

Consolidated Financial Results for FY2009 (February 1, 2009 through January 31, 2010)

March 1, 2010

Company name	: Sekisui House, Ltd. (URL http://www.sekisuihouse.co.jp)
Listed exchanges	: Tokyo, Osaka, Nagoya
Stock code	: 1928
Representative	: Toshinori Abe, President and Representative Director
Inquiries	: Hidehiro Yamaguchi, Executive Officer, Head of Corporate Communications Department Tel +81 6 6440 3111
Date of general shareholders' meeting	: April 28, 2010
Date of scheduled payment of dividends	: -
Date of scheduled filing of securities report	: April 30, 2010

(Amounts are rounded down to the nearest million yen)

1. Consolidated Results for the FY2009 (February 1, 2009 through January 31, 2010)

(1) Consolidated Financial Results

(% figures represent changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Year ended January 31, 2010	1,353,186	(10.6)	(38,754)	-	(38,758)	-	(29,277)	-
Year ended January 31, 2009	1,514,172	(5.2)	73,960	(32.6)	77,072	(32.4)	11,516	(80.9)

	Net income per share	Fully diluted net income per share	Return on equity	Ordinary income ratio to total assets	Operating income ratio to net sales
	¥	¥	%	%	%
Year ended January 31, 2010	(43.32)	-	(4.0)	(2.8)	(2.9)
Year ended January 31, 2009	17.04	17.03	1.5	5.6	4.9

(Reference) Equity in earnings of affiliates: Year ended Jan. 2010: ¥387 million Year ended Jan. 2009: ¥466 million

(2) Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of January 31, 2010	1,353,946	716,295	52.9	1,059.18
As of January 31, 2009	1,387,237	754,130	54.3	1,115.20

(Reference) Shareholders' equity As of January 31, 2010: ¥715,737 million As of January 31, 2009: ¥753,647 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents as of end of period
	¥ millions	¥ millions	%	¥ millions
Year ended January 31, 2010	55,402	(26,472)	(6,969)	148,630
Year ended January 31, 2009	37,003	(46,352)	73,630	124,517

2. Cash Dividends

	Dividends per share (¥)					Total dividends (annual) (¥ millions)	Dividend payout ratio (Consolidated)	Dividends to net assets (Consolidated)
	1 st quarter	2 nd quarter	3 rd quarter	Year-end	Annual			
Year ended January 31, 2009	-	12.00	-	12.00	24.00	16,227	140.8%	2.1%
Year ended January 31, 2010	-	10.00	-	0.00	10.00	6,759	-	0.9%
Year ending January 31, 2011 (Forecast)	-	13.00	-	8.00	21.00		52.6%	

(Note) Breakdown of cash dividends forecast for 2Q FY2010: Ordinary dividends: ¥8.00, Commemorative dividends: ¥5.00

3. Consolidated Results Forecast for FY2010 (February 1, 2010 through January 31, 2011)

(% figures represent changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Six months ending July 31, 2010	712,000	6.6	23,000	667.9	22,300	740.6	11,500	-	17.02
Year ending January 31, 2011	1,440,000	6.4	51,000	-	50,000	-	27,000	-	39.96

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries that caused a change in scope of consolidation): None

(2) Changes in accounting principles, procedures, and presentation for consolidated financial statements (matters to be included in the section, Changes in Basic Important Matters for Preparation of Consolidated Financial Statements)

(i) Changes caused by revisions of accounting standards etc.: Yes

(ii) Changes other than (i): Yes

(Note) For more details, please see "Changes in Basic Important Matters for Preparation of Consolidated Financial Statements" in page 30.

(3) Number of shares outstanding (common stock)

(i) Number of shares outstanding at the end of each period (including treasury stock):

As of Jan. 31, 2010: 676,885,078 shares

As of Jan. 31, 2009: 676,885,078 shares

(ii) Number of treasury stock at the end of each period:

As of Jan. 31, 2010: 1,137,664 shares

As of Jan. 31, 2009: 1,089,368 shares

(Note) For number of shares for calculation of net income per share, please see "Per share information" in page 41.

