

Sekisui House, Ltd.

SUMMARY OF FINANCIAL STATEMENTS

February 1, 2005 – January 31, 2006

Note : This document contains forward-looking statements based on a number of assumptions and beliefs in light of the information currently available to management and is subject to significant risks and uncertainties. Actual financial results may differ materially depending on a number of factors including, adverse economic conditions, adverse legislative and regulatory developments, delay in new product launches, and pricing and product initiatives of competitors

SUMMARY OF FINANCIAL STATEMENTS (Consolidated)

February 1, 2005 – January 31, 2006

Sekisui House, Ltd.

Stock Code: 1928

<http://www.sekisuihouse.co.jp>

President & Representative Director:

Date of the meeting of the board of directors: March 1, 2006

U.S. GAAP Accounting Principles:

Head office: Osaka, Japan

Isami Wada

Not adopted

Listed exchanges: Tokyo, Osaka, Nagoya (First Section)

Telephone: +816 6440 3111

Inquiries: PR Department

Associate Officer: Hidehiro Yamaguchi

March 1, 2006

1. Business Results

*Please note that numbers less than a million yen are rounded down.

1) Consolidated Business Results

	<i>Millions of yen</i>			
	Feb. 1, 2005 – Jan. 31, 2006		Feb. 1, 2004 – Jan. 31, 2005	
		Change %		Change %
Net sales	1,501,857	9.4	1,372,243	3.5
Operating income	79,980	4.4	76,638	(4.6)
Recurring income	81,699	5.7	77,316	(2.2)
Net income	43,029	81.9	23,659	(37.3)
Net income per share (yen)	62.94		33.80	
Fully diluted net income per share (yen)	--		--	
Return on equity (%)	6.4%		3.5%	
Return on assets (%)	7.3%		6.7%	
Recurring income margin (%)	5.4%		5.6%	

(1) Gain(loss) from investments in subsidiaries and affiliates accounted for by the equity method:

Year ended January 31, 2006 183 million yen Year ended January 31, 2005 (107) million yen

(2) Average number of outstanding shares (consolidated) during the period:

Year ended January 31, 2006 673,509,993 shares Year ended January 31, 2005 686,079,543 shares

(3) Changes to accounting principles: Yes

(4) Percentages for net sales, operating income, recurring income, and net income represent year-on-year changes.

2) Consolidated Financial Position

	<i>Millions of yen</i>	
	Feb. 1, 2005 – Jan. 31, 2006	Feb. 1, 2004 – Jan. 31, 2005
Total assets	1,098,203	1,140,231
Shareholders' equity	685,762	666,475
Equity ratio (%)	62.4%	58.5%
Shareholders' equity per share (yen)	1,028.46	979.40

(1) Outstanding shares (consolidated) at the end of January 31, 2006

666,164,934 shares

(2) Outstanding shares (consolidated) at the end of January 31, 2005

680,010,723 shares

3) Consolidated Cash Flows

	<i>Millions of yen</i>	
	Feb. 1, 2005 – Jan. 31, 2006	Feb. 1, 2004 – Jan. 31, 2005
Net cash provided by operating activities	(5,756)	50,992
Net cash used in investing activities	12,259	(32,507)
Net cash used in financing activities	(91,200)	(61,141)
Cash and cash equivalents at end of period	94,979	179,712

4) Consolidated subsidiaries and affiliates accounted for by the equity method

Number of consolidated subsidiaries 90

Number of non-consolidated subsidiaries accounted for by the equity method --

Number of affiliates accounted for by the equity method 5

5) Changes in the scope of consolidation and companies accounted for by the equity method

Consolidated subsidiaries (Newly included) 3 (Excluded) 6

Companies accounted for by the equity method (Newly included) 1 (Excluded) --

2. Consolidated Results Forecast for the Year Ending January 31, 2007

	<i>Millions of yen</i>			
	Net Sales	Recurring income	Net income	Net income per share (yen)
Interim	764,000	37,500	20,000	--
Full year	1,610,000	95,000	52,000	78.06

Appendix 1: Results Summary

Full year results summary for the year ended January 31, 2006

Millions of yen

Consolidated	Results for year to Jan. 2005	Previous forecast for year to Jan. 2006	Results for year to Jan. 2006	YOY Change (%)	Forecast for year to Jan. 2007	YOY Change (%)
Net sales	1,372,243	1,490,000	1,501,857	109.4	1,610,000	107.2
Gross profit	273,723	290,000	288,666	105.5	313,000	108.4
SG&A expenses	197,085	210,000	208,686	105.9	219,000	104.9
Operating income	76,638	80,000	79,980	104.4	94,000	117.5
Recurring income	77,316	80,000	81,699	105.7	95,000	116.3
Extraordinary income (loss)	(25,111)	(5,000)	(6,925)	--	(1,000)	--
Net income	23,659	41,500	43,029	181.9	52,000	120.8
Total orders	1,341,370	1,516,000	1,478,359	110.2	1,640,000	110.9
Accumulated orders	573,957	599,956	550,459	95.9	580,459	105.4

Non-consolidated	Results for year to Jan. 2005	Previous forecast for year to Jan. 2006	Results for year to Jan. 2006	YOY Change (%)	Forecast for year to Jan. 2007	YOY Change (%)
Net sales	1,086,179	1,140,000	1,145,540	105.5	1,245,000	108.7
Gross profit	226,157	230,000	228,018	100.8	250,000	109.6
SG&A expenses	165,267	168,000	168,153	101.7	176,000	104.7
Operating income	60,889	62,000	59,864	98.3	74,000	123.6
Recurring income	62,439	63,000	63,146	101.1	77,000	121.9
Extraordinary income (loss)	(20,740)	(5,000)	(7,252)	--	(1,000)	--
Net income	19,492	33,500	33,003	169.3	43,500	131.8
Total orders	1,049,730	1,160,000	1,123,675	107.0	1,280,000	113.9
Accumulated orders	565,071	585,070	543,206	95.1	578,206	106.4

Key management indicators

Consolidated	Year to Jan. 2002	Year to Jan. 2003	Year to Jan. 2004	Year to Jan. 2005	Year to Jan. 2006
Net income per share (yen)	(125.11)	48.71	53.30	33.80	62.94
Shareholders' equity per share (yen)	883.16	911.01	959.96	979.40	1,028.46
Operating profit margin (%)	5.72%	5.59%	6.06%	5.58%	5.33%
ROE (%)	(13.21)%	5.43%	5.75%	3.55%	6.36%
ROA (%) *1	5.65%	5.90%	6.79%	6.84%	7.34%

R & D expenditures (millions yen)	7,553	5,523	5,259	5,793	6,190
Investment in plant and equipment (Consolidated)	16,003	19,302	16,695	36,225	46,817
Investment in plant and equipment (Non-consolidated)	10,545	14,296	9,374	27,488	42,264
Depreciation expense (Consolidated) (millions yen)	13,085	11,882	11,298	11,553	11,117
Depreciation expense (Non-consolidated) (millions yen)	11,186	9,951	9,362	9,424	8,557
Housing construction share*2	5.2%	5.0%	5.0%	4.7%	4.6%
Referred order rate*3	62.2%	63.4%	53.8%	49.4%	44.7%
Average house price (1,000 yen)	30,724	29,605	29,697	29,336	29,875
Sekiwa Real Estate participation rate *4	69.5%	72.8%	75.4%	76.5%	77.4%
Occupancy rate of leasing units	95.7%	95.6%	95.0%	94.9%	95.0%
Display home locations (end of period)	653	602	561	551	575

*1 ROA: Return on Assets = (Operating profit + interest received) / Total assets

*2 Sekisui House housing starts / total nationwide housing starts (calendar year)

*3 Referred orders / total orders

*4 Percentage of *Sha Maison* (rental housing) projects in which leasing and administration is contracted to Sekiwa Real Estate group companies

Appendix 2-1: Segment Breakdown

Consolidated

Results for year ended Jan. 2006	Orders		Sales				Accumulated orders	
	<i>Millions of yen</i>	%	<i>Millions of yen</i>	%	Gross profit ratio	Operating margin	<i>Millions of yen</i>	%
Built to Order Housing	684,139	46.3	725,216	48.3	23.7	10.3	371,425	67.5
Real Estate for Sales	351,248	23.7	347,723	23.1	16.9	6.7	83,540	15.2
Real Estate for Leasing	291,154	19.7	291,154	19.4	10.9	4.5	--	--
Other Business	151,816	10.3	137,762	9.2	20.2	2.5	95,493	17.3
Consolidated	1,478,359	100.0	1,501,857	100.0	19.2	5.3	550,459	100.0

Results for year ended Jan. 2005	Orders		Sales				Accumulated orders	
	<i>Millions of yen</i>	%	<i>Millions of yen</i>	%	Gross profit ratio	Operating margin	<i>Millions of yen</i>	%
Built to Order Housing	675,571	50.4	708,539	51.6	25.4	11.6	412,502	71.9
Real Estate for Sales	260,718	19.4	273,455	19.9	15.8	4.5	80,015	13.9
Real Estate for Leasing	269,326	20.1	269,326	19.7	9.4	3.0	--	--
Other Business	135,755	10.1	120,923	8.8	21.4	2.9	81,439	14.2
Consolidated	1,341,370	100.0	1,372,243	100.0	19.9	5.6	573,957	100.0

Forecast for year ending Jan. 2007	Orders		Sales				Accumulated orders	
	<i>Millions of yen</i>	%	<i>Millions of yen</i>	%	Gross profit ratio	Operating margin	<i>Millions of yen</i>	%
Built to Order Housing	774,000	47.2	764,000	47.5	23.6	10.2	381,425	65.7
Real Estate for Sales	410,000	25.0	400,000	24.8	18.2	8.6	93,540	16.1
Real Estate for Leasing	301,000	18.4	301,000	18.7	10.6	3.9	--	--
Other Business	155,000	9.4	145,000	9.0	20.2	2.5	105,493	18.2
Consolidated	1,640,000	100.0	1,610,000	100.0	19.4	5.8	580,459	100.0

Appendix 2-2: Segment Breakdown

Non-consolidated

(Note) On the non-consolidated financial statements, a breakdown into "Construction" and "Real Estate" is reported as in the past; however, to show how these figures relate to by-segment statements on the consolidated accounts, figures accounted for on the same basis as the consolidated figures are given here for reference.

Results for year ended Jan. 2006	Orders			Sales				GPR	OM	Accumulated orders		
	Value	%	Buildings	Value	%	Buildings	Units			Value	%	Units
Built to Order Housing	678,060	60.3	20,666	719,192	62.8	22,340	47,838	22.6	9.7	372,550	68.6	10,834
Steel frame	369,063		12,344	387,485		13,064	13,344	--	--	179,641		5,707
Wood frame	93,618		2,878	89,816		2,834	2,849	--	--	50,306		1,492
Low rise apartments	215,378		5,444	241,890		6,442	31,645	--	--	142,603		3,635
Real Estate for Sales	333,371	29.7	4,826	330,165	28.8	4,720	6,845	17.3	6.9	78,068	14.4	1,455
Steel frame	118,531		4,185	116,328		4,089	4,168	--	--	32,041		1,213
Wood frame	20,838		641	18,782		580	581	--	--	7,121		242
Condominiums	55,142		--	54,326		51	2,096	--	--	17,674		--
Land	138,857		--	140,726		--	--	--	--	21,232		--
Real Estate for Leasing	9,116	0.8	--	9,116	0.8	--	--	21.1	19.4	--	--	--
Other Business	103,127	9.2	165	87,067	7.6	142	1,917	7.9	(1.2)	92,587	17.0	336
RC contracts	48,201		165	30,848		142	1,917	--	--	64,901		336
Exteriors	48,978		--	49,960		--	--	--	--	27,550		--
Other	5,947		--	6,257		--	--	--	--	136		--
Total	1,123,675	100.0	25,657	1,145,540	100.0	27,202	56,600	19.9	5.2	543,206	100.0	12,625

Results for year ended Jan. 2005	Orders			Sales				GPR	OM	Accumulated orders		
	Value	%	Buildings	Value	%	Buildings	Units			Value	%	Units
Built to Order Housing	672,623	64.1	21,240	704,770	64.9	22,412	48,287	24.1	10.9	413,682	73.2	12,508
Steel frame	375,842		12,726	384,045		13,106	13,546	--	--	198,062		6,427
Wood frame	80,552		2,540	77,519		2,458	2,496	--	--	46,503		1,448
Low rise apartments	216,228		5,974	243,205		6,848	32,245	--	--	169,115		4,633
Real Estate for Sales	247,102	23.5	4,334	260,784	24.0	4,229	5,951	16.0	4.4	74,862	13.3	1,298
Steel frame	102,871		3,799	99,636		3,687	3,857	--	--	29,838		1,117
Wood frame	16,326		535	15,657		513	515	--	--	5,065		181
Condominiums	32,856		--	41,216		29	1,579	--	--	16,858		--
Land	95,047		--	104,273		--	--	--	--	23,101		--
Real Estate for Leasing	9,320	0.9	--	9,320	0.9	--	--	1.1	(0.3)	--	--	--
Other Business	120,683	11.5	175	111,304	10.2	105	1,751	13.1	0.1	76,526	13.5	313
RC contracts	31,999		175	27,379		105	1,751	--	--	47,548		313
Exteriors	48,600		--	44,417		--	--	--	--	28,532		--
Other	40,084		--	39,507		--	--	--	--	445		--
Total	1,049,730	100.0	25,749	1,086,179	100.0	26,746	55,989	20.8	5.6	565,071	100.0	14,119

