectively. In addition, ¥17,283 million ($146,156 thousand) and ¥23,193 million of investment real estate and land for internal use, which were mainly included in "Buildings and structures" and "Land," were reclassified to "Construction for sale, including projects under construction" and "Land held for sale," classified as inventories in the accompanying consolidated balance sheets at January 31, 2015 and 2014, respectively.

(b) Accounting standards for retirement benefits

Effective the year ended January 31, 2015, the Company and its domestic subsidiaries adopted "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26 revised on May 17, 2012) and "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25 revised on May 17, 2012) (except for certain provisions described in the main clause of Section 35 of the standard and in the main clause of Section 67 of the guidance). These accounting standards require the Company and its domestic subsidiaries to apply a revised method for recording the retirement benefit obligations, after deducting pension plan assets, as a liability for retirement benefits. In addition, unrecognized actuarial differences and unrecognized prior service costs are recorded as a liability for retirement benefits. Concerning the application of the Accounting Standard for Retirement Benefits, based on the provisional treatment set out in Clause 37 of the standard, the effects of such changes in the current fiscal year have been recorded in retirement benefits liability adjustments through accumulated other comprehensive income.

As a result of the adoption of these revised accounting standards, asset for retirement benefits of ¥28,780 million ($243 million) and liability for retirement benefits of ¥17,550 million ($148 million) were recorded and accumulated other comprehensive income increased by ¥36,202 million ($306 million) as of January 31, 2015. In addition, net assets per share increased by ¥51.76 ($0.44) as of January 31, 2015.

4. Short-Term Investments and Investments in Securities

Held-to-maturity debt securities and other securities at January 31, 2015 and 2014 were as follows:

	Millions of yen							
	Held-to-maturity debt securities							
	2015				2014			
	Carrying value	Gross unrealized gain	Gross unrealized loss	Estimated fair value	Carrying value	Gross unrealized gain	Gross unrealized loss	Estimated fair value
Market value determinable:								
Bonds	**¥ 4,685**	**¥ 5**	**¥ (0)**	**¥ 4,690**	¥ 4,280	¥ 0	¥ (1)	¥ 4,279
	¥ 4,685	**¥ 5**	**¥ (0)**	**¥ 4,690**	¥ 4,280	¥ 0	¥ (1)	¥ 4,279

	Thousands of U.S. dollars			
	Held-to-maturity debt securities			
	2015			
	Carrying value	Gross unrealized gain	Gross unrealized loss	Estimated fair value
Market value determinable:				
Bonds	$ 39,620	$ 42	$ (0)	$ 39,662
	$ 39,620	$ 42	$ (0)	$ 39,662

	Millions of yen							
	Other securities							
	2015				2014			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Market value determinable:								
Equity securities	**¥41,863**	**¥41,980**	**¥ (343)**	**¥83,500**	¥39,513	¥40,290	¥ (223)	¥79,580
	¥41,863	**¥41,980**	**¥ (343)**	**¥83,500**	¥39,513	¥40,290	¥ (223)	¥79,580

	Thousands of U.S. dollars			
	Other securities			
	2015			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Market value determinable:				
Equity securities	$354,021	$355,011	$ (2,901)	$706,131
	$354,021	$355,011	$ (2,901)	$706,131

Sales of other securities for the years ended January 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Sales	**¥10,536**	¥ 25	**$ 89,099**
Gross realized gain	**6,155**	–	**52,051**

5. Inventories

Inventories at January 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Land held for sale	**¥457,694**	¥472,378	**$3,870,562**
Land held for development	**78,704**	81,139	**665,573**
Construction for sale, including projects under construction	**232,567**	178,221	**1,966,740**
Contracts in process	**8,647**	10,558	**73,125**
Other	**9,742**	11,298	**82,385**
	¥787,354	¥753,594	**$6,658,385**

Loss on devaluation of inventories included in cost of sales for the years ended January 31, 2015 and 2014 amounted to ¥2,173 million ($18,376 thousand) and ¥4,619 million, respectively.

6. Impairment of Fixed Assets

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

For the years ended January 31, 2015 and 2014, the Group has mainly written down certain real estate for lease to their respective net recoverable values. Consequently, the Group recorded losses on impairment of fixed assets of ¥1,913 million ($16,178 thousand) and ¥4,234 million in the accompanying consolidated statements of income for the years ended January 31, 2015 and 2014, respectively.

The losses on impairment of fixed assets for the years ended January 31, 2015 and 2014 are outlined as follows:

2015				
Location	Use	Classification	Millions of yen	Thousands of U.S. dollars
Nakamura-ku, Nagoya City etc.	Real estate for lease etc.	Buildings and structures	¥ 476	$ 4,025
		Machinery, equipment and other	15	127
		Land	1,422	12,026
			¥ 1,913	$ 16,178

2014			
Location	Use	Classification	Millions of yen
Nakahara-ku, Kawasaki City etc.	Real estate for lease	Buildings and structures	¥ 1,556
		Machinery, equipment and other	39
		Land	2,639
			¥ 4,234

The recoverable value of the above impaired fixed assets was measured at estimated net selling value. The net selling value amount is measured considering appraisals conducted by real estate appraisers.

7. Investments in Affiliates

Investments in affiliates at January 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Investments in capital stock, at cost	**¥ 6,978**	¥ 6,669	**$ 59,011**
Equity in undistributed earnings since acquisition, net	**10,420**	4,936	**88,118**
	¥ 17,398	¥ 11,605	**$ 147,129**

8. Investment and Rental Properties

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

For the years ended January 31, 2015 and 2014, rental profit and loss on impairment of these rental properties amounted to ¥6,377 million ($53,928 thousand) and ¥1,839 million ($15,552 thousand), and ¥4,866 million and ¥4,234 million, respectively.

