

**Consolidated Third-Quarter Earnings Report  
February 1, 2005 – October 31, 2005**

**Sekisui House, Ltd.**

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**1. Matters Pertaining to Preparation of Third-Quarter Operating Results**

(a) Change in recognition methods in accounting policies from the previous consolidated financial statements: Yes

A simplified accounting method is applied to income taxes, allowances and reserves. As we did not prepare consolidated financial statements for the third quarter of the previous year, we have not provided descriptions of progress in business performance or changes in the financial position for the period.

(b) Change in accounting policies from the previous consolidated financial statements: Yes

(c) Change in the scope of consolidation and application of the equity method: Yes

Consolidated subsidiaries: Newly included: 3 companies Excluded: 4 companies

Companies for accounted for by the equity method: Newly included: 1 company

**2. Third-Quarter Operating Results for Fiscal 2005 (Feb.1, 2005 to Oct. 31, 2005)**

**(1) Consolidated Business Results**

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

|                             | Net sales       |     | Operating income |   | Recurring income |   | Net income      |   |
|-----------------------------|-----------------|-----|------------------|---|------------------|---|-----------------|---|
|                             | Millions of yen | %   | Millions of yen  | % | Millions of yen  | % | Millions of yen | % |
| FY2005 3 <sup>rd</sup> Qtr. | 1,006,220       | 6.4 | 33,807           | - | 34,652           | - | 16,928          | - |
| FY2004 3 <sup>rd</sup> Qtr. | 945,366         | 3.9 | -                | - | -                | - | -               | - |
| FY2004                      | 1,372,243       |     | 76,638           |   | 77,316           |   | 23,659          |   |

(Note) Percentages indicate year-on-year changes.

|                             | Net income per share | Fully diluted net income per share |
|-----------------------------|----------------------|------------------------------------|
|                             | yen                  | yen                                |
| FY2005 3 <sup>rd</sup> Qtr. | 25.05                | -                                  |
| FY2004 3 <sup>rd</sup> Qtr. | -                    | -                                  |
| FY2004                      | 33.80                | -                                  |

**[Qualitative information on the progress of consolidated performance]**

During the third quarter of fiscal 2005, the Japanese economy experienced a mild recovery as corporate profits fared relatively strong and the employment conditions improved. Due to the rise in prices of raw materials such as oil and steel, however, the operating environment remained difficult.

The housing market also remained difficult overall. First time buyers' motivation remained relatively high as the percentage of land price decrease moderated and interest rates remained low. However, demand from owner-occupiers stayed sluggish, as the motivation of middle-aged customers, who account for the majority of secondary acquisitions for rebuilding, failed to show a major turnaround.

Against this backdrop, we enhanced marketing expertise, resulting in net sales of 1,006,220 million yen (up 6.4% year-on-year), recurring income of 34,652 million yen and net income of 16,928 million yen on a consolidated basis. Consolidated orders totaled 1,101,536 million yen.

## (2) Consolidated Financial Position

|                             | Total asset     | Shareholders' equity | Equity ratio | Shareholders' equity per share |
|-----------------------------|-----------------|----------------------|--------------|--------------------------------|
|                             | Millions of yen | Millions of yen      | %            | yen                            |
| FY2005 3 <sup>rd</sup> Qtr. | 1,127,130       | 653,879              | 58.0         | 981.45                         |
| FY2004 3 <sup>rd</sup> Qtr. | -               | -                    | -            | -                              |
| FY2004                      | 1,140,231       | 666,475              | 58.5         | 979.40                         |

## Consolidated Cash Flows

|                             | Net cash provided by operating activities | Net cash used in investing activities | Net cash used in financing activities | Cash and cash equivalents at end of period |
|-----------------------------|---|---------------------------------------|---------------------------------------|--|
|                             | Millions of yen                           | Millions of yen                       | Millions of yen                       | Millions of yen                            |
| FY2005 3 <sup>rd</sup> Qtr. | (32,755)                                  | 6,677                                 | (51,211)                              | 102,348                                    |
| FY2004 3 <sup>rd</sup> Qtr. | -   | -                                     | -                                     | -  |
| FY2004                      | 50,992                                    | (32,507)                              | (61,141)                              | 179,712                                    |

### [Qualitative information on the changes in the consolidated financial position]

Inventories grew substantially compared from the end of the previous fiscal year due to the aggressive acquisition of land for sale designed to meet the growing demand from first time buyers. On the other hand, current assets decreased 0.4% owing to the reduction in cash and deposits, and notes and accounts receivables. Under fixed assets, investments in securities declined 31,373 million yen due chiefly to the sale of our national government bonds that were being held to manage our surplus funds.