(Reference) Summary of non-consolidated financial results

1. Non-Consolidated Results for the FY2009 (February 1, 2009 through January 31, 2010)

(1) Non-Consolidated Financial Results

(% figures represent changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Year ended January 31, 2010	910,353	(17.3)	(60,624)	-	(59,604)	-	(39,811)	-
Year ended January 31, 2009	1,100,500	(7.9)	53,286	(38.6)	58,071	(37.5)	1,780	(96.5)

	Net income per share	Fully diluted net income per share
	¥	¥
Year ended January 31, 2010	(58.90)	-
Year ended January 31, 2009	2.63	2.63

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of January 31, 2010	1,205,075	622,261	51.6	920.26
As of January 31, 2009	1,256,075	672,827	53.6	995.11

(Reference) Shareholders' equity As of January 31, 2010: ¥622,029 million As of January 31, 2009: ¥672,668 million

2. Non-Consolidated Results Forecast for FY2010 (February 1, 2010 through January 31, 2011)

(% figures represent changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Six months ending July 31, 2010	491,000	11.8	13,600	-	16,500	-	9,700	-	14.35
Year ending January 31, 2011	987,000	8.4	32,300	-	35,000	-	20,000	-	29.59

* Notes Regarding the Appropriate Use of Results Forecasts and Other Important Matters

This document contains forward-looking statements based on judgments and estimates derived from information available to the Company at the time of this release, and is therefore subject to risks and uncertainties. Actual future results may differ materially from any projections presented here due to a variety of factors, including economic conditions surrounding the business domain of the Company and Group companies, as well as market trends.

For details of results forecast, please refer to "Outlook" in [1. Business Results (1) Analysis of Business Results] in page 12.

Appendix 1: Results summary for the year ended January 31, 2010

¥ millions

Consolidated	FY2008	FY2009	YOY (%)	Forecast for FY2010	YOY (%)
Net sales	1,514,172	1,353,186	(10.6)	1,440,000	6.4
Gross profit	291,249	156,336	(46.3)	252,000	61.2
SG&A expenses	217,288	195,091	(10.2)	201,000	3.0
Operating income	73,960	(38,754)	-	51,000	-
Ordinary income	77,072	(38,758)	-	50,000	-
Extraordinary income	-	6	-	-	-
Extraordinary loss	49,448	7,668	(84.5)	1,500	(80.4)
Net income	11,516	(29,277)	-	27,000	-
Total orders	1,472,987	1,361,750	(7.6)	1,432,000	5.2
Accumulated orders	503,230	511,794	1.7	503,794	(1.6)

¥ millions

Non-consolidated	FY2008	FY2009	YOY (%)	Forecast for FY2010	YOY (%)
Net sales	1,100,500	910,353	(17.3)	987,000	8.4
Gross profit	223,594	89,774	(59.8)	185,200	106.3
SG&A expenses	170,307	150,398	(11.7)	152,900	1.7
Operating income	53,286	(60,624)	-	32,300	-
Ordinary income	58,071	(59,604)	-	35,000	-
Extraordinary income	41	6	(85.4)	-	-
Extraordinary loss	48,082	7,459	(84.5)	1,500	(79.9)
Net income	1,780	(39,811)	-	20,000	-
Total orders	1,057,147	917,774	(13.2)	973,300	6.0
Accumulated orders	505,600	513,020	1.5	499,320	(2.7)

Key management indicators

Consolidated	FY2005	FY2006	FY2007	FY2008	FY2009
Net income per share (¥)	62.94	89.26	87.70	17.04	(43.32)
Net assets per share (¥)	1,028.46	1,125.75	1,139.63	1,115.20	1,059.18
Operating profit margin	5.33%	6.99%	6.87%	4.88%	(2.86)
ROE	6.36%	8.45%	7.69%	1.51%	(3.98)
ROA *1	7.34%	9.61%	8.56%	5.60%	(2.69)

¥ millions

R & D expenditures	6,190	6,114	6,299	6,191	5,087
Capital expenditure (Consolidated)	46,817	26,691	54,413	57,432	82,145
Capital expenditure (Non-consolidated)	42,264	21,164	43,534	43,156	71,677
Depreciation expense (Consolidated)	11,117	12,231	14,157	15,392	16,579
Depreciation expense (Non-consolidated)	8,557	9,650	11,368	12,252	13,161

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

Appendix 2-1: Segment Breakdown for the year ended January 31, 2010

Consolidated (See page 38)

1. Orders

¥ millions

	FY2008	FY2009	YOY(%)	FY2010 (F)	YOY(%)
Built to Order Housing	669,897	611,551	(8.7)	645,000	5.5
Real Estate for Sale	299,651	233,713	(22.0)	242,000	3.5
Real Estate for Leasing	357,075	364,217	2.0	377,000	3.5
Other Business	146,362	152,266	4.0	168,000	10.3
Consolidated	1,472,987	1,361,750	(7.6)	1,432,000	5.2