Forecast for year ending Jan. 2007	Orders			Sales				GPR	OM	Accumulated orders		
	Value	%	Buildings	Value	%	Buildings	Units			Value	%	Units
Built to Order Housing	773,000	60.4	23,580	764,000	61.4	23,310	48,400	22.4	9.6	381,550	66.0	11,104
Steel frame	420,000		14,100	417,000		14,000	14,300	--	--	182,641		5,807
Wood frame	98,000		2,980	97,000		2,960	3,000	--	--	51,306		1,512
Low rise apartments	255,000		6,500	250,000		6,350	31,100	--	--	147,603		3,785
Real Estate for Sales	395,000	30.9	5,250	381,000	30.6	5,190	7,300	18.4	8.6	92,068	15.9	1,555
Steel frame	131,000		4,570	129,000		4,500	4,600	--	--	34,041		1,283
Wood frame	22,000		680	21,000		650	650	--	--	8,121		272
Condominiums	82,000		--	73,000		40	2,050	--	--	26,674		--
Land	160,000		--	158,000		--	--	--	--	23,232		--
Real Estate for Leasing	8,000	0.6	--	8,000	0.6	--	--	18.7	15.6	--	--	--
Other Business	104,000	8.1	200	92,000	7.4	150	2,600	8.0	0.0	104,587	18.1	386
RC contracts	48,000		200	37,000		150	2,600	--	--	75,901		386
Exteriors	52,000		--	51,000		--	--	--	--	28,550		--
Other	4,000		--	4,000		--	--	--	--	136		--
Total	1,280,000	100.0	29,030	1,245,000	100.0	28,650	58,300	20.1	5.9	578,206	100.0	13,045

Appendix 3: Summary of Subsidiaries and Affiliates (FY2005)

(Upper) This term

(Lower) Previous term

Millions of yen

	Sales	GPM	SG&A	Operating income	Recurring income	Extraordinary income	Extraordinary loss	Net income	Total assets	Shareholders' equity	*1 Interest-bearing debt
Sekisui House	1,145,540	228,018	168,153	59,864	63,146	5,488	12,741	33,003	976,952	635,074	—
	1,086,179	226,157	165,267	60,889	62,439	42,373	63,113	19,492	988,821	625,390	30,000
Sekiwa Real Estate (Consolidated)	106,295	14,221	9,694	4,526	4,562	760	32	3,151	45,334	16,951	—
	98,307	13,199	8,944	4,255	4,298	1,186	3,031	1,055	39,992	13,628	—
Sekiwa Real Estate Tohoku	19,237	1,984	1,368	615	630	5	0	369	8,781	2,196	—
	17,776	1,829	1,306	523	535	242	0	452	8,753	1,879	—
Sekiwa Real Estate Chubu (Consolidated)	81,987	8,979	5,884	3,095	3,110	529	224	1,959	31,210	10,224	—
	73,882	7,333	5,202	2,131	2,126	597	3,129	(259)	30,172	8,516	—
Sekiwa Real Estate Kansai (Consolidated)	56,761	7,605	5,325	2,279	2,310	123	—	1,420	35,052	21,988	—
	51,167	7,029	5,155	1,873	1,926	984	2,277	284	34,068	20,502	—
Sekiwa Real Estate Chugoku	17,211	3,171	2,172	999	1,009	10	19	585	10,573	3,579	—
	15,344	2,911	2,016	894	894	298	117	594	9,520	3,103	—
Sekiwa Real Estate Kyusyu	18,279	1,975	1,511	464	446	—	38	235	5,543	1,634	—
	16,353	1,789	1,474	315	298	197	5	275	5,192	1,467	—
Sekiwa Real Estate Sapporo *2	784	30	25	5	4	—	—	1	413	51	—
	—	—	—	—	—	—	—	—	—	—	—
Sekiwa Real Estate Subtotal	300,557	37,969	25,982	11,986	12,073	1,428	315	7,722	136,909	56,626	—
	272,832	34,094	24,099	9,994	10,079	3,507	8,561	2,404	127,699	49,097	—
Sekiwa Construction & 66 other companies	231,253	13,594	7,506	6,087	6,435	18	49	3,664	58,549	27,786	—
	219,059	13,290	7,623	5,666	5,918	986	48	3,943	56,242	25,474	—
Sekisui House Remodeling	40,165	8,743	7,533	1,209	1,411	—	0	743	7,632	1,788	—
	—	—	4	(4)	(4)	—	—	(4)	95	95	—
Kobe Rokko Island *3	3,561	532	13	519	519	19,841	0	20,360	—	—	—
	834	29	80	(50)	(50)	—	3,347	(3,398)	4,024	(20,317)	*4 9,426
Nishinomiya Marina City	578	(15)	6	(21)	(21)	—	—	(21)	14	(13,541)	—
	560	14	3	10	10	—	—	10	711	(13,519)	—
SGM Operation	2,590	259	201	57	46	10	1	28	2,298	1,345	—
	2,531	338	248	90	78	34	22	46	2,314	1,317	—
Sekisui House Umeda Operation	8,580	1,923	1,484	439	438	0	3	253	2,981	738	—
	7,880	1,869	1,477	392	391	29	6	245	2,909	589	—
7 Other Companies	14,053	1,877	1,291	585	568	178	104	379	8,666	3,454	—
	12,991	1,637	1,144	492	468	12	50	245	8,386	3,189	—
Gross	1,746,881	292,903	212,172	80,730	84,618	26,966	13,216	66,135	1,194,004	713,273	—
	1,602,869	277,431	199,949	77,482	79,331	46,944	75,150	22,984	1,191,205	671,317	39,426
Eliminations and others	(245,023)	(4,236)	(3,486)	(749)	*5 (2,918)	(21,029)	(354)	(23,105)	(95,801)	(27,511)	—
	(230,626)	(3,707)	(2,864)	(843)	(2,015)	(337)	(3,432)	674	(50,973)	(4,842)	—
Consolidated	1,501,857	288,666	208,686	79,980	81,699	5,937	12,862	43,029	1,098,203	685,762	—
	1,372,243	273,723	197,085	76,638	77,316	46,606	71,718	23,659	1,140,231	666,475	39,426
Consolidated/Non-consolidated	1.31	1.27	1.24	1.34	1.29	1.08	1.01	1.30	1.12	1.08	—
	1.26	1.21	1.19	1.26	1.24	1.10	1.14	1.21	1.15	1.07	1.31

*1 The amount of debt within the Group are excluded from that of interest-bearing debt.

*2 The company was founded in this fiscal year ended on January 31, 2006.

*3 The liquidation process of the company was completed in this fiscal year ended on January 31, 2006.

*4 Loans from a investment company for funds to purchase lands.

*5 183 million yen, profit from investments in affiliates for by the equity method, is included.

APPENDIX 4: BREAKDOWN OF SALES BY TYPE OF BUILDING

	Feb.1, 2005 – Jan. 31, 2006	Feb.1, 2004 – Jan. 31, 2005	Difference (%)
Housing – Total			
Units	56,600	55,989	1.1
Buildings	27,158	26,721	1.6
Square meters	4,699,328	4,587,563	2.4
Value (millions of yen)	981,582	968,780	1.3
Detached Houses – Total			
Units	20,942	20,414	2.6
Buildings	20,567	19,764	4.1
Square meters	2,926,517	2,809,718	4.2
Value (millions of yen)	662,373	621,275	6.6
Detached Houses – Steel Frame			
Units	17,512	17,403	0.6
Buildings	17,153	16,793	2.1
Square meters	2,426,920	2,374,144	2.2
Value (millions of yen)	553,774	528,098	4.9
Detached Houses – Wood Frame			
Units	3,430	3,011	13.9
Buildings	3,414	2,971	14.9
Square meters	499,596	435,574	14.7
Value (millions of yen)	108,599	93,176	16.6
Multiple Dwelling Houses – Total			
Units	35,658	35,575	0.2
Buildings	6,591	6,957	(5.3)
Square meters	1,772,810	1,777,844	(0.3)
Value (millions of yen)	312,950	307,996	1.6
Multiple Dwelling – Apartments			
Units	31,645	32,245	(1.9)
Buildings	6,442	6,848	(5.9)
Square meters	1,505,723	1,528,640	(1.5)
Value (millions of yen)	241,890	243,205	(0.5)
Multiple Dwelling – Condominiums			
Units	4,013	3,330	20.5
Buildings	149	109	36.7
Square meters	267,087	249,204	7.2
Value (millions of yen)	71,059	64,790	9.7
Remodeling *			
Value (millions of yen)	6,257	39,507	(84.2)
Non-Housing			
Buildings	44	25	76.0
Square meters	114,508	23,807	381.0
Value (millions of yen)	14,115	3,805	271.0

*Sales of the remodeling business (40,102 million yen), which was taken over by Sekisui House Remodeling, Ltd. from the current fiscal year, are excluded.

An Outline of The Sekisui House Group

The Sekisui House, Ltd. group consists of 90 subsidiaries and 5 affiliates companies. Sekisui House group companies are involved in the contract design, construction, and letting of prefabricated houses. They also buy and sell, act as agents for, lease and manage real estate. The position of each company within the group is illustrated below. The following four sections classify each business division as they are classified in the 'Segment Information' section. Details about these changes are listed in the 'Segment Information' section.

(1) Built to Order Housing

This division constructs steel, wooden, and concrete houses and condominiums. The main group companies of this division are Sekiha, Ltd, Sekiwa Construction Saitama, Ltd., Sekiwa Construction Yokohama, Ltd., and Sekiwa Construction Osaka, Ltd.

(2) Real Estate for Sales

This division sells land, detached houses, and condominiums.

The main group companies of this division are Sekiwa Real Estate, Ltd., Sekiwa Real Estate Kansai, Ltd., Sekiwa Real Estate Chubu, Ltd., Sekiwa Real Estate Chugoku, Ltd., Sekiwa Real Estate Kyusyu, Ltd., Sekiwa Real Estate Tohoku, Ltd., and Sekiwa Real Estate Sapporo, Ltd.

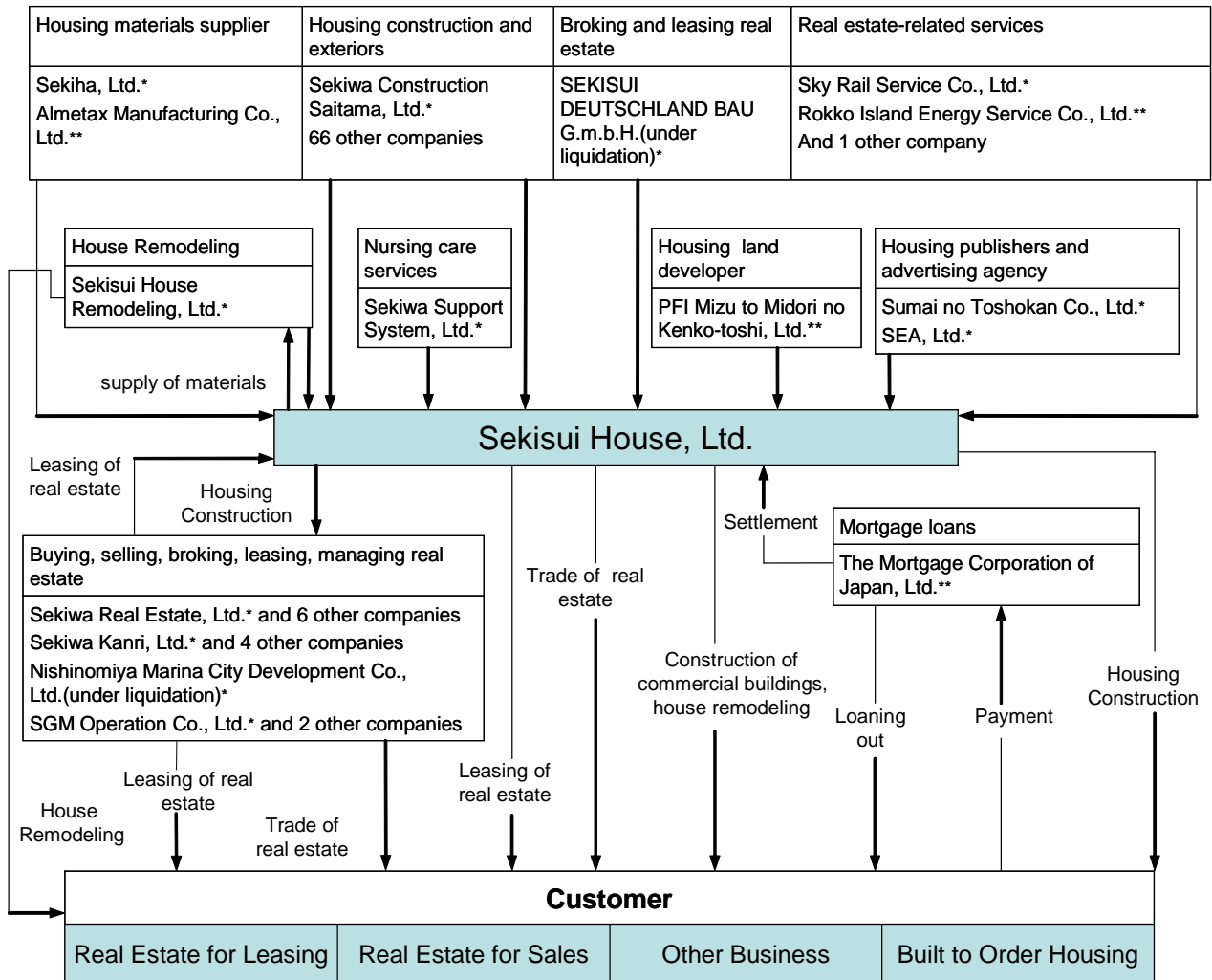
(3) Real Estate for Leasing

This division leases and manages detached houses, apartments, condominiums, commercial buildings, shops etc.

The main group companies of this division are Sekiwa Real Estate, Ltd., Sekiwa Real Estate Kansai, Ltd., Sekiwa Real Estate Chubu, Ltd., Sekiwa Real Estate Chugoku, Ltd., Sekiwa Real Estate Kyusyu, Ltd., Sekiwa Real Estate Tohoku, Ltd., and Sekiwa Real Estate Sapporo, Ltd.

(4) Other Business

This division is involved in the design of condominiums and commercial buildings, the construction and contract remodeling of houses, and the design and construction of landscape gardens. The main group companies of this division are Sekisui House Remodeling, Ltd., Greentechno Sekiwa, Ltd. and Landtech Sekiwa, Ltd.