On liabilities, we redeemed 10,000 million yen in unsecured straight bonds (no. 8) in February and 20,000 million yen in unsecured straight bonds (nos. 9 and 11) in June. Current liabilities, on the other hand, increased 9.9%, following a substantial rise in advances received and the issuance of short-term corporate bonds. Minority interests declined 21,087 million yen as Sekiwa Real Estate Group Companies became wholly owned subsidiaries of Sekisui House. Shareholders' equity decreased 12,596 million yen due chiefly to the buyback of about 42,900 thousand own shares.

### 3. Consolidated Results Forecast for the Year ending January 31, 2006 (Feb.1, 2005 to Jan. 31, 2006)

|           | Millions of yen |                  |            |                            |
|-----------|-----------------|------------------|------------|----------------------------|
|           | Net sales       | Recurring income | Net income | Net income per share (yen) |
| Full year | 1,490,000       | 80,000           | 41,500     | 62.29                      |

\*Forecasts are based on information available to management at the time of this announcement. A number of uncertainties may cause actual results to differ materially from forecast.  
No revisions have been made to full-year forecasts announced on March 1, 2005.



## Non-Consolidated Third-Quarter Earnings Report February 1, 2005 – October 31, 2005

### 1. Third-Quarter Operating Results for Fiscal 2005 (Feb.1, 2005 to Oct. 31, 2005)

#### (1) Non-Consolidated Business Results

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

|                             | Net sales       |     | Operating income |   | Recurring income |   | Net income      |   |
|-----------------------------|-----------------|-----|------------------|---|------------------|---|-----------------|---|
|                             | Millions of yen | %   | Millions of yen  | % | Millions of yen  | % | Millions of yen | % |
| FY2005 3 <sup>rd</sup> Qtr. | 742,759         | 1.3 | 19,454           | - | 21,874           | - | 10,287          | - |
| FY2004 3 <sup>rd</sup> Qtr. | 733,217         | 3.4 | -                | - | -                | - | -               | - |
| FY2004                      | 1,086,179       |     | 60,889           |   | 62,439           |   | 19,492          |   |

(Note) Percentages indicate year-on-year changes.

|                             | Net income per share | Fully diluted net income per share |
|-----------------------------|----------------------|------------------------------------|
|                             | yen                  | yen                                |
| FY2005 3 <sup>rd</sup> Qtr. | 15.22                | -                                  |
| FY2004 3 <sup>rd</sup> Qtr. | -                    | -                                  |
| FY2004                      | 28.19                | -                                  |

#### (2) Non-Consolidated Financial Position

|                             | Total asset     | Shareholders' equity | Equity ratio | Shareholders' equity per share |
|-----------------------------|-----------------|----------------------|--------------|--------------------------------|
|                             | Millions of yen | Millions of yen      | %            | yen                            |
| FY2005 3 <sup>rd</sup> Qtr. | 1,001,291       | 606,342              | 60.6         | 909.93                         |
| FY2004 3 <sup>rd</sup> Qtr. | -               | -                    | -            | -                              |
| FY2004                      | 988,821         | 625,390              | 63.2         | 919.45                         |

### 2. Non-Consolidated Results Forecast for the Year ending January 31, 2006 (Feb.1, 2005 to Jan. 31, 2006)

|           | Millions of yen |                  |            | Net income per share (yen) |
|-----------|-----------------|------------------|------------|----------------------------|
|           | Net sales       | Recurring income | Net income |                            |
| Full year | 1,140,000       | 63,000           | 33,500     | 50.27                      |

\*Forecasts are based on information available to management at the time of this announcement. A number of uncertainties may cause actual results to differ materially from forecast.  
No revisions have been made to full-year forecasts announced on March 1, 2005.