2. Accumulated Orders

¥ millions

	FY2008	FY2009	YOY(%)	FY2010 (F)	YOY(%)
Built to Order Housing	339,702	360,877	6.2	335,877	(6.9)
Real Estate for Sale	71,101	51,242	(27.9)	67,242	31.2
Real Estate for Leasing	-	-	-	-	-
Other Business	92,427	99,674	7.8	100,674	1.0
Consolidated	503,230	511,794	1.7	503,794	(1.6)

3. Sales

¥ millions

	FY2008		FY2009		YOY(%)	FY2010 (F)		YOY(%)
	Amount	OP margin (%)	Amount	OP margin (%)		Amount	OP margin (%)	
Built to Order Housing	682,862	8.5	590,376	8.1	(13.5)	670,000	9.9	13.5
Real Estate for Sale	317,278	10.5	253,572	(28.8)	(20.1)	226,000	0.2	(10.9)
Real Estate for Leasing	357,075	5.2	364,217	3.9	2.0	377,000	3.9	3.5
Other Business	156,955	1.8	145,019	4.1	(7.6)	167,000	4.1	15.2
Consolidated	1,514,172	4.9	1,353,186	(2.9)	(10.6)	1,440,000	3.5	6.4

Appendix 2-2: Segment Breakdown for the year ended January 31, 2010

Non-consolidated (See page 39)

Note: On the non-consolidated financial statements, a breakdown into "Construction" and "Real Estate" is reported; 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.

1. Orders

¥ millions

	FY2008		FY2009		YOY(%)	FY2010(F)		
	Buildings	Amount	Buildings	Amount		Buildings	Amount	YOY(%)
Built to Order Housing								
Detached houses								
Steel frame	9,483	307,496	9,699	298,661	(2.9)	10,100	320,000	7.1
Wood frame	3,031	100,224	2,946	98,088	(2.1)	3,100	105,000	7.0
Subtotal	12,514	407,721	12,645	396,750	(2.7)	13,200	425,000	7.1
Low rise apartments	5,537	268,642	4,253	218,359	(18.7)	4,400	225,000	3.0
Subtotal	18,051	676,363	16,898	615,110	(9.1)	17,600	650,000	5.7
Real Estate for Sale								
Detached houses								
Steel frame	3,137	85,930	3,135	86,393	0.5	3,000	85,000	(1.6)
Wood frame	573	16,920	597	16,882	(0.2)	700	20,000	18.5
Subtotal	3,710	102,851	3,732	103,275	0.4	3,700	105,000	1.7
Land	-	68,295	-	65,253	(4.5)	-	62,000	(5.0)
Subtotal	3,710	171,147	3,732	168,528	(1.5)	3,700	167,000	(0.9)
Condominiums - Buildings	-	24,500	-	25,193	2.8	-	36,000	42.9
Condominiums - Land	-	16,882	-	18,377	8.9	-	21,000	14.3
Subtotal	-	41,383	-	43,571	5.3	-	57,000	30.8
Urban redevelopment	-	61,656	-	-	-	-	-	-
Subtotal	3,710	274,187	3,732	212,099	(22.6)	3,700	224,000	5.6
Real Estate for Leasing	-	10,880	-	10,101	(7.2)	-	10,300	2.0
Other Business								
RC contracts	66	43,042	100	32,801	(23.8)	90	34,000	3.7
Exteriors	-	47,933	-	42,642	(11.0)	-	50,000	17.3
Other	-	4,739	-	5,019	5.9	-	5,000	(0.4)
Subtotal	66	95,715	100	80,462	(15.9)	90	89,000	10.6
Total	21,827	1,057,147	20,730	917,774	(13.2)	21,390	973,300	6.1

