

Annual Report 2015  
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© 2015 Advanced Design Model, concept housing

## Corporate Profile

Misawa Homes Co., Ltd., the pillar of today's Misawa Homes Group, is a leader in the development, manufacture and sale of homes. Established in 1967 with a pioneering wood panel adhesion system for prefabricated housing construction, the Company has consistently emphasized maintenance and improvement of asset value over the long term in the supply of quality homes—a position reflected in the corporate motto, “Lifelong commitment to customers through housing.”

Our core business is the sale of single-family and rental apartment houses, and we have supplied in excess of 1.2 million homes in total. In addition to the core housing business, we are directing efforts into housing-related pursuits, such as remodeling, real estate brokerage and housing for seniors, including the design, construction and operation of senior care facilities.

Misawa-brand homes are well-regarded for their innovative design features as well as technological excellence. Our reputation is validated by the fact that we have been a recipient of the Good Design Award from the Japan Institute of Design Promotion for 25 consecutive years.

Misawa Homes has also been involved in the design and construction of most of the facilities at Showa Station in Antarctica. Being chosen to build the facilities demonstrates the sophistication characteristic of Misawa-brand homes that make life pleasant and safe even in a harsh environment like Antarctica.

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### Cautionary Statement with Regard to Forward-Looking Statements

Certain of the statements made in this annual report are forward-looking statements, which involve certain risks and uncertainties that could cause actual results to differ materially from those projected. Readers are cautioned not to place undue reliance on these forward-looking statements, which are based on management's assumptions and beliefs in light of the information currently available. Misawa Homes undertakes no obligation to republish revised forward-looking statements to reflect events or circumstances after the date thereof or to reflect the occurrence of unanticipated events.

### Expanding beyond home-building operations to offer housing-related solutions matched to changing lifestyles.

#### Medium-term Management Plan

Housing starts are likely to decrease over the medium to long term, as Japan's population shrinks and the number of households declines. The Misawa Homes Group relies heavily on new home construction—a business area comprising nearly 60 percent of net sales—so we, as a group, will have to pursue greater diversification of revenue sources to ensure sustainable growth.

Against this backdrop, we drafted a medium-term management plan for the Group, with fiscal 2015 as the first year. The underlying strategy of this three-year plan is to expand the scope of corporate activity beyond our core home-building operations to encompass all aspects of people's varied and changing lifestyle needs and to facilitate business diversification through vigorous investment in stock-based business areas, particularly home remodeling, asset utilization and real estate brokerage services. Ultimately, our goal is to be able to deliver all kinds of housing-related solutions through the products and services of the Group.

Through the medium-term management plan, we are also working toward greater optimization of the Group structure to take corporate value to the next level. In April 2015, we integrated the construction

subsidiaries of three home sales subsidiaries in the Tokyo metropolitan area, and established a new company directly under our—Misawa Homes'—control. This move enhances the flexibility of our construction system and reinforces associated capabilities. Also in April 2015, we transferred operations, including real estate brokerage and rental property management services, handled by four home sales subsidiaries in the Tokyo metropolitan area to a Misawa Homes subsidiary engaged in the same activities. By centralizing operations this way, we aim to expand and strengthen our real estate business in the Tokyo metropolitan area. In addition, looking ahead to October 2015, we plan to absorb four home sales subsidiaries in the Tokyo metropolitan area to bring sales activities directly under our control.

Going forward, we may promote similar structural reforms in other geographical areas as well, which will underpin enhanced management efficiency and expedite decision-making processes.

The Misawa Homes Group will continue to develop high-value-added products and technologies and highlight comprehensive expertise in home-related businesses. We will, of course, strive to fulfill our obligation as a builder, by building sturdy homes that protect the

lives of the people inside them when disasters such as earthquakes or fire occur. We will also direct concerted efforts into constructing homes that are safer, more secure and more comfortable, with particular weight given to creating disaster-ready communities with features that keep lifelines open in times of natural or man-made catastrophe and offset the impact of blackouts when commercial power supplies fail to match demand.

The support of shareholders and all stakeholders is integral to our mutual success.

July 2015



Nobuo Takenaka  
President and CEO



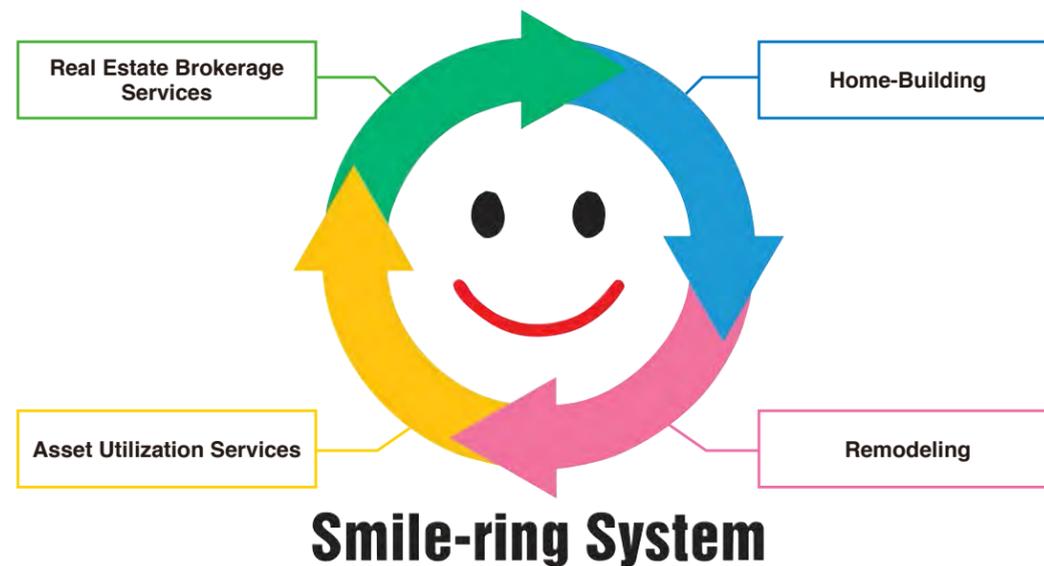
# Aim of the Medium-term Management Plan

We seek to be a company that can deliver all kinds of housing-related solutions by adding asset utilization services to the Smile-ring System\*, expanding corporate activities to encompass all aspects of people's varied and changing lifestyle needs, and diversifying our business activities.

- Maintain number of units sold, despite shrinking market for houses, by raising Misawa Homes' share.
- Invest aggressively in stock-based businesses, such as home remodeling, asset utilization and real estate brokerage services.
- Get sales ratio for home-building business and stock-based businesses closer to 50:50 (at 55:45, as of March 31, 2015)
- Visualize profits and losses in each business segment and optimize allocation of management resources.

## \*Smile-ring System

The Misawa Homes Group structure of services is a circle, beginning with construction of new homes, moving through after-sales services and maintenance to remodeling, and then support for real estate-related activities, such as sales and property rental and management. We call this concept the Smile-ring System. Under the medium-term management plan, we will expand the system menu by adding asset utilization services and extending the range of business activities and emphasis.



## Medium-term Management Plan

The underlying theme of the new plan—“MISAWA do all”—carries with it our desire to achieve all that we have yet to achieve and to do all that we should do by the time we reach our 50th anniversary, in October 2017. To realize our objective, we have five tasks, or missions, to complete, and steady progress will lead us to our final-year target of ¥500 billion in consolidated net sales in fiscal 2017.

- do all **Design** (Enrich product lineup)
- do all **Life Stage** (Reinforce stock-based services, such as home remodeling)
- do all **Area** (Enhance area presence and boost market share)
- do all **Correct** (Optimize Group structure)
- do all **Satisfaction** (Raise level of customer satisfaction)

### I do all Design (Enrich product lineup)

Develop products in four specific solution categories, and strive to enrich the product lineup, while offering a variety of construction methods to meet market needs.

- Develop products by promoting technology-driven solutions in four categories: environment, disaster-management, health and long-term use.
- Develop and introduce new products matched to market needs, such as premium homes custom designed by in-house certified designers working to special design guidelines.
- Promote new construction methods, such as our very own Future Wood System and fire-resistant construction, and strive to realize commercial application of these methods.

### II do all Life Stage (Reinforce stock-based services, such as home remodeling)

Position home remodeling, asset utilization and real estate brokerage services as stock-based businesses and reinforce associated operations.

- Add personnel and expand sales office network to extend reach of the home remodeling business to a wider market and strive for sales of ¥100 billion by the end of March 2017.
- Strengthen consulting capabilities and maximize know-how gained in the home-building business to develop asset utilization services, particularly for medical, nursing care and condominium sectors.
- Showcase ALBIO COURT to raise brand profile of MJ Wood conventional post-and-beam homes.
- Enhance real estate services, such as brokerage and the purchase and resale of existing homes.
- Expand property management operations and initiate asset management services.

## III do all Area (Enhance area presence and boost market share)

Reinforce marketing and strive to boost share in areas where the Group must expand its presence, especially metropolitan regions.

- Seek a higher share of the single-family home market, mainly through structural improvements and enhanced sales, design and construction activities among dealers of homes in metropolitan areas.
- Realign sales dealers and review respective operating areas.
- Actively open offices under head office control in areas where market share is low.
- Send employees overseas to expedite future business development in selected countries.

## IV do all Correct (Optimize Group structure)

Implement a thorough review of the Group structure so that activities can be better adapted to changes in the social environment and strive to cut costs while maintaining product quality by optimizing the allocation of management resources.

- Create a flexible system for construction activities by concentrating and integrating construction capabilities in metropolitan regions.
- Promote systemized construction sites and encourage construction workers to diversify their skills.
- Shift role of factories from production for Group companies to the supply of diversified services and functions encompassing production, construction and external sales.
- Review production and delivery formats, and promote cost reductions through such measures as standardization.
- Promote widespread use of shared services.

## V do all Satisfaction (Raise level of customer satisfaction)

Achieve a higher level of satisfaction among all stakeholders (customers, employees, shareholders, business partners, society and, by extension, the environment) by pushing forward with CSR management and fulfilling our social responsibility as a company.

- Make customer satisfaction a management priority of the highest level, and earn customers' trust.
- Actively implement measures to enhance returns to shareholders, particularly in regard to dividends and shareholder incentives.
- Seek corporate growth through initiatives that promote diversity, including measures to create a comfortable office environment for women and to support women keen to take on managerial responsibilities.
- Build win-win connections with business partners, mainly through alliances.
- Promote SUSTAINABLE 2015, a five-year environmental action plan, and strive to apply approaches that will contribute to a better environment on a global scale.

## ● Home-Building

In fiscal 2015, we combined forte design concepts and home design know-how and came up with a new approach for designer homes. We introduced INTEGRITY, which reflects the application of this new approach. The excellent design quality of INTEGRITY was very well-received by the market, substantiated by a Good Design Award in 2014.

We directed effort into the creation of environment-conscious homes. The Japanese government aims to make net zero energy housing (ZEH) design the standard for newly built homes by 2020. ZEH offsets energy used within a residence through energy generated by photovoltaic systems and other home-integrated renewable energy systems. Already ahead of the curve, Misawa Homes launched sales of SMART STYLE S in October 2014. This home achieves the ZEH designation through enhanced insulation and standard installation of a large-capacity photovoltaic power-generating system while keeping purchasing cost down.

The Japanese government also introduced a feed-in-tariff system for renewable energy to promote wider user of renewable energy. In 2013, Misawa Homes unveiled a home called Solar Max, that takes advantage of the feed-in-tariff system and enables homeowners to obtain considerable income from the sale of home-based power generation. In April 2014, we expanded the menu of building

structure designs and pricing for Solar Max to better address a wider scope of market needs.

To capture a share of the post-and-beam construction market, which represents nearly 80 percent of Japan's newly built single-family homes, we began sales of MJ Wood in 2009, a brand of conventional post-and-beam homes that is less expensive than our mainstay prefabricated homes. The scale of active interest grew in fiscal 2015, leading to sales of more than 1,000 units, largely thanks to the debut of new products and the establishment of Misawa MJ Home, which specializes in the sale of MJ Wood homes. Going forward, we will continue to reinforce our sales channels, especially in large urban centers, to boost sales still further.

In the subdivision homes business, we are expanding residential community development operations, a forte field that draws on the strengths of the Misawa Homes Group. Our emphasis is on the metropolitan Tokyo area and the Kansai and Chukyo regions, centered on Osaka and Nagoya, respectively, which present considerable market scale. In fiscal 2015, we initiated the launch of ALBIO COURT, a subdivision brand featuring MJ Wood while continuing to develop and sell environment-conscious "smart town" homes.



INTEGRITY, a designer home

## ● Remodeling

Heightened concerns about the environment in recent years has made the environment-friendly equipment and thermal insulation performance found in newly built homes quite attractive to owners of existing homes. In fiscal 2015, seeking to expand sales of environment-related remodeling services still further, we presented homeowners with solutions that turn existing homes into smart homes through such options as the installation of photovoltaic power-generating systems and energy-saving features.

To broaden the reach of the home-remodeling business to condominiums, we marketed Marm, a flat-rate condominium remodeling service that dismantles everything except the structure and completely revamps room layout, interior finishing as well as fixtures and appliances. In January 2014, we opened a showroom in Tokyo where we display mock remodeling made possible

through Marm.

Elsewhere, we are actively involved in barrier-free remodeling services for seniors as well as projects at hotels and Japanese *ryokan* (inns).



Showroom displaying Marm

## ● Asset Utilization Services

### Rental homes, condominium business

Our asset utilization business includes the construction and operation of rental homes, condominiums and senior care facilities. The construction of such buildings is an effective use of assets as it will provide stable rental income for households and present tax advantages. In Japan, the inheritance tax system was revised, effective January 2015, and the changes are expected to increase the applicable tax burden and the number of persons to whom the tax will apply. As a result, in fiscal 2015, we experienced a rise in demand for construction of rental homes as a way to utilize landholdings and lessen the inheritance tax burden.