## CONSOLIDATED BALANCE SHEETS

As of October 31, 2005 and January 31, 2005

*Millions of yen*

|                                      | FY2005 3 <sup>rd</sup> Quarter | FY2004           | Difference      | %             |
|--------------------------------------|--------------------------------|------------------|-----------------|---------------|
| <b>Assets</b>                        | <b>1,127,130</b>               | <b>1,140,231</b> | <b>(13,101)</b> | <b>(1.1)</b>  |
| <b>Current assets</b>                | <b>731,368</b>                 | <b>734,449</b>   | <b>(3,081)</b>  | <b>(0.4)</b>  |
| Cash and deposits                    | 102,948                        | 179,512          |                 |               |
| Notes and accounts receivable        | 41,692                         | 82,570           |                 |               |
| Marketable securities                | 216                            | 1,250            |                 |               |
| Inventories                          | 484,591                        | 362,585          |                 |               |
| Deferred income taxes                | 75,265                         | 85,051           |                 |               |
| Other current assets                 | 28,233                         | 25,116           |                 |               |
| Less allowance for doubtful accounts | (1,579)                        | (1,636)          |                 |               |
| <b>Fixed assets</b>                  | <b>395,762</b>                 | <b>405,781</b>   | <b>(10,019)</b> | <b>(2.5)</b>  |
| <b>Tangible fixed assets</b>         | <b>213,785</b>                 | <b>184,221</b>   | <b>29,564</b>   | <b>16.0</b>   |
| Buildings and structures             | 94,565                         | 86,480           |                 |               |
| Machinery and vehicles               | 11,647                         | 11,609           |                 |               |
| Tools and equipment                  | 5,647                          | 5,294            |                 |               |
| Land                                 | 98,768                         | 77,268           |                 |               |
| Construction in progress             | 3,156                          | 3,569            |                 |               |
| <b>Intangible fixed assets</b>       | <b>5,921</b>                   | <b>6,004</b>     | <b>(83)</b>     | <b>(1.4)</b>  |
| Lease rights                         | 2,011                          | 2,007            |                 |               |
| Software                             | 2,980                          | 3,079            |                 |               |
| Utility rights                       | 37                             | 28               |                 |               |
| Telephone subscription rights        | 870                            | 865              |                 |               |
| Other intangible fixed assets        | 21                             | 23               |                 |               |
| <b>Investments and other assets</b>  | <b>176,055</b>                 | <b>215,555</b>   | <b>(39,500)</b> | <b>(18.3)</b> |
| Investment in securities             | 97,477                         | 128,850          |                 |               |
| Long-term loans receivable           | 39,871                         | 43,981           |                 |               |
| Deferred income taxes                | 4,049                          | 7,475            |                 |               |
| Other investments and other assets   | 35,963                         | 36,674           |                 |               |
| Less allowance for doubtful accounts | (1,306)                        | (1,426)          |                 |               |
| <b>Total Assets</b>                  | <b>1,127,130</b>               | <b>1,140,231</b> | <b>(13,101)</b> | <b>(1.1)</b>  |

As of October 31, 2005 and January 31, 2005

Millions of yen

|  | FY2005 3 <sup>rd</sup> Quarter | FY2004           | Difference      | %             |
|--|--------------------------------|------------------|-----------------|---------------|
| <b>Liabilities</b>   | <b>472,896</b>                 | <b>452,314</b>   | <b>20,582</b>   | <b>4.6</b>    |
| <b>Current liabilities</b>   | <b>389,381</b>                 | <b>354,422</b>   | <b>34,959</b>   | <b>9.9</b>    |
| Notes and accounts payable   | 147,636                        | 154,847          |                 |               |
| Short-term notes   | 40,000                         | -                |                 |               |
| Current portion of long-term debt and notes  | -                              | 30,000           |                 |               |
| Accrued income taxes   | 4,176                          | 19,485           |                 |               |
| Advances received  | 131,059                        | 86,434           |                 |               |
| Reserve for bonuses  | 24,102                         | 17,391           |                 |               |
| Reserve for warranty on completed works  | 1,774                          | 1,896            |                 |               |
| Other current liabilities  | 40,632                         | 44,368           |                 |               |
| <b>Long term liabilities</b>   | <b>83,514</b>                  | <b>97,891</b>    | <b>(14,377)</b> | <b>(14.7)</b> |
| Long-term debt   | -                              | 9,426            |                 |               |
| Accrued retirement benefits  | 26,440                         | 26,896           |                 |               |
| Reserve for retirement benefits for retiring directors,<br>executive officers and corporate auditors | 1,686                          | 1,535            |                 |               |
| Reserve for Japan Expo Expenses  | -                              | 175              |                 |               |
| Deposits and guarantees  | 53,241                         | 56,344           |                 |               |
| Consolidated adjustment account  | 233                            | 345              |                 |               |
| Other long term liabilities  | 1,912                          | 3,168            |                 |               |
| <b>Minority interests</b>  | <b>354</b>                     | <b>21,441</b>    | <b>(21,087)</b> | <b>(98.3)</b> |
| <b>Shareholders' equity</b>  | <b>653,879</b>                 | <b>666,475</b>   | <b>(12,596)</b> | <b>(1.9)</b>  |
| Paid-in capital  | 186,554                        | 186,554          |                 |               |
| Capital surplus  | 237,522                        | 237,524          |                 |               |
| Retained earnings  | 259,477                        | 259,773          |                 |               |
| Net unrealized holding gain (loss) on securities   | 18,676                         | 13,169           |                 |               |
| Foreign currency translation adjustment  | (79)                           | (5)              |                 |               |
| Less treasury stock, at cost   | (48,272)                       | (30,540)         |                 |               |
| <b>Liabilities, Minority Interests, and<br/>Shareholders' Equity</b>                                 | <b>1,127,130</b>               | <b>1,140,231</b> | <b>(13,101)</b> | <b>(1.1)</b>  |