* Consolidated subsidiary ** affiliated company, accounted for by the equity method

Major Subsidiaries and Affiliates

Name	Capital	Main business	Percentage owned	Serving directors	Transactions
(Consolidated Subsidiaries)	<i>Millions of yen</i>				
Sekiwa Real Estate, Ltd.	1,668	Real Estate for Leasing & Sales	100.0%	Directors 3 Transfer 11	Management and brokerage of real estate
Sekiwa Real Estate Kansai, Ltd.	5,829	Same as above	100.0%	Directors 3 Transfer 11	Same as above
Sekiwa Real Estate Chubu, Ltd.	1,368	Same as above	100.0%	Directors 2 Executive 1 Employee 1 Transfer 10	Same as above
Sekiwa Real Estate Chugoku, Ltd.	379	Same as above	100.0%	Director 1 Transfer 7	Same as above
Sekiwa Real Estate Kyushu, Ltd.	263	Same as above	100.0%	Directors 2 Transfer 6	Same as above
Sekiwa Real Estate Tohoku, Ltd.	200	Same as above	100.0%	Directors 2 Employee 1 Transfer 5	Same as above
Sekiwa Real Estate Sapporo, Ltd.	50	Same as above	100.0%	Director 1 Employees 2 Transfer 1	Same as above
Sekisui House Remodeling, Ltd.	100	Other Business	100.0%	Directors 2 Executive 1 Employee 1	Contract remodeling
SGM Operation Co., Ltd.	418	Real Estate for Leasing	100.0%	Directors 2 Executive 1 Transfer 3	Consignment of real estate management and sales of housing-related equipment
Sekisui House Umeda Operation Co., Ltd.	100	Same as above	100.0%	Directors 2 Employees 2	Consignment of real estate management
Nishinomiya Marina City Development Co., Ltd.	400	Real Estate for Sales	100.0%	Directors 2 Executives 2	Co-development company for Nishinomiya Marina City project
Sekiha, Ltd.	480	Built to Order Housing	100.0%	Directors 2 Executive 1	Buying and selling housing materials
Greentechno Sekiwa, Ltd.	100	Other Business	100.0%	Transfer 6 Employee 1	Exterior and gardening construction
Landtech Sekiwa, Ltd.	60	Same as above	100.0%	Employees 13	Foundation investigation and surveys
Sekiwa Construction Saitama, Ltd.	40	Built to Order Housing	100.0%	Executive 1 Employees 6 Transfer 4	Foundation and construction work

- The main business of each company is recorded in line with the revised business categories of Sekisui House.
- Effective February 1, 2005, the Company implemented an exchange of shares designed to make Sekiwa Real Estate, Ltd., Sekiwa Real Estate Chubu, Ltd., Sekiwa Real Estate Kansai, Ltd., Sekiwa Real Estate Chugoku, Ltd., Sekiwa Real Estate Kyushu, Ltd. and Sekiwa Real Estate Tohoku, Ltd. wholly owned subsidiaries of the Company.
- Now that the purpose of establishing the company has been fulfilled, Nishinomiya Marina City Development Co., Ltd. is currently proceeding with liquidation.

Management Policy & Results

1. Management Policy

Basic management policy

Since the establishment of Sekisui House we have aimed to create homes and environments with individuality and warmth, as a leading producer of housing in Japan. Providing first class product quality and technical skills is essential, and we aim every day to reflect our philosophy of “love of humanity” by creating houses that bring satisfaction to our customers. In the future, through rigorous quality control we aim to continue to raise customer satisfaction and to provide full after service to our customers. Housing is characterized by a very long product life and we believe that steadily pursuing these values in our business activities creates a powerful framework of trust that is the key to long-term growth and an essential element of our business. Further our basic stance is that true management of a company is borne out of three concepts: customer satisfaction, shareholder satisfaction and employee satisfaction and we must also fulfill our obligations as a corporate citizen while considering the stability and investment required to ensure continued long term growth while making determined efforts to expand our business.

Profit distribution policy

Since the year ended January 1988 we have continued a policy of paying a stable dividend of 18 yen per share to shareholders. We have also on occasion paid special and commemorative dividends, after taking into consideration the overall condition and profitability of the company, and capital requirements for expansion. In addition we have at times bought back and cancelled shares in the company in order to improve capital efficiency and raise long- term returns to shareholders.

For our future profit-sharing policy, we have decided to raise annual dividend payments by 2 yen, to 20 yen per share, from the fiscal year ending January 31, 2006 on, at which level we wish to continue our policy of paying a stable dividend to our shareholders.

We will also continue to compensate our shareholders aggressively in proportion to earnings growth. In this, we will take a cash-flow-conscious approach, while retaining the flexibility with which to respond swiftly to such requirements as front-loaded investment in marketing operations, R&D spending and capital expenditures.

Policy on reduction of the share-trading unit

While we recognize the importance of expanding our shareholder base by making it easier for individuals to participate as shareholders, we also recognize that Sekisui House shares maintain good liquidity. We intend to monitor factors such as trends among individual investors and the demands of the market, and will continue to weigh the cost and benefits of a reduction in our share-trading unit.

Business targets

In order to promote business efficiency we aim to take opportunities to strengthen our balance sheet and raise asset efficiency in each of our businesses. As a result we are targeting improvements in ROA and return on net assets. In terms of numerical targets, while raising profitability we aim to reduce total assets and through also raising asset turnover we target a ROA of 10%.

Medium term business strategy

In October 2004, we laid out the Sekisui House Group Medium-term Management Vision *S-Project*, under which our management has worked towards proactively. Due to subsequent changes in market conditions and progress in organizational structure, however, we decided to draw up a new medium-term management plan.

While formulating this medium-term management plan, we decided to aim towards a relative and sustainable growth between 5% and 10% for all the business segments, despite any changes in the respective market sizes, and make aggressive investments in the real estate development business, among other things.

In order to conduct various kinds of businesses both promptly and efficiently amid the rapidly changing management environment, we will investigate and pursue many possibilities, without becoming a slave to conventional management practices.

We look for consolidated net sales of 1,800 billion yen, recurring income of 125 billion yen, and net income of 70 billion yen for the year ending January 31, 2009.

Corporate governance and related initiatives

1. Basic principles

In order to boost the confidence of all of our stakeholders, we intend to implement efficient and honest management, based on our fundamental philosophy of “love of humanity”, and in accordance with our corporate philosophies of “truth and trust,” “superior quality and leading technology,” and “comfortable housing and ecologically sound communities.” To this end, we have positioned corporate governance as an important management task, and are making every effort to carry out speedy and proper business operations to maximize corporate value and increase profits.

In line with this, our medium-term management vision the *S-Project* is not merely a vision of sales and profit growth. It is a fundamental aspect of our management, driven by CSR (Corporate Social Responsibilities). Guided by the *S-Project*, we intend to fulfill our corporate responsibilities to all stakeholders, in connect with a commitment to improving the three inter-related aspects of CS (Customer Satisfaction), SS (Shareholder Satisfaction) and ES (Employee Satisfaction), in a manner that reflects our position as a leader in the housing industry.

2. Status of implementation of policies related to corporate governance

- (a) Management structure and internal control systems
 - (i) Meeting of the Board of Directors and meeting of Executive Officers

In April 2002, we introduced an executive officer system and reduced the number of directors to half, in order to clearly define management responsibilities and facilitate execution of business. As a rule, we hold a meeting of the Board of Directors once a month. The Board of Directors makes decisions regarding important matters related to the management of the Company or matters stipulated by law, as well as reviews various aspects of the Company’s business such as its performance, and in addition, oversees the execution of the duties of the executive officers.

A meeting of Executive Officers meets every other month, and executive officers report to the Board of Directors on a quarterly basis concerning business execution progress.

(ii) Corporate auditor system

Sekisui House has elected to implement a corporate auditor system comprising two outside auditors and two in-house auditors rather than a committee system. In accordance with the auditing policy and duty assignments established by the Board of Corporate Auditors, corporate auditors conduct on-site inspections and other activities in cooperation with the Auditing Department, which specializes in internal auditing; they also attend meetings of the Board of Directors and other important meetings. In addition, in order to maintain close ties with accounting auditors, the corporate auditors engage in the regular exchange of information by accompanying accounting auditors when on-site audits are conducted, and receiving reports on various activities such as auditing schemes or the status of audits.

(iii) Status of the implementation of the risk management system

We believe that earning the confidence and trust of society and customers, and strict adherence to compliance practices that will lead to the realization of more efficient management of the Company are fundamental and essential elements of its corporate activities. In order to carry out the comprehensive implementation of its risk management and corporate ethics practices, the Company established its "Code of Conduct" and "Corporate Ethics Guidelines" in 2003.

In February 2005, we reorganized our In-house Compliance Committee as a CSR Committee, incorporating into it such outside resources as a specialist, business management expert and legal professional. At the same time, we established a CSR Office that handles the administrative tasks for the Committee independently and exclusively. In this manner, we are both reinforcing and broadening the oversight of corporate social responsibility. Well-balanced business operations are facilitated through meetings held every quarter by the CSR Committee, in which reports are presented on the activities related to a specific theme that has been assigned to each of the in-house member of the committee.

(iv) Status of internal audits system

Internal audits in the Company are conducted by the Auditing Department, which specializes in carrying out internal audits. The Auditing Department conducts on-site inspections to check if internal controls and management based on laws and Company regulations are being properly carried out as well as if their effective operations are being ensured, and should the necessity arise, provide recommendations or other corrective measures. The results of these inspections are reported to the Board of Directors, as well as to the Corporate Auditors and relevant departments.

(v) Status of accounting audit system

The Company has appointed Ernst & Young Shin Nihon & Co. to be its accounting auditor. No special stake or interest exists between the Company and either Ernst & Young Shin Nihon & Co. or the employees of the firm who are engaged in the execution of the audit of the Company.

The certified public accountants that conducted financial statement audits are Yutaka Terasawa, Mitsuo Kamimoto, Tsuguo Takahashi, and Ken Watabe. Mr. Terasawa has been auditing Sekisui House's financial statements for eleven years, and for those who have been auditing for less than seven years, the auditing periods are omitted to mention. The number of assistants who worked in the financial statement audit for the current fiscal period was 16 certified public accountants, 24 junior accountants, and two others.

(vi) Bonuses to directors and corporate auditors and audit fees

Bonuses to directors and corporate auditors

The amount paid to directors: 450 million yen The amount paid to corporate auditors: 68 million yen

Fee paid for certificate of audit: 66 million yen Other: 0 million yen

(b) Overview of special interests between the Company and outside corporate auditors with regard to personal, capital, and business relationships

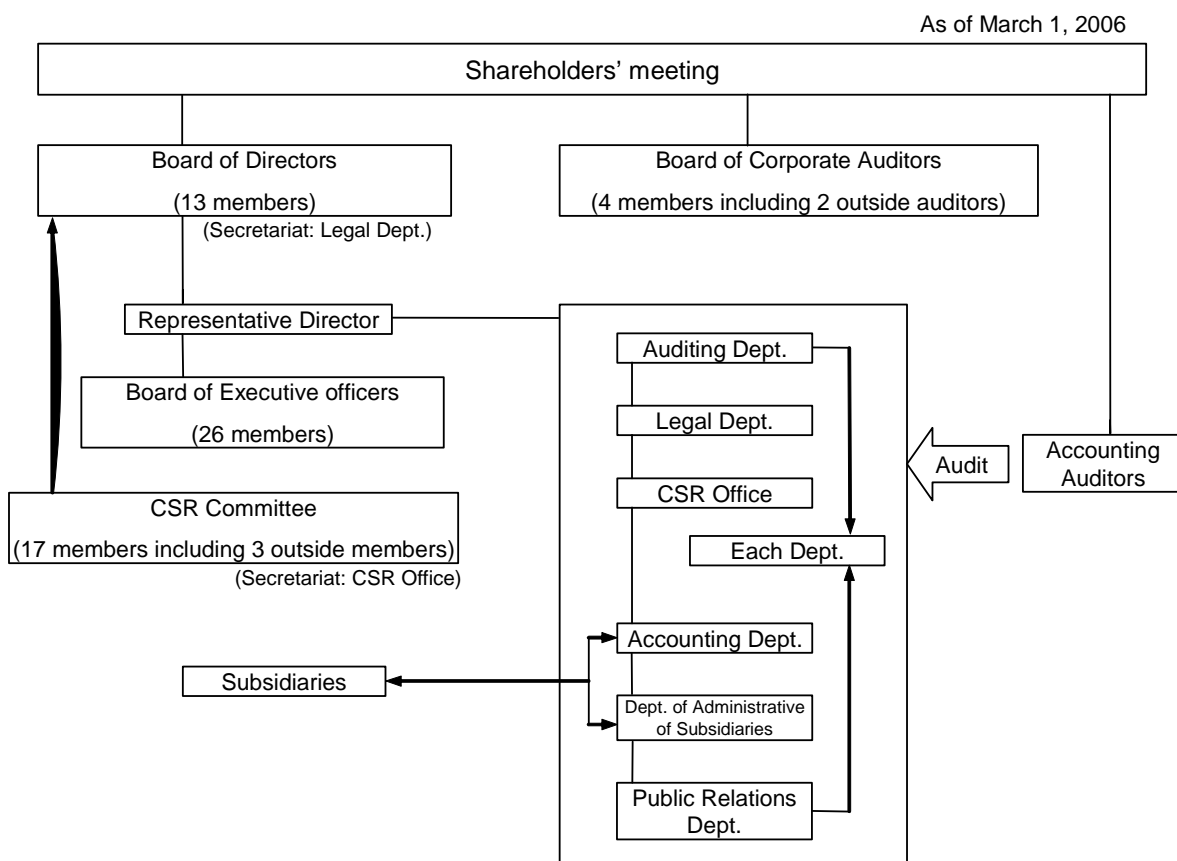
One of the outside corporate auditors also holds a position as a standing auditor of Sekisui Chemical Co., Ltd., a stockholder of the Company. Although the Company purchases construction materials from Sekisui Chemical, prices and all other terms are handled in the same way as with any other supplier, and no personal or any other special interest exists between this particular outside corporate auditor and the Company. Moreover, no special stake or interest exists between any other outside corporate auditor and the Company.

(C) Status of initiatives implemented by the Company to strengthen corporate governance over the past one year

* A system has been put in place that enables business to be carried out while constantly checking to ascertain whether corporate governance and risk management practices are functioning effectively across all business activities and measuring up to the social expectations of the Company.

* A "Compliance Awareness Survey" was conducted twice in order to grasp the trends or the actual state of awareness among the employees with regard to compliance, and to serve as indicators of our activities to promote compliance. Plans call for the survey to continue to be conducted semi-annually.