In October 2014, we launched Belle Lead Come



Belle Lead Come True, a rental home

True, a rental home product with the anti-crime features and plenty of storage space that tenants seek, and worked diligently to expand sales of rental homes. Earlier, in April 2014, we launched sales of three-floor rental housing built using fire-resistant construction jointly developed with Toyota Housing Corporation to meet replacement demand for fire-resistant buildings in areas with a concentration of old wooden homes.

In the condominium business, Misawa Homes Chugoku Co., Ltd., a subsidiary, got involved in a redevelopment project in front of Hiroshima Station undertaken by the city of Hiroshima and began selling condominiums in the 46-floor Grand Cross Tower Hiroshima in July 2014.



Grand Cross Tower Hiroshima (conceptual drawing)

## Senior care services

Guided by the corporate motto “Lifelong commitment to customers through housing,” Misawa Homes and members of the Misawa Homes Group have been involved in senior care services for more than 20 years. In December 2014, we welcomed the completion of a senior care service facility in which we were responsible for overall planning and design supervision. The building was selected as a model project for senior housing advocated by the city of Tokyo. We are also actively involved in the construction of assisted-living accommodation for seniors, which is attracting attention as a new housing option for people in their later years. During fiscal 2015, four such facilities were opened. This brings to 36 the number of senior-oriented homes and care facilities operated under the Misawa Homes Group umbrella in Japan.

In addition, in April 2014, we teamed up with Mitsubishi UFJ Lease & Finance Company Limited and established a company to handle the operation of a nursing care facility, and continued to expand business in the nursing care field.



Nursing care facility designed by Misawa Homes

## ● Real Estate Brokerage Services

Demand for pre-owned homes and interest in remodeling is expected to grow in Japan, fueled by the government’s strategy to double the pre-owned home market as well as the remodeling market by 2020 and thereby build an inventory of quality homes for these markets. However, under prevailing home assessment methods in Japan, the asset value of homes is falling with every passing year, and the value of homes built 20 years ago hovers near zero. Within the Misawa Homes Group, we record and maintain the history on all Misawa-brand homes, including inspection and repair data, and we have tangible proof to showcase the qualities of our homes. In addition, we are involved in creating a reliable property transaction framework for sellers and buyers, underpinned by the establishment of new assessment criteria by ten major home builders and the introduction of appropriate pricing. We are also involved in HOMEVER, a system through which we purchase Misawa-brand homes, undertake any necessary maintenance and remodeling work, and then resell the homes with the Misawa quality guarantee.

In fiscal 2015, we targeted non-Misawa-brand buildings as well, and in July 2014, Misawa Homeing Co., Ltd., a subsidiary engaged in home remodeling, teamed up with a company specializing in housing fixtures to buy four units on the top floor of a high-rise condominium building in Tokyo. These units were remodeled and then sold.



A condominium in Tokyo, an example of HOMEVER

## ● Other Businesses

### Child-care support business

For some years now, the Misawa Homes Group has been involved in the design and construction of daycare centers in cooperation with a daycare center operator. Efforts have also been directed into research on homes best suited for raising children. In July 2014, a company was established with the daycare center operator to look into more ideal child-development environments. Also in fiscal 2015, the expertise of the Misawa Homes Group was applied to the design of two daycare centers and the construction of one daycare center. In other news, a Misawa Homes-designed daycare center that opened in April 2014 was recognized in the Eighth Kids' Design Awards as an excellent facility created with children in mind. Going forward, we are considering a wider range of activities, with an eye toward not only the construction but full operation of daycare centers.



A daycare center constructed by Misawa Homes

### Logistics business

With key logistics hubs in 19 locations across Japan, the Misawa Homes Group provides forwarding services through its own logistics network. We develop pallets that can be efficiently loaded with building materials and products of different sizes and use these pallets to provide logistics services mainly to other home builders and building material manufacturers. In fiscal 2015, we intensively promoted services across industry sectors, including transport of nursing care equipment and store fixtures and furnishings.

## Environmental and Social Contribution Activities

We set out a five-year environmental action plan, running from fiscal 2012 through fiscal 2016, and as a group we are involved in activities that promote a better environment. In fiscal 2015, we reduced lifecycle CO<sub>2</sub> emissions for newly built homes 51 percent over the 1990 baseline and achieved our target.

For seven straight years as of 2014, employees of Misawa Homes Group companies have been selected as members of the observation team to support Japan's Antarctic observation activities, with responsibility primarily for guiding construction work and executing repairs on structures at the Showa Station in Antarctica. Misawa Homes was commissioned to build many of the base structures, beginning in 1968, and to date has been involved in the construction of 35 buildings with floor space totaling 5,500 m<sup>2</sup>. Since fiscal 2012, several staff from the Antarctica observation team have visited schools and other locations to introduce the natural environment of Earth's southernmost continent and to highlight the team's activities. Last fiscal year, more than 24,000 children at 196 locations, mainly elementary and junior high schools, benefitted from these visits.



Antarctica class for elementary and junior high school students

## Consolidated Income

(Millions of yen)

	Fiscal 2013	Fiscal 2014	Fiscal 2015	Fiscal 2016 (Planned)
Net sales	¥394,697	¥426,033	¥409,795	¥428,000
Operating income	12,432	13,194	5,824	7,000
Net income	9,920	10,401	3,309	4,000

## Number of Homes Sold

(Units)

	Fiscal 2014	Fiscal 2015	Fiscal 2016 (Planned)
Custom homes	8,799	7,182	8,150
Lot-subdivision homes	878	860	1,130
Home Building Sub total	9,677	8,042	9,280
Rental homes (Buildings)	3,734 (1,285)	3,820 (1,299)	3,010 (1,040)
Multi-dwelling units and others	858	948	500
Asset Utilization Services Sub total	4,592	4,768	3,510
Total	14,269	12,810	12,790

## Number of Staff Employed

(Number of persons)

	Fiscal 2013	Fiscal 2014	Fiscal 2015
New home business	2,050	2,042	1,901
Home remodeling business	968	983	996
Design, construction, management	4,003	4,109	4,255
At all sales companies	7,021	7,134	7,152
Misawa Homes	673	669	704
Factories	991	977	900
Other affiliates	621	616	631
Total	9,306	9,396	9,387

**Toward a Low-Carbon Society**

To realize a low-carbon society, the Japanese government created a policy that encourages national and local public entities to take the initiative in using wood in the construction of public buildings. In line with the policy, Misawa Homes developed a proprietary method—Future Wood System (FWS)—that facilitates the construction of large post-and-beam buildings. In December 2014, an apartment house—a multifamily structure—was completed in Tokyo as the third building using this method. This is Misawa Homes’ first fire-resistant four-floor structure using wood panels. Going forward, we will enhance our R&D of FWS to expand activities related to the construction of large post-and-beam buildings, especially educational facilities and senior care facilities.



Exterior/interior of an apartment house built using the Future Wood System

**Smart Town Activities**

Events linked to the Great East Japan Earthquake led to tight supply and demand of electricity and heightened awareness of environmental issues, prompting greater need for effective utilization of energy. The situation sparked interest in the “smart house” concept, which emphasizes energy self-sufficiency and optimized energy usage. Another idea attracting attention these days is the “smart town”—or “smart community”—in which the entire community, not just individual households, embraces measures to optimize energy. The government is actually promoting smart town initiatives as a national policy.

The Misawa Homes Group is keen to see smart towns pop up all over Japan. In August 2014, smart town sales—73 homes in total—began in an area of Japan known for high summer temperatures. In this smart town, we took advantage of the conditions specific to the geographic location, such as wind flow and ecosystems, and also installed the latest energy-saving facilities that keep the entire community comfortably cool even when temperatures soar.

In Japan, temperatures, humidity, wind direction and other variables differ considerably depending on geographical location. As a result, Misawa Homes’ emphasis goes beyond the installation of advanced environment-conscious facilities to include a close look at the local climate and landscape as well as the ecosystem in each area to create smart towns. It is what distinguishes a Misawa-brand smart town from the rest. We will continue to actively promote the smart town concept to provide comfortable lifestyles in a safe and secure setting.



A “smart town”

**Consolidated Six-Year Summary  
Misawa Homes Co., Ltd. and Subsidiaries**

For the years ended March 31	Millions of yen						Thousands of U.S. dollars
	2015	2014	2013	2012	2011	2010	2015
<b>For the Year:</b>							
Net Sales	¥409,795	¥426,033	¥394,697	¥378,574	¥341,388	¥353,621	\$3,410,126
Cost of Sales	321,488	328,259	301,775	290,592	260,755	274,510	2,675,274
Gross Profit	88,307	97,774	92,922	87,982	80,633	79,111	734,852
Selling, General and Administrative Expenses	82,483	84,580	80,490	76,006	71,909	70,385	686,383
Operating Income	5,824	13,194	12,432	11,976	8,724	8,726	48,469
Income before Income Taxes and Minority Interests	3,962	11,854	11,488	11,147	3,877	4,862	32,970
Net Income	3,309	10,401	9,920	6,919	3,133	3,044	27,539
<b>At Year-End:</b>							
Total Assets	¥224,617	¥228,775	¥212,725	¥197,759	¥176,628	¥180,306	\$1,869,163
Total Net Assets	42,747	37,834	35,552	32,623	25,528	23,461	355,724
<b>Per Share Amounts (yen):</b>							
Net Income	¥ 88.73	¥ 279.91	¥ 254.55	¥ 180.95	¥ 84.60	¥ 82.15	\$ 0.74

Note: For the convenience of readers, amounts in U.S. dollars have been translated using the currency exchange rate at March 31, 2014 of ¥120.17=US\$1.

# Financial Review

## Operating Environment

In fiscal 2015, ended March 31, 2015, the domestic economy was affected by weak consumer spending, caused by an increase in the consumption tax, effective April 2014, but business conditions charted a gradual improvement, thanks to the government's economic policies and monetary easing by the Bank of Japan.

In the housing industry, housing starts hit 880,000 units, down 10.8 percent from the previous fiscal year, and marked the first year-on-year drop in five years. The decrease reflects a reactionary drop in demand following a rush of purchasing activity in fiscal 2014 ahead of the consumption tax increase as well as lackluster purchasing interest after the tax took effect.

In this context, the Misawa Homes Group implemented several measures in line with the three-year medium-term management plan launched in fiscal 2015.

The results achieved are described below.

## Net Sales

Consolidated net sales came to ¥409,795 million, down 3.8 percent, or ¥16,238 million, from the previous fiscal year. This is primarily due to lower order activity and reduced remodeling sales caused by the reactionary drop in demand following the rush of purchasing activity ahead of the consumption tax increase in April 2014, which continued longer than anticipated. But progress in business diversification, in line with the medium-term management plan, led to an increase in sales from the asset utilization business. Of note, sales of rental housing climbed 15.2 percent over the previous fiscal year, as revision of the inheritance tax system, effective January 2015, fueled interest in construction to utilize landholdings and lessen the inheritance tax burden.

## Operating Income

Consolidated operating income dropped 55.9 percent, or ¥7,370 million, to ¥5,824 million from the previous fiscal year. The result reflects higher costs owing mainly to enhanced product value and the rising costs of construction materials, which could not be offset by cost-cutting prescribed by our cost planning.

## Income before Income Taxes and Minority Interests

Consolidated income before income taxes and minority interests tumbled 66.6 percent, or ¥7,892 million, to ¥3,962 million.

## Net Income

Consolidated net income retreated 68.2 percent, or ¥7,091 million, to ¥3,309 million.

## Financial Position

Total assets at the end of March 2015 stood at ¥224,617 million, down ¥4,157 million from a year earlier, primarily reflecting outflow to purchase land and housing for sale and a decrease in cash and bank deposits paralleling a reduction in advances received on uncompleted contracts. Total liabilities settled at ¥181,870 million, down ¥9,071 million from a year earlier, mainly due to the decrease in advances received on uncompleted contracts and lower notes and accounts payable, trade. Net assets came to ¥42,747 million, up ¥4,913 million from the previous fiscal year mainly due to the recording of net income.

## Cash Flow Status

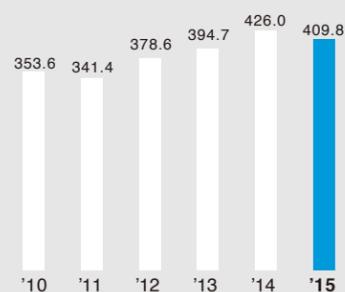
Cash and cash equivalents at the end of March 2015 amounted to ¥44,992 million, down ¥9,594 million from a year earlier. The change reflects combined outflow of ¥16,605 million from net cash used by operating activities and investing activities, which overshadowed ¥7,026 million provided by financing activities.

Net cash used in operating activities was ¥9,398 million, compared with ¥15,381 million provided by operating activities a year earlier. This reversal is mainly due to a decrease in advances received on uncompleted contracts.

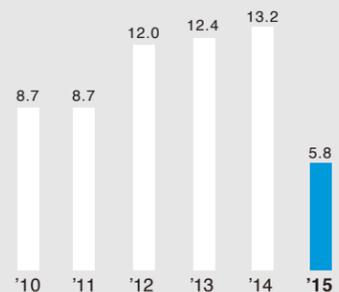
Net cash used in investing activities was ¥7,207 million, down ¥972 million from a year earlier. The primary application of funds was the purchase of fixed assets under property, plant and equipment, including construction of model homes for display purposes.

Net cash provided by financing activities was ¥7,026 million, compared with ¥9,804 million used by financing activities a year earlier. The main reason for this reversal in position is a net increase in short-term bank loans.