**CONSOLIDATED STATEMENTS OF INCOME**

|  | Feb.1, 2005 – Oct 31, 2005 |              | Feb. 1, 2004 —Jan. 31, 2005 |              |
|--|----------------------------|--------------|-----------------------------|--------------|
|  | <i>Millions of yen</i>     | %            | <i>Millions of yen</i>      | %            |
| <b>Net sales</b>   | <b>1,006,220</b>           | <b>100.0</b> | <b>1,372,243</b>            | <b>100.0</b> |
| Cost of sales  | 817,317                    | 81.2         | 1,098,520                   | 80.1         |
| Gross profit   | 188,903                    | 18.8         | 273,723                     | 19.9         |
| Selling, general and administrative expenses             | 155,095                    | 15.4         | 197,085                     | 14.3         |
| <b>Operating income</b>                                  | <b>33,807</b>              | <b>3.4</b>   | <b>76,638</b>               | <b>5.6</b>   |
| <b>Non-operating income</b>                              | <b>4,087</b>               | <b>0.4</b>   | <b>5,454</b>                | <b>0.4</b>   |
| Interest and divided income                              | 1,585                      |              | 2,765                       |              |
| Equity in gains of affiliates                            | 108                        |              | -                           |              |
| Miscellaneous income                                     | 2,393                      |              | 2,688                       |              |
| <b>Non-operating loss</b>                                | <b>3,242</b>               | <b>0.3</b>   | <b>4,776</b>                | <b>0.4</b>   |
| Interest expense   | 126                        |              | 535                         |              |
| Equity in losses of affiliates                           | -                          |              | 107                         |              |
| Miscellaneous expense                                    | 3,116                      |              | 4,133                       |              |
| <b>Recurring income</b>                                  | <b>34,652</b>              | <b>3.5</b>   | <b>77,316</b>               | <b>5.6</b>   |
| <b>Extraordinary income</b>                              | <b>396</b>                 | <b>0.0</b>   | <b>46,606</b>               | <b>3.4</b>   |
| <b>Extraordinary loss</b>                                | <b>4,713</b>               | <b>0.5</b>   | <b>71,718</b>               | <b>5.2</b>   |
| <b>Income before income taxes and minority interests</b> | <b>30,335</b>              | <b>3.0</b>   | <b>52,204</b>               | <b>3.8</b>   |
| Income tax   | 13,377                     | 1.3          | 27,451                      | 2.0          |
| Minority interests in earnings of subsidiaries           | 29                         | 0.0          | 1,094                       | 0.1          |
| <b>Net Income</b>  | <b>16,928</b>              | <b>1.7</b>   | <b>23,659</b>               | <b>1.7</b>   |