* In line with the "Corporate Ethics Promotion Month" advocated by Nippon Keidanren (Japan Business Federation), we have designated October of every year as "Corporate Ethics Promotion Month." During this month, we promoted various activities, such as holding meetings and providing education about corporate ethics at each workplace, to heighten awareness in compliance on a company-wide scale.



3. Matters concerning parent company, etc.

Not applicable, there being no parent company, etc.

2. Business Results

During the fiscal year ended January 31, 2006, the Japanese economy finally bottomed-out and started to recover as the employment condition improved, with the income of wage earners gradually increasing on the back of brisk corporate profits. Active investing in blue-chip properties in big cities, mainly in the Tokyo metropolitan area, continued and expanded, and the stock market became buoyant. However, the rise in oil prices and concern over increasing interest rates prevented us from resolving some uncertainties concerning the future course of the economy.

In the housing market, first time buyers' motivation was still strong as housing prices were close to bottoming out with the percentage land price decrease moderating, and interest rates remained low. Driven chiefly by the brisk movement of built-for-sale units, new housing starts in calendar 2005 grew by 4.0% year-on-year to 1.236 million units. Nevertheless, demand from owner-occupiers remained sluggish as middle-aged and elderly customers, who account for the majority of secondary acquisitions for rebuilding, remained cautious.

Against this backdrop, we took a series of actions designed to reinforce the Built to Order Housing Business and peripheral Businesses, including the enhancement of corporate resilience and marketing expertise, consolidation of the product line in such a way as to meet market needs, and development of new products.

Out of our sincere wish to be a leading creator of homes and environments, contributing to the building of a sustainable society through the supply of housing that meets customer satisfaction, we published a "Declaration of Sustainability" in April 2005, the first in the construction industry. Building on our track record in areas such as business undertakings, environmental preservation, and fulfillment of social responsibilities, the company's management believes it essential to maintain an adequate balance between pursuit of profits (economic value) on one hand and the environment (environmental value) and society (social value) on the other. We have added the "dweller value" to these three to make it a four-point guideline for the whole scope of our activities. With this "Sustainable Vision" forming our foundation, we will ensure that evenly balanced attention is paid to every stakeholder in our future undertakings.

We have always remained committed to the preservation of the environment. Our waste management system made us the first in the construction industry to be authorized by the Minister of the Environment to dispose of construction site waste across administrative boundaries. This system also enabled us to achieve "zero" emissions (landfill and simple incineration) at construction sites of new houses in July 2005, thus fulfilling our responsibility to recycle resources with the thoroughgoing voluntary environmental management system. Moving beyond "zero" emissions at new house construction sites, we will accelerate our initiatives designed to improve all aspects of the living environment, such as longer life of housing, development of easily recyclable materials, and reducing environmental stress from inhabited homes.

Below are the results of each business segment.

Built to Order Housing Business

In the mainstay detached housing business, we introduced a series of measures designed to enhance our marketing expertise, including the pursuit of a consulting sales model. We also launched a built-to-order line that gives customers improved freedom in choosing the design and details of housing appearance, thus laying the foundation for our lifestyle solution business model. As a concrete step in our effort towards achieving a sustainable society, in November we launched an *Eco-Life Model Series*, which combines harmony with the natural environment and comfort in living. New offerings in the *Sha-Maison* low-rise apartment rental business are: “*SAKURA Style*,” specifically designed to meet the demands of young unmarried customers for comfort, fashionability, and security; and “*STUDIO LIVING*,” which allows individual customers to change room planning as they like with sliding screens, for an efficient use of interior space that is able to meet their individual lifestyle.

In another attempt to bolster sales activities, we opened sixth “*Sumai no Yume Kojo*,” a hands-on demonstration facility where prospective customers are invited to see for themselves our expertise in engineering and quality control, as well as our wealth of know-how as a home builder.

Real Estate for Sale Business

In the Real Estate for Sale Business, we actively purchased land for sale to further the ongoing drive to boost sales from first time buyers, and continued sale of quality housing development with enhanced security and disaster-prevention features. Meanwhile, we fulfilled our corporate responsibility for future generations by conducting R&D and educational activities for environmental preservation, which resulted in the debut of the world's first eco-friendly housing equipped with household fuel cells. In our sincere hope of designing a community whose value increases over time, we came up with the concept of “beauty that blooms with time.” By drawing up an “Urban Development Charter,” among other things, from the urban development planning stage, we aim at not only building “houses” (hardware/space), but creating a quality living environment through community formation. Regular maintenance of the whole community ensures that a beautiful townscape will be formed over time.

Real Estate for Leasing Business

In our Real Estate for Leasing Business, we acquired full ownership of the six Sekiwa Real Estate companies in February 2005, with a view towards maximizing synergies with the Sekisui House Group. This move led to the brisk performance of block leasing and management of leasing properties. Resources of the Group were dedicated to strengthening the proposal capacity of our leasing business, including moving ahead with block leasing and management of leasing properties by the Sekiwa Real Estate companies, in the hopes of securing stable tenants.

Other Businesses

As part of our promotion of customer satisfaction in providing our customers with comfortable residences for the long-term, we have put major efforts into the exterior business and energy-efficient home remodeling businesses targeted at the existing stock of houses built by the company, as we strive to create an organization that can provide comprehensive and high quality homes.

As a result of the above, non-consolidated orders grew by 7.0% year-on-year to 1,123,675 million yen, and consolidated orders reached 1,478,359 million yen.

Consolidated net sales totaled 1,501,857 million yen, an increase of 9.4% year-on-year. Consolidated operating income grew by 4.4% to 79,980 million yen, consolidated recurring income by 5.7% to 81,699 million yen, and consolidated net income by 81.9% to 43,029 million yen.

On the financial balance, we redeemed its eighth, ninth, and eleventh unsecured straight bonds (30 billion yen in issues outstanding), reducing interest-bearing debts to zero, and also re-purchased over 43.02 million shares of treasury stock.

3. Financial position

Cash flow from operating activities declined substantially year-on-year, between the aggressive acquisition of land for sale designed to strengthen the Real Estate for Sale Business, and the decrease from the previous term in impairment losses and gains on the return of the substitutional portion of its employee pension fund liabilities to the government.

Cash flow from investment activities grew substantially year-on-year, due primarily to the sale of national government bonds that were being held to manage our surplus funds.

Cash flow from financing activities declined substantially year-on-year, as we implemented a repurchase of over 43.02 million shares of treasury stock for a total sum of 46,599 million yen, and also redeemed 30 billion yen in straight bonds.

As a result, cash and cash equivalents at the end of the period decreased by 847, 32 million yen year-on-year to 949, 79 million yen.

	Year to Jan. 2002	Year to Jan. 2003	Year to Jan. 2004	Year to Jan. 2005	Year to Jan. 2006
Equity ratio (%)	48.0	51.3	56.6	58.5	62.4
Equity ratio based on market price (%)*	50.1	48.4	61.2	71.6	110.9
Debt service coverage ratio (years)	4.2	3.1	0.7	0.8	--
Interest coverage ratio (times)**	16.1	20.0	61.8	70.9	--

* Equity ratio based on market price = market capitalization / total assets

** Interest coverage ratio = operating cash flow / interest paid

4. Outlook

With the understanding that signs of general economic recovery have manifested themselves, despite some uncertainties over the future course of the economy, we intend to push aggressive marketing programs in order to achieve our growth strategies.

In more concrete terms, we plan to increase the number of sales people and help them sharpen their skills in order to boost the sales of detached houses and *Sha-Maison* rental housing, which are our top priorities. We also intend to shift more resources to our peripheral businesses, including exteriors and remodeling.

To tap into the growing opportunities offered by the Real Estate for Sale Business, we intend to develop quality housing complexes that are safe, secure, and comfortable, and whose beauty blooms with time, thereby boosting our earnings.

To counteract the worrying rise in prices of raw materials, we will implement thorough cost-cutting measures based on a review of our designs and construction techniques, as well as stricter process controls. We believe that these measures will improve profit margins without sacrificing our market competitiveness.

Now that the six Sekiwa Real Estate Group companies have been made wholly-owned subsidiaries, we will leverage our closer relationship with them in order to maximize synergies within the Sekisui House Group in every aspect of business, going beyond the Real Estate for Leasing Business in order to drive our performance. With regards to the remodeling business, which was made separate at that same time, we intend to increase management efficiency and boost profitability by focusing on the strengthening of our marketing expertise and cost reduction through an increase in contract employees.

CONSOLIDATED BALANCE SHEETS

Millions of yen

	Year to January, 2006	Year to January, 2005	Difference	
Assets	1,098,203	1,140,231	(42,028)	(3.7)
Current assets	712,752	734,449	(21,697)	(3.0)
Cash and deposits	95,579	179,512		
Notes and accounts receivable	96,610	82,570		
Marketable securities	216	1,250		
Inventories	436,609	362,585		
Deferred income taxes	59,242	85,051		
Other current assets	26,255	25,116		
Less allowance for doubtful accounts	(1,762)	(1,636)		
Fixed assets	385,451	405,781	(20,330)	(5.0)
Tangible fixed assets	202,131	184,221	17,910	9.7
Buildings and structures	91,933	86,480		
Machinery and vehicles	12,495	11,609		
Tools and equipment	5,953	5,294		
Land	87,925	77,268		
Construction in progress	3,823	3,569		
Intangible fixed assets	5,973	6,004	(31)	(0.5)
Industrial property	54	23		
Lease rights	2,011	2,007		
Software	3,001	3,079		
Utility rights	36	28		
Telephone subscription rights	869	865		
Investments and other assets	177,345	215,555	(38,210)	(17.7)
Investment in securities	100,895	128,850		
Long-term loans receivable	37,985	43,981		
Deferred income taxes	3,054	7,475		
Other investments and other assets	36,824	36,674		
Less allowance for doubtful accounts	(1,414)	(1,426)		
Total Assets	1,098,203	1,140,231	(42,028)	(3.7)

Millions of yen

	Year to January, 2006	Year to January, 2005	Difference	
Liabilities	412,168	452,314	(40,146)	(8.9)
Current liabilities	326,864	354,422	(27,558)	(7.8)
Notes and accounts payable	166,388	154,847		
Current portion of long-term debt and notes	--	30,000		
Accrued income taxes	7,206	19,485		
Advances received	86,174	86,434		
Reserve for bonuses	18,000	17,391		
Reserve for warranty on completed works	2,611	1,896		
Other current liabilities	46,482	44,368		
Long term liabilities	85,304	97,891	(12,587)	(12.9)
Long-term debt	--	9,426		
Deposits and guarantees	53,063	56,344		
Deferred tax liability	2,256	--		
Accrued retirement benefits	26,143	26,896		
Reserve for retirement benefits for retiring directors, executive officers and corporate auditors	1,803	1,535		
Reserve for Japan Expo Expenses	--	175		
Consolidated adjustment account	185	345		
Other long term liabilities	1,851	3,168		
Minority interests	271	21,441	(21,170)	(-)
Shareholders' equity	685,762	666,475	19,287	2.9
Paid-in capital	186,554	186,554		
Capital surplus	237,522	237,524		
Retained earnings	285,574	259,773		
Net unrealized holding gain (loss) on securities	24,530	13,169		
Foreign currency translation adjustment	(40)	(5)		
Less treasury stock, at cost	(48,379)	(30,540)		
Liabilities, Minority Interests, and Shareholders' Equity	1,098,203	1,140,231	(42,028)	(3.7)

CONSOLIDATED STATEMENTS OF INCOME

	Feb. 1, 2005—Jan. 31, 2006		Feb. 1, 2004—Jan. 31, 2005		Difference	
	<i>Millions of yen</i>	%	<i>Millions of yen</i>	%	<i>Millions of yen</i>	%
Net sales	1,501,857	100.0	1,372,243	100.0	129,614	9.4
Cost of sales	1,213,190	80.8	1,098,520	80.1	114,670	10.4
Gross profit	288,666	19.2	273,723	19.9	14,943	5.5
Selling, general and administrative expenses	208,686	13.9	197,085	14.3	11,601	5.9
Operating income	79,980	5.3	76,638	5.6	3,342	4.4
Non-operating income	5,566	0.4	5,454	0.4	112	2.1
Interest received	2,223		2,765			
Equity in earnings of affiliates	183		--			
Miscellaneous income	3,159		2,688			
Non-operating loss	3,846	0.3	4,776	0.4	(930)	(19.5)
Interest expense	139		535			
Equity in losses of affiliates	--		107			
Miscellaneous expense	3,707		4,133			
Recurring income	81,699	5.4	77,316	5.6	4,383	5.7
Extraordinary income	5,937	0.4	46,606	3.4	(40,669)	(87.3)
Proceeds from sales of investments in securities	5,937		4,705			
Gains on the return of employee pension fund	--		41,901			
Extraordinary loss	12,862	0.8	71,718	5.2	(58,856)	(82.1)
Loss on revaluation of land held for sale	12,015		4,069			
Loss on sales or disposal of property, plant and equipment	838		5,762			
Loss on revaluation of investments in securities	9		1,579			
Losses on impairment of assets	--		59,469			
Other	--		837			
Income before income taxes and minority interests	74,774	5.0	52,204	3.8	22,570	43.2
Current income taxes	9,936	0.7	22,346	1.6	(12,410)	(55.5)
Deferred income taxes	21,625	1.4	5,104	0.4	16,521	--
Minority interests in earnings of subsidiaries	182	0.0	1,094	0.1	(912)	(83.4)
Net income	43,029	2.9	23,659	1.7	19,370	81.9

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Millions of yen

	Feb. 1, 2005 - Jan. 31, 2006		Feb. 1, 2004 - Jan. 31, 2005		Difference
Capital surplus					
1. Capital surplus at beginning of year		237,524		237,523	1
2. Increase in capital surplus					
Gain on sale of treasury stock	--	--	1	1	(1)
3. Decrease in capital surplus					
Loss on sale of treasury stock	2	2	--	--	2
4. Capital surplus at end of year		237,522		237,524	(2)
Retained earnings					
1. Retained earnings at beginning of year		259,773		248,960	10,813
2. Increase in retained earnings					
Net income	43,029	43,029	23,659	23,659	19,370
3. Decrease in retained earnings					
1) Cash dividends paid	12,784		12,427		
2) Bonuses to directors, executive officers and corporate auditors	484		419		
3) Loss on sale of treasury stock	3,953		--		
4) Decrease due to exclusion of subsidiary from consolidations	5	17,228	--	12,846	4,382
4. Retained Earnings at end of year		285,574		259,773	25,801