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

The carrying value in the accompanying consolidated balance sheets as of January 31, 2015 and 2014 and corresponding fair value of those properties are as follows:

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

Millions of yen			
Carrying value			Fair value
January 31, 2013	Net change	January 31, 2014	January 31, 2014
¥ 292,246	¥ 72,264	¥ 364,510	¥ 387,996

Thousands of U.S. dollars			
Carrying value			Fair value
January 31, 2014	Net change	January 31, 2015	January 31, 2015
$ 3,082,537	$ 700,736	$ 3,783,273	$ 4,089,218

Notes:

1. The carrying value represents the acquisition cost less accumulated depreciation.
2. The main components of net change in carrying value are the increase of ¥112,511 million ($951,467 thousand) in acquisitions of real estate and the decrease of ¥16,517 million ($139,679 thousand) in transfer to inventories and of ¥10,883 million ($92,034 thousand) in depreciation

for the year ended January 31, 2015. The main components of net change in carrying value are the increase of ¥59,545 million in acquisitions of real estate and of ¥25,025 million in transfer from inventories and the decrease of ¥7,973 million in depreciation for the year ended January 31, 2014.

3. The fair value of main real estate is computed based on appraisal amounts valued by real estate appraisers. The fair value of the others is computed by the Group in accordance with "Real Estate Appraisal Standards."

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

Short-term loans consist of unsecured bank loans. The average interest rates on the short-term loans outstanding at January 31, 2015 and 2014 were 1.17% and 1.28%, respectively.

The interest rate on the short-term bonds outstanding at January 31, 2015 was 0.09%.

Long-term debt at January 31, 2015 and 2014 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Unsecured loans from banks and insurance companies at interest rates ranging from 0.35% to 6.78%, due from 2015 to 2017	**¥ 58,086**	¥ 80,550	**$ 491,214**
Unsecured bonds denominated in yen at an interest rate of 0.70%, due 2015	**70,000**	70,000	**591,966**
Zero-coupon unsecured convertible bonds with stock subscription rights, due 2016	**12,300**	36,390	**104,017**
Nonrecourse bank loans, at interest rates ranging from 3.24% to 7.38%, due from 2015 to 2023	**59,677**	42,429	**504,668**
Unsecured bonds denominated in yen at interest rates ranging from 0.11% to 0.31%, due 2017	**40,000**	20,000	**338,267**
Unsecured bonds denominated in yen at an interest rate of 0.18%, due 2019	**20,000**	–	**169,133**
Lease obligations	**3,693**	2,482	**31,230**
	263,756	251,851	**2,230,495**
Less current portion	**(81,273)**	(45,787)	**(687,298)**
	¥ 182,483	¥ 206,064	**$ 1,543,197**

Zero-coupon unsecured convertible bonds with stock subscription rights at the gross issuance amount of ¥12,300 million ($104,017 thousand) were convertible into shares of common stock of the Company at ¥991.1 ($8.4) per share at January 31, 2015 and are exercisable from July 19, 2011 to June 21, 2016.

The aggregate annual maturities of long-term debt subsequent to January 31, 2015 are summarized as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 81,273	$ 687,298
2017	111,434	942,360
2018	46,797	395,746
2019	150	1,269
2020 and thereafter	24,102	203,822
	¥263,756	$2,230,495

In order to achieve more efficient and flexible financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these lines of credit at January 31, 2015 and 2014 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Lines of credit	**¥ 260,342**	¥ 158,045	**$ 2,201,624**
Credit utilized	**91,772**	43,423	**776,085**
Available credit	**¥ 168,570**	¥ 114,622	**$ 1,425,539**

10. Mortgaged and Pledged Assets

At January 31, 2015 and 2014, the following assets were either mortgaged or pledged for guarantees of a third party bank loan, guarantee deposits received, short-term loans and long-term debt, including current portion and totaled ¥61,372 million ($519,002 thousand) and ¥47,069 million, respectively.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Inventories	**¥ 154,046**	¥ 128,466	**$ 1,302,715**
Land	**3,138**	4,653	**26,537**
Buildings and structures	**546**	2,654	**4,617**
Investments in affiliates	**32**	30	**271**
	¥ 157,762	¥ 135,803	**$ 1,334,140**

In addition, for the purpose of covering warranty obligations for latent defects on certain housing, ¥4,231 million ($35,780 thousand) and ¥3,225 million of investments in securities and ¥368 million ($3,112 thousand) and ¥1,039 million of short-term investments, and ¥100 million ($846 thousand) of other assets were deposited in accordance with relevant laws at January 31, 2015 and 2014, respectively.

11. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income which, in the aggregate, resulted in statutory tax rates of approximately 37.8% for the years ended January 31, 2015 and 2014. Overseas subsidiaries are subject to the income taxes of the countries in which they operate.

The reconciliations of the differences between the statutory tax rate and the effective tax rates for the years ended January 31, 2015 and 2014 were omitted because such differences are less than 5% of the statutory tax rate.

The significant components of the Group's deferred tax assets (liabilities) at January 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Loss on revaluation of real estate held for sale	**¥ 18,923**	¥ 30,814	**$ 160,025**
Allowance for employees' bonuses	**9,049**	9,460	**76,524**
Liability for retirement benefits	**6,760**	–	**57,167**
Accrued retirement benefits for employees	–	19,825	–
Accumulated losses on impairment of fixed assets	**6,185**	6,931	**52,305**
Loss on revaluation of securities	**3,170**	2,000	**26,808**
Unrealized gain on fixed assets	**2,842**	2,844	**24,034**
Tax loss carryforwards	**2,730**	3,779	**23,087**
Asset for retirement benefits	**(10,208)**	–	**(86,326)**
Net unrealized holding gain on securities	**(13,457)**	(12,470)	**(113,801)**
Other, net	**8,034**	7,054	**67,941**
Less valuation allowance	**(9,343)**	(8,803)	**(79,011)**
Net deferred tax assets	**¥ 24,685**	¥ 61,434	**$ 208,753**

On March 31, 2014, the “Act for Partial Revision of the Income Tax Act etc.” (Act. No. 10 of 2014) was officially issued and, accordingly, the special Japanese reconstruction corporate tax applicable to the Company and its domestic subsidiaries will not be applied effective the year ending January 31, 2016. Corresponding to this change, the statutory tax rate applied in calculating deferred income taxes was reduced from 37.8% to 35.4%.