## CONSOLIDATED STATEMENT OF CASH FLOW

*Millions of yen*

|   | Feb.1, 2005 – Oct. 31, 2005 | Feb. 1, 2004 –Jan. 31, 2005 |
|---|-----------------------------|-----------------------------|
| <b>Cash flows from operating activities</b>                         |                             |                             |
| Income before income taxes and minority interests                   | 30,335                      | 52,204                      |
| Depreciation and amortization                                       | 7,976                       | 11,553                      |
| Loss on impairment assets   | -                           | 59,469                      |
| Gains on the return of employee pension fund                        | -                           | (41,901)                    |
| Provision for retirement benefit                                    | (455)                       | (3,258)                     |
| Interest and dividend income  | (1,585)                     | (2,765)                     |
| Interest expense  | 126                         | 535                         |
| Equity in losses (gains) of affiliates                              | (108)                       | 107                         |
| Loss on revaluation of real estate held for sale                    | 4,187                       | 4,069                       |
| Loss on revaluation of securities                                   | 9                           | 1,579                       |
| Decrease (increase) in note and accounts receivables                | 40,878                      | (2,532)                     |
| Increase in inventories and advance payments                        | (127,473)                   | (45,225)                    |
| Increase in notes and accounts payable                              | (6,196)                     | 11,793                      |
| Increase in advances received                                       | 44,625                      | 11,396                      |
| Other   | (4,045)                     | (1,578)                     |
| <b>Subtotal</b>   | <b>(11,723)</b>             | <b>55,448</b>               |
| Interest and dividends received                                     | 1,726                       | 3,073                       |
| Interest paid   | (231)                       | (719)                       |
| Income taxes paid   | (22,527)                    | (6,809)                     |
| <b>Net cash provided by operating activities</b>                    | <b>(32,755)</b>             | <b>50,992</b>               |
| <b>Cash flows from investing activities</b>                         |                             |                             |
| Purchases of short-term investments                                 | (642)                       | (235)                       |
| Proceeds from sales of marketable securities                        | 660                         | 1,929                       |
| Purchases of property, plant and equipment                          | (38,296)                    | (35,108)                    |
| Proceeds from sales of property, plant and equipment                | 179                         | 1,219                       |
| Purchase of investments in securities                               | (11,901)                    | (12,267)                    |
| Proceeds from sales of investments in securities                    | 52,939                      | 10,221                      |
| Payment for loans receivable  | (1,112)                     | (2,485)                     |
| Settlement of loans receivable                                      | 5,206                       | 5,314                       |
| Other   | (355)                       | (1,095)                     |
| <b>Net cash used in investing activities</b>                        | <b>6,677</b>                | <b>(32,507)</b>             |
| <b>Cash flows from financing activities</b>                         |                             |                             |
| Increase in issuance of short-term notes                            | 40,000                      | -                           |
| 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  | (46,608)                    | (17,947)                    |
| Other   | 139                         | 23                          |
| <b>Net cash used in financing activities</b>                        | <b>(51,211)</b>             | <b>(61,141)</b>             |
| <b>Effect of exchange rate changes on cash and cash equivalents</b> | <b>(74)</b>                 | <b>93</b>                   |
| <b>Net decrease in cash and cash equivalents</b>                    | <b>(77,363)</b>             | <b>(42,563)</b>             |
| <b>Cash and cash equivalents at beginning of year</b>               | <b>179,712</b>              | <b>222,275</b>              |
| <b>Cash and cash equivalents at end of year</b>                     | <b>102,348</b>              | <b>179,712</b>              |

## Significant Consolidated Accounting Policies

### 1. Change in accounting policies from the previous consolidated financial statements

Accounting for consumption taxes

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 the consolidated interim accounting period of this fiscal year.

### 2. Change in the scope of consolidation and companies accounted for by the equity method

Consolidated subsidiaries: Newly included: Sekiwa Real Estate Sapporo, Ltd., Sekiwa Support Service, Ltd., and MAST Clean Services, Ltd.

Excluded: Sekiwa Construction Fukushima, Ltd., Sekiwa Construction Toyohashi, Ltd., Sekiwa Construction Fukuchiyama, Ltd., and Sekiwa Construction Ehime-higashi, Ltd.

Accounted for by the equity method : PFI Mizu to Midori no Kenko-toshi, Ltd.

## (Segmental information)

### (1) Four sections classify each business

FY2005 Third Qtr. (Feb. 1, 2005 – Oct. 31, 2005)

Millions of yen

|                                     | Built to Order Housing | Real Estate for Sale | Real Estate for Leasing | Other Business | Total     | Eliminations and Back Office | Consolidated |
|-------------------------------------|------------------------|----------------------|-------------------------|----------------|-----------|------------------------------|--------------|
| <b>Sales &amp; Operating income</b> |                        |                      |                         |                |           |                              |              |
| Sales                               |                        |                      |                         |                |           |                              |              |
| Sales to third parties              | 476,768                | 218,109              | 217,013                 | 94,328         | 1,006,220 | -                            | 1,006,220    |
| Inter-group sales and transfers     | 1,383                  | -                    | 1,218                   | 2,855          | 5,457     | (5,457)                      | -            |
| Total sales                         | 478,152                | 218,109              | 218,232                 | 97,184         | 1,011,678 | (5,457)                      | 1,006,220    |
| Operating expenses                  | 438,450                | 208,382              | 208,845                 | 95,531         | 951,210   | 21,202                       | 972,413      |
| Operating income                    | 39,701                 | 9,726                | 9,386                   | 1,652          | 60,467    | (26,659)                     | 33,807       |

FY2004 (Feb. 1, 2004 – Jan. 31, 2005)

Millions of yen

|                                     | Built to Order Housing | Real Estate for Sale | Real Estate for Leasing | Other Business | Total     | Eliminations and Back Office | Consolidated |
|-------------------------------------|------------------------|----------------------|-------------------------|----------------|-----------|------------------------------|--------------|
| <b>Sales &amp; Operating income</b> |                        |                      |                         |                |           |                              |              |
| 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       |

[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 Sale: 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.