CONSOLIDATED STATEMENT OF CASH FLOW

Millions of yen

	Feb. 1, 2005 – Jan. 31, 2006	Feb. 1, 2004 – Jan. 31, 2005
Cash flows from operating activities		
Income before income taxes and minority interests	74,774	52,204
Depreciation and amortization	11,117	11,553
Losses on impairment of assets	--	59,469
Gains on the return of employee pension fund	--	(41,901)
Provision for retirement benefit	(752)	(3,258)
Interest and dividend income	(2,223)	(2,765)
Interest expense	139	535
Equity in (gains) losses of affiliates	(183)	107
Loss on revaluation of real estate held for sale	12,015	4,069
Loss on revaluation of securities	9	1,579
Increase in note and accounts receivables	(14,040)	(2,532)
Increase in inventories and advance payments	(68,174)	(45,225)
Increase in notes and accounts payable	12,493	11,793
Increase (decrease) in advances received	(260)	11,396
Other	(9,889)	(1,578)
Subtotal	15,026	55,448
Interest and dividend received	2,367	3,073
Interest paid	(244)	(719)
Income taxes paid	(22,905)	(6,809)
Net cash provided by operating activities	(5,756)	50,992
Cash flows from investing activities		
Purchases of marketable securities	(232)	(235)
Proceeds from sales of marketable securities	265	1,929
Purchases of property, plant and equipment	(47,141)	(35,108)
Proceeds from sales of property, plant and equipment	1,951	1,219
Purchase of investments in securities	(12,654)	(12,267)
Proceeds from sales of investments in securities	65,740	10,221
Payment for loans receivable	(1,483)	(2,485)
Settlement of loans receivable	7,456	5,314
Other	(1,642)	(1,095)
Net cash used in investing activities	12,259	(32,507)
Cash flows from financing activities		
Repayment of long-term debt	(1,552)	(20,249)
Repayment of notes	(30,000)	(10,000)
Cash dividend paid	(12,784)	(12,427)
Cash dividend paid for minority interests	(404)	(541)
Purchase of treasury stock	(46,599)	(17,947)
Other	141	23
Net cash used in financing activities	(91,200)	(61,141)
Effect of exchange rate changes on cash and cash equivalents	(35)	93
Net decrease in cash and cash equivalents	(84,732)	(42,563)
Cash and cash equivalents at beginning of year	179,712	222,275
Cash and cash equivalents at end of year	94,979	179,712

Significant Consolidated Accounting Policies

1. Scope of Consolidation

Consolidated subsidiaries: 90, including Sekiwa Real Estate, Ltd., Sekiwa Real Estate Kansai, Ltd., Sekiwa Real Estate Chubu, Ltd., Sekiwa Real Estate Chugoku, Ltd., Sekiwa Real Estate Kyushu, Ltd., Sekiwa Real Estate Tohoku, Ltd., and Sekiwa Real Estate Sapporo, Ltd.

Changes in scope of consolidation

Added: Sekiwa Real Estate, Sapporo, Ltd., Sekiwa Support System, Ltd., and MAST Clean Service, Ltd.

Removed: Kobe Rokko Island Co., Ltd., Sekiwa Construction Fukushima, Ltd., Rokko Island Cable Vision Co., Ltd., other 3 companies.

All 90 subsidiaries are consolidated.

2. Application of equity method

Affiliated companies accounted for by the equity method

5 companies: Rokko Island Energy Services Co., Ltd., Shin Nishinomiya Yacht Harbor, Corp., The Mortgage Corp. of Japan, Ltd., Almetax Manufacturing Co., Ltd., and PFI Mizu to Midori no Kenko-toshi, Ltd.

Changes in scope of equity method

Added: PFI Mizu to Midori no Kenko-toshi, Ltd.

Investment in 5 affiliated companies is accounted for by the equity method.

3. Term-ends of consolidated subsidiaries

The fiscal year ends on March 31 for Sky Rail Service Co., Ltd. In producing the consolidated financial statements, the Company provisionally settles the accounts of that subsidiary as of January 31 and utilizes these accounts. The year-end of SEKISUI DEUTSCHLAND BAU G.m.b.H. is December 31 and the Company uses these statements, adjusted as required for significant transactions up till January 31, in producing its consolidated financial statements.

4. Summary of significant accounting policies

(1) Basis and method for valuation for significant assets

(a) Marketable securities:

(i) Debt securities expected to be held to maturity: Amortized cost (straight-line) method

(ii) Other marketable securities:

• Stocks with market value:

Based on closing market price on the last day of period (Valuation gains and losses resulting are calculated by the full capital costing method; cost of disposal is calculated by the moving average method)

• Stocks with no available market value:

At cost based on the moving average method

(b) Derivatives: Market value method

(c) Inventories:

(i) Expenditure on uncompleted construction, buildings for sale, land for sale, and uncompleted land held for sale: At cost based on individual cost method

(ii) Other inventories: At cost based on moving average method

(2) Depreciation and amortization methods used for main depreciable and amortizable assets:

The Company applies the straight-line method to buildings (excluding attached structures) and intangible fixed assets, and uses the declining-balance method for other tangible fixed assets (but straight-line depreciation for overseas consolidated subsidiaries)

(3) Basis for accounting for significant allowances

(a) Allowance for doubtful accounts

The Company makes provisions for general debtors based on actual historical collection rates and for specific debtors where collection is doubtful based on estimates of the amount collectible.

- (b) Allowance for bonuses
To prepare for bonus payments to employees, the Company provides for the estimated appropriate amount in that fiscal year.
 - (c) Allowance for compensation payments on completed works
Provisions for losses and guarantee expenses due to post-completion defects are recorded based on historical repair and other costs arising from completed structures and detached housing.
 - (d) Allowance for employee retirement
To prepare for future retirement payments to employees, the Company makes provisions in the amount accrued at the end of the relevant consolidated fiscal year based on the estimated total retirement obligations and pension assets. To account for differences in actuarial calculations, the Company recognizes those differences through straight-line depreciation over 5 years, expensing them in the year following such recognition. Differences arising in respect of past service obligations are calculated over 5 years by the straight-line method and expensed in the year in which they arise.
 - (e) Allowance for retirement benefit to directors, executive officers and corporate auditors
To allow for retirement bonus payments to directors, executive officers and corporate auditors, the Company provides the required amounts at the end of the fiscal year based on internal regulations.
- (4) Basis for converting significant foreign currency-denominated assets and liabilities into yen
For foreign currency-denominated monetary claims and debts, the Company converts into yen at the rates of exchange prevailing on the consolidated balance sheet date. Translation differences are included in the statements of income. The assets, liabilities, revenues, and expenses of overseas subsidiaries are translated into yen at the rate of exchange in effect at the subsidiaries balance sheet dates, and translation differences are included in the foreign exchange translation adjustment account in shareholders' equity.
- (5) Accounting for significant lease transactions
Finance leases other than those deemed to transfer ownership of the leased assets to the lessee are accounted for by a method similar to that applicable to ordinary operating leases.
- (6) Main hedge accounting methods
- (a) Hedge accounting methods
The Company uses deferred hedging, except where for foreign currency swap contracts allocation requirements are met in which case the allocation method is used.
 - (b) Hedging instruments and targets
The Company hedges foreign currency cash debts and forward transactions with exchange contracts.
 - (c) Hedging policies
The Company uses derivatives transactions with the aim of avoiding losses from fluctuations in exchange rates etc. The use of exchange contracts does not exceed the amount of import transactions.
 - (d) Methods of assessing hedge effectiveness
For forward exchange contract transactions the Company does not assess the effectiveness of hedging where the main conditions match with regard to the relevant transactions and hedge targets, and where the cash flow is fixed.
- (7) Basic of presentation of financial statements
- Accounting for consumption taxes
- The tax exclusion method is used to account for consumption taxes. Consumption taxes not subject to fixed asset related deductions at consolidated subsidiaries whose main business is real estate for leasing are recorded in "Other investments and other assets" on the relevant balance sheets and are amortized on a straight line basis over five years. Other consumption taxes not subject to deductions are expensed in the consolidated fiscal year in which they arise.
- (Change in accounting policies)
- Consumption taxes not subject to deductions were previously expensed in the consolidated fiscal year in which they arose. However, consumption taxes not subject to fixed asset related deductions at consolidated subsidiaries whose main business is real estate for leasing are recorded in "Other investments and other assets" on the relevant balance

sheets and are amortized on a straight line basis over five years from this consolidated fiscal year. As the real estate leasing business that uses self-owned properties expands at the consolidated subsidiaries whose main business is real estate for leasing, the change aims to ensure proper calculation of periodical profit and loss by matching consumption taxes not subject to deductions, which were previously expensed at the time of acquisition of buildings, against the leasing business revenue of the consolidated subsidiaries. Consequently, "Selling, general and administrative expenses" has decreased by 171 million yen, but "Operating income," "Recurring income," and "Income before income taxes and minority interests " have increased by same amount respectively.

5. Assessing the assets and liabilities of consolidated subsidiaries

The Company uses full market value method to assess the assets and liabilities of consolidated subsidiaries.

6. Amortizing the consolidated adjustments account

In principle, the Company amortizes consolidated adjustments evenly over 5 years from the fiscal year of occurrence. If the consolidation adjustment amount is small, the Company accounts for the whole amount in the fiscal year in which it arises.

7. Treatment of profit appropriations

The consolidated retained earnings statement is based on the appropriation of profit decided during the relevant fiscal year.

8. Scope of amounts in consolidated statements of cash flows

The funds (cash and cash equivalents) in the consolidated statements of cash flows comprise cash and equivalents (except fixed term deposits exceeding three months) and short-term investments with redemption periods of less than 3 months that are easily convertible into cash, with insignificant risk of losses from price fluctuations.

[Notes]**1. Consolidated Statement of Balance sheet**

	<i>Millions of yen</i>	
	Year to January 31, 2006	Year to January 31, 2005
Accumulated depreciation of fixed assets	144,774	139,078
Collateralized assets	5,212	6,641
Liabilities guaranteed	95,199	68,326
Treasury stock	43,220,144 shares	29,374,355 shares
Shareholdings in related companies included in investment securities	998	896
Interest bearing liabilities	--	39,426

Change in the purpose of holding fixed assets

(Year to January 31, 2006)

Investment properties of 16,570 million yen, which were reported under "Buildings & Structures" and "Land," etc. have been reclassified under "inventories".

(Year to January 31, 2005)

Investment properties of 35,279 million yen, which were reported under "Buildings & Structures" and "Land," etc. have been reclassified under "inventories".

2. Consolidated Statements of Cash Flows

Cash and cash equivalents at year-end and relationship with amounts recorded in consolidated balance sheets

	<i>Millions of yen</i>	
	Year to January 31, 2006	Year to January 31, 2005
Cash and deposits	95,579	179,512
Fixed term deposits exceeding three months	(600)	(800)
Open-ended public and corporate bond investment trusts (marketable securities account)	--	999
Cash and cash equivalents	94,979	179,712

3. Segmental information

(1) Four sections classify each business

Millions of yen

Year to January 31, 2006	Built to order housing	Real estate for sale	Real estate for leasing	Other business	Total	Eliminations and back office	Consolidated
Sales & Operating income							
Sales							
Sales to third parties	725,216	347,723	291,154	137,762	1,501,857	--	1,501,857
Inter-group sales and transfers	1,702	--	1,517	5,151	8,371	(8,371)	--
Total sales	726,919	347,723	292,672	142,913	1,510,228	(8,371)	1,501,857
Operating expenses	652,140	324,317	279,438	139,354	1,395,250	26,625	1,421,876
Operating income	74,779	23,406	13,233	3,558	114,978	(34,997)	79,980
Assets, Depreciation and amortization & Capital expenditures							
Assets	211,676	457,231	201,487	29,204	899,598	198,604	1,098,203
Depreciation and amortization	4,850	762	3,174	336	9,124	1,993	11,117
Losses on impairment of assets	--	--	--	--	--	--	--
Capital expenditures	8,542	259	35,526	85	44,413	2,403	46,817

Millions of yen

Year to January 31, 2005	Built to order housing	Real estate for sale	Real estate for leasing	Other business	Total	Eliminations and back office	Consolidated
Sales & Operating income							
Sales							
Sales to third parties	708,539	273,455	269,326	120,923	1,372,243	--	1,372,243
Inter-group sales and transfers	1,293	--	1,438	7,878	10,610	(10,610)	--
Total sales	709,832	273,455	270,764	128,802	1,382,854	(10,610)	1,372,243
Operating expenses	627,692	261,176	262,641	125,029	1,276,539	19,065	1,295,605
Operating income	82,140	12,278	8,123	3,772	106,314	(29,675)	76,638
Assets, Depreciation and amortization & Capital expenditures							
Assets	200,220	405,161	199,021	22,923	827,326	312,904	1,140,231
Depreciation and amortization	4,875	635	3,862	344	9,718	1,835	11,553
Losses on impairment of assets	--	--	59,469	--	59,469	--	59,469
Capital expenditures	8,817	126	25,572	217	34,734	1,491	36,225

(Notes)

1. Business classification

The Company classifies its operations according to type and the nature of business based on the currently used sales categories.

2. Main details of each business segment:

Built to Order Housing:	Designing, constructing, and contracting for sale housing using the Company's prefabricated materials
Real Estate for Sales:	Selling houses and real estate and designing and constructing housing on estate land
Real Estate for Leasing:	Renting and managing properties
Other Business:	Designing, constructing, and contracting for leasing condominiums and commercial buildings and providing home remodeling, landscaping, and exterior construction

3. The main operating expenses that cannot be allocated within the eliminations and back office portion of operating expenses cover costs for the parent headquarters, administrative operations for branch office organizations, and research and development operations.

Year to January 31, 2006: 31,927 million yen Year to January 31, 2005: 26,824 million yen

4. The main whole company assets included in 'Eliminations and back office assets' are parent company surplus operating funds (cash and negotiable securities), long term investment funds (investment securities), and assets of the administration division.