As a result of the adoption, deferred tax assets, net of deferred tax liabilities, decreased by ¥1,175 million ($9,937 thousand), and income taxes – deferred (debit) increased by ¥1,175 million ($9,937 thousand) as of and for the year ended January 31, 2015.

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

As a result of this change, deferred tax assets, net of deferred tax liabilities, would have decreased by ¥1,894 million ($16,017 thousand) and income taxes – deferred (debit) and net unrealized holding gain on securities would have increased by ¥3,148 million ($26,622 thousand) and ¥1,254 million ($10,605 thousand), respectively, if these revised statutory tax rates were applied at January 31, 2015.

12. Retirement Benefit Plans

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

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

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

For the year ended January 31, 2015

Defined benefit pension plan

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

	Millions of yen	Thousands of U.S. dollars
	2015	**2015**
Retirement benefit obligations at beginning of the year	**¥ 246,082**	**$ 2,081,032**
Service cost	**8,905**	**75,307**
Interest cost	**4,692**	**39,679**
Actuarial loss	**1,201**	**10,156**
Retirement benefit paid	**(8,433)**	**(71,315)**
Prior service cost	**(28,316)**	**(239,459)**
Retirement benefit obligations at end of the year	**¥ (224,131)**	**$ (1,895,400)**

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

	Millions of yen	Thousands of U.S. dollars
	2015	**2015**
Plan assets at beginning fo the year	**¥ 207,488**	**$ 1,754,655**
Expected return on plan assets	**4,972**	**42,047**
Actuarial gain	**19,428**	**164,296**
Contributions paid by the Company	**10,835**	**91,628**
Retirement benefits paid	**(7,362)**	**(62,258)**
Plan assets at end of the year	**¥ 235,361**	**$ 1,990,368**

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

	Millions of yen	Thousands of U.S. dollars
	2015	**2015**
Funded retirement benefit obligation	**¥ 206,581**	**$ 1,746,985**
Plan assets at fair value	**(235,361)**	**(1,990,368)**
	(28,780)	**(243,383)**
Unfunded retirement benefit obligation	**17,550**	**148,414**
Net liability for retirement benefits in the balance sheet	**(11,230)**	**$ (94,969)**
Liability for retirement benefits	**17,550**	**$ 148,414**
Asset for retirement benefits	**(28,780)**	**(243,383)**
Net liability for retirement benefits in the balance sheet	**¥ (11,230)**	**$ (94,969)**

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

	Millions of yen	Thousands of U.S. dollars
	2015	**2015**
Service cost	**¥ 8,905**	**$ 75,307**
Interest cost	**4,692**	**39,679**
Expected return on plan assets	**(4,972)**	**(42,047)**
Amortization of actuarial gain	**(4,095)**	**(34,630)**
Amortization of prior service cost	**(1,950)**	**(16,491)**
Other	**467**	**3,949**
Retirement benefit expenses	**¥ 3,047**	**$ 25,767**

(Note)

Retirement benefit expenses of certain subsidiaries adopting the Simplified Method are included in “service cost.”

“Other” mainly consists of special retirement benefits paid to employees for the year ended January 31, 2015.

Unrecognized prior service cost and unrecognized actuarial gain included in accumulated other comprehensive income (before tax effect) as of January 31, 2015 are as follows:

	Millions of yen	Thousands of U.S. dollars
	2015	**2015**
Unrecognized prior service cost	**¥ 29,382**	**$ 248,473**
Unrecognized actuarial gain	**26,658**	**225,438**
Total	**¥ 56,040**	**$ 473,911**

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

	2015
Debt securities	**37%**
Equity securities	**29**
General accounts at insurance companies	**8**
Cash and deposits	**4**
Other	**22**
Total	**100%**

The expected rate of return on plan assets has been estimated considering the anticipated allocation to each asset class and the expected long-term rates of returns on assets held in each category.

The assumptions used in accounting for the above retirement benefit plans for the year ended January 31, 2015 are as follows:

The assumptions used in accounting for the above retirement benefit plans for the year ended January 31, 2015 are as follows:

	2015
Discount rate	2.0%
Expected long-term rate of return on plan assets	2.5%

Defined contribution pension plan

Total contributions paid by the domestic subsidiaries to the defined contribution plan for the year ended January 31, 2015 were ¥7 million ($59 thousand).

For the year ended January 31, 2014

The following table sets forth the funded and accrued status of the pension plans, and the amounts recognized in the accompanying consolidated balance sheets at January 31, 2014 for the Group's defined benefit pension plans:

	Millions of yen
	2014
Retirement benefit obligation at end of year	¥ (246,082)
Fair value of plan assets at end of year	207,488
Unfunded retirement benefit obligation	(38,594)
Unrecognized actuarial gain	(12,436)
Unrecognized prior service cost	(2,832)
Net retirement benefit obligation	(53,862)
Prepaid pension costs	1,176
Accrued retirement benefits	¥ (55,038)

Certain domestic subsidiaries have calculated their retirement benefit obligation using the Simplified Method.

The components of net retirement benefit expenses for the years ended January 31, 2014 were as follows:

	Millions of yen
	2014
Service cost	¥ 8,651
Interest cost	4,676
Expected return on plan assets	(7,151)
Amortization:	
Actuarial loss	7,852
Prior service cost	(1,000)
Additional retirement benefits paid	452
Contribution to a defined contribution plan	9
Retirement benefit expenses	¥ 13,489

The assumptions used in accounting for the defined benefit pension plans for the year ended January 31, 2014 were as follows:

	2014
Discount rate	2.0%
Expected rate of return on plan assets	4.0%

13. Asset Retirement Obligations

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

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

A breakdown of the total amount of the asset retirement obligations at January 31, 2015 and 2014 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Balance at beginning of the year	¥ 2,054	¥ 1,906	$ 17,370
Liability incurred for assets acquired	202	268	1,708
Accretion expense	18	18	152
Liabilities settled	(100)	(138)	(845)
Balance at end of the year	¥ 2,174	¥ 2,054	$ 18,385

Detailed information on the asset retirement obligations at January 31, 2015 and 2014 was omitted because the total amount of asset retirement obligations at January 31, 2015 and 2014 was less than 1% of the amount of total liabilities and net assets.