FY2005 3<sup>rd</sup> Qtr. : 24,202 million yen      FY2004: 26,824 million yen

## Segment Breakdown

### Consolidated

|                         | FY2005 3 <sup>rd</sup> Qtr.<br>Feb.1, 2005 – Oct. 31, 2005 |                        |                        |                        |                        |                        |
|-------------------------|--|------------------------|------------------------|------------------------|------------------------|------------------------|
|                         | Orders   | Accumulated<br>Orders  | Orders                 |                        | Accumulated Orders     |                        |
|                         |  |                        | Fiscal 2004            | Fiscal 2005 (F)        | Fiscal 2004            | Fiscal 2005 (F)        |
|                         | <i>Millions of yen</i>                                     | <i>Millions of yen</i> | <i>Millions of yen</i> | <i>Millions of yen</i> | <i>Millions of yen</i> | <i>Millions of yen</i> |
| Built to Order Housing  | 510,092  | 445,825                | 675,571                | 702,000                | 412,502                | 399,502                |
| Real Estate for Sale    | 255,053  | 116,960                | 260,718                | 366,000                | 80,015                 | 93,015                 |
| Real Estate for Leasing | 217,013  | -                      | 269,326                | 290,000                | -                      | -                      |
| Other Business          | 119,377  | 106,488                | 135,755                | 158,000                | 81,439                 | 107,439                |
| <b>Total</b>            | <b>1,101,536</b>   | <b>669,273</b>         | <b>1,341,370</b>       | <b>1,516,000</b>       | <b>573,957</b>         | <b>599,956</b>         |

### Non-Consolidated

|                         | FY2005 3 <sup>rd</sup> Qtr.<br>Feb.1, 2005 – Oct. 31, 2005 |                        |                        |                        |                        |                        |
|-------------------------|--|------------------------|------------------------|------------------------|------------------------|------------------------|
|                         | Orders   | Accumulated<br>Orders  | Orders                 |                        | Accumulated Orders     |                        |
|                         |  |                        | Fiscal 2004            | Fiscal 2005 (F)        | Fiscal 2004            | Fiscal 2005 (F)        |
|                         | <i>Millions of yen</i>                                     | <i>Millions of yen</i> | <i>Millions of yen</i> | <i>Millions of yen</i> | <i>Millions of yen</i> | <i>Millions of yen</i> |
| Built to Order Housing  | 505,999  | 446,893                | 672,623                | 699,000                | 413,682                | 399,682                |
| Real Estate for Sale    | 241,851  | 110,274                | 247,102                | 345,000                | 74,862                 | 85,861                 |
| Real Estate for Leasing | 6,901  | -                      | 9,320                  | 10,000                 | -                      | -                      |
| Other Business          | 80,269   | 100,166                | 120,683                | 106,000                | 76,526                 | 99,527                 |
| <b>Total</b>            | <b>835,021</b>   | <b>657,333</b>         | <b>1,049,730</b>       | <b>1,160,000</b>       | <b>565,071</b>         | <b>585,070</b>         |

Accumulated orders for Fiscal 2004 does not include the balance transferred to Sekisui House Remodeling, Ltd. (6,165 million yen).