Year to January 31, 2006: 198,754 million yen Year to January 31, 2005: 313,130 million yen

(2) Geographical segment information

In the years to January 2006 and 2005, Japanese operations accounted for more than 90% of sales in all segments, so the Company has not presented geographical segment information.

(3) Overseas sales

In the years to January 31, 2006 and 2005, overseas sales accounted for less than 10% of sales in all segments, so the Company has not presented geographical information.

4. Lease transactions

Omission

5. Securities

1. Marketable debt securities expected to be held to maturity

Millions of yen

	Type	Year to January 31, 2006			Year to January 31, 2005		
		Consolidated balance sheet amount	Market value	Difference	Consolidated balance sheet amount	Market value	Difference
Where market value exceeds amount in consolidated balance sheets	(1) National and regional government bonds	46	46	0	2,148	2,149	1
	(2) Notes	200	200	0	299	300	0
	Subtotal	246	246	0	2,448	2,450	2
Where market value does not exceed amount in consolidated balance sheets	National and regional government bonds	1,554	1,552	(1)	499	499	(0)
	Subtotal	1,554	1,552	(1)	499	499	(0)
Total		1,800	1,799	(1)	2,948	2,950	2

2. Other marketable securities

Millions of yen

	Type	Year to January 31, 2006			Year to January 31, 2005		
		Acquisition cost	Consolidated balance sheet amount	Difference	Acquisition cost	Consolidated balance sheet amount	Difference
Where market value exceeds amount in consolidated balance sheets	(1) Equities	41,484	82,640	41,155	21,357	42,537	21,180
	(2) Bonds						
	National and regional government bonds	--	--	--	51,921	53,570	1,648
	Subtotal	41,484	82,640	41,155	73,278	96,107	22,829
Where market value does not exceed amount in consolidated balance sheets	Equities	--	--	--	11,604	10,639	(965)
	Subtotal	--	--	--	11,604	10,639	(965)
Total		41,484	82,640	41,155	84,883	106,747	21,863

3. Other marketable securities sold in year to 2006 and 2005

Millions of yen

Category	Year to January 31, 2006	Year to January 31, 2005
Amount sold	65,403	8,300
Total gain on sales	5,937	4,705
Total loss on sales	0	--

4. Breakdown of other marketable securities where market valuation is not used and amounts on consolidated balance sheets

Millions of yen

	Consolidated balance sheet amount as of January 31, 2006	Consolidated balance sheet amount as of January 31, 2005
(1) Bonds held to maturity		
Unlisted bonds	101	--
Unlisted foreign government bonds	2,000	2,000
(2) Other marketable securities		
Unlisted equities (excluding over-the-counter issues)	12,455	11,509
Preferred securities	999	5,999
Stake in investment limited partnerships	115	--

5. Scheduled redemption amounts for other marketable securities with maturities and for bonds expected to be held to maturity

Millions of yen

	Year to January 31, 2006			
	Within 1 year	More than 1 year and less than 5 years	More than 5 years and less than 10 years	More than 10 years
Bonds				
(1) National and regional government bonds	16	1,590	--	--
(2) Notes	200	--	--	--
(3) Others	--	101	--	2,000
Total	216	1,691	--	2,000

Millions of yen

	Year to January 31, 2005			
	Within 1 year	More than 1 year and less than 5 years	More than 5 years and less than 10 years	More than 10 years
Bonds				
(1) National and regional government bonds	1,155	1,495	50,010	--
(2) Notes	100	200	--	--
(3) Others	--	--	--	2,000
Total	1,255	1,695	50,010	2,000

6. Contract amounts, market values, and unrealized gains and losses on derivatives transactions

Omission

7. Accounting treatment of retirement allowances

(1) Overview of Retirement allowance system

The Company and its domestic subsidiaries maintain a confirmed payment framework comprising the employee pension fund system, the approved retirement annuity system, and lump-sum retirement payments.

(2) Retirement payment obligations

<i>Millions of yen</i>		
	Year to January 31, 2006	Year to January 31, 2005
1. Retirement payment obligations	(195,616)	(181,761)
2. Pension fund assets	181,592	141,625
3. Unfunded pension obligations (1) + (2)	(14,024)	(40,135)
4. Unrecognized pension assets	(6,035)	--
5. Unrecognized actuarial difference	874	22,771
6. Unrecognized past service liabilities	(6,939)	(9,529)
7. Net amounts on consolidated balance sheets (3) + (4) + (5) + (6)	(26,124)	(26,894)
8. Prepaid pension expenses	18	1
9. Allowance for retirement payments (7) -(8)	(26,143)	(26,896)

Year to January 31, 2006	Year to January 31, 2005
Notes: Some subsidiaries are using simple method to calculate retirement payment obligations.	Notes: Some subsidiaries are using simple method to calculate retirement payment obligations.

(3) Retirement payment expenses

<i>Millions of yen</i>		
	Year to January 31, 2006	Year to January 31, 2005
1. Service expense	9,060	10,055
2. Interest expense	4,429	5,511
3. Anticipated investment returns	(5,530)	(6,644)
4. Amount charged in line with actuarial calculation differences	7,075	7,396
5. Charged for past service liabilities	(3,009)	(7,221)
6. Retirement payment expenses (1) + (2) + (3) + (4) + (5)	12,024	9,098
7. Gains on the return of employee pension fund	--	(41,901)
Total	12,024	(32,802)

Year to January 31, 2006	Year to January 31, 2005
Note: Retirement payment expenses for consolidated subsidiaries using simple method appropriated as service expense.	Note: Retirement payment expenses for consolidated subsidiaries using simple method appropriated as service expense.

(4) Bases for calculating retirement payment obligations

	Year to January 31, 2006	Year to January 31, 2005
1. Periodical allocation of projected retirement payments	Fixed standard over period	Fixed standard over period
2. Discount rate	2.5%	2.5%
3. Anticipated rate of return on plan assets	4.0%	4.0%
4. Years over which past service obligations amortized	5 years Actuarial calculations allocated charge form the subsequent consolidated fiscal year	5 years Actuarial calculations allocated charge form the subsequent consolidated fiscal year
5. Years over which actuarial calculation differences amortized	5 years Actuarial calculations allocated charge form the subsequent consolidated next fiscal year	5 years Actuarial calculations allocated charge form the subsequent consolidated next fiscal year

8. Tax effect accounting

(1) Main breakdowns of deferred tax assets and liabilities

Millions of yen

	Year to January 31, 2006	Year to January 31, 2005
Current portion		
Deferred tax assets		
Appraisal losses on real estate held for sale	47,154	73,648
Amounts in excess of allowed limit on expenses chargeable to bonus payment reserve	7,301	7,041
Unpaid enterprise tax	733	1,740
Amounts in excess of allowed limit on expenses chargeable to bad debt reserve	1,054	765
Social insurance premiums due	755	703
Losses carried forward for tax purposes	552	463
Other	1,690	688
Total deferred tax assets	59,242	85,051
Non-current portion		
Deferred tax assets		
Amounts in excess of allowed limit on expenses chargeable to retirement benefits allowance	10,187	9,501
Cumulative losses on impairment of assets	7,339	7,684
Unrealized gains on fixed assets	1,123	791
Reserve for directors' retirement bonuses	733	622
Amount in excess of allowed limit on expenses chargeable to bad debt reserve	464	403
Other	781	974
Offset amount to long-term deferred tax liabilities	(14,368)	--
Subtotal deferred tax assets	6,260	19,978
Valuation allowance	(3,206)	(3,510)
Total deferred tax assets	3,054	16,468
Deferred tax liabilities		
Difference in appraisal value of other marketable securities	(16,623)	(8,990)
Adjustments to "Allowance for Doubtful Accounts" due to the elimination of assets and liabilities	(2)	(2)
Offset amount to long-term tax assets	14,368	--
Total deferred tax liabilities	(2,256)	(8,992)
Total net deferred tax assets	797	7,475

(Notes)

The main valuation allowances are the accumulated loss on impairment of fixed assets that were judged non-deferrable.

9. Consolidated per share information

Year to January 31, 2006 (Feb. 1, 2005 – Jan. 31, 2006)		Year to January 31, 2005 (Feb. 1, 2004 - Jan. 31, 2005)	
Shareholders' equity per share	1,028.46 yen	Shareholder's equity per share	979.40 yen
Net income per share	62.94 yen	Net income per share	33.80 yen
As no share options exist, no figure is recorded for fully diluted net income per share.		As no share options exist, no figure is recorded for fully diluted net income per share.	

Note: Net income per share and diluted net income per share for the current fiscal year was calculated on the following basis.

Millions of yen, except where noted	Year to January 31, 2006	Year to January 31, 2005
Net income	43,029	23,659
Amount not attributable to ordinary shareholders	637	469
Net income attributable to ordinary shares	42,392	23,189
Average number of shares outstanding during period (1,000 shares)	673,509	686,079

10. Transactions with related parties

No relevant transactions.

11. Main affiliated companies' financial statements

(1) Sekiwa Real Estate, Ltd.

Consolidated Balance Sheet			
<i>Millions of yen</i>			
As of January 31, 2006			
(Assets)		(Liabilities)	
Current assets	27,762	Current liabilities	11,596
Cash and deposit	14,331	Accounts payable	1,062
Notes and accounts receivable	1,048	Advance received	7,352
Marketable securities	216	Tax payable	1,208
Inventories	9,251	Other current liabilities	1,972
Deferred tax assets	712	Fixed liabilities	16,786
Other current assets	2,337	Accrued retirement benefits	580
Less allowance for doubtful accounts	(134)	Custody deposit and guarantee	16,085
Fixed assets	17,571	Other fixed liabilities	120
Tangible fixed assets	8,427	Total liabilities	28,382
Buildings and structures	6,229		
Land	1,699	(Shareholders' equity)	
Other	498	Paid-in capital	1,668
Intangible fixed assets	1,077	Additional paid-in capital	817
Investments and other assets	8,066	Retained earnings	14,426
Investment in securities	265	Unrealized holding on securities	38
Long-term loans receivable	846	Total shareholders' equity	16,951
Deposit and guarantee	5,420	Total liabilities and shareholders' equity	45,334
Deferred tax assets	1,340		
Other investments	413		
Less allowance for doubtful accounts	(219)		
Total assets	45,334		

Consolidated Statement of Income	
<i>Millions of yen</i>	
February 1, 2005 – January 31, 2006	
Net earnings	106,295
Cost of earnings	101,768
Operating income	4,526
Non-operating income	70
Other expenses	35
Recurring income	4,562
Extraordinary income	760
Extraordinary loss	32
Income before income taxes	5,289
Current income taxes	2,146
Deferred income taxes	(8)
Net income	3,151

Consolidated Statement of Cash Flow	
February 1, 2005 – January 31, 2006	
	<i>Millions of yen</i>
1. Cash flows from operating activities	
Income before income taxes	5,289
Depreciation and amortization	634
Increase in accounts receivable	(120)
Increase in inventories	(4,516)
Increase in advance received	669
Increase in custody deposit and guarantee	715
Other	(167)
Subtotal	2,504
Interest and dividends received	33
Income taxes paid	(2,037)
Net cash provided by operating activities	500
2. Cash flows from investing activities	
Purchase of property, plant and equipment	(1,348)
Purchase of intangible fixed assets	(79)
Other	992
Net cash used in investing activities	(435)
3. Cash flows from financing activities	
Cash dividends paid	(196)
Net cash used in financing activities	(196)
4. Net decrease in cash and cash equivalents	(131)
5. Cash and cash equivalents at beginning of period	15,862
6. Cash and cash equivalents at end of period	15,731

(2) Sekiwa Real Estate Chubu, Ltd.

Consolidated Balance Sheet			
<i>Millions of yen</i>			
As of January 31, 2006			
(Assets)		(Liabilities)	
Current assets	16,866	Current liabilities	8,634
Cash and deposit	10,079	Accounts payable	869
Accounts receivable	822	Advances received	5,618
Inventories	4,547	Tax payable	520
Deferred tax assets	1,046	Other current liabilities	1,626
Other current assets	467	Fixed liabilities	12,351
Less allowance for doubtful accounts	(98)	Accrued retirement benefits	222
Fixed assets	14,344	Custody deposit and guarantee	12,053
Tangible fixed assets	12,505	Other fixed liabilities	75
Buildings and structures	8,466	Total liabilities	20,986
Land	3,780		
Other	258	(Shareholders' equity)	
Intangible fixed assets	282	Paid-in capital	1,368
Investments and other assets	1,556	Additional paid-in capital	1,679
Long-term loans receivable	123	Retained earnings	7,176
Deposit and guarantee	661	Total shareholders' equity	10,224
Deferred tax assets	173		
Other investments	598	Total liabilities and shareholders' equity	31,210
Total assets	31,210		

Consolidated Statements of Income	
<i>Millions of yen</i>	
February 1, 2005 – January 31, 2006	
Net earnings	81,987
Cost of earnings	78,891
Operating income	3,095
Non-operating income	74
Other expenses	59
Recurring income	3,110
Extraordinary income	529
Extraordinary loss	224
Income before income taxes	3,415
Current income taxes	1,019
Deferred income taxes	436
Net income	1,959

Consolidated Statement of Cash Flow	
February 1, 2005 – January 31, 2006	
	<i>Millions of yen</i>
1. Cash flows from operating activities	
Income before income taxes	3,415
Depreciation and amortization	663
Losses on accounts receivable	61
Increase in inventories	(514)
Increase in advance received	496
Decrease in custody and guarantee	(968)
Other	(578)
Subtotal	2,575
Interests and dividends received	(1,061)
Other	40
Net cash provided by operating activities	1,554
2. Cash flows from investing activities	
Purchase of property, plant and equipment	(1,103)
Purchase of intangible fixed assets	(326)
Proceeds from sale of securities	616
Other	194
Net cash used in investing activities	(619)
3. Cash flows from financing activities	
Cash dividends paid	(109)
Net cash used in financing activities	(109)
4. Net increase in cash equivalents	826
5. Cash and cash equivalents at beginning of period	9,253
6. Cash and cash equivalents at end of period	10,079

(3) Sekiwa Real Estate Kansai, Ltd.