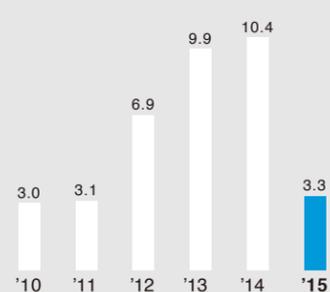
▼ Net Sales (Billions of yen)



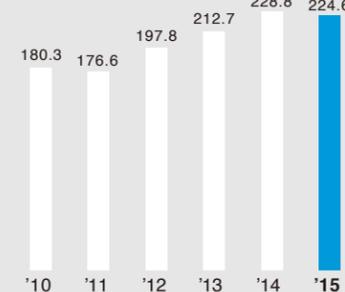
▼ Operating Income (Billions of yen)



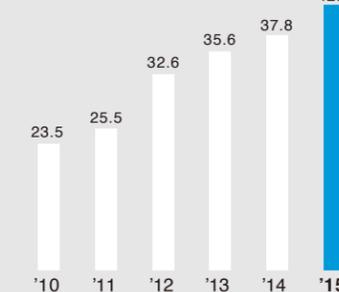
▼ Net Income (Billions of yen)



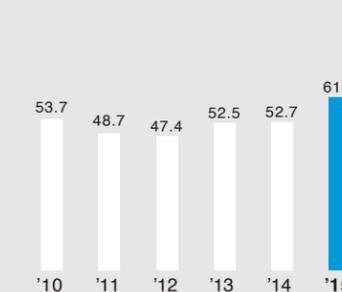
▼ Total Assets (Billions of yen)



▼ Total Net Assets (Billions of yen)



▼ Interest-Bearing Debt (Billions of yen)



MISAWA HOMES CO., LTD. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	Millions of yen		Thousands of U.S. dollars (Note 6)
	March 31		March 31,
	2015	2014	2015
<b>ASSETS</b>			
Current assets:			
Cash and bank deposits (Notes 8 and 20)	¥45,548	¥54,902	\$379,029
Notes and accounts receivable, trade (Note 8)	7,150	7,556	59,500
Land and housing for sale (Note 11)	48,264	45,311	401,632
Cost of uncompleted contracts (Note 11)	31,132	31,113	259,065
Merchandise and finished goods	1,761	1,310	14,651
Work in process	224	266	1,863
Raw materials and supplies	2,118	2,151	17,629
Deferred tax assets (Note 17)	4,417	7,238	36,760
Other current assets	9,579	9,619	79,710
Allowance for doubtful accounts	(356)	(215)	(2,965)
Total current assets	149,837	159,251	1,246,874
Property, plant and equipment (Notes 10 and 11):			
Buildings and structures	36,649	34,849	304,971
Machinery and equipment	6,845	5,958	56,962
Land	24,636	24,430	205,011
Other	6,955	6,901	57,875
	75,085	72,138	624,819
Less: Accumulated depreciation	(26,647)	(24,420)	(221,744)
Net property, plant and equipment	48,438	47,718	403,075
Intangible assets (Note 10):			
Other	8,986	8,281	74,781
Total intangible assets	8,986	8,281	74,781
Investments and other assets:			
Investment securities (Notes 7 and 8)	2,561	2,567	21,312
Deferred tax assets (Note 17)	3,517	1,255	29,266
Net defined benefit asset (Note 12)	2,244	1,138	18,670
Other (Notes 7 and 10)	10,656	10,258	88,677
Allowance for doubtful accounts	(1,622)	(1,693)	(13,492)
Total investments and other assets	17,356	13,525	144,433
Total assets	¥224,617	¥228,775	\$1,869,163

The accompanying notes are an integral part of these financial statements.

MISAWA HOMES CO., LTD. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED BALANCE SHEET

	Millions of yen		Thousands of U.S. dollars (Note 6)
	March 31		March 31,
	2015	2014	2015
<b>LIABILITIES AND NET ASSETS</b>			
Current liabilities:			
Short-term bank loans (Notes 8 and 11)	¥17,170	¥14,159	\$142,879
Current portion of long-term debt (Notes 8 and 11)	12,462	14,191	103,704
Notes and accounts payable, trade (Note 8)	48,405	52,629	402,802
Accounts payable, other	9,321	8,380	77,567
Accrued bonuses	5,513	6,426	45,872
Allowance for claim expenses	2,627	3,178	21,859
Advances received on uncompleted contracts	32,140	43,376	267,457
Deposits received	5,639	5,711	46,928
Income taxes payable	556	1,063	4,627
Deferred tax liabilities (Note 17)	38	17	320
Asset retirement obligations	116	24	968
Other current liabilities (Note 11)	4,641	4,319	38,620
Total current liabilities	138,628	153,473	1,153,603
Long-term liabilities:			
Long-term debt (Notes 8 and 11)	28,364	20,466	236,033
Deferred tax liabilities (Note 17)	1,382	1,009	11,498
Accrued pension and severance costs for directors and corporate auditors	816	824	6,793
Net defined benefit liability (Note 12)	2,856	5,054	23,768
Asset retirement obligations	1,223	1,171	10,178
Other long-term liabilities (Note 11)	8,601	8,944	71,566
Total long-term liabilities	43,242	37,468	359,836
Net assets:			
Shareholders' equity (Note 13):			
Capital stock:	10,000	10,000	83,215
		(Thousands of shares)	
		In 2015	In 2014
Common stock			
Authorized		150,000	150,000
Issued		38,739	38,739
Additional paid-in capital	3,203	3,400	26,654
Retained earnings	28,306	24,989	235,550
Treasury stock, at cost	(3,427)	(3,783)	(28,518)
Accumulated other comprehensive income:			
Net unrealized gains on other securities (Note 7)	751	617	6,247
Land revaluation difference	(449)	(449)	(3,735)
Foreign currency translation adjustments	63	91	526
Remeasurements of defined benefit plans (Note 12)	1,931	471	16,067
Minority interest in subsidiaries	2,369	2,498	19,718
Total net assets	42,747	37,834	355,724
Commitments and contingent liabilities (Note 22)			
Total liabilities and net assets	¥224,617	¥228,775	\$1,869,163

The accompanying notes are an integral part of these financial statements.

MISAWA HOMES CO., LTD. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF INCOME

	Millions of yen		Thousands of U.S. dollars (Note 6)
	Years ended March 31		Year ended March 31,
	2015	2014	2015
Net sales	¥409,795	¥426,033	\$3,410,126
Cost of sales (Note 18)	321,488	328,259	2,675,274
Gross profit	88,307	97,774	734,852
Selling, general and administrative expenses (Notes 18 and 21):			
Salaries and wages	39,806	40,980	331,250
Advertising	9,339	10,910	77,712
Sales promotion	7,065	6,578	58,789
Addition to allowance for claim expenses	1,374	1,228	11,436
Provision for accrued bonuses	3,383	4,016	28,152
Depreciation expenses	3,415	3,093	28,414
Other selling expenses	4,563	4,573	37,971
Other general and administrative expenses	13,538	13,202	112,659
Total selling, general and administrative expenses	82,483	84,580	686,383
Operating income	5,824	13,194	48,469
Non-operating income:			
Interest income	46	51	386
Income from commissions	144	197	1,199
Revenue from sales of electric power	176	99	1,467
Other	749	838	6,225
Total non-operating income	1,115	1,185	9,277
Non-operating expenses:			
Interest expenses	788	877	6,556
Pension and severance costs	352	352	2,928
Commission for syndicate loan	267	289	2,226
Other	326	162	2,712
Total non-operating expenses	1,733	1,680	14,422
Ordinary income	5,206	12,699	43,324
Other gains ("TOKUBETSU RIEKI"):			
Gain on sales of property, plant and equipment (Note 14)	53	152	444
Gain on sales of investment securities	121	8	1,009
Other	11	75	86
Total other gains	185	235	1,539
Other losses ("TOKUBETSU SONSHITSU"):			
Business structure improvement expenses (Note 19)	738	-	6,144
Impairment loss on long-lived assets (Note 10)	477	455	3,967
Loss on disposal of property, plant and equipment (Note 15)	143	106	1,188
Loss on devaluation of investment securities	8	15	68
Other	63	51	526
Addition to allowance for claim expenses	-	453	-
Total other losses	1,429	1,080	11,893
Income before income taxes and minority interest	3,962	11,854	32,970
Income taxes (Note 17):			
Current	640	1,758	5,326
Deferred	250	(454)	2,083
	890	1,304	7,409
Income before minority interest	3,072	10,550	25,561
Minority interest in subsidiaries	(237)	149	(1,978)
Net income	¥3,309	¥10,401	\$27,539

Per share:

Net income (Note 16) — Basic

Yen		U.S. dollars (Note 6)
Years ended March 31,		Year ended March 31,
2015	2014	2015
¥88.73	¥279.91	\$0.74

The accompanying notes are an integral part of these financial statements.

MISAWA HOMES CO., LTD. AND CONSOLIDATED SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Millions of yen		Thousands of U.S. dollars (Note 6)
	Years ended March 31		Year ended March 31, 2015
	2015	2014	
Income before minority interest	¥3,072	¥10,550	\$25,561
Other comprehensive income (Note 24):			
Net unrealized gains (losses) on other securities	147	(162)	1,222
Foreign currency translation adjustments	(45)	157	(370)
Remeasurements of defined benefit plans	1,472	-	12,248
Total other comprehensive income	1,574	(5)	13,100
Comprehensive income	¥4,646	¥10,545	\$38,661
Total comprehensive income attributable to:			
Shareholders of MISAWA HOMES CO., LTD.	¥4,875	¥10,344	\$40,571
Minority interest	(229)	201	(1,910)

The accompanying notes are an integral part of these financial statements.

MISAWA HOMES CO., LTD. AND CONSOLIDATED SUBSIDIARIES  
CONSOLIDATED STATEMENT OF CHANGES IN NET ASSETS

	Millions of yen											
	Shareholders' equity			Accumulated other comprehensive income								
	Number of shares issued	Common stock	Preferred Stock	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized gains on other securities	Land revaluation difference	Foreign currency translation adjustments	Remeasurements of defined benefit plans (Note 12)	Minority interest in subsidiaries
Balance at April 1, 2013	38,738,914	75	¥10,000	¥11,340	¥15,824	(¥4,071)	¥773	(¥449)	¥-	¥2,143	¥35,552	(1,236)
Cash dividends	-	-	-	-	(1,236)	(7,759)	-	-	-	-	(7,759)	-
Purchase of preferred stock	-	-	-	(7,759)	-	7,759	-	-	-	-	-	-
Retirement of preferred stock	-	-	-	-	10,401	-	-	-	-	-	10,401	-
Net income	-	-	-	-	-	(42)	-	-	-	-	(42)	-
Purchase of treasury stock	-	(75)	-	(181)	-	330	-	-	-	-	149	-
Disposal of treasury stock	-	-	-	-	-	-	-	-	-	-	-	769
Net changes in items other than those in shareholders' equity	-	-	-	-	-	-	(156)	-	471	-	355	-
Balance at March 31, 2014	38,738,914	-	¥10,000	¥3,400	¥24,989	(¥3,783)	¥617	(¥449)	¥91	¥471	¥2,498	¥37,834
Cumulative effects of changes in accounting policies	-	-	-	-	942	-	-	-	-	-	-	942
Restated balance at April 1, 2014	38,738,914	-	¥10,000	¥3,400	¥25,931	(¥3,783)	¥617	(¥449)	¥91	¥471	¥2,498	¥38,776
Cash dividends	-	-	-	-	(934)	-	-	-	-	-	-	(934)
Net income	-	-	-	-	3,309	-	-	-	-	-	-	3,309
Purchase of treasury stock	-	-	-	-	-	(4)	-	-	-	-	-	(4)
Disposal of treasury stock	-	-	-	(197)	-	360	-	-	-	-	-	163
Net changes in items other than those in shareholders' equity	-	-	-	-	-	-	134	-	(28)	1,460	(129)	1,437
Balance at March 31, 2015	38,738,914	-	¥10,000	¥3,203	¥28,306	(¥3,427)	¥751	(¥449)	¥63	¥1,931	¥2,369	¥42,747

Thousands of U.S. dollars (Note 6)

	Shareholders' equity							Accumulated other comprehensive income				
	Shareholders' equity			Net				Accumulated other comprehensive income				
	Capital stock	Additional paid-in capital	Retained earnings	Treasury stock, at cost	Net unrealized gains on other securities	Land revaluation difference	Foreign currency translation adjustments	Remeasurements of defined benefit plans (Note 12)	Minority interest in subsidiaries	Total net assets		
Balance at March 31, 2014	\$83,215	\$28,291	\$207,947	(\$31,476)	\$5,133	(\$3,735)	\$760	\$3,915	\$20,787	\$314,837	7,836	
Cumulative effects of changes in accounting policies	-	-	7,836	-	-	-	-	-	-	(7,772)	-	
Restated balance at April 1, 2014	\$83,215	\$28,291	\$215,783	(\$31,476)	\$5,133	(\$3,735)	\$760	\$3,915	\$20,787	\$322,673	7,836	
Cash dividends	-	-	(7,772)	-	-	-	-	-	-	(7,772)	-	
Net income	-	-	27,539	-	-	-	-	-	-	27,539	-	
Purchase of treasury stock	-	-	-	(32)	-	-	-	-	-	(32)	-	
Disposal of treasury stock	-	(1,637)	-	2,990	-	-	-	-	-	1,353	-	
Net changes in items other than those in shareholders' equity	-	-	-	-	1,114	-	(234)	12,152	(1,069)	11,963	-	
Balance at March 31, 2015	\$83,215	\$26,654	\$235,550	(\$28,518)	\$6,247	(\$3,735)	\$526	\$16,067	\$19,718	\$355,724	11,963	

The accompanying notes are an integral part of these financial statements.