14. Contingent Liabilities

The Group had the following contingent liabilities at January 31, 2015:

	Millions of yen	Thousands of U.S. dollars
Guarantees of housing loans to customers	¥ 89,227	$ 754,562
Guarantees of bank loans of a third party	317	2,681
	¥ 89,544	$ 757,243

15. Shareholders' Equity

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

The Company's legal reserve included in retained earnings at January 31, 2015 and 2014 amounted to ¥23,129 million ($195,594 thousand) and ¥23,129 million, respectively.

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

Stock option plan

Stock option expenses per accounts for the years ended January 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Cost of sales	¥ 2	¥ 3	$ 17
Selling, general and administrative expenses	90	68	761

Description of each stock option plan as of January 31, 2015 is as follows:

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

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

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

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

	The 2006 plan	The 2007 plan	The 2008 plan	The 2009 plan	The 2010 plan	The 2011 plan	The 2012 plan	The 2013 plan	The 2014 plan
Number of stock options:									
Non-vested									
Outstanding at February 1, 2014	29,000	33,000	68,000	74,000	91,000	116,000	144,000	68,000	–
Granted	–	–	–	–	–	–	–	–	10,000
Forfeited	–	–	–	–	–	–	–	–	–
Vested	2,000	2,000	9,000	9,000	6,000	9,000	10,000	6,000	–
Outstanding at Janyuary 31, 2015	27,000	31,000	59,000	65,000	85,000	107,000	134,000	62,000	10,000
Vested									
Outstanding at February 1, 2014	5,000	6,000	16,000	16,000	10,000	12,000	3,000	–	–
Vested	2,000	2,000	9,000	9,000	6 ,000	9 ,000	10,000	6,000	–
Exercised	4,000	5,000	11,000	8,000	2,000	4,000	3,000	2,000	–
Forfeited	–	–	–	–	–	–	–	–	–
Outstanding at January 31, 2015	3,000	3,000	14,000	17,000	14,000	17,000	10,000	4,000	–
Exercise price (Yen)	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1	¥1
Average stock price at exercise (Yen)	¥1,335	¥1,444	¥1,276	¥1,333	¥1,250	¥1,250	¥1,250	¥1,250	–
Fair valu price at grant date (Yen)	–	¥1,571	¥876	¥681	¥717	¥592	¥495	¥1,071	¥974
Exercise price (USD)	$ 9	$ 9	$ 9	$ 9	$ 9	$ 9	$ 9	$ 9	$ 9
Average stock price at exercise (USD)	$11,290	$12,211	$10,791	$11,273	$10,571	$10,571	$10,571	$10,571	–
Fair value price at grant date (USD)	–	$13,285	$ 7,408	$ 5,759	$ 6,063	$ 5,006	$ 4,186	$ 9,057	$ 8,237

The fair value as of the grant date for stock options which were issued during the year ended January 31, 2015 was estimated using the Black-Scholes Option Pricing Model with the following assumptions:

	Note	The 2014 plan
Expected volatility	*1	26.087%
Expected remaining period	*2	10 years
Estimated dividend per share	*3	¥43 ($364)
Risk-free rate	*4	0.595%

*1 Expected volatility was computed by the actual prices of the Company during the period from June 2004 to May 2014.

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

*3 The estimated dividend per share was calculated at the actual amount for the year ended January 31, 2014.

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

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

Treasury stock

Movements in treasury stock during the years ended January 31, 2015 and 2014 are summarized as follows:

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

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

	Number of shares			
	2014			
	January 31, 2013	Increase	Decrease	January 31, 2014
Treasury stock	5,234,879	72,587	3,633,819	1,673,647

The increase in treasury stock consists of 72,277 shares resulting from the purchase of shares less than one unit by the Company and 310 shares of treasury stock attributable to the Company resulting from the purchase by an affiliate for the year ended January 31, 2014. The decrease in treasury stock consists of 819 shares resulting from sale of shares less than one unit by the Company, 33,000 shares resulting from the exercise of stock option plans and 3,600,000 shares resulting from the conversion of convertible bonds for the year ended January 31, 2014.

16. Research and Development Cost

Research and development cost charged to income amounted to ¥4,727 million ($39,975 thousand) and ¥4,507 million for the years ended January 31, 2015 and 2014, respectively.

17. Leases

(Lessee)

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

However, the related disclosures as of and for the years ended January 31, 2015 and 2014 were omitted because these amounts were immaterial.

Future minimum lease payments subsequent to January 31, 2015 under non-cancellable operating leases are summarized as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 4,270	$ 36,110
2017 and thereafter	16,253	137,446
	¥ 20,523	$ 173,556

(Lessor)

Lease receivables from finance lease transactions in which the ownership of the leased assets is not transferred to the lessee as of January 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Current assets:			
Gross lease receivables	**¥ 3,160**	¥ 2,208	**$ 26,723**
Less unearned interest income	**(18)**	(27)	**(152)**
Net lease receivables	**¥ 3,142**	¥ 2,181	**$ 26,571**

Contractual maturities of the above gross lease receivables subsequent to January 31, 2015 in which the ownership of the leased assets is not transferred to the lessee are as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 137	$ 1,159
2017	137	1,159
2018	137	1,159
2019	137	1,159
2020	125	1,057
2021 and thereafter	2,487	21,031
	¥ 3,160	$ 26,724

Contractual maturities of lease receivables from finance lease transactions subsequent to January 31, 2015 in which the ownership of the leased assets is transferred to the lessee are as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 142	$ 1,201
2017	142	1,201
2018	142	1,201
2019	143	1,209
2020	143	1,209
2021 and thereafter	3,357	28,389
	¥ 4,069	$ 34,410

Future minimum lease receipts subsequent to January 31, 2015 under non-cancellable operating leases are summarized as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2016	¥ 6,049	$ 51,154
2017 and thereafter	18,111	153,159
	¥ 24,160	$ 204,313

Lease receivables and lease obligations in which the ownership of the leased assets is not transferred to the lessee as of January 31, 2015 and 2014 under sub-lease transactions are as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Lease receivables:			
Current	**¥ 3,048**	¥ 2,071	**$ 25,776**
Lease obligations:			
Current	**117**	78	**989**
Non-current	**3,063**	2,043	**25,903**