Consolidated Balance Sheet			
<i>Millions of yen</i>			
As of January 31, 2006			
(Assets)		(Liabilities)	
Current assets	20,295	Current liabilities	5,914
Cash and deposit	11,240	Accounts payable	339
Notes and accounts receivable	238	Advances received	3,584
Inventories	7,543	Tax payable	680
Deferred tax assets	1,215	Other current liabilities	1,309
Other current assets	122	Fixed liabilities	7,148
Less allowance for doubtful accounts	(65)	Accrued retirement benefits	471
Fixed assets	14,756	Custody deposits	6,487
Tangible fixed assets	3,941	Other fixed liabilities	189
Buildings and structures	1,755	Total liabilities	13,063
Land	2,031		
Other	153	(Shareholders' equity)	
Intangible fixed assets	224	Paid-in capital	5,829
Investments and other assets	10,590	Additional paid-in capital	7,017
Investment in securities	101	Retained earnings	9,141
Long-term loans receivable	633		
Deposit and guarantee	9,214	Total shareholders' equity	21,988
Deferred tax assets	293		
Other investments	348	Total liabilities and shareholders' equity	35,052
Total assets	35,052		

Consolidated Statement of Income	
<i>Millions of yen</i>	
February 1, 2005 – January 31, 2006	
Net earnings	56,761
Cost of earnings	54,481
Operating income	2,279
Non-operating income	43
Other expenses	12
Recurring income	2,310
Extraordinary income	123
Extraordinary loss	–
Income before income taxes	2,433
Current income taxes	1,022
Deferred income taxes	(9)
Net income	1,420

Consolidated Statement of Cash Flow	
February 1, 2005 – January 31, 2006	
	<i>Millions of yen</i>
1. Cash flows from operating activities	
Income before income taxes	2,433
Depreciation and amortization	118
Losses on accounts receivable	321
Increase in inventories	(1,945)
Decrease in advances received	(381)
Decrease in custody deposit	(559)
Other	506
Subtotal	493
Interests and dividends received	21
Income taxes paid	(848)
Net cash provided by operating activities	(333)
2. Cash flows from investing activities	
Purchase of property, plant and equipment	(113)
Purchase of intangible fixed assets	(4)
Other	458
Net cash used in investing activities	340
3. Cash flows from financing activities	
Cash dividend paid	(253)
Net cash used in financing activities	(253)
4. Net decrease in cash and cash equivalents	(246)
5. Cash and cash equivalents at beginning of period	11,486
6. Cash and cash equivalents at end of period	11,240

(4) Sekiwa Real Estate Chugoku, Ltd.

Balance Sheet			
<i>Millions of yen</i>			
As of January 31, 2006			
(Assets)		(Liabilities)	
Current assets	8,808	Current liabilities	2,343
Cash and deposit	2,888	Accounts payable	127
Notes and accounts receivable	104	Advance received	1,200
Inventories	206	Tax payable	227
Deferred tax assets	81	Other current liabilities	788
Other current assets	5,535	Fixed liabilities	4,650
Less allowance for doubtful accounts	(7)	Accrued retirement benefit	143
Fixed assets	1,764	Custody deposit and guarantee	4,414
Tangible fixed assets	1,283	Other fixed liabilities	91
Buildings and structures	823	Total liabilities	6,994
Land	339		
Other	119	(Shareholders' equity)	
Intangible fixed assets	66	Paid-in capital	379
Investments and other assets	415	Additional paid-in capital	177
Investment in securities	96	Retained earnings	3,006
Long-term loans receivable	80	Unrealized holdings loss on securities	16
Deposit and guarantee	116	Total shareholders' equity	3,579
Deferred tax assets	99		
Other investments	21	Total liabilities and shareholders' equity	10,573
Total assets	10,573		

Income Statement	
<i>Millions of yen</i>	
February 1, 2005 – January 31, 2006	
Net earnings	17,211
Cost of earnings	16,212
Operating income	999
Non-operating income	12
Other expenses	2
Recurring income	1,009
Extraordinary income	10
Extraordinary loss	19
Income before income taxes	1,000
Current income taxes	408
Deferred income taxes	6
Net income	585
Retained earnings brought forward from the preceding fiscal term	1
Unappropriated retained earnings	587

Statement of Cash Flow	
February 1, 2005 – January 31, 2006	
	<i>Millions of yen</i>
1. Cash flows from operating activities	
Income before income taxes	1,000
Depreciation and amortization	97
Increase in accounts receivable	(9)
Increase in advance received	138
Increase in custody and guarantee	374
Other	94
Subtotal	1,695
Interests and dividends received	4
Income taxes paid	(372)
Net cash provided by operating activities	1,327
2. Cash flows from investing activities	
Purchase of property, plant and equipment	(275)
Purchase of intangible fixed assets	(5)
Other	36
Net cash used in investing activities	(245)
3. Cash flows from financing activities	
Cash dividends paid	(108)
Net cash used in financing activities	(108)
4. Net increase in cash and cash equivalents	973
5. Cash and cash equivalents at beginning of period	7,415
6. Cash and cash equivalents at end of period	8,388

(5) Sekiwa Real Estate Kyushu, Ltd.

Balance Sheet			
<i>Millions of yen</i>			
As of January 31, 2006			
(Assets)		(Liabilities)	
Current assets	3,040	Current liabilities	1,721
Cash and deposits	1,471	Accounts payable	63
Notes and accounts receivable	112	Advance received	1,368
Inventories	1,317	Tax payable	117
Deferred tax assets	71	Other current liabilities	171
Other current assets	107	Fixed liabilities	2,187
Less allowance for doubtful accounts	(41)	Accrued retirement benefits	53
Fixed assets	2,502	Custody deposit and guarantee	2,074
Tangible fixed assets	2,060	Other fixed liabilities	59
Buildings and structures	1,731	Total liabilities	3,908
Land	292		
Other	35	(Shareholders' equity)	
Intangible fixed assets	7	Paid-in capital	263
Investments and other assets	434	Additional paid-in capital	94
Long-term loans receivable	5	Retained earnings	1,277
Deposit and guarantee	322	Total shareholders' equity	1,634
Deferred tax assets	96		
Other investments	10	Total liabilities and shareholders' equity	5,543
Total assets	5,543		

Income Statement	
<i>Millions of yen</i>	
February 1, 2005 – January 31, 2006	
Net earnings	18,279
Cost of earnings	17,814
Operating income	464
Non-operating income	0
Other expenses	18
Recurring income	446
Extraordinary income	–
Extraordinary loss	38
Income before income taxes	407
Current income taxes	196
Deferred income taxes	(23)
Net income	235
Retained earnings brought forward from the preceding fiscal term	11
Unappropriated retained earnings	246

Statement of Cash Flow	
February 1, 2005 – January 31, 2006	
<i>Millions of yen</i>	
1. Cash flows from operating activities	
Income before income taxes	407
Depreciation and amortization	82
Decrease in accounts receivable	62
Increase in advance received	199
Increase in custody deposit and guarantee	96
Other	(6)
Subtotal	841
Interest received	0
Interest paid	(6)
Income tax paid	(149)
Net cash provided by operating activities	686
2. Cash flows from investing activities	
Purchase of property, plant and equipment	(135)
Net cash used in investing activities	(135)
3. Cash flows from financing activities	
Cash dividends paid	(51)
Net cash used in financing activities	(51)
4. Net increase in cash and cash equivalents	499
5. Cash and cash equivalents at beginning of period	972
6. Cash and cash equivalents at end of period	1,471

(6) Sekiwa Real Estate Tohoku, Ltd.

Balance Sheet			
<i>Millions of yen</i>			
As of January 31, 2006			
(Assets)		(Liabilities)	
Current assets	6,735	Current liabilities	2,449
Cash and deposit	1,900	Accounts payable	90
Notes and accounts receivable	111	Advance received	1,328
Inventories	256	Tax payable	151
Deferred tax assets	53	Other current liabilities	879
Other current assets	4,447	Fixed liabilities	4,135
Less allowance for doubtful accounts	(33)	Accrued retirement benefits	74
Fixed assets	2,045	Custody deposit and guarantee	4,029
Tangible fixed assets	1,731	Other fixed liabilities	31
Buildings and structures	169	Total liabilities	6,584
Land	205		
Other	1,357		
Intangible fixed assets	70		
Investments and other assets	243	(Shareholders' equity)	
Long-term loans receivable	2	Paid-in capital	200
Deposit and guarantee	105	Additional paid-in capital	--
Deferred tax assets	97	Retained earnings	1,996
Other investments	178	Total shareholders' equity	2,196
Less allowance for doubtful accounts	(140)	Total liabilities and shareholders' equity	8,781
Total assets	8,781		

Income Statement	
<i>Millions of yen</i>	
February 1, 2005 – January 31, 2006	
Net earnings	19,237
Cost of earnings	18,621
Operating income	615
Non-operating income	16
Other expenses	2
Recurring income	630
Extraordinary income	5
Extraordinary loss	0
Income before income taxes	635
Current income taxes	258
Deferred income taxes	8
Net income	369
Retained earnings brought forward from the preceding business term	6
Unappropriated retained earnings	375

(7) Sekisui House Remodeling, Ltd.

Balance Sheet			
<i>Millions of yen</i>			
As of January 31, 2006			
(Assets)		(Liabilities)	
Current assets	7,438	Current liabilities	5,838
Cash and deposit	412	Account payable-trade	156
Accounts receivable - construction	1,018	Account payable-construction	1,671
Deposit	5,084	Prepaid expenses	161
Prepaid expenses for construction in progress	314	Advances received-construction	1,525
Deferred tax assets	447	Tax payable	1,116
Other current assets	168	Allowance for bonuses	758
Less allowance for doubtful accounts	(6)	Other current liabilities	449
Fixed assets	194	Fixed liabilities	5
Tangible fixed assets	106	Accrued retirement benefits	5
Buildings and structures	53		
Land	--	Total liabilities	5,843
Other	52		
Intangible fixed assets	15	(Shareholders' equity)	
Investments and other assets	71	Paid-in capital	100
Long-term loans receivable	3	Additional paid-in capital	949
Deposit and guarantee	61	Retained earnings	739
Deferred tax assets	4	Total shareholders' equity	1,788
Other investments	1	Total liabilities and shareholders' equity	7,632
Less allowance for doubtful accounts	(0)		
Total assets	7,632		

Income Statement	
<i>Millions of yen</i>	
February 1, 2005 – January 31, 2006	
Net earnings	40,165
Cost of sales	31,422
Gross profit of sales	8,743
SG&A expenses	7,533
Operating income	1,209
Non-operating income	231
Other expenses	29
Recurring income	1,411
Extraordinary loss	0
Income before income taxes	1,411
Current income taxes	1,116
Deferred income taxes	(448)
Net income	743
Retained earnings brought forward from the preceding business term	(4)
Unappropriated retained earnings	739

SUMMARY OF FINANCIAL STATEMENTS (Non-consolidated)

February 1, 2005 – January 31, 2006

Sekisui House, Ltd.

March 1, 2006

Stock code: 1928	Head office: Osaka, Japan	Listed exchange: Tokyo, Osaka, Nogoya (First Section)
http://www.sekisuihouse.co.jp		Telephone: +816 6440 3111
President & Representative Director: Isami Wada		Inquiries: PR Department
Date of the meeting of the board of directors: March 1, 2006		Associate Officer: Hidehiro Yamaguchi
Date of the annual shareholder's meeting: April 27, 2006		
Interim dividend system: Adopted		
Stock trading unit adopted: 1,000 shares per unit		

1. Business Results

*Please note that numbers less than a million yen are rounded down

1) Non-consolidated Business Results

Millions of yen

	Feb. 1, 2005 – Jan. 31, 2006		Feb. 1, 2004 – Jan. 31, 2005	
		Change %		Change %
Net sales	1,145,540	5.5	1,086,179	3.0
Operating income	59,864	(1.7)	60,889	(7.6)
Recurring income	63,146	1.1	62,439	(4.8)
Net income	33,003	69.3	19,492	(42.0)
Net income per share (yen)	48.76		28.19	
Fully diluted net income per share (yen)	--		--	
Return on equity (%)	5.2%		3.1%	
Return on assets (%)	6.4%		6.2%	
Recurring income margin (%)	5.5%		5.7%	

(1) Average number of outstanding shares during the period:

Year ended January 31, 2006 673,632,415 shares Year ended January 31, 2005 686,079,543 shares

(2) Changes to accounting principles None

(3) Percentages for net sales, operating income, recurring income, and net income represent year-on-year changes.