## CONSOLIDATED STATEMENT OF CASH FLOWS

	Millions of yen		Thousands of U.S. dollars (Note 6)
	Years ended March 31		Year ended March 31,
	2015	2014	2015
Cash flows from operating activities:			
Income before income taxes and minority interest	¥3,962	¥11,854	\$32,970
Adjustments for:			
Depreciation and amortization	5,507	5,134	45,824
Amortization of goodwill	236	248	1,968
Increase in allowance for doubtful accounts	69	35	578
(Decrease) increase in other allowances	(1,832)	298	(15,246)
Interest and dividend income	(104)	(107)	(863)
Interest expenses	788	877	6,556
Gain on sales of investment securities	(121)	(8)	(1,009)
Impairment loss on long-lived assets	477	455	3,967
Loss (gain) on sales and disposal of property, plant and equipment	90	(46)	744
Decrease (increase) in notes and accounts receivable, trade	392	(509)	3,264
Increase in inventories	(3,265)	(11,269)	(27,169)
(Decrease) increase in notes and accounts payable, trade	(4,134)	4,510	(34,403)
(Decrease) increase in advances received on uncompleted contracts	(11,235)	9,947	(93,496)
Other	1,970	(1,610)	16,396
Subtotal	(7,200)	19,809	(59,919)
Interest and dividends received	106	108	883
Interest paid	(784)	(886)	(6,528)
Income taxes paid	(1,520)	(3,650)	(12,646)
Net cash (used in) provided by operating activities	(9,398)	15,381	(78,210)
Cash flows from investing activities:			
(Increase) decrease of time deposits with maturity over three months	(177)	10	(1,472)
Purchases of property, plant, equipment and intangible assets	(7,521)	(8,071)	(62,590)
Proceeds from sales of property, plant, equipment and intangible assets	506	1,305	4,207
Purchases of investment securities	(37)	(40)	(305)
Proceeds from sales of investment securities	300	56	2,497
Purchases of investments in subsidiaries	-	(2)	-
Other	(278)	507	(2,309)
Net cash used in investing activities	(7,207)	(6,235)	(59,972)
Cash flows from financing activities:			
Increase (decrease) in short-term bank loans	2,895	(12,518)	24,090
Proceeds from long-term debt	21,752	24,103	181,013
Repayments of long-term debt	(15,641)	(12,436)	(130,160)
Redemption of bonds	(100)	(230)	(832)
Cash dividends paid	(928)	(1,229)	(7,723)
Cash dividends paid to minority interest	(16)	(16)	(134)
Proceeds from sales of treasury stock	163	149	1,353
Payments for purchase of treasury stock	(4)	(7,801)	(32)
Proceeds from issuance to minority shareholders	74	143	612
Proceeds from sale and leaseback	-	1,054	-
Other	(1,169)	(1,023)	(9,720)
Net cash provided by (used in) financing activities	7,026	(9,804)	58,467

Effect of exchange rate changes on cash and cash equivalents

(15)

50

(127)

Net decrease in cash and cash equivalents

(9,594)

(608)

(79,842)

Cash and cash equivalents at the beginning of the year

54,586

55,194

454,242

Cash and cash equivalents at the end of the year (Note 20)

¥44,992

¥54,586

\$374,400

The accompanying notes are an integral part of these financial statements.

1. Basis of presenting consolidated financial statements:

Misawa Homes Co., Ltd. (the “Company”) and its subsidiaries maintain their records and prepare their financial statements in accordance with generally accepted accounting principles in Japan.

The accompanying consolidated financial statements of the Company and its consolidated subsidiaries and affiliates (collectively “Misawa Homes”) are prepared on the basis of accounting principles generally accepted in Japan, which are different in certain respects as to application and disclosure requirements of International Financial Reporting Standards, and are compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan.

The accompanying consolidated financial statements incorporate certain reclassifications and rearrangements in order to present them in a form that is more familiar to readers outside Japan. In addition, the notes to the consolidated financial statements include information that is not required under generally accepted accounting principles in Japan, but which is provided herein as additional information. However, none of the reclassifications or rearrangements has a material effect on the financial statements.

2. Summary of significant accounting policies:

(1) Consolidation and investments in affiliates

The accompanying consolidated financial statements include the accounts of the Company and those of its subsidiaries that are controlled by the Company. Under the effective control approach, all majority-owned companies are to be consolidated. Additionally, companies in which share ownership equals 50% or less may be required to be consolidated in cases where such companies are effectively controlled by other companies through the interests held by a party who has a close relationship with the parent company in accordance with Japanese accounting standards. All significant inter-company transactions and balance and unrealized inter-company profits are eliminated in consolidation.

Investments in affiliates in which Misawa Homes has significant influence are accounted for using the equity method. Consolidated income includes Misawa Homes’ current equity in net income or loss of affiliates after elimination of unrealized inter-company profits.

As of March 31, 2015 and 2014, the numbers of consolidated subsidiaries were 46 and 45, respectively. TRINITY CARE CO., LTD., Misawa Financial Service Co., Ltd. and MISAWA HOMES AUSTRALIA PTY. LTD are established and included in consolidation. MISAWA HOMEING HOKKAIDO CO., LTD. and Misawa Homes Toyama Co., Ltd. are merged within consolidated subsidiaries and excluded from consolidation. There were no subsidiaries and affiliates accounted for by the equity method as of March 31, 2015 and 2014. Misawa Homes of Dongguan Ltd. (China) and COCO Lab., Inc. are excluded from the application of the equity method since their net income (loss) and retained earnings, etc. are considered immaterial on the consolidated financial statements and were of little importance taken as a whole. The financial statements of Misawa Homes of Linyi Ltd. (China) are consolidated by using its financial statements as of the parent fiscal year end solely for consolidation purposes. The excess of the cost over the underlying net equity of investments in subsidiaries is recognized as “goodwill” included in the intangible assets account. “Goodwill” and “negative goodwill”, which incurred on or before March 31, 2010, is amortized on a straight-line basis over periods of mainly 10 years.

(2) Cash and cash equivalents

Cash and cash equivalents included in the consolidated financial statements are composed of cash on hand, bank deposits that may be withdrawn on demand and highly liquid investments purchased with original maturities of three months or less and which present little risk of fluctuation in value.

(3) Investment securities

Investment securities are classified into three categories in accordance with accounting principles generally accepted in Japan: 1) trading securities, 2) held-to-maturity debt securities, and 3) other securities. These categories are treated differently for purposes of measuring and accounting for changes in fair value.

Trading securities held for the purpose of generating profits from changes in market value are recognized at their fair value in the consolidated balance sheets. Unrealized gains and losses are included in current income.

Held-to-maturity debt securities are expected to be held to maturity and are recognized at historical or amortized cost in the consolidated balance sheets. Other securities for which market quotations are available are recognized at fair value in the consolidated balance sheets. Cost of these other securities sold is determined by the moving average method and unrealized gains and losses are reported as a separate component of net assets, net of taxes. Other securities for which market quotations are unavailable are stated at cost, primarily based on the moving average cost method. Other than temporary declines in the value of other securities are reflected in current income.

(4) Allowance for doubtful accounts

To provide for losses from on receivable accounts, the allowance is provided according to the actual rate of non-recovery for ordinary claims and in view of the probability of recovery for specific doubtful receivables.

(5) Inventories

Merchandise and finished goods, work in process and raw materials and supplies are stated at cost, which is primarily determined using the weighted average cost method, and are written down based on their decrease in profitability. Land and housing for sale and cost of uncompleted contracts are stated at cost, which is determined by the specific identification method, and are written down based on their decrease in profitability.

The write-downs of inventories recognized as an expense and included in cost of sales for the years ended March 31, 2015 and 2014 were ¥813 million (\$6,768 thousand) and ¥1,181 million, respectively.

(6) Property, plant and equipment (Excluding leased assets)

Property, plant and equipment, including significant renewals and improvements, are carried at cost less accumulated depreciation. Maintenance and repairs, including minor renewals and improvements, are charged to income as incurred. Depreciation of property, plant and equipment is mainly computed based on the declining-balance method over the period prescribed by the Corporate Tax Law.

The amount directly deducted from the acquisition costs of buildings and structures which were replaced by national subsidy at March 31, 2015 and 2014 were nil and ¥141 million, respectively.

(7) Intangible assets (Excluding leased assets)

Amortization of intangible assets excluding goodwill is computed on the straight-line method over the period prescribed by the Corporate Tax Law.

(8) Accrued bonuses

Accrued bonuses to employees are provided for the estimated amounts, which Misawa Homes is obligated to pay to employees after the fiscal year-end, based on services provided during the current period.

#### (9) Pension and severance costs

The benefit formula method is used for attributing projected benefit obligation to the period through the end of the fiscal year. Transition amounts resulting from the initial adoption of the new accounting method for employees' retirement benefits are amortized over 15 years. Prior service costs are amortized on a straight-line basis over certain periods (mainly 10 years) within the average remaining service periods. Unrecognized actuarial gains and losses are amortized starting from the beginning of the year following the year in which such actuarial gains or losses occurred on a straight-line basis over certain periods (mainly 10 years) within the average remaining service periods.

#### (10) Pension and severance costs for directors and corporate auditors

Accrued pension and severance costs for directors and corporate auditors had been recorded in the past as reserve for directors and corporate auditors' retirement benefits at the required amount at the end of the fiscal year, based on internally established standards.

#### (11) Allowance for claim expenses

Allowance for claim expenses is provided in amounts sufficient to cover possible claim expenses on completed contracts. It is provided based on the estimated amount of payments for future claims, which may be filed, on contracts completed during the year.

#### (12) Foreign currency translation and transactions

Foreign currency transactions are translated using foreign exchange rates prevailing at the respective transaction dates. Monetary assets and liabilities in foreign currencies are translated at the foreign exchange rates prevailing at the respective balance sheet dates and the resulting transaction gains or losses are taken into income currently. All the assets and liabilities and all the income and expense accounts of foreign subsidiaries are translated at the foreign exchange rates prevailing at the respective balance sheet dates. Foreign currency financial statement translation differences are recorded in the consolidated balance sheets as foreign currency translation adjustments and minority interest in subsidiaries in net assets.

#### (13) Income taxes

The provision for income taxes is computed based on income before income taxes and minority interest in the consolidated statements of income. The asset and liability approach is used to recognize deferred tax assets and liabilities for the expected future tax consequences of temporary differences between the carrying amounts and the tax basis of assets and liabilities.

#### (14) Research and development costs

Research and development costs are expensed as incurred.

#### (15) Land revaluation

Land used for operations was revaluated by certain consolidated subsidiaries in accordance with the Land Revaluation Law in the years ended March 31, 2000 and 2002. The revaluation amount, net of related taxes, is shown as land revaluation difference in net assets.

As of March 31, 2015 and 2014, the fair value of the revaluated land was less than its carrying value by ¥66 million (\$549 thousand) and ¥58 million, respectively.

#### (16) Leases

Leased assets under finance lease transactions in which ownership is not transferred to the lessees, which were entered into on or after April 1, 2008, are depreciated by the straight-line method to a residual value of zero. However, leased assets under finance lease transactions in which ownership is not transferred to the lessees, which were entered into prior to April 1, 2008, and previously accounted for as operating leases, continue to be accounted for as operating leases.

#### (17) Net income per share

Net income per share is computed based on the weighted average number of shares of common stock outstanding during each fiscal period.

#### (18) Appropriations of retained earnings

Appropriations of retained earnings reflected in the accompanying consolidated financial statements have been recorded after approval by the shareholders as required under the Companies Act of Japan.

#### (19) Reclassifications

Certain amounts in the prior year's financial statements have been reclassified to conform to the presentations for the year ended March 31, 2015.

#### (20) Recognition of revenues and costs on construction contracts

The percentage-of-completion method is applied for construction contracts for which the outcome of the construction in progress as of the balance sheet date is deemed certain, except for short-term construction contracts. The completed-contract method is applied to other construction contracts.

#### (21) Consumption taxes

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

#### (22) Consolidated taxation system

The Company and its certain domestic consolidated subsidiaries adopt the Japanese consolidated taxation system.

### 3. Changes in accounting policies:

#### Adoption of Accounting Standard for Retirement Benefits

The Company and its domestic subsidiaries adopted Section 35 of "Accounting Standard for Retirement Benefits" (ASBJ Statement No.26 of March 26, 2015) and the main clause of Section 67 of "Guidance on Accounting Standard for Retirement Benefits" (ASBJ Guidance No.25 of May 17, 2012) effective from April 1, 2014. As a result, the methods for calculating the retirement benefit obligation and service cost have been revised in the following respects: the method for attributing projected benefits to each period has been changed from the straight-line method to the benefit formula method, and the method for determining the discount rate has been changed to use a single weighted-average discount rate reflecting the expected timing and amount of benefit payments.

The cumulative effect of changing the method for calculating the retirement benefit obligation and service cost was recognized by adjusting retained earnings at April 1, 2014, in accordance with the transitional treatment provided in Paragraph 37 of Accounting Standard for Retirement Benefits.

As a result of this change, net defined benefit liability decreased by ¥979 million (\$8,144 thousand) and net defined benefit asset, retained earnings and minority interest in subsidiaries increased by ¥208 million (\$1,730 thousand), ¥942 million (\$7,836 thousand) and ¥44 million (\$363 thousand), respectively, as of April 1, 2014. The impact on profit or loss for the year ended March 31, 2015 was immaterial. In addition, net assets per share as of March 31, 2015 increased by ¥25.21 (\$0.21), and the impact on Net income per share for the year ended March 31, 2015 was immaterial.