## NON-CONSOLIDATED BALANCE SHEETS

As of October 31, 2005 and January 31, 2005

*Millions of yen*

|   | FY2005 3 <sup>rd</sup> Quarter | FY2004         | Difference      | %            |
|---|--------------------------------|----------------|-----------------|--------------|
| <b>Assets</b>                                       | <b>1,001,291</b>               | <b>988,821</b> | <b>12,470</b>   | <b>1.3</b>   |
| <b>Current assets</b>                               | <b>627,193</b>                 | <b>622,669</b> | <b>4,524</b>    | <b>0.7</b>   |
| Cash and deposits                                   | 46,175                         | 110,650        |                 |              |
| Notes receivable-trade                              | 380                            | 628            |                 |              |
| Accounts receivable-construction                    | 35,355                         | 75,385         |                 |              |
| Accounts receivable-real estate                     | 1,366                          | 3,331          |                 |              |
| Prepaid expenses for construction in progress       | 78,530                         | 46,077         |                 |              |
| Buildings for sale                                  | 71,763                         | 53,152         |                 |              |
| Land for sale                                       | 252,395                        | 196,067        |                 |              |
| Land for sale in process                            | 46,101                         | 43,696         |                 |              |
| Other inventories                                   | 5,863                          | 4,537          |                 |              |
| Advance payments                                    | 4,144                          | 1,987          |                 |              |
| Prepaid expenses                                    | 5,357                          | 4,135          |                 |              |
| Accounts receivable-other                           | 14,135                         | 14,813         |                 |              |
| Deferred income taxes                               | 64,339                         | 66,477         |                 |              |
| Other current assets                                | 2,331                          | 2,830          |                 |              |
| Less allowance for doubtful accounts                | (1,047)                        | (1,103)        |                 |              |
| <b>Fixed Assets</b>                                 | <b>374,097</b>                 | <b>366,151</b> | <b>7,946</b>    | <b>2.2</b>   |
| <b>Tangible fixed assets</b>                        | <b>171,429</b>                 | <b>142,867</b> | <b>28,562</b>   | <b>20.0</b>  |
| Buildings   | 65,911                         | 60,646         |                 |              |
| Structures  | 4,478                          | 4,273          |                 |              |
| Machinery and equipment                             | 10,331                         | 10,201         |                 |              |
| Vehicles and delivery equipment                     | 156                            | 162            |                 |              |
| Tools and equipment                                 | 4,190                          | 3,925          |                 |              |
| Land  | 83,265                         | 61,559         |                 |              |
| Constructions in progress                           | 3,096                          | 2,096          |                 |              |
| <b>Intangible fixed assets</b>                      | <b>3,931</b>                   | <b>3,925</b>   | <b>6</b>        | <b>0.2</b>   |
| Lease rights  | 1,608                          | 1,605          |                 |              |
| Software  | 1,604                          | 1,599          |                 |              |
| Utility rights                                      | 30                             | 24             |                 |              |
| Telephone subscription rights                       | 687                            | 696            |                 |              |
| <b>Investments</b>                                  | <b>198,736</b>                 | <b>219,359</b> | <b>(20,623)</b> | <b>(9.4)</b> |
| Investment in securities                            | 95,447                         | 112,793        |                 |              |
| Investment in subsidiaries and partnership          | 39,806                         | 26,563         |                 |              |
| Long-term loans receivable                          | 54,818                         | 74,479         |                 |              |
| Long-term prepaid expenses                          | 817                            | 740            |                 |              |
| Deposit and guaranty                                | 12,456                         | 12,400         |                 |              |
| Deferred income taxes                               | 5,945                          | 14,330         |                 |              |
| Other investments and other assets                  | 4,426                          | 5,408          |                 |              |
| Reserve for losses from investments in subsidiaries | (682)                          | (682)          |                 |              |
| Less allowance for doubtful accounts                | (14,300)                       | (26,675)       |                 |              |
| <b>Total</b>  | <b>1,001,291</b>               | <b>988,821</b> | <b>12,470</b>   | <b>1.3</b>   |

As of October 31, 2005 and January 31, 2005

Millions of yen

|  | FY2005 3 <sup>rd</sup> Quarter | FY2004          | Difference      | %             |
|--|--------------------------------|-----------------|-----------------|---------------|
| <b>Liabilities</b>   | <b>394,949</b>                 | <b>363,431</b>  | <b>31,518</b>   | <b>8.7</b>    |
| <b>Current Liabilities</b>   | <b>364,285</b>                 | <b>328,183</b>  | <b>36,102</b>   | <b>11.0</b>   |
| Notes payable-trade  | 55,451                         | 59,736          |                 |               |
| Accounts payable-trade   | 45,553                         | 39,144          |                 |               |
| Accounts payable-construction  | 34,942                         | 52,085          |                 |               |
| Short-term notes   | 40,000                         | -               |                 |               |
| Current portion of notes   | -                              | 30,000          |                 |               |
| Accounts payable-other   | 7,141                          | 6,792           |                 |               |
| Accrued expenses   | 12,320                         | 12,094          |                 |               |
| Corporate tax payable  | 607                            | 14,719          |                 |               |
| Consumption tax payable  | 1,118                          | 6,422           |                 |               |
| Advances received-construction   | 84,108                         | 62,059          |                 |               |
| Advance received-other   | 24,107                         | 4,901           |                 |               |
| Reserve for bonuses  | 18,289                         | 14,262          |                 |               |
| Reserve for warranty on completed works  | 1,774                          | 1,896           |                 |               |
| Other current liabilities  | 38,872                         | 24,067          |                 |               |
| <b>Long term liabilities</b>   | <b>30,664</b>                  | <b>35,248</b>   | <b>(4,584)</b>  | <b>(13.0)</b> |
| Accrued retirement benefits  | 23,754                         | 24,090          |                 |               |
| Reserve for retirement benefits for retiring directors,<br>executive officers and corporate auditors | 836                            | 708             |                 |               |
| Reserve for Japan Expo expenses  | -                              | 175             |                 |               |
| Deposits and guaranty received   | 6,072                          | 9,131           |                 |               |
| Other long term liabilities  | -                              | 1,142           |                 |               |
| <b>Shareholders' Equity</b>  | <b>606,342</b>                 | <b>625,390</b>  | <b>(19,048)</b> | <b>(3.0)</b>  |
| <b>Paid-in capital</b>   | <b>186,554</b>                 | <b>186,554</b>  | <b>-</b>        | <b>-</b>      |
| <b>Capital surplus</b>   | <b>242,307</b>                 | <b>237,524</b>  | <b>4,783</b>    | <b>2.0</b>    |
| <b>Retained earnings</b>   | <b>207,159</b>                 | <b>218,634</b>  | <b>(11,475)</b> | <b>(5.2)</b>  |
| Legal reserve  | 23,128                         | 23,128          |                 |               |
| Reserve for dividends  | 15,000                         | 13,000          |                 |               |
| General reserve  | 162,300                        | 162,300         |                 |               |
| Unappropriated retained earnings   | 6,730                          | 20,205          |                 |               |
| <b>Net unrealized holding gain (loss) on securities</b>  | <b>18,478</b>                  | <b>13,217</b>   | <b>5,261</b>    | <b>39.8</b>   |
| <b>Less treasury stock, at cost</b>  | <b>(48,156)</b>                | <b>(30,540)</b> | <b>(17,616)</b> | <b>-</b>      |
| <b>Total</b>   | <b>1,001,291</b>               | <b>988,821</b>  | <b>12,470</b>   | <b>1.3</b>    |