2) Dividends

	Dividend per share (yen)			Total dividend payments (Millions of yen)	Payout ratio	Total dividend / shareholders' equity
	Full-year	First-half	Second-half			
Year to Jan. 31, 2006	20.00	10.00	10.00	13,327	41.0%	2.1%
Year to Jan. 31, 2005	18.00	9.00	9.00	12,289	63.9%	2.0%

3) Non-consolidated financial position

Millions of yen

	Feb. 1, 2005 – Jan. 31, 2006		Feb. 1, 2004 – Jan. 31, 2005	
	Total assets	976,952		988,821
Shareholders' equity	635,074		625,390	
Equity ratio (%)	65.0 %		63.2%	
Shareholders' equity per share (yen)	952.92		919.45	
Outstanding shares at end of January 31, 2006	666,287,932 shares		At end of January 31, 2005 680,010,723 shares	
Number of treasury stocks at end of January 31, 2006	43,097,146 shares		At end of January 31, 2005 29,374,355 shares	

2. Non-consolidated Results Forecast for the Year Ending January 31, 2007

Millions of yen

	Net sales	Recurring income	Net income	Dividend per share (yen)		
				First-half	Second-half	Full-year
Interim	580,000	30,000	17,500	10.00	--	--
Full year	1,245,000	77,000	43,500	--	10.00	20.00

Net income per share 65.29 yen

NON-CONSOLIDATED BALANCE SHEETS

Millions of yen

	Year to January 31, 2006	Year to January 31, 2005	Difference	
Assets	976,952	988,821	(11,869)	(1.2)
Current assets	618,305	622,669	(4,364)	(0.7)
Cash and deposits	35,725	110,650		
Notes receivable-trade	785	628		
Accounts receivable-construction	88,565	75,385		
Accounts receivable-real estate	3,634	3,331		
Prepaid expenses for construction in progress	43,667	46,077		
Buildings for sale	58,216	53,152		
Land for sale	272,818	196,067		
Land for sale in process	32,728	43,696		
Other inventories	5,106	4,537		
Advance payments	968	1,987		
Prepaid expenses	4,426	4,135		
Accounts receivable-other	16,468	14,813		
Deferred income taxes	54,006	66,477		
Other current assets	2,453	2,830		
Less allowance for doubtful accounts	(1,268)	(1,103)		
Fixed Assets	358,647	366,151	(7,504)	(2.0)
Tangible fixed assets	159,612	142,867	16,745	11.7
Buildings	64,696	60,646		
Structures	4,450	4,273		
Machinery and equipment	11,210	10,201		
Vehicles and delivery equipment	167	162		
Tools and equipment	4,526	3,925		
Land	72,761	61,559		
Constructions in progress	1,800	2,096		
Intangible fixed assets	3,988	3,925	63	1.6
Industrial property	37	--		
Lease rights	1,608	1,605		
Software	1,629	1,599		
Utility rights	26	24		
Telephone subscription rights	686	696		
Investments	195,046	219,359	(24,313)	(11.1)
Investment in securities	99,432	112,793		
Investment in subsidiaries and partnership	39,891	26,563		
Long-term loans receivable	52,173	74,479		
Long-term prepaid expenses	800	740		
Deposit and guaranty	12,359	12,400		
Deferred income taxes	--	14,330		
Other investments and other assets	5,407	5,408		
Reserve for losses from investments in subsidiaries	(682)	(682)		
Less allowance for doubtful accounts	(14,337)	(26,675)		
Total	976,952	988,821	(11,869)	(1.2)

Millions of yen

	Year to January 31, 2006	Year to January 31, 2005	Difference	
Liabilities	341,877	363,431	(21,554)	(5.9)
Current Liabilities	308,187	328,183	(19,996)	(6.1)
Notes payable-trade	63,749	59,736		
Accounts payable-trade	40,560	39,144		
Accounts payable-construction	55,746	52,085		
Current portion of notes	--	30,000		
Accounts payable-other	7,057	6,792		
Accrued expenses	12,328	12,094		
Corporate tax payable	1,200	14,719		
Consumption tax payable	6,819	6,422		
Advances received-construction	58,917	62,059		
Advance received-other	4,556	4,901		
Reserve for bonuses	13,902	14,262		
Reserve for warranty on completed works	2,611	1,896		
Other current liabilities	40,737	24,067		
Long term liabilities	33,690	35,248	(1,558)	(4.4)
Deposits and guaranty received	6,302	9,131		
Deferred tax liability	2,918	--		
Accrued retirement benefits	23,600	24,090		
Reserve for retirement benefits for retiring directors, executive officers and corporate auditors	869	708		
Reserve for Japan Expo expenses	--	175		
Other long term liabilities	--	1,142		
Shareholders' Equity	635,074	625,390	9,684	1.5
Paid-in capital	186,554	186,554	--	--
Capital surplus	242,307	237,524	4,783	2.0
Capital reserve	242,307	237,522		
Other capital surplus	--	2		
Retained earnings	229,875	218,634	11,241	5.1
Legal reserve	23,128	23,128		
Reserve for dividends	15,000	13,000		
General reserve	162,300	162,300		
Unappropriated retained earnings	29,446	20,205		
Net unrealized holding gain (loss) on securities	24,600	13,217	11,383	86.1
Less treasury stock, at cost	(48,262)	(30,540)	(17,722)	--
Total	976,952	988,821	(11,869)	(1.2)

NON-CONSOLIDATED STATEMENTS OF INCOME

	Feb. 1, 2005 – Jan. 31, 2006		Feb. 1, 2004 – Jan. 31, 2005		Difference	
	<i>Millions of yen</i>	%	<i>Millions of yen</i>	%	<i>Millions of yen</i>	%
Net sales	1,145,540	100.0	1,086,179	100.0	59,361	5.5
Construction	904,572	79.0	900,368	82.9		
Real estate	240,967	21.0	185,810	17.1		
Cost of sales	917,522	80.1	860,022	79.2	57,500	6.7
Construction	712,599	78.8	695,148	77.2		
Real estate	204,922	85.0	164,873	88.7		
Gross profit on sales	228,018	19.9	226,157	20.8	1,861	0.8
Total gross profit from construction	191,973	21.2	205,220	22.8		
Total gross profit from sales of real estate	36,044	15.0	20,937	11.3		
Selling, general and administrative expenses	168,153	14.7	165,267	15.2	2,886	1.7
Operating income	59,864	5.2	60,889	5.6	(1,025)	(1.7)
Non-operating income	6,573	0.6	5,942	0.5	631	10.6
Interests and dividends received	3,801		4,101			
Other income	2,772		1,841			
Non-operating expense	3,292	0.3	4,393	0.4	(1,101)	(25.1)
Interest paid	39		66			
Interest on bonds	99		468			
Other expenses	3,153		3,858			
Recurring income	63,146	5.5	62,439	5.7	707	1.1
Extraordinary income	5,488	0.5	42,373	3.9	(36,885)	(87.0)
Gain on sales of investment securities	5,397		4,705			
Gain on sale of securities of related companies	91		--			
Gains on the return of employee pension fund	--		37,668			
Extraordinary loss	12,741	1.1	63,113	5.8	(50,372)	(79.8)
Loss on revaluation of land held for sale	11,990		3,569			
Loss from sales or disposal of fixed assets	741		5,566			
Loss from devaluation of investment in securities	9		1,579			
Losses on impairment of assets	--		51,144			
Other	--		1,254			
Income before taxes	55,893	4.9	41,699	3.8	14,194	34.0
Income taxes (except enterprise tax)	890	0.1	14,873	1.3	(13,983)	(94.0)
Deferred income taxes	22,000	1.9	7,334	0.7	14,666	--
Net income	33,003	2.9	19,492	1.8	13,511	69.3
Retained earning brought forward from the preceding business term	11,931		6,881			
Loss on sale of treasury stock	8,823		--			
Interim dividends	6,664		6,168			
Unappropriated retained earnings	29,446		20,205			

3. Planned appropriation of earnings

Millions of yen

	Feb. 1, 2005 – Jan. 31, 2006		Feb. 1, 2004 – Jan. 31, 2005	
Unappropriated earnings (losses) for the period	29,446		20,205	
Total	29,446		20,205	
Planned utilization is as follows:				
Dividend to shareholders	6,662		6,120	
	Ordinary dividend = 10 yen		Ordinary dividend = 9 yen	
Directors' bonus	156		154	
	Directors' portion = 142	Directors' portion = 136		
	Auditors' portion = 14	Auditors' portion = 18		
Accumulated dividend reserve	--		2,000	
Contingency reserve	14,500	21,318	--	8,274
Retained earnings for the period	8,128		11,931	

Summary of Significant Accounting Policies

1. Basis and method of valuation of marketable securities:

- (i) Debt securities expected to be held to maturity: Amortized cost (straight-line) method
- (ii) Shares held in subsidiaries or affiliated companies: At cost based on moving average method
- (iii) Other marketable securities:
 - Stocks with market value:
Based on closing market price on the last day of period (Valuation gains and losses resulting are calculated by the full capital costing method; cost of disposal is calculated by the moving average method)
 - Stocks with no available market value:
At cost based on the moving average method

2. Basis and method of valuation of derivatives: Market value method

3. Basis and method of valuation of inventories:

- (i) Expenditure on uncompleted construction, buildings for sale, land for sale, and uncompleted land held for sale: At cost based on individual cost method
- (ii) Other inventory: At cost based on moving average method

4. Depreciation of fixed assets:

- (i) Tangible fixed assets: The Company applies the straight-line method to buildings (excluding attached structures), and to other tangible assets applies the declining balance method. Expected life of assets is calculated to standards in accordance with corporate tax regulations.
- (ii) Intangible fixed assets: The Company applies the straight-line method to intangible fixed assets. Expected life of assets is calculated to standards in accordance with corporate tax regulations, except for company-use software, which is straight-line depreciated over its expected useful life of five years.

5. Basis for converting foreign currency-denominated assets and liabilities into yen:

For foreign currency-denominated monetary claims and debts, the Company converts into yen at the rates of exchange prevailing on the consolidated balance sheet date. Translation differences are included in the statements of income.

6. Basis for accounting for allowances:

- (i) Allowance for doubtful accounts:
The Company makes provisions for general debtors based on actual historical collection rates and for specific debtors where collection is doubtful based on estimates of the amount collectible.
- (ii) Allowance for appraisal losses on investment in related companies:
Potential losses on investment in related companies are prepared for by recording their value after taking into consideration the composition of the assets.
- (iii) Allowance for bonuses:
To prepare for bonus payments to employees, the Company provides for the estimated appropriate amount in that financial period.
- (iv) Allowance for compensation payments on completed works:
Provisions for losses and guarantee expenses due to post-completion defects are recorded based on historical repair and other costs arising from completed structures and detached housing.
- (v) Allowance for employee retirement:
To prepare for future retirement payments to employees, the Company makes provisions in the amount accrued at the end of the relevant consolidated fiscal year based on the estimated total retirement obligations and pension assets. To account for differences in actuarial calculations, the Company recognizes those differences through straight-line depreciation over 5 years, expensing them in the year following such recognition. Differences arising in respect of past service obligations are calculated over 5 years by the straight-line method and expensed in the year in which they arise.

- (vi) Allowance for retirement benefit to directors, executive officers and corporate auditors:
To allow for retirement bonus payments to directors, executive officers and corporate auditors, the Company provides the required amounts at the end of the fiscal based on internal regulations.

7. Accounting for lease transaction:

Finance leases other than those deemed to transfer ownership of the leased assets to the lessee are accounted for by a method similar to that applicable to ordinary operating leases.

8. Main hedge accounting methods:

- (i) Hedge accounting methods:
The Company uses deferred hedging, except where for foreign currency swap contracts allocation requirements are met in which case the allocation method is used.
- (ii) Hedging instruments and targets:
The Company hedges foreign currency cash debts and forward transactions with exchange contracts.
- (iii) Hedging policies:
The Company uses derivatives transactions with the aim of avoiding losses from fluctuations in exchange rates etc. The use of exchange contracts does not exceed the amount of import transactions.
- (iv) Methods of assessing hedge effectiveness:
For forward exchange contract transactions the Company does not assess the effectiveness of hedging where the main conditions match with regard to the relevant transactions and hedge targets, and where the cash flow is fixed.

9. Basic of presentation of financial statements

Accounting for consumption taxes

The tax exclusion method is used to account for consumption taxes. The amount in excess of consumption taxes subject to deductions are expensed in the consolidated fiscal year in which they arise.

Notes to Balance Sheet and Income Statement (Non-consolidated)

1. Notes to non-consolidated balance sheet

	<i>Millions of yen</i>	
	Year to January 31, 2006	Year to January 31, 2005
Accumulated depreciation of fixed assets	128,346	123,199
Collateralized assets	4,256	6,449
Liabilities guaranteed	93,874	66,748
Interest bearing liabilities	-	30,000
Treasury stock	43,097,146 shares	29,374,355 shares

Change in the purpose of holding fixed assets

(Year to January 31, 2006)

Investment properties of 15,994 million yen, which were reported under "Buildings" "Structures" and "Land" etc. have been reclassified under "Land for sale."

(Year to January 31, 2005)

Investment properties of 31,750 million yen, which were reported under "Buildings" "Structures" and "Land" etc. have been reclassified under "Buildings for sale" and "Land for sale."

2. Notes to non-consolidated income statement

	<i>Millions of yen</i>	
	Year to January 31, 2006	Year to January 31, 2005
(1) Depreciation	8,557	9,424

3. Lease transactions

Omission

4. Marketable securities

Shares of subsidiaries and affiliates where a market price is available

	<i>Millions of yen</i>					
	Year to January 31, 2006			Year to January 31, 2005		
	Balance sheet amount	Market value	Difference	Balance sheet amount	Market value	Difference
Affiliates	708	1,394	685	708	853	144

5. Deferred income taxes

(1) Significant components of deferred tax assets and liabilities

	<i>Millions of yen</i>	
	Year to January 31, 2006	Year to January 31, 2005
Current portion		
Deferred tax assets		
Appraisal losses on real estate for sale	45,853	57,475
Bonus payment reserve	5,616	5,762
Unpaid enterprise tax	262	1,320
Accrued warranty on completed works	1,054	765
Unpaid social premium	645	645
Other	572	507
Total deferred tax liabilities	54,006	66,477
Long-term portion		
Amounts in excess of allowed limit on expenses chargeable to allowance for bad debts	296	10,714
Amounts in excess of allowed limit on expenses chargeable to retirement allowance reserve	9,222	8,430
Cumulative losses on impairment of assets	6,387	6,387
Special retirement allowance reserve for directors	351	223
Other	694	974
Subtotal deferred tax assets	16,952	26,730
Valuation allowance	(3,195)	(3,439)
Total deferred tax assets	13,757	23,290
Deferred tax liabilities		
Net appraisal gains on other marketable securities	(16,675)	(8,959)
Total deferred tax liabilities	(16,675)	(8,959)
Net deferred tax assets	(2,918)	14,330

Note: The main valuation allowances are the accumulated loss on impairment of fixed assets that were judged non-deferrable.

6. Non-consolidated per share information

Year to January 31, 2006 (Feb. 1, 2005 - Jan 31, 2006)	Year to January 31, 2005 (Feb. 1, 2004 - Jan. 31, 2005)
Shareholders' equity per share 952.92 yen	Shareholders' equity per share 919.45 yen
Net income per share 48.76 yen	Net income per share 28.19 yen
As no share options exist, no figure is recorded for fully diluted net income per share.	As no share options exist, no figure is recorded for fully diluted net income per share.

Note: Net income per share and diluted net income per share for the current fiscal year was calculated on the following basis.

<i>Millions of yen, except where noted</i>	Year to January 31, 2006	Year to January 31, 2005
Net income recorded on statements of income	33,003	19,492
Amount not attributable to ordinary shareholders	156	154
Net income attributable to ordinary shares	32,847	19,338
Average number of shares outstanding during period (1,000 shares)	673,632	686,079