#### Adoption of Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc., through Trusts

Effective from the year ended March 31, 2015, the Company has adopted the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc., through Trusts" (Practical Issue Task Force ("PITF") No. 30, dated March 26, 2015). The previous accounting method will continue to be applied to trust agreements that were entered into prior to the beginning of the year ended March 31, 2015.

#### 4. Changes in presentation method:

##### Consolidated statement of income

"Revenue from sales of electric power" that was included in "Other" of "Non-operating income" in the year ended March 31, 2014 is separately presented in the year ended March 31, 2015 due to the increase of the importance in its amount. In order to reflect this change in presentation method, the consolidated financial statement for the year ended March 31, 2014 has been reclassified.

As a result, ¥99 million that was presented as "Other" of "Non-operating income" in the consolidated statement of income for the year ended March 31, 2014 has been reclassified to "Revenue from sales of electric power."

"Compensation income" that was separately presented in the year ended March 31, 2014 is included in "Other" of "Other gains ("TOKUBETSU RIEKI")" in the year ended March 31, 2015 due to the decrease of the importance in its amount. In order to reflect this change in presentation method, the consolidated financial statement for the year ended March 31, 2014 has been reclassified.

As a result, ¥49 million that was presented as "Compensation income" in the consolidated statement of income for the year ended March 31, 2014 has been reclassified to "Other" of "Other gains ("TOKUBETSU RIEKI")."

#### 5. Additional information:

##### Transferring the Company's common stocks to employees etc. through trusts

The Company has been engaged in transactions that the Company transfers the Company's own stocks to the employees' shareholding association through trusts.

##### (1) Overview

On August 3, 2012, a resolution was passed at the Board of Directors meeting to introduce "Trust-type Employee Stock Ownership Incentive Plan" (the "Plan") with the aim of providing the incentives to the Company's employees towards enhancing mid-to-long-term corporate value, expanding the welfare programs, contributing to the employee's motivation toward work through promoting capital participation as shareholders and the Group's constant growth. Under the Plan, the Company establishes the Employee Stock Ownership Trust (the "ESOP Trust") which is managed by a trust bank, and the ESOP Trust acquires the expected number of the Company's common stocks that MG Employee Shareholding Association (the "Association") would acquire in three years from August 20, 2012, through third party allotment financed by bank loans. Subsequently, the ESOP Trust continuously sells those stocks to the Association. Accumulated profit on sales of those stocks within the ESOP Trust, if any, will be

distributed to beneficiaries as profit from the trust at the end of the term of the trust. As the Company guarantees the loan for the ESOP Trust to acquire the Company's common stocks, any remaining balance of loans equivalent to accumulated loss on sales of these stocks within the ESOP Trust at the end of the term of the trust will be repaid by the Company in accordance with guarantee clause of the loan agreement.

1. The Company establishes the ESOP Trust with beneficiaries who satisfy certain requirements.
2. The ESOP Trust borrows necessary funds to acquire the Company's common stocks from the bank. The Company guarantees the loan payable by the ESOP Trust.
3. The ESOP Trust acquires the expected number of the Company's common stocks that the Association would acquire during the term of the trust from the Company in lump-sum.
4. The ESOP Trust sells those stocks to the Association at fair value as many as the ESOP Trust can sell with funds contributed to the Association by predetermined dates during the term of the trust.
5. The ESOP Trust receives distributed dividends as the Company's shareholder.
6. The ESOP Trust repays the principal and interest of the bank loan with proceeds from sales of the Company's common stocks to the Association and dividends on common stocks remaining in the trust.
7. The trust manager instructs to the ESOP Trust the exercise of the right as a shareholder on voting rights, etc. and the ESOP Trust exercises the right of a shareholder in accordance with the instruction from the trust manager through the term of the trust.
8. At the end of the term of the trust, remaining common stocks in the trust as a result of rise in the price of the Company's stock, etc., if any, will be sold and distributed to beneficiaries in proportion to their contributions.
9. At the end of the term of the trust, remaining balance of loans as a result of decline in the price of the Company's stock, etc., if any, will be repaid by the Company in accordance with the guarantees described in 2. above.

##### (2) Accounting treatment for transfers the Company's common stocks through trusts

The Company has adopted Paragraph 20 of the "Practical Solution on Transactions of Delivering the Company's Own Stock to Employees etc., through Trusts" (PITF No. 30, dated March 26, 2015) and continues to apply the previous accounting method.

##### (3) The Company's common stocks remaining in the trust

Sales of the Company's common stocks remaining in the trust completed on December 22, 2014. As a result, there were no such common stocks remaining in the trust. Weighted average number of common shares outstanding held by the trust was 58,030 shares and 212,938 shares for the year ended March 31, 2015 and 2014, respectively, and included in treasury stock in calculating the per share information.

#### 6. U.S. dollar amounts:

U.S. dollar amounts presented in the accompanying consolidated financial statements and in these notes are included solely for the convenience of readers. These translations should not be construed as representations that the yen amounts actually could be converted into U.S. dollars at that or any other rate. As the amounts shown in U.S. dollars are for convenience only, a rate of ¥120.17= U.S. \$1, the rate of exchange prevailing on March 31, 2015, has been used.

## 7. Investment securities:

Misawa Homes' management classified all investment securities as other securities at March 31, 2015 and 2014. Net unrealized gains of ¥751 million (\$6,247 thousand) and ¥617 million on securities categorized as other securities, both net of tax, were recorded as a component of net assets at March 31, 2015 and 2014, respectively. Deferred tax liabilities on net unrealized gains on other securities of ¥215 million (\$1,792 thousand) and ¥190 million were recorded against deferred tax assets relating to other temporary differences at March 31, 2015 and 2014, respectively. Investments in unconsolidated subsidiaries and affiliates of ¥20 million (\$163 thousand) and ¥28 million were included in "Other" of investments and other assets on the consolidated balance sheets as of March 31, 2015 and 2014, respectively.

The acquisition cost and market value (carrying value) of other securities with market values, which were included in investment securities at March 31, 2015 and 2014 were as follows:

	Millions of yen			
	March 31, 2015			
	Acquisition Cost	Gross unrealized		Market value (carrying value)
Equity securities	¥1,236	¥902	(¥4)	¥2,134
Debt securities	2,524	88	(0)	2,612
Other	11	6	-	17
<b>Total</b>	<b>¥3,771</b>	<b>¥996</b>	<b>(¥4)</b>	<b>¥4,763</b>

	Millions of yen			
	March 31, 2014			
	Acquisition Cost	Gross unrealized		Market value (carrying value)
Equity securities	¥1,414	¥767	(¥19)	¥2,162
Debt securities	2,353	71	(1)	2,423
Other	11	2	(0)	13
<b>Total</b>	<b>¥3,778</b>	<b>¥840</b>	<b>(¥20)</b>	<b>¥4,598</b>

	Thousands of U.S. dollars (Note 6)			
	March 31, 2015			
	Acquisition Cost	Gross unrealized		Market value (carrying value)
Equity securities	\$10,282	\$7,506	(\$31)	\$17,757
Debt securities	21,004	736	(4)	21,736
Other	90	49	-	139
<b>Total</b>	<b>\$31,376</b>	<b>\$8,291</b>	<b>(\$35)</b>	<b>\$39,632</b>

Note: Unlisted equity securities were not included in the above table because there were no quoted market prices available and it is extremely difficult to determine the fair value. As of March 31, 2015 and 2014, the carrying values of these unlisted securities were ¥401 million (\$3,343 thousand) and ¥381 million, respectively.

Proceeds from sales of other securities for the years ended March 31, 2015 and 2014, were ¥300 million (\$2,497 thousand) and ¥56 million, respectively. Gross realized gains and losses on the sales, computed on the moving average cost basis, were ¥121 million (\$1,009 thousand) and nil, respectively, for the year ended March 31, 2015 and ¥8 million and nil, respectively, for the year ended March 31, 2014.

Impairment losses of other securities for the years ended March 31, 2015 and 2014 were ¥8 million (\$68 thousand) and ¥15 million, respectively. Impairment losses are recorded for securities whose fair value has declined by more than 50% or for those which have declined from 30% to 50% if the decline is deemed to be irrecoverable.

## 8. Financial instruments:

### (1) Policy for financial instruments

Misawa Homes utilizes short-term deposits for surplus funds. In addition, it raises funds through borrowings from financial institutions. Derivative transactions are only used to reduce risks, and it is Misawa Homes' policy not to enter into derivative transactions for speculative purposes.

### (2) Details of financial instruments, related risk and risk management system

Trade receivables such as notes and accounts receivable are exposed to credit risk. Misawa Homes monitors the due dates and manages credit risk under the credit management rules to mitigate this risk.

Investment securities mainly consist of equity securities and are exposed to market risk. Misawa Homes reviews the fair values of the listed equity securities quarterly.

Short-term bank loans are mainly used for the working capital and for the purchase of land and housing for sale.

Some long-term debt is exposed to interest rate fluctuation risk. Certain long-term debt exposed to interest rate fluctuation risk is hedged by interest swap agreements to fix interest payments.

### (3) Supplemental explanation of the estimated fair value of financial instruments

As well as the fair values based on market prices, the fair values of financial instruments include reasonably estimated amounts in case there are no quoted market prices available. As the estimation of those fair values relies on certain assumptions, different assumptions and factors could result in different fair values. Also, the notional amount of derivative transactions described in Note 9. Derivative instruments, is not necessarily indicative of the actual market risk involved in the derivative transactions.

Estimated fair value and others of financial instruments as of March 31, 2015 and 2014 were as follows:

	Millions of yen		
	March 31, 2015		
	Carrying value	Estimated fair value	Difference
Cash and bank deposits	¥45,548	¥45,548	¥-
Notes and accounts receivable, trade	7,150	7,150	-
Investment securities	4,763	4,763	-
<b>Total assets</b>	<b>¥57,461</b>	<b>¥57,461</b>	<b>¥-</b>
Notes and accounts payable, trade	¥48,405	¥48,405	¥-
Short-term bank loans	17,170	17,170	-
Long-term debt (excluding bonds)	40,676	40,701	25
<b>Total liabilities</b>	<b>¥106,251</b>	<b>¥106,276</b>	<b>¥25</b>
Derivative transactions	-	-	-

Millions of yen			
March 31, 2014			
	Carrying value	Estimated fair value	Difference
Cash and bank deposits	¥54,902	¥54,902	¥—
Notes and accounts receivable, trade	7,556	7,556	—
Investment securities	4,598	4,598	—
Total assets	¥67,056	¥67,056	¥—
Notes and accounts payable, trade	¥52,629	¥52,629	¥—
Short-term bank loans	14,159	14,159	—
Long-term debt (excluding bonds)	34,407	34,418	11
Total liabilities	¥101,195	¥101,206	¥11
Derivative transactions	—	—	—

Thousands of U.S. dollars (Note 6)			
March 31, 2015			
	Carrying value	Estimated fair value	Difference
Cash and bank deposits	\$379,029	\$379,029	\$—
Notes and accounts receivable, trade	59,500	59,500	—
Investment securities	39,632	39,632	—
Total assets	\$478,161	\$478,161	\$—
Notes and accounts payable, trade	\$402,802	\$402,802	\$—
Short-term bank loans	142,879	142,879	—
Long-term debt (excluding bonds)	338,489	338,699	210
Total liabilities	\$884,170	\$884,380	\$210
Derivative transactions	—	—	—

Note 1: Unlisted securities of ¥401 million (\$3,343 thousand) and ¥381 million whose fair value was extremely difficult to determine as of March 31, 2015 and 2014, respectively, were not included in the above tables.

Note 2: Valuation method to determine the estimated fair value of financial instruments and other matters related to transactions are as follows:

Cash and bank deposits, notes and accounts receivable, trade

The carrying value approximates fair value since these items are settled in a short period of time.

#### Investment securities

The fair value of equity securities is based on quoted market prices and that of bonds is based on either quoted market prices or prices provided by counterparty financial institutions. Marketable securities amounting to ¥1 million (\$11 thousand) are included in other current assets as part of current assets as of March 31, 2015 and 2014. Government bonds used for deposits amounting to ¥2,602 million (\$21,652 thousand) and ¥2,413 million are included in other of investments and other assets as of March 31, 2015 and 2014, respectively.

#### Notes and accounts payable, trade, and short-term bank loans

The carrying value approximates fair value since these items are settled in a short period of time.

#### Long-term debt

The fair value is based on the net present value of the total of the principal and interest discounted by the interest rate to be applied if similar new loans were entered into. Long-term floating rate loans are accounted for by the special treatment. Please refer to the Note 9. Derivative instruments. The fair value is based on the total amount of the principal and interest processed as an interest rate swap discounted by the interest rate if similar new loans were entered into. Long-term debt due within one-year amounting to ¥12,462 million (\$103,704 thousand) and ¥14,091 million is included in long-term debt in the above table as of March 31, 2015 and 2014, respectively.

#### Derivative transactions

The fair value of derivative transactions which meet special treatment criteria for interest rate swaps, is included in long-term debt in the above table.