18. Amounts per Share

Per share amounts as of and for the years ended January 31, 2015 and 2014 are as follows:

	Yen		U.S. dollars
	2015	2014	**2015**
Net income :			
Basic	**¥ 130.91**	¥ 118.63	**$ 1.11**
Diluted	**125.22**	110.50	**1.06**
Net assets	**1,527.52**	1,358.60	**12.92**
Cash dividends	**50.00**	43.00	**0.42**

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

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

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

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

Financial data for the computation of basic net income per share for the years ended January 31, 2015 and 2014 in the table above are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Information on basic net income per share:			
Net income	**¥ 90,225**	¥ 79,801	**$ 763,002**
Net income not attributable to common stockholders	**–**	–	**–**
Adjusted net income attributable to common stockholders	**¥ 90,225**	¥ 79,801	**$ 763,002**

	Thousands of shares	
	2015	2014
Weighted-average number of shares of common stock outstanding during the year	**689,205**	672,674

Financial data for the computation of net assets per share at January 31, 2015 and 2014 in the above table is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Total net assets	**¥1,079,065**	¥ 941,415	**$ 9,125,286**
Deductions from total net assets:			
Stock subscription rights	**(537)**	(474)	**(4,541)**
Minority interests	**(10,105)**	(9,996)	**(85,455)**
Total net assets attributable to common stockholders	**¥1,068,423**	¥ 930,945	**$ 9,035,290**

	Thousands of shares	
	2015	2014
Number of shares of common stock used in the calculation of net assets per share	**699,449**	685,221

19. Financial Instruments and Related Disclosures

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

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

Regarding derivative transactions, the Group enters into forward foreign exchange contracts and currency swap contracts to reduce the foreign currency exchange risk arising from trade receivables, payables, investments and loan receivables denominated in foreign currencies. The Group also enters into interest rate swap contracts to reduce the interest rate fluctuation risk. Notional amounts related to forward foreign exchange contracts are set within the amounts of import transactions denominated in foreign currencies. Notional amounts related to interest rate swap contracts are set within the amounts of interest-bearing debts. The Company also formally assesses, at the hedge's inception, whether the derivatives used in the hedging transactions are highly effective in offsetting any changes in fair values or cash flows of the hedged items. However, evaluation of effectiveness of forward foreign exchange contracts was omitted because the significant terms related to the hedged items and hedging instruments are the same and cash flows are also fixed. Further information regarding the method of hedge accounting can be found in Note 2 (u).

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

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

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

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

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

The carrying values of financial instruments on the accompanying consolidated balance sheets as of January 31, 2015 and 2014 and their estimated fair values are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Millions of yen			Thousands of U.S. dollars		
	2015			2015		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Cash and cash equivalents	¥ 195,008	¥ 195,008	¥ –	$ 1,649,116	$ 1,649,116	$ –
Notes and accounts receivable - trade	53,944			456,186		
Less allowance for doubtful accounts	(376)			(3,180)		
Sub total	53,568	53,568	–	453,006	453,006	–
Short-term investments and investments in securities and affiliates:						
Held-to-maturity debt securities	4,685	4,689	4	39,620	39,653	33
Investments in affiliates	3,471	2,007	(1,464)	29,353	16,973	(12,380)
Other securities	84,481	84,481	–	714,427	714,427	–
Total	341,213	339,753	(1,460)	2,885,522	2,873,175	(12,347)
Notes and accounts payable	160,830	160,830	–	1,360,084	1,360,084	–
Bonds	130,000	130,181	181	1,099,366	1,100,897	1,531
Long-term loans including current portion	117,763	117,768	5	995,882	995,924	42
Total	¥ 408,593	¥ 408,779	¥ 186	$ 3,455,332	$ 3,456,905	$ 1,573
Derivative transactions (*)	¥ 118	¥ 118	¥ –	$ 998	$ 998	$ –

	Millions of yen		
	2014		
	Carrying value	Estimated fair value	Difference
Cash and cash equivalents	¥ 181,324	¥ 181,324	¥ –
Notes and accounts receivable - trade	46,182		
Less allowance for doubtful accounts	(327)		
Sub total	45,855	45,855	–
Short-term investments and investments in securities and affiliates:			
Held-to-maturity debt securities	4,280	4,279	(1)
Investments in affiliates	3,471	2,198	(1,273)
Other securities	80,390	80,390	–
Total	315,320	314,046	(1,274)
Notes and accounts payable	174,726	174,726	–
Bonds	90,000	90,473	473
Long-term loans including current portion	122,979	123,009	30
Total	¥ 387,705	¥ 388,208	¥ 503
Derivative transactions (*)	¥ (204)	¥ (204)	¥ –

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

The fair values of cash and cash equivalents and notes and accounts receivable – trade approximate their carrying values since these items are settled in a short period of time.

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

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

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

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

Regarding derivative transactions, refer to Note 20.

Financial instruments for which it is extremely difficult to determine the fair value as of January 31, 2015 and 2014 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2015	2014	**2015**
Investments in special purpose entities	**¥ 590**	¥ 8,242	**$ 4,989**
Unlisted stocks	**16,623**	10,899	**140,575**
Preferred stocks	**999**	999	**8,448**
Investments in investment limited liability partnerships	–	3	–

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

The redemption schedules for cash and cash equivalents, notes and accounts receivable and short-term investments and investments in securities with maturities at January 31, 2015 are as follows:

	2015			
	Millions of yen			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	¥ 195,008	¥ –	¥ –	¥ –
Notes and accounts receivable	53,940	4	–	–
Short-term investments and investments in securities:				
Held-to-maturity debt securities (National government bonds)	440	4,249	–	–
Other securities with maturities (Debt securities)	981	–	–	–
Total	¥ 250,369	¥ 4,253	¥ –	¥ –