## NON-CONSOLIDATED STATEMENTS OF INCOME

|   | Feb. 1, 2005 – Oct. 31, 2005 |              | Feb. 1, 2004 – Jan. 31, 2005 |              |
|---|------------------------------|--------------|------------------------------|--------------|
|   | <i>Millions of yen</i>       | %            | <i>Millions of yen</i>       | %            |
| <b>Net sales</b>  | <b>742,759</b>               | <b>100.0</b> | <b>1,086,179</b>             | <b>100.0</b> |
| Construction  | 592,084                      | 79.7         | 900,368                      | 82.9         |
| Real estate   | 150,674                      | 20.3         | 185,810                      | 17.1         |
| <b>Cost of sales</b>  | <b>598,402</b>               | <b>80.6</b>  | <b>860,022</b>               | <b>79.2</b>  |
| Construction  | 468,167                      | 79.1         | 695,148                      | 77.2         |
| Real estate   | 130,234                      | 86.4         | 164,873                      | 88.7         |
| <b>Gross profit on sales</b>                                      | <b>144,356</b>               | <b>19.4</b>  | <b>226,157</b>               | <b>20.8</b>  |
| Total gross profit from construction                              | 123,917                      | 20.9         | 205,220                      | 22.8         |
| Total gross profit from sales of real estate                      | 20,439                       | 13.6         | 20,937                       | 11.3         |
| <b>Selling, general and administrative expenses</b>               | <b>124,901</b>               | <b>16.8</b>  | <b>165,267</b>               | <b>15.2</b>  |
| <b>Operating income</b>   | <b>19,454</b>                | <b>2.6</b>   | <b>60,889</b>                | <b>5.6</b>   |
| <b>Non-operating income</b>                                       | <b>5,466</b>                 | <b>0.7</b>   | <b>5,942</b>                 | <b>0.5</b>   |
| Interest and dividend income                                      | 3,170                        |              | 4,101                        |              |
| Other income  | 2,296                        |              | 1,841                        |              |
| <b>Non-operating expense</b>                                      | <b>3,046</b>                 | <b>0.4</b>   | <b>4,393</b>                 | <b>0.4</b>   |
| Interest paid   | 26                           |              | 66                           |              |
| Interest on bonds   | 99                           |              | 468                          |              |
| Other expenses  | 2,920                        |              | 3,858                        |              |
| <b>Recurring income</b>   | <b>21,874</b>                | <b>2.9</b>   | <b>62,439</b>                | <b>5.7</b>   |
| <b>Extraordinary income</b>                                       | <b>396</b>                   | <b>0.1</b>   | <b>42,373</b>                | <b>3.9</b>   |
| <b>Extraordinary loss</b>   | <b>4,670</b>                 | <b>0.6</b>   | <b>63,113</b>                | <b>5.8</b>   |
| <b>Income before taxes</b>  | <b>17,600</b>                | <b>2.4</b>   | <b>41,699</b>                | <b>3.8</b>   |
| Income taxes (except enterprise tax)                              | 360                          | 0.1          | 14,873                       | 1.3          |
| Deferred income taxes   | 6,953                        | 0.9          | 7,334                        | 0.7          |
| <b>Net income</b>   | <b>10,287</b>                | <b>1.4</b>   | <b>19,492</b>                | <b>1.8</b>   |
| Retained earning brought forward from the preceding business term | 11,931                       |              | 6,881                        |              |
| Loss on sales of treasury stock                                   | 8,824                        |              | -                            |              |
| Interim dividends   | 6,664                        |              | 6,168                        |              |
| <b>Unappropriated retained earnings</b>                           | <b>6,730</b>                 |              | <b>20,205</b>                |              |