(4) The redemption schedule for financial instruments and securities with maturities at March 31, 2015 and 2014 is as follows:

Millions of yen				
March 31, 2015				
	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 bank deposits	¥45,417	¥—	¥—	¥—
Notes and accounts receivable, trade	7,150	—	—	—
Investment securities				
Other securities with maturities				
Government bonds	258	1,076	1,169	109
Total	¥52,825	¥1,076	¥1,169	¥109

	Millions of yen			
	March 31, 2014			
	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 bank deposits	¥54,715	¥ –	¥ –	¥ –
Notes and accounts receivable, trade	7,556	–	–	–
Investment securities				
Other securities with maturities				
Government bonds	43	439	1,639	69
Total	¥62,314	¥439	¥1,639	¥69

	Thousands of U.S. dollars (Note 6)			
	March 31, 2015			
	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 bank deposits	\$377,943	\$ –	\$ –	\$ –
Notes and accounts receivable, trade	59,500	–	–	–
Investment securities				
Other securities with maturities				
Government bonds	2,145	8,951	9,728	912
Total	\$439,588	\$8,951	\$9,728	\$912

#### 9. Derivative instruments:

Misawa Homes enters into interest rate swap agreements and foreign exchange forward contracts only for hedging risks from fluctuation in interest rates and foreign exchange rates. The derivative transactions entered into by Misawa Homes are made in accordance with internal policies, which regulate the authorization of such transactions.

Material derivative transactions for which hedge accounting is applied at March 31, 2015 and 2014 were as follows:

	Millions of yen				Thousands of U.S. dollars (Note 6)		
	March 31, 2015				March 31, 2015		
	Hedged item	Notional amount	Maturing after one year	Fair value	Notional amount	Maturing after one year	Fair Value
Interest rate related transaction							
Deferral method							
Interest rate swap agreement							
Receive floating/	Long-term debt	¥653	¥30	Note	\$5,434	\$250	Note
Pay fix							

	Millions of yen			
	March 31, 2014			
	Hedged item	Notional amount	Maturing after one year	Fair value
Interest rate related transaction				
Deferral method				
Interest rate swap agreement				
Receive floating/	Long-term debt	¥897	¥653	Note
Pay fix				

Note: Fair value of the interest rate swap agreement is included in the fair value of the long-term debt as the hedged item.

Foreign exchange forward contracts are omitted since the contract amounts were immaterial at March 31, 2015 and 2014.

10. Impairment loss on long-lived assets:

Impairment loss on long-lived assets for the years ended March 31, 2015 and 2014 were as follows.

Applicable assets	Millions of yen		Thousands of U.S. dollars (Note 6)
	Years ended March 31		Year ended March 31,
	2015	2014	2015
Buildings and structures	¥368	¥438	\$3,062
Machinery and equipment	106	1	884
Land	67	-	560
Other	48	16	391
Total	¥589	¥455	\$4,897

Of above amount for the year ended March 31, 2015, ¥112 million (\$930 thousand) is recorded in business structure improvement expenses.

Misawa Homes classifies fixed assets by business control unit such as branch office or plant, under which control over revenue and expenditures is consistently maintained.

Book values of the above assets were written down to the recoverable amounts due to decrease in profitability or fair market value.

The recoverable amount of each group of assets was primarily measured at the value in use. Value in use was calculated by discounting future cash flows at an interest rate of 2.6% for the years ended March 31, 2015 and 2014. The recoverable amount of certain assets (land) was measured at the net sale value, which was estimated based on an appraisal value.

11. Short-term bank loans and long-term debt:

Short-term bank loans at March 31, 2015 and 2014 were composed of the following:

	Millions of yen		Thousands of U.S. dollars (Note 6)
	March 31		March 31,
	2015	2014	2015
Loans, principally from banks, with weighted-average interest rates of 0.9% at March 31, 2015 and 1.1% at March 31, 2014	¥17,170	¥14,159	\$142,879

Long-term debt at March 31, 2015 and 2014 was composed of the following:

	Millions of yen		Thousands of U.S. dollars (Note 6)
	March 31		March 31,
	2015	2014	2015
Loans, principally from banks and insurance companies, due 2016 to 2023 with weighted-average interest rates of 1.1% at March 31, 2015 and 1.3% at March 31, 2014	¥40,676	¥34,407	\$338,489
Unsecured 0.41% bonds, due 2014	-	100	-
Unsecured 0.60% bonds, due 2017	150	150	1,248
	40,826	34,657	339,737
Less portion due within one year	(12,462)	(14,191)	(103,704)
	¥28,364	¥20,466	\$236,033

Weighted-average interest rates are weighted-average interest rates on the balance of loans at year-end. Loans at March 31, 2015 and 2014 include syndicate loan of ¥26,400 million (\$219,689 thousand) and ¥20,650 million, respectively.

The aggregate annual maturities of long-term debt outstanding at March 31, 2015 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 6)
2015		
2016	¥12,462	\$103,704
2017	10,890	90,619
2018	9,071	75,487
2019	5,723	47,620
2020	2,275	18,935
Thereafter	405	3,372
Total	¥40,826	\$339,737

The aggregate annual maturities of lease obligations included in other current liabilities and other long-term liabilities outstanding at March 31, 2015 were as follows:

Year ending March 31,	Millions of yen	Thousands of U.S. dollars (Note 6)
2015		
2016	¥60	\$501
2017	69	571
2018	69	577
2019	70	583
2020	73	613
Thereafter	1,022	8,501
Total	¥1,363	\$11,346

Lease obligations are due 2016 to 2035 with weighted-average interest rates of 4.9% and 5.7% at March 31, 2015. Lease obligations recorded in the consolidated balance sheets include future lease payments before deducting deemed interest expenses, and such amounts are excluded in calculating weighted-average interest rates.

The aggregate annual maturities of other interest-bearing liabilities included in "Accounts payable, other" and "Other long-term liabilities" outstanding at March 31, 2015 were as follows:

Year ending March 31	Millions of yen	Thousands of U.S. dollars (Note 6)
2016	¥952	\$7,919
2017	708	5,893
2018	370	3,074
2019	151	1,258
2020	69	576
Thereafter	-	-
Total	¥2,250	\$18,720

Other interest-bearing liabilities are short-term and long-term payables for installment purchases of equipment.

Assets pledged as collateral for secured loans and debt at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 6)
	March 31		March 31,
	2015	2014	2015
<b>Pledged assets</b>			
Land and housing for sale	¥249	¥1,224	\$2,075
Cost of uncompleted contracts	128	410	1,062
Buildings and structures	2,816	2,641	23,437
Machinery and equipment	741	794	6,162
Land	7,100	6,564	59,079
Other fixed assets	2	4	19
<b>Total</b>	<b>¥11,036</b>	<b>¥11,637</b>	<b>\$91,834</b>

	Millions of yen		Thousands of U.S. dollars (Note 6)
	March 31		March 31,
	2015	2014	2015
<b>Secured loans and debt</b>			
Short-term bank loans	¥11,518	¥9,931	\$95,849
Long-term debt	2,972	4,462	24,734
<b>Total</b>	<b>¥14,490</b>	<b>¥14,393</b>	<b>\$120,583</b>

## 12. Pension and severance costs:

The Company and its domestic consolidated subsidiaries have introduced defined benefit retirement plans, the lump-sum retirement payment plan and defined contribution pension plans. Certain domestic consolidated subsidiaries use the Smaller Enterprise Retirement Allowance Mutual Aid Plan.

Certain domestic consolidated subsidiaries apply the simplified method in computing net defined benefit liability and net pension and severance costs for their defined benefit retirement plans and the lump-sum retirement payment plans.

The changes in the projected benefit obligation during the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 6)
	March 31		March 31,
	2015	2014	2015
Projected benefit obligation at beginning of year	¥28,383	¥27,591	\$236,192
Cumulative effects of changes in accounting policies	(1,187)	-	(9,874)
Restated projected benefit obligation at beginning of year	¥27,196	¥27,591	\$226,318
Service cost	2,211	2,162	18,402
Interest cost	343	344	2,853
Actuarial gains	30	(112)	248
Retirement benefit paid	(1,322)	(1,627)	(10,997)
Other	(3)	25	(29)
Projected benefit obligation at end of year	<b>¥28,455</b>	<b>¥28,383</b>	<b>\$236,795</b>

Note: Net pension and severance costs of certain consolidated subsidiaries applying the simplified method are included in service cost.

The changes in plan assets during the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 6)
	March 31		March 31,
	2015	2014	2015
Plan assets at beginning of year	¥24,467	¥21,227	\$203,606
Expected return on plan assets	399	280	3,320
Actuarial gains	1,595	1,471	13,276
Contributions by the Company	2,564	2,885	21,335
Retirement benefits paid	(1,182)	(1,396)	(9,840)
Plan assets at end of year	<b>¥27,843</b>	<b>¥24,467</b>	<b>\$231,697</b>

The following table sets forth the funded status of the plans and the amounts recognized in the consolidated balance sheets as of March 31, 2015 and 2014 for the Company's and the consolidated subsidiaries' defined benefit retirement plans:

	Millions of yen		Thousands of U.S. dollars (Note 6)
	March 31		March 31,
	2015	2014	2015
Funded projected benefit obligation	¥27,559	¥27,493	\$229,337
Plan assets at fair value	(27,843)	(24,467)	(231,697)
	(284)	3,026	(2,360)
Unfunded projected benefit obligation	896	890	7,458
Net liabilities and assets for retirement benefits in the balance sheet	¥612	¥3,916	\$5,098
Net defined benefit liability	¥2,856	¥5,054	\$23,768
Net defined benefit asset	(2,244)	(1,138)	(18,670)
Net liabilities and assets for retirement benefits in the balance sheet	¥612	¥3,916	\$5,098

The components of net pension and severance costs for the years ended March 31, 2015 and 2014 were as follows.

	Millions of yen		Thousands of U.S. dollars (Note 6)
	March 31		March 31,
	2015	2014	2015
Service cost	¥2,211	¥2,162	\$18,402
Interest cost	343	344	2,853
Expected return on plan assets	(399)	(280)	(3,320)
Amortization and expenses:			
Actuarial losses	24	238	201
Prior service costs	3	(6)	27
Net retirement benefit obligation at transition	355	352	2,954
Other	5	28	37
Net pension and severance costs	¥2,542	¥2,838	\$21,154

Note: Net pension and severance costs of certain consolidated subsidiaries applying the simplified method are included in service cost.

Prior service costs, actuarial losses and net retirement benefit obligation at transition included in other comprehensive income (before tax effects) for the years ended March 31, 2015 and 2014 were as follows.

	Millions of yen		Thousands of U.S. dollars (Note 6)
	March 31		March 31,
	2015	2014	2015
Prior service costs	¥3	¥-	\$27
Actuarial losses	1,590	-	13,229
Net retirement benefit obligation at transition	355	-	2,954
Total	¥1,948	¥-	\$16,210

Unrecognized prior service costs, unrecognized actuarial losses and unrecognized net retirement benefit obligation at transition included in accumulated other comprehensive income (before tax effects) as of March 31, 2015 and 2014 were as follows.

	Millions of yen		Thousands of U.S. dollars (Note 6)
	March 31		March 31,
	2015	2014	2015
Unrecognized prior service costs	¥25	¥28	\$210
Unrecognized actuarial losses	(2,817)	(1,227)	(23,442)
Unrecognized net retirement benefit obligation at transition	-	355	-
Total	(¥2,792)	(¥844)	(\$23,232)

The fair value of plan assets, by major category, as a percentage of total plan assets as of March 31, 2015 and 2014 were as follows.

	Year ended March 31,	
	2015	2014
Debt securities	29%	25%
Equity securities	28	27
General accounts	36	42
Other	7	6
Total	100%	100%

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

The assumptions used in accounting for the above plans were as follows:

	Year ended March 31,	
	2015	2014
Discount rate	0.8-1.5%	0.7-1.5%
Expected long-term rate of return on plan assets	0.0-5.6%	0.0-4.1%

The Company and its domestic consolidated subsidiaries contributed ¥286 million (\$2,381 thousand) and ¥260 million to defined contribution pension plans for the years ended March 31, 2015 and 2014, respectively.

### 13. Shareholders' equity:

(1) Type and number of stock issued and treasury stock for the years ended March 31, 2015 and 2014 are as follows:

For the year ended March 31, 2015

Type of shares	Number of shares			March 31, 2015
	April 1, 2014	Increase during the year	Decrease during the year	
Stock issued:				
Common stock	38,738,914	-	-	38,738,914
Treasury stock				
Common stock	1,527,792	3,331	145,200	1,385,923

For the year ended March 31, 2014

Type of shares	Number of shares			March 31, 2014
	April 1, 2013	Increase during the year	Decrease during the year	
Stock issued:				
Common stock	38,738,914	-	-	38,738,914
Preferred stock	75	-	75	-
Total	38,738,989	-	75	38,738,914
Treasury stock				
Common stock	1,633,018	27,574	132,800	1,527,792
Preferred stock	-	75	75	-
Total	1,633,018	27,649	132,875	1,527,792

Notes:

- Increase in the number of shares in treasury stock for the year ended March 31, 2015 is due to a purchase of odd-lot shares of less than one unit (3,331 shares).
- Decrease in the number of shares in treasury stock for the year ended March 31, 2015 is due to disposal of treasury stock by the ESOP Trust (145,200 shares). Number of common stock for treasury stock as of April 1, 2014 includes the Company's common stocks held by the ESOP Trust, but excluded from the number of shares of common stock for treasury stock as of March 31, 2015 as sales of the Company's common stocks held by the ESOP Trust was completed on December 22, 2014.
- Decrease in the number of shares in preferred stock for stock issued for the year ended March 31, 2014 is due to cancellation based on a resolution at the Board of Directors meeting.
- Increase in the number of shares in common stock for treasury stock for the year ended March 31, 2014 is due to a purchase of odd-lot shares of less than one unit (27,574 shares).
- Decrease in the number of shares in common stock for treasury stock for the year ended March 31, 2014 is due to disposal of treasury stock by the ESOP Trust (132,800 shares). Number of common stock for treasury stock as of March 31, 2014 includes 145,200 shares of the Company's common stocks held by the ESOP Trust.
- Increase and decrease in the number of shares in preferred stock for treasury stock for the year ended March 31, 2014 are due to purchase and cancellation based on a resolution at the Board of Directors meeting (75 shares).