	2015			
	Thousands of U.S. dollars			
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and cash equivalents	$ 1,649,116	$ –	$ –	$ –
Notes and accounts receivable	456,152	34	–	–
Short-term investments and investments in securities:				
Held-to-maturity debt securities (National government bonds)	3,721	35,932	–	–
Other securities with maturities (Debt securities)	8,296	–	–	–
Total	$2,117,285	$ 35,966	$ –	$ –

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

20. Derivative Transactions and Hedging Activities

The contract value (notional principal amount) and the estimated fair value of the derivative instruments outstanding which did not qualify for deferral hedge accounting at January 31, 2015 and 2014 were as follows:

Currency-related transactions

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

Classification	Description of transaction	2014 Millions of yen Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value	Unrealized loss
Over-the-counter transactions	Currency swap contracts	¥ 8,542	¥ 611	¥ (277)	¥ (277)

Classification	Description of transaction	2015 Thousands of U.S. dollars Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value	Unrealized gain
Over-the-counter transactions	Currency swap contracts	$ 62,512	$ 21,362	$ 1,006	$ 1,006

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

The contract value (notional principal amount) and the estimated fair value of the derivative instruments outstanding which qualify for deferral hedge accounting at January 31, 2015 and 2014 was as follows:

Interest-rate related transactions

Method of hedge accounting	Description of transaction	Hedged items	2015 Millions of yen Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value
Deferral hedge accounting	Interest rate swap contracts Pay fixed / Receive floating	Long-term borrowings	¥ 1,719	¥ 1,719	¥ (1)

Currency-related transactions

Method of hedge accounting	Description of transaction	Hedged items	2014 Millions of yen Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value
Deferral hedge accounting	Forward foreign currency exchange contracts Buy- U.S. dollars	Accounts payable	¥ 1,650	¥ —	¥ 73

Interest-rate related transactions

Method of hedge accounting	Description of transaction	Hedged items	2015 Thousands of U.S. dollars Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value
Deferral hedge accounting	Interest rate swap contracts Pay fixed / Receive floating	Long-term borrowings	$ 14,537	$ 14,537	$ (9)

The fair value of the above derivative transactions is determined based on the prices provided by counterparty financial institutions at January 31, 2015 and 2014.

21. Segment Information

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

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

Details of the reportable segments are as follows:

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

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

Information on net sales, income or loss, assets and other items by each reportable segment for the years ended January 31, 2015 and 2014 is outlined as follows:

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

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

	Millions of yen					
	2014					
	Reportable segments					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Sales to third parties	¥ 517,691	¥ 356,203	¥ 125,047	¥ 408,404	¥ 133,405	¥ 63,084
Intersegment sales and transfers	–	4,535	632	3,185	–	–
Net sales	517,691	360,738	125,679	411,589	133,405	63,084
Segment income (loss)	¥ 65,814	¥ 36,492	¥ 14,038	¥ 20,064	¥ 8,143	¥ 3,979
Segment assets	¥ 83,025	¥ 43,907	¥ 12,996	¥ 90,425	¥ 137,125	¥ 131,124
Other items:						
Depreciation and amortization	5,705	2,213	105	1,424	1,066	90
Increase in property, plant and equipment and intangible assets	7,882	1,904	12	1,814	1,341	2

	Millions of yen						
	2014						
	Reportable segments						
	Urban redevelopment	Overseas	Sub Total	Other	Total	Adjustments	Consolidated
Sales to third parties	¥ 42,428	¥ 85,393	¥ 1,731,655	¥ 73,447	¥ 1,805,102	¥ –	¥ 1,805,102
Intersegment sales and transfers	135	–	8,487	6,512	14,999	(14,999)	–
Net sales	42,563	85,393	1,740,142	79,959	1,820,101	(14,999)	1,805,102
Segment income (loss)	¥ 8,562	¥ 8,581	¥ 165,673	¥ 1,691	¥ 167,364	¥ (35,434)	¥ 131,930
Segment assets	¥572,730	¥446,166	¥ 1,517,498	¥ 13,589	¥ 1,531,087	¥ 237,918	¥ 1,769,005
Other items:							
Depreciation and amortization	8,294	1,088	19,985	645	20,630	1,952	22,582
Increase in property, plant and equipment and intangible assets	109,109	1,561	123,625	2,371	125,996	4,247	130,243

	Thousands of U.S. dollars					
	2015					
	Reportable segments					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Sales to third parties	$3,611,366	$3,369,835	$1,134,605	$3,621,370	$1,004,068	$ 479,484
Intersegment sales and transfers	–	21,421	3,865	26,486	–	–
Net sales	3,611,366	3,391,256	1,138,470	3,647,856	1,004,068	479,484
Segment income (loss)	$ 413,480	$ 387,535	$ 126,833	$ 197,928	$ 71,814	$ 40,068
Segment assets	$ 610,326	$ 395,247	$ 111,366	$ 818,545	$1,202,926	$1,146,825
Other items:						
Depreciation and amortization	42,249	21,877	956	8,372	8,414	685
Increase in property, plant and equipment and intangible assets	31,611	6,004	152	4,719	4,820	25

	Thousands of U.S. dollars						
	2015						
	Reportable segments						
	Urban redevelopment	Overseas	Sub Total	Other	Total	Adjustments	Consolidated
Sales to third parties	$ 1,508,203	$ 675,137	$15,404,068	$ 771,171	$16,175,239	$ –	$16,175,239
Intersegment sales and transfers	1,091	–	52,863	48,051	100,914	(100,914)	–
Net sales	1,509,294	675,137	15,456,931	819,222	16,276,153	(100,914)	16,175,239
Segment income (loss)	$ 218,207	$ 37,370	$ 1,493,235	$ 26,410	$ 1,519,645	$ (279,933)	$ 1,239,712
Segment assets	$4,707,856	$5,340,880	$14,333,971	$ 120,812	$14,454,783	$1,861,581	$16,316,364
Other items:							
Depreciation and amortization	92,668	12,812	188,033	8,812	196,845	20,423	217,268
Increase in property, plant and equipment and intangible assets	949,218	3,467	1,000,016	1,328	1,001,344	26,571	1,027,915

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

Adjustments in the above tables:

The adjustments of segment income in the amounts of ¥33,102 million ($279,933 thousand) and ¥35,434 million for the years ended January 31, 2015 and 2014 are eliminations of intersegment transactions of ¥3,519 million ($29,759 thousand) and ¥4,200 million and corporate expenses of ¥29,583 million ($250,173 thousand) and ¥31,234 million, which were related to administration expenses and research and development costs, respectively.

The adjustments of segment assets in the amounts of ¥220,132 million ($1,861,581 thousand) and ¥237,918 million at January 31, 2015 and 2014, respectively, include corporate assets consisting of surplus funds held by the Company (cash and short-term investments), long-term investments (investments in securities) and assets of administration departments.

The adjustments of depreciation and amortization in the amounts of ¥2,415 million ($20,423 thousand) and ¥1,952 million for the years ended January 31, 2015 and 2014, respectively, consist of depreciation and amortization arising from corporate assets.

The adjustments of increase in property, plant and equipment and intangible assets in the amounts of ¥3,142 million ($26,571 thousand) and

¥4,247 million for the years ended January 31, 2015 and 2014, respectively, consist of the purchase of machinery and equipment by the Company.

The total amount of segment income (loss) in the above tables is adjusted to operating income of the accompanying consolidated statements of income for the years ended January 31, 2015 and 2014.

Information on each product and service for the years ended January 31, 2015 and 2014 was omitted because it was identical to that of the reportable segment information.

Geographical information and sales information by major customer for the years ended January 31, 2015 and 2014 was omitted because there were no items that meet the disclosure criteria.

Information on loss on impairment of fixed assets by reportable segment for the years ended January 31, 2015 and 2014 was as follows:

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

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

	Millions of yen					
	Year ended January 31, 2014					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Loss on impairment of fixed assets	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –

	Millions of yen					
	Year ended January 31, 2014					
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Loss on impairment of fixed assets	¥4,234	¥ –	¥ –	¥4,234	¥ –	¥4,234

	Thousands of U.S. dollars					
	Year ended January 31, 2015					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Loss on impairment of fixed assets	$ –	$ –	$ –	$ –	$ –	$ –

	Thousands of U.S. dollars					
	Year ended January 31, 2015					
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Loss on impairment of fixed assets	$15,560	$ –	$ –	$15,560	$ 618	$ 16,178

Information on amortization of goodwill and the remaining balance by reportable segment as of and for the years ended January 31, 2015 and 2014 was as follows:

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

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

	Millions of yen					
	As of and for the year ended January 31, 2014					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Amortization of goodwill	¥ 182	¥ –	¥ –	¥ 114	¥ 20	¥ –
Remaining balance	395	–	–	114	45	–

	Millions of yen					
	As of and for the year ended January 31, 2014					
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Amortization of goodwill	¥ –	¥ 10	¥ –	¥ 326	¥ –	¥ 326
Remaining balance	–	13	–	567	–	567

	Thousands of U.S. dollars					
	As of and for the year ended January 31, 2015					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Amortization of goodwill	$ 1,539	$ –	$ –	$ 964	$ 178	$ –
Remaining balance	1,793	–	–	–	203	–

	Thousands of U.S. dollars					
	As of and for the year ended January 31, 2015					
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Amortization of goodwill	$ –	$ 262	$ –	$ 2,943	$ –	$ 2,943
Remaining balance	–	854	–	2,850	–	2,850

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

The Company recorded ¥327 million of gain on bargain purchase of a subsidiary's shares. Information on gain on bargain purchase of a subsidiary's shares was recognized in the "Custom detached houses" segment for the year ended January 31, 2014.

22. Related Party Transactions

There are no items to be disclosed for the year ended January 31, 2015.

Principal transactions between the Company and its related parties during the year ended January 31, 2014 are summarized as follows:

		Millions of yen
Names of related parties	Description	2014
Katsuhiko Machida and a relative	Purchase of land	¥ 70
Relative of Shiro Inagaki	Construction of house	¥ 208
Relative of Takashi Uchida	Construction of house and sale of land	¥ 85

The prices for the transactions were determined using the same method as for third party transactions.

23. Other Comprehensive Income

The following table presents an analysis of other comprehensive income for the years ended January 31, 2015 and 2014.

	Millions of yen		Thousands of U.S. dollars
	2015	2014	2015
Net unrealized holding gain on securities:			
Amount arising during the year	¥ 7,417	¥ 23,024	$ 62,723
Reclassification adjustments for gains included in net income	(5,847)	–	(49,446)
Before tax effect	1,570	23,024	13,277
Tax effect	(982)	(7,375)	(8,305)
Net unrealized holding gain on securities	588	15,649	4,972
Deferred (loss) gain on hedges:			
Amount arising during the year	(74)	73	(626)
Reclassification adjustments for losses included in net income	–	65	–
Before tax effect	(74)	138	(626)
Tax effect	28	(47)	237
Deferred (loss) gain on hedges	(46)	91	(389)
Translation adjustments:			
Amount arising during the year	34,182	39,741	289,065
Share of other comprehensive income of affiliates accounted for by the equity method:			
Amount arising during the year	719	371	6,080
Reclassification adjustments for losses included in net income	–	(71)	–
Share of other comprehensive income of affiliates accounted for by the equity method	719	300	6,080
Total other comprehensive income	¥ 35,443	¥ 55,781	$ 299,728

24. Supplemental Information to Consolidated Statements of Cash Flows

During the years ended January 31, 2015 and 2014, stock subscription rights were exercised and the related convertible bonds converted to common stock without any cash settlement. As a result, the amount of convertible bonds and treasury stock decreased by ¥24,090 million ($203,721 thousand) and ¥13,610 million and ¥16,111 million ($136,245 thousand) and ¥2,910 million, respectively, common stock and capital surplus increased by ¥6,157 million ($52,068 thousand) and ¥5,005 million and ¥6,733 million ($56,939 thousand) and ¥5,005 million, respectively, while gain on disposal of treasury stock and loss on disposal of treasury stock, included in capital surplus, were recognized in the amounts of ¥246 million ($2,080 thousand) and ¥690 million and ¥5,158 million ($43,619 thousand) and nil, respectively, during the years ended January 31, 2015 and 2014.