(2) Dividends paid during the years ended March 31, 2015 and 2014

For the year ended March 31, 2015

Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 27, 2014	Common stock	¥934	\$7,772	¥25	\$0.21	March 31, 2014	June 30, 2014

Total dividends on common stocks include ¥4 million (\$30 thousand) of dividends to the ESOP Trust.

For the year ended March 31, 2014

Resolution	Type of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 27, 2013	Common stock	¥748	¥20	March 31, 2013	June 28, 2013
Annual general meeting of the shareholders on June 27, 2013	Class D preferred stock	¥488	¥6,500,000	March 31, 2013	June 28, 2013

Total dividends on common stocks include ¥6 million of dividends to the ESOP Trust.

(3) Dividends with the cut-off date in the years ended March 31, 2015 and 2014, and the effective date in the year ending March 31, 2016 and 2015, respectively

For the year ended March 31, 2015

Resolution	Type of shares	Total dividends (Millions of yen)	Total dividends (Thousands of U.S. dollars)	Source of dividends	Dividends per share (Yen)	Dividends per share (U.S. dollars)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 26, 2015	Common stock	¥747	\$6,217	Retained earnings	¥20	\$0.17	March 31, 2015	June 29, 2015

For the year ended March 31, 2014

Resolution	Type of shares	Total dividends (Millions of yen)	Source of dividends	Dividends per share (Yen)	Cut-off date	Effective date
Annual general meeting of the shareholders on June 27, 2014	Common stock	¥934	Retained earnings	¥25	March 31, 2014	June 30, 2014

Total dividends on common stocks include ¥4 million of dividends to the ESOP Trust.

14. Details of gain on sales of property, plant and equipment:

The following are the elements of “Gain on sales of property, plant and equipment” for the years ended March 31, 2015 and 2014:

	Millions of yen		Thousands of U.S. dollars (Note 6)
	Years ended March 31		Year ended March 31, 2015
	2015	2014	2015
Buildings and structures	¥0	¥111	\$0
Machinery and equipment	12	14	98
Land	3	27	25
Other	38	0	321
<b>Total</b>	<b>¥53</b>	<b>¥152</b>	<b>\$444</b>

15. Details of loss on disposal of property, plant and equipment:

The following are the elements of “Loss on disposal of property, plant and equipment” for the years ended March 31, 2015 and 2014:

	Millions of yen		Thousands of U.S. dollars (Note 6)
	Years ended March 31		Year ended March 31, 2015
	2015	2014	2015
Buildings and structures	¥105	¥69	\$877
Machinery and equipment	2	4	15
Land	15	1	125
Other	21	32	171
<b>Total</b>	<b>¥143</b>	<b>¥106</b>	<b>\$1,188</b>

16. Per share information:

Basis for calculation of net income per share for the years ended March 31, 2015 and 2014 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 6)
	Years ended March 31		Year ended March 31, 2015
	2015	2014	2015
Basic EPS—Net income attributable to common shares	¥3,309	¥10,401	\$27,539
Weighted average number of common shares outstanding:			
-Basic	37,296,507	37,156,627	
	Yen		U.S. dollars (Note 6)
Net income per share:			
-Basic	¥88.73	¥279.91	\$0.74

Basis for calculation of net assets per share as of March 31, 2015 and 2014 was as follows:

	Millions of yen		Thousands of U.S. dollars (Note 6)
	As of March 31		As of March 31, 2015
	2015	2014	2015
Total net assets	¥42,747	¥37,834	\$355,724
Amounts deducted from total net assets:			
Minority interest in subsidiaries	(2,369)	(2,498)	(19,718)
Net assets attributable to common shares	¥40,378	¥35,336	336,006
Number of common shares outstanding:	37,352,991	37,211,122	
	Yen		U.S. dollars (Note 6)
Net assets per share:	¥1,080.98	¥949.61	\$89.95

17. Income taxes:

Misawa Homes is subject to several types of income taxes, which, in the aggregate, resulted in a statutory income tax rate in Japan of approximately 35.6% and 38.0% for the years ended March 31, 2015 and 2014, respectively. The significant components of deferred tax assets and liabilities at March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 6)
	March 31		March 31, 2015
	2015	2014	2015
Deferred tax assets:			
Tax loss carry forwards	¥14,665	¥16,658	\$122,035
Devaluation of inventories	1,775	2,206	14,769
Accrued bonuses	1,858	2,333	15,463
Net defined benefit liability	1,133	1,614	9,429
Allowance for doubtful accounts	1,897	2,045	15,787
Goodwill	835	1,219	6,951
Provision for warranties for completed construction	871	1,143	7,246
Impairment loss	624	926	5,190
Others	2,476	3,002	20,605
Gross deferred tax assets	26,134	31,146	217,475
Less: valuation allowance	(17,848)	(22,600)	(148,527)
Total deferred tax assets	8,286	8,546	68,968
Deferred tax liabilities:			
Fair market valuation loss	(381)	(451)	(3,174)
Net unrealized gains on other securities	(215)	(190)	(1,791)
Net defined benefit asset	(813)	(138)	(6,769)
Expense related to asset retirement obligations	(172)	(153)	(1,427)
Others	(190)	(147)	(1,579)
Gross deferred tax liabilities	(1,771)	(1,079)	(14,740)
Net deferred tax assets	¥6,514	¥7,467	\$54,208

The valuation allowance was established mainly against deferred tax assets on future tax-deductible temporary differences and tax loss carry forwards of certain subsidiaries, as it is more likely than not that these deferred tax assets will not be realized within the foreseeable future.

The total valuation allowance for the years ended March 31, 2015 and 2014 decreased by ¥4,752 million (\$39,542 thousand) and ¥7,718 million, respectively.

The differences between Misawa Homes' statutory income tax rate and the effective income tax rates reflected in the consolidated statements of income for the years ended March 31, 2015 and 2014 were reconciled as follows:

	Years ended March 31	
	2015	2014
Statutory income tax rate	35.6%	38.0%
Reconciliation:		
Entertainment expenses, etc. permanently non-tax deductible	6.1	2.4
Per capita inhabitants tax	4.9	1.6
Changes in valuation allowance	(55.6)	(27.1)
Consolidation adjustment	0.2	(6.2)
Tax credit for research and development costs	(0.8)	(0.6)
Others	(0.2)	(0.6)
Effect of change in statutory income tax rate	32.3	3.5
Effective income tax rates	22.5%	11.0%

The "Act for Partial Amendment of the Income Tax Act, etc." (Act No. 9 of 2015) and the "Act for Partial Amendment of Local Tax Act, etc." (Act No. 2 of 2015) were promulgated on March 31, 2015 and the statutory income tax rate will be reduced effective from years beginning on or after April 1, 2015.

As a result, the effective statutory income tax rate used to measure the Company's deferred tax assets and liabilities was changed from 35.6% to 33.1% and 32.3% for the temporary differences expected to be realized or settled -in the fiscal year beginning April 1, 2015 and for the temporary differences expected to be realized or settled from fiscal years beginning April 1, 2016, respectively. The effect of the announced reduction of the effective statutory income tax rate was to decrease deferred tax assets, after offsetting deferred tax liabilities, by ¥552 million (\$4,592 thousand) and increase income taxes – deferred by ¥572 million (\$4,760 thousand) and net unrealized gains on other securities by ¥20 million (\$168 thousand) as of and for the year ended March 31, 2015.

Also, limitation for the net operating loss deduction will be reduced to 65% and 50% of the taxable income before net operating loss deduction from fiscal years beginning on or after April 1, 2015 and from fiscal years beginning on or after April 1, 2017, respectively. The effect of this revision was to decrease deferred tax assets by ¥706 million (\$5,875 thousand) and income taxes – deferred increased by the same amount as of and for the year ended March 31, 2015.

#### 18. Cost of sales, general and administrative expenses:

Provision for loss on construction contracts, which are included in cost of sales, were ¥72 million (\$596 thousand) and ¥52 million for the years ended March 31, 2015 and 2014, respectively.

Research and development costs, which are included in cost of sales, general and administrative expenses, were ¥2,436 million (\$20,275 thousand) and ¥2,669 million for the years ended March 31, 2015 and 2014, respectively.

#### 19. Business structure improvement expenses:

Business structure improvement expenses of ¥738 million (\$6,144 thousand) mainly consists of restructuring expenses, etc. for production structure of factories of consolidated subsidiaries. It includes impairment loss on long-lived assets described at 10. Impairment loss on long-lived assets.

#### 20. Cash flow information:

Cash and cash equivalents at March 31, 2015 and 2014 were composed of the following:

	Millions of yen		Thousands of U.S. dollars (Note 6)
	March 31		March 31,
	2015	2014	2015
Cash and bank deposits	¥45,548	¥54,902	\$379,029
Less:			
Time deposits due over three months	(556)	(316)	(4,629)
Cash and cash equivalents	¥44,992	¥54,586	\$374,400

#### 21. Leases:

A consolidated subsidiary leases groups of assets which are recorded in "Buildings and structures" as part of property, plant and equipment on the accompanying consolidated balance sheets as of March 31, 2015 and 2014.

As described in Note 2. (16) Leases, Misawa Homes, as a lessee, charges periodic payments of finance lease transactions entered into prior to April 1, 2008, as an expense when paid. Such payments for the years ended March 31, 2015 and 2014 amounted to ¥4 million (\$37 thousand) and ¥17 million, respectively.

If the finance lease transactions entered into on or before March 31, 2008 that do not transfer the ownership of the assets to the lessee at the end of the lease term were capitalized, the finance lease assets at March 31, 2015 and 2014 would have been as follows:

	Millions of yen		Thousands of U.S. dollars (Note 6)
	March 31		March 31,
	2015	2014	2015
Acquisition cost:			
Buildings and structures	¥26	¥26	\$220
Machinery and equipment	-	18	-
Other property, plant and equipment	13	71	107
Other intangible assets	-	0	-
	39	115	327
Less:			
Accumulated depreciation	(22)	(66)	(182)
Net book value	¥17	¥49	\$145

Acquisition costs and future lease payments are calculated using the inclusive of interest method since future lease payments do not constitute significant proportion of property, plant and equipment as of March 31, 2015 and 2014.

Depreciation expenses for these leased assets for the years ended March 31, 2015 and 2014, would have been ¥3 million (\$29 thousand) and ¥11 million, respectively, if they were computed in accordance with the straight-line method over the contractual periods of these finance leases, assuming no residual value. Interest expense for these finance leases for the years ended March 31, 2015 and 2014, would have been ¥1 million (\$8 thousand). Accumulated impairment loss as of March 31, 2015 and 2014, would have been ¥401 million (\$3,341 thousand) and the amount is deducted from the acquisition cost.

Future lease payments for finance leases at March 31, 2015 and 2014 were as follows:

Future lease payments	Millions of yen		Thousands of U.S. dollars (Note 6)
	March 31		March 31, 2015
	2015	2014	
Due within one year	¥5	¥14	\$40
Due after one year	17	38	144
Total	¥22	¥52	\$184

Future lease payments for non-cancelable operating leases as a lessee at March 31, 2015 and 2014 were as follows:

Future lease payments	Millions of yen		Thousands of U.S. dollars (Note 6)
	March 31		March 31, 2015
	2015	2014	
Due within one year	¥279	¥215	\$2,325
Due after one year	6,248	4,032	51,994
Total	¥6,527	¥4,247	\$54,319

## 22. Commitments and contingent liabilities:

Contingent liabilities for guarantees of bank loans of a third party at March 31, 2015 and 2014 were ¥39,784 million (\$331,066 thousand) and ¥41,690 million, respectively.

## 23. Related party transactions:

Significant transactions between the consolidated subsidiaries of the Company and related parties for the year ended March 31, 2014 were as follows:

(Transactions)

Name of related party	Type of transaction	Millions of yen Year ended March 31, 2014
Kenzo Yoshida Noriko Yoshida	Housing construction contract	¥40
Shintaro Kyoguro Masayo Kyoguro	Housing construction contract	¥21
Yuji Enomoto Haruka Enomoto	Housing purchase and sale agreement	¥24

There was no outstanding balance with Kenzo Yoshida, Noriko Yoshida, Shintaro Kyoguro, Masayo Kyoguro, Yuji Enomoto and Haruka Enomoto as of March 31, 2014. Kenzo Yoshida and Noriko Yoshida are close relatives of Hideki Shimonomura, a managing executive officer of Misawa Homes Co., Ltd. and the contract amount was determined based on the employee's house ownership discount policy. Shintaro Kyoguro and Masayo Kyoguro are close relatives of Kazuhiro Kawakami, a representative director and senior managing executive officer of Misawa Chugoku Construction Co., Ltd. and the contact amount is determined based on the employee's house ownership discount policy for housing construction contract. Haruka Enomoto is a close relative of Yuji Enomoto, a representative director and CEO of Misawa Homes Shizuoka Co., Ltd. and the contract amount is determined based on transactions with third parties.

There were no significant transactions between the consolidated subsidiaries of the Company and related parties for the year ended March 31, 2015.

## 24. Other comprehensive income:

Reclassification adjustments and income tax effects attributable to components of other comprehensive income for the years ended March 31, 2015 and 2014 were as follows:

	Millions of yen		Thousands of U.S. dollars (Note 6)
	March 31		March 31, 2015
	2015	2014	
Net unrealized gains (losses) on other securities			
Gains (losses) arising during the year	¥294	(¥250)	\$2,443
Reclassification adjustments for gains (losses) included in the income statement	(121)	(8)	(1,008)
Before income tax effect	173	(258)	1,435
Income tax effect	(26)	96	(213)
Total	147	(162)	1,222
Foreign currency translation adjustments			
Adjustments arising during the year	(45)	157	(370)
Remeasurements of defined benefit plans			
Adjustments arising during the year	1,566	-	13,028
Reclassification adjustments	382	-	3,182
Before income tax effect	1,948	-	16,210
Income tax effect	(476)	-	(3,962)
Total	1,472	-	12,248
Total other comprehensive income	¥1,574	(¥5)	\$13,100

## 25. Segment information:

### (1) Information about reportable segments

Information about reportable segments is omitted since the Company's business is mostly residential property development and related business and considered one reportable segment.

### (2) Information about products and services of the reportable segment

	Millions of yen						
	2015						
	Custom -built houses	Leasing	Built for sale	Housing materials	Renovations	Other	Total
Sales to third parties	¥179,373	¥27,904	¥26,792	¥6,435	¥59,429	¥109,862	¥409,795
	Millions of yen						
	2014						
	Custom -built houses	Leasing	Built for sale	Housing materials	Renovations	Other	Total
Sales to third parties	¥196,837	¥22,945	¥28,062	¥8,039	¥64,706	¥105,444	¥426,033

Thousands of U.S. dollars (Note 6)  
2015

	Custom -built houses	Leasing	Built for sale	Housing materials	Renovations	Other	Total
Sales to third parties	\$1,492,664	\$232,201	\$222,946	\$53,547	\$494,545	\$914,223	\$3,410,126

(3) Geographical segments

- a. Sales by region is omitted because sales in the Japan area account for more than 90% of sales in the accompanying consolidated statements of income.
- b. Property, plant and equipment by region is omitted because property, plant and equipment in the Japan area account for more than 90% of fixed assets in the accompanying consolidated balance sheets.

(4) Information by major customers

Information by major customer is omitted because there are no customers for which sales account for more than 10% of net sales.

(5) Information about impairment loss on long-lived assets by reportable segment

Information about impairment loss on long-lived assets by reportable segment is omitted because the Company's business is mostly residential property development and related business and essentially considered one reportable segment.

(6) Information about amortization and unamortized balance of goodwill by reportable segment

Information about amortization and unamortized balance of goodwill by reportable segment is omitted because the Company's business is mostly residential and related business and practically considered one reportable segment.

## Report of Independent Auditors



Ernst & Young ShinNihon LLC  
Hibiya Kokusai Bldg.  
2-2-3 Uchisaiwai-cho, Chiyoda-ku  
Tokyo, Japan 100-0011

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Fax: +81 3 3503 1197  
www.shinnihon.or.jp

### Independent Auditor's Report

The Board of Directors  
Misawa Homes Co., Ltd.

We have audited the accompanying consolidated financial statements of Misawa Homes Co., Ltd. and its consolidated subsidiaries, which comprise the consolidated balance sheet as at March 31, 2015, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and notes to consolidated financial statements, 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 Misawa Homes Co., Ltd. and its consolidated subsidiaries as at March 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 6.

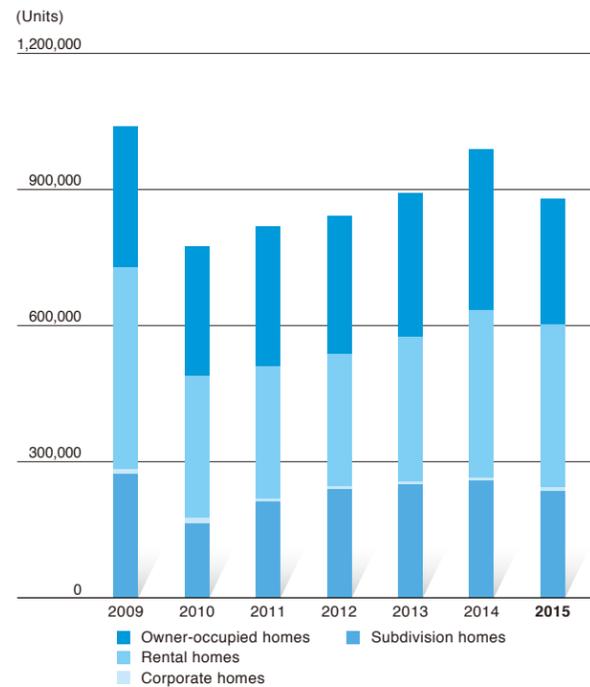
*Ernst & Young ShinNihon LLC*

June 26, 2015  
Tokyo, Japan

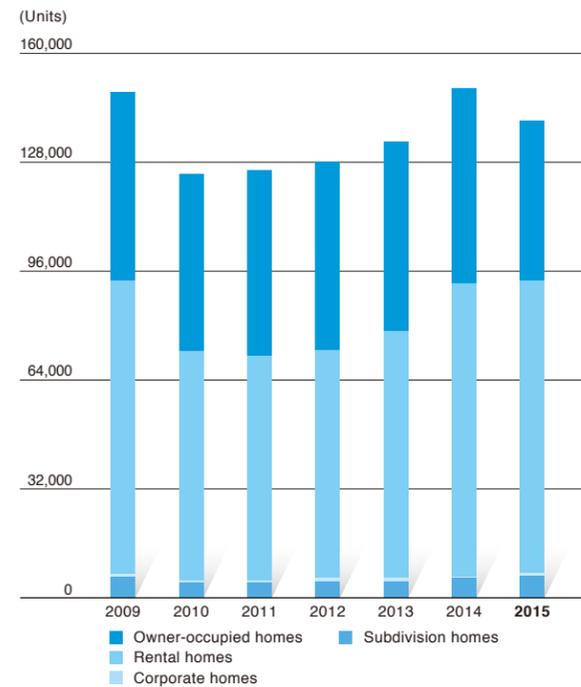
# Trends in the Housing Market in Japan

# Subsidiaries and Affiliated Company (As of March 31, 2015)

## Housing Starts in Japan



## Prefabricated Housing Starts in Japan



## Housing Starts in Japan

Fiscal year ended March 31	2009	2010	2011	2012	2013	2014	2015
Owner-occupied homes	310,670	286,993	308,517	304,822	316,532	352,841	278,221
Rental homes	444,848	311,463	291,840	289,762	320,891	369,993	358,340
Corporate homes	11,089	13,231	6,580	7,576	5,919	5,272	7,867
Subdivision homes	272,607	163,590	212,083	239,086	249,660	259,148	236,042
<b>Total</b>	<b>1,039,214</b>	<b>775,277</b>	<b>819,020</b>	<b>841,246</b>	<b>893,002</b>	<b>987,254</b>	<b>880,470</b>

## Prefabricated Housing Starts in Japan

Fiscal year ended March 31	2009	2010	2011	2012	2013	2014	2015
Owner-occupied homes	55,317	51,819	54,715	55,396	55,887	57,422	46,820
Rental homes	86,253	67,415	65,952	66,994	72,488	86,028	86,100
Corporate homes	802	749	533	1,009	373	540	792
Subdivision homes	6,220	4,378	4,502	4,817	5,339	5,766	6,445
<b>Total</b>	<b>148,592</b>	<b>124,361</b>	<b>125,702</b>	<b>128,216</b>	<b>134,087</b>	<b>149,756</b>	<b>140,157</b>

Source: Ministry of Land, Infrastructure, Transport and Tourism's "Housing Starts Statistics"

Company	Address	Capitalization (Millions of yen)	Percentage of Voting Rights Owned by Misawa Homes Co., Ltd. (%)	Primary Business
<b>Consolidated subsidiaries:</b>				
Misawa Homes Hokkaido Co., Ltd.	Sapporo, Hokkaido Prefecture	1,738	100.0	Construction and sales of prefabricated houses
Tohoku Misawa Homes Co., Ltd.	Sendai, Miyagi Prefecture	500	100.0	Construction and sales of prefabricated houses
Misawa Homes Nishikanto Co., Ltd.	Saitama, Saitama Prefecture	100	100.0	Construction and sales of prefabricated houses
Misawa Homes Higashikanto Co., Ltd.	Chiba, Chiba Prefecture	100	100.0	Construction and sales of prefabricated houses
Misawa Homes Tokyo Co., Ltd.	Suginami-ku, Tokyo	2,000	100.0	Construction and sales of prefabricated houses
Misawa Homes Hokuetsu Co., Ltd.	Niigata, Niigata Prefecture	100	100.0	Construction and sales of prefabricated houses
Misawa Homes Koushin Co., Ltd.	Matsumoto, Nagano Prefecture	100	99.8	Construction and sales of prefabricated houses
Misawa Homes Shizuoka Co., Ltd.	Shizuoka, Shizuoka Prefecture	300	100.0	Construction and sales of prefabricated houses
Misawa Homes Tokai Co., Ltd.	Nagoya, Aichi Prefecture	450	100.0	Construction and sales of prefabricated houses
Misawa Homes Kinki Co., Ltd.	Osaka, Osaka Prefecture	800	100.0	Construction and sales of prefabricated houses
Misawa Homes Chugoku Co., Ltd.	Okayama, Okayama Prefecture	1,369	72.1 (5.5)	Construction and sales of prefabricated houses
Misawa Homes Shikoku Co., Ltd.	Takamatsu, Kagawa Prefecture	100	100.0	Construction and sales of prefabricated houses
Misawa Homes Kyushu Co., Ltd.	Fukuoka, Fukuoka Prefecture	300	100.0	Construction and sales of prefabricated houses
Misawa Homes Ceramics Co., Ltd.	Suginami-ku, Tokyo	100	100.0	Construction and sales of prefabricated houses
Misawa Homeing Co., Ltd.	Suginami-ku, Tokyo	800	100.0	Home renovation
Techno Factories and Construction Co., Ltd.	Shinjuku-ku, Tokyo	50	85.1 (30.0)	Manufacture of house materials
Misawa-Mrd Co., Ltd.	Shinjuku-ku, Tokyo	90	100.0	Real estate sales, brokerage, rental and management
Motherth Co., Ltd.	Shinjuku-ku, Tokyo	260	100.0	Fee-based operation of nursing homes and apartment housing complexes for seniors
28 others				

## Affiliated company:

Toyota Motor Corporation	Toyota, Aichi Prefecture	397,050	[29.0] [(29.0)]
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Notes: (1) Voting rights figures in parentheses, ( ), indicate indirect holdings.

(2) Square brackets, [ ], indicate holdings in Misawa Homes Co., Ltd.

# Corporate Data (As of March 31, 2015)

Corporate Name: Misawa Homes Co., Ltd.  
 Headquarters: 2-4-1 Nishi-Shinjuku, Shinjuku-ku, Tokyo 163-0833, Japan  
 Established: August 1, 2003  
 Paid-in Capital: ¥10,000 million

## Directors, Executive Officers and Audit & Supervisory Board Members

(As of June 26, 2015)

### Directors

Teiji Tachibana<sup>1</sup>  
 Nobuo Takenaka<sup>2</sup>  
 Masashi Isogai<sup>2</sup>  
 Toshitsugu Hirata<sup>2</sup>  
 Hideki Shimomura  
 Hiroomi Tanaka  
 Sumio Yokota  
 Tetsuya Sakuo  
 Hideyuki Yoshimatsu  
 Yuji Goto

### Audit & Supervisory Board Members

Seiji Urita<sup>3</sup>  
 Takahiro Kagawa<sup>3</sup>  
 Hirohiko Fukatsu  
 Nobuo Nagasaki

### Executive Officers

Nobuo Takenaka<sup>4</sup>  
 Masashi Isogai<sup>5</sup>  
 Toshitsugu Hirata<sup>6</sup>  
 Hideki Shimomura<sup>6</sup>  
 Hiroomi Tanaka<sup>7</sup>  
 Sumio Yokota<sup>7</sup>  
 Tetsuya Sakuo<sup>7</sup>  
 Hideyuki Yoshimatsu<sup>7</sup>  
 Hiroshi Sakaguchi<sup>7</sup>  
 Yoichiro Dokan<sup>7</sup>  
 Kazuaki Uchida<sup>7</sup>  
 Tetsuyuki Morita  
 Kengo Shoji  
 Hidehiko Hara  
 Kazuyoshi Akimoto  
 Naoto Shimada  
 Takashi Nakamura  
 Saburo Yanagidani  
 Hitoshi Shirahama

<sup>1</sup>Chairman

<sup>2</sup>Representative Directors

<sup>3</sup>Standing Audit & Supervisory Board Members

<sup>4</sup>Chief Executive Officer

<sup>5</sup>Executive Vice President

<sup>6</sup>Senior Managing Executive Officer

<sup>7</sup>Managing Executive Officers

## Share Information

	Shares
<b>Total number of shares authorized</b>	150,000,000
<b>Total number of shares issued</b>	38,738,914
<b>Number of shareholders</b>	
Common stock	25,919

## Major shareholders

	No. of shares	%
1 Toyota Housing Corporation	10,784,100	27.83
2 Aioi Nissay Dowa Insurance Co., Ltd.	2,058,327	5.31
3 Japan Trustee Services Bank, Ltd. (Trust A/C)	908,700	2.34
4 The Master Trust Bank of Japan, Ltd. (Trust A/C)	677,600	1.74
5 Misawa Homes Group Employee Shareholders Association	671,034	1.73
6 Nippon Life Insurance Company	609,053	1.57
7 JP MORGAN CHASE BANK 380084	587,500	1.51
8 The Bank of Tokyo-Mitsubishi UFJ, Ltd.	559,912	1.44
9 CREDIT SUISSE AG ZURICH FOR AIF FUNDS	527,000	1.36
10 BNYM SA/NV FOR BNYM CLIENT ACCOUNT MPCS JAPAN	435,499	1.12

Note: Percentage shareholding is calculated based on common shares issued.  
 Custodian of shareholders' register: Mitsubishi UFJ Trust and Banking Corporation  
 4-5 Marunouchi 1-chome, Chiyoda-ku, Tokyo