25. Subsequent Events

(1) Cash dividends

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended January 31, 2015, was approved at a shareholders' meeting held on April 23, 2015:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥25 = U.S.$0.21 per share)	¥ 17,491	$ 147,915

(2) Issuance of bonds

Based on a resolution approved at a meeting of the Board of Directors held on October 16, 2014, the Company determined to issue unsecured bonds on April 20, 2015. Details of the bond issuance are as follows:

Description	The 17th Series of Sekisui House, Ltd. Bonds
Total issuance amount	¥15,000 million ($126,850 thousand)
Issue price	¥100 ($0.85) with a face value of ¥100 ($0.85)
Annual interest rate	0.125%
Maturity	April 20, 2018
Redemption method	All the bonds are redeemed at maturity.
Usage of funds	Redemption of bonds

Description	The 18th Series of Sekisui House, Ltd. Bonds
Total issuance amount	¥15,000 million ($126,850 thousand)
Issue price	¥100 ($0.85) with a face value of ¥100 ($0.85)
Annual interest rate	0.217%
Maturity	April 20, 2020
Redemption method	All the bonds are redeemed at maturity.
Usage of funds	Redemption of bonds

(3) Acquisition of treasury stock

The Company determined to acquire treasury stock in accordance with Article 156 and Article 165 (3) of the Law at a meeting of the Board of Directors held on March 5, 2015. Details of the acquisition of treasury stock are as follows:

Objective	In order to improve shareholder returns through flexible financing corresponding to the changes in the business environment and the improvement of return on equity
Class of treasury stock	Common stock
Total treasury stock the Company may acquire	13,000,000 shares, at maximum
Total acquisition amount	¥20,000 million ($169 million), at maximum
Acquisition period	From March 6, 2015 to July 31, 2015

Independent Auditor's Report

The Board of Directors
Sekisui House, Ltd.

We have audited the accompanying consolidated financial statements of Sekisui House, Ltd. and subsidiaries, which comprise the consolidated balance sheet as at January 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

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

Auditor's Responsibility
Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion
In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sekisui House, Ltd. and subsidiaries as at January 31, 2015, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

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

April 23, 2015
Osaka, Japan

Ernst & Young ShinNihon LLC

Ernst & Young ShinNihon LLC
Auditors

Corporate Data

Outline of the Company

(As of January 31, 2015)

Established
August 1, 1960

Capital Stock Issued
¥197,716 million

Employees
22,913 (Consolidated)

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

Factories
Ibaraki, Shizuoka, Yamaguchi, Miyagi and Hyogo

Laboratory
Comprehensive Housing R & D Institute (Kyoto)

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

Stock Information

(As of January 31, 2015)

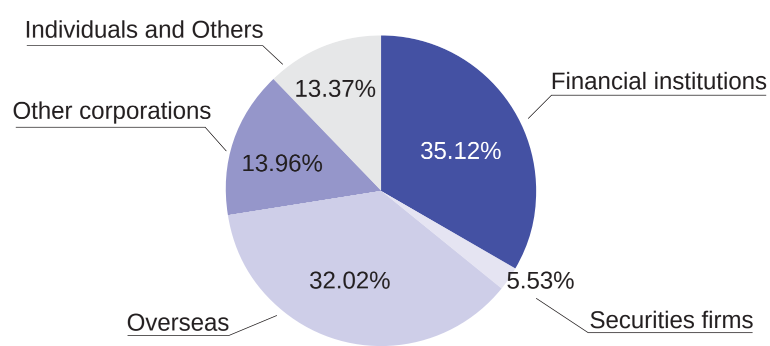
Stock Listing
Tokyo, Nagoya

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

Major Shareholders

	Name	Number of shares	Shareholding ratio (%)
1	Sekisui Chemical Co., Ltd.	62,168,727	8.89
2	The Master Trust Bank of Japan, Ltd. (Trust account)	38,091,400	5.44
3	Japan Trustee Services Bank, Ltd. (Trust account)	33,592,700	4.80
4	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,624,515	1.95
5	Employees' Stockholding	13,322,653	1.90
6	The Dai-ichi Life Insurance Company, Ltd.	12,158,730	1.74
7	STATE STREET BANK AND TRUST COMPANY 505225	11,687,761	1.67
8	Trust & Custody Services Bank, Ltd.(Investment trust collateral account)	9,779,104	1.40
9	THE BANK OF NEW YORK MELLON SA/NV 10	9,274,952	1.33
10	HSBC-FUND SERVICES BANK NEGARA MALYSIA-EQUITY	9,096,500	1.30

Stock Composition



Directors and Corporate Auditors
(As of April 23, 2015)

Chairman, Representative Director & CEO
Isami Wada

President, Representative Director & COO
Toshinori Abe

Executive Vice President & Director
Sumio Wada

Executive Vice President & Director & CFO
Shiro Inagaki

Directors
Teruyuki Saegusa
Shiro Wakui
Fumiaki Hirabayashi
Tetsuo Iku
Takashi Uchida
Fumiyasu Suguro
Kunpei Nishida

Standing Corporate Auditors
Tadashi Iwasaki
Kengo Yoshida

Corporate Auditors
Takaharu Dohi
Yoshinori Shinohara
Koichi Kunisada

Executive Officers
(As of April 23, 2015)

Executive Vice President
Sumio Wada
Shiro Inagaki

Senior Managing Officers
Fumiaki Hirabayashi
Tetsuo Iku
Takashi Uchida

Managing Officers
Fumiyasu Suguro
Kunpei Nishida
Motohiko Fujiwara
Koji Nakata
Noboru Ashida
Hiroyuki Sato
Yosuke Horiuchi

Executive Officers
Michio Yoshizaki
Hisao Yamada
Yuichi Matsushima
Kazushi Mitani
Haruyuki Iwata
Daisuke Akamatsu
Akira Kuroda
Kenichi Ishida
Osamu Minagawa
Osamu Otani
Noriaki Ogata
Toshikazu Shimanuki
Futoshi Teramura
Kazuchika Uchiyama
Hideyuki Kamijyo
Toshiharu Miura
Yoshihiro Nakai
Toru Ishii

ANNUAL REPORT 2015

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