2. Accumulated Orders

¥ millions

	FY2008		FY2009		YOY(%)	FY2010 (F)		YOY(%)
	Buildings	Amount	Buildings	Amount		Buildings	Amount*	
Built to Order Housing								
Detached houses								
Steel frame	4,142	145,697	4,659	155,300	6.6	4,859	142,300 (14,000)	(8.4)
Wood frame	1,403	48,674	1,576	54,962	12.9	1,676	51,962 (4,600)	(5.5)
Subtotal	5,545	194,371	6,235	210,262	8.2	6,535	194,262 (18,600)	(7.6)
Low rise apartments	2,924	149,552	3,006	154,509	3.3	3,106	145,709 (10,800)	(5.7)
Subtotal	8,469	343,923	9,241	364,771	6.1	9,641	339,971 (29,400)	(6.8)
Real Estate for Sale								
Detached houses								
Steel frame	624	17,242	661	18,498	7.3	761	23,098 (2,100)	24.9
Wood frame	142	4,157	139	4,038	(2.9)	189	5,238 (500)	29.7
Subtotal	766	21,399	800	22,536	5.3	950	28,336 (2,600)	25.7
Land	-	11,545	-	8,223	(28.8)	-	11,523	40.1
Subtotal	766	32,944	800	30,759	(6.6)	950	39,859 (2,600)	29.6
Condominiums - Buildings	-	15,145	-	9,020	(40.4)	-	9,520	5.5
Condominiums - Land	-	8,178	-	5,543	(32.2)	-	6,043	9.0
Subtotal	-	23,323	-	14,563	(37.6)	-	15,563	6.9
Urban redevelopment	-	1,725	-	-	-	-	-	-
Subtotal	766	57,993	800	45,322	(21.8)	950	55,422 (2,600)	22.3
Real Estate for Leasing	-	-	-	-	-	-	-	-
Other Business								
RC contracts	304	81,407	298	80,602	(1.0)	308	79,602 (4,000)	(1.2)
Exteriors	-	22,031	-	21,918	(0.5)	-	23,918	9.1
Other	-	244	-	405	66.0	-	405	0.0
Subtotal	304	103,683	298	102,926	(0.7)	308	103,926 (4,000)	1.0
Total	9,539	505,600	10,339	513,020	1.5	10,899	499,320 (36,000)	(2.7)

* In accordance with "Accounting Standards for Construction Contracts", when reporting net sales, the effect in the case of applying the percentage of completion basis is subtracted from the accumulated orders amount. The number in parentheses () is the amount of that effect.

The figures are forecasts prepared by our judgment and assumptions based on information available as of the date the document was prepared. Actual results may significantly differ from estimates due to various future events.

3. Sales

¥ millions

	FY2008		FY2009		YOY(%)	FY2010 (F)		
	Units	Amount	Units	Amount		Units	Amount*	YOY(%)
	Buildings		Buildings			Buildings		
Built to Order Housing								
Detached houses								
Steel frame	10,305	329,272	9,236	289,057	(12.2)	9,900	333,000	15.2
	10,220		9,182			(14,000)		
Wood frame	3,122	101,501	2,782	91,800	(9.6)	3,000	108,000	17.6
	3,108		2,773			(4,600)		
Subtotal	13,427	430,773	12,018	380,858	(11.6)	12,900	441,000	15.8
	13,328		11,955			(18,600)		
Low rise apartments	30,747	257,825	23,743	213,403	(17.2)	25,000	233,800	9.6
	5,663		4,171			(10,800)		
Subtotal	44,174	688,599	35,761	594,261	(13.7)	37,900	674,800	13.6
	18,991		16,126			(29,400)		
Real Estate for Sale								
Detached houses								
Steel frame	3,355	91,216	3,165	85,137	(6.7)	2,900	80,400	(5.6)
	3,282		3,098			(2,100)		
Wood frame	607	17,945	601	17,001	(5.3)	650	18,800	10.6
	607		600			(500)		
Subtotal	3,962	109,161	3,766	102,138	(6.4)	3,550	99,200	(2.9)
	3,889		3,698			(2,600)		
Land	-	67,214	-	68,575	2.0	-	58,700	(14.4)
Subtotal	3,962	176,375	3,766	170,714	(3.2)	3,550	157,900	(7.5)
	3,889		3,698			(2,600)		
Condominiums - Buildings	1,588	36,406	1,254	31,318	(14.0)	1,500	35,500	13.4
	36		21			16		
Condominiums - Land	-	29,774	-	21,013	(29.4)	-	20,500	(2.4)
Subtotal	1,588	66,180	1,254	52,331	(20.9)	1,500	56,000	7.0
	36		21			16		
Urban redevelopment	-	59,931	-	1,725	(97.1)	-	-	-
Subtotal	5,550	302,487	5,020	224,770	(25.7)	5,050	213,900	(4.8)
	3,925		3,719			3,566		
Real Estate for Leasing	-	10,880	-	10,101	(7.2)	-	10,300	2.0
Other Business								
RC contracts	2,497	38,710	1,731	33,606	(13.2)	1,700	35,000	4.1
	136		106			80		
Exteriors	-	55,231	-	42,755	(22.6)	-	48,000	12.3
Other	-	4,591	-	4,858	5.8	-	5,000	2.9
Subtotal	2,497	98,533	1,731	81,219	(17.6)	1,700	88,000	8.3
	136		106			80		
Total	52,221	1,100,500	42,512	910,353	(17.3)	44,650	987,000	8.4
	23,052		19,951			20,846		

* The figure in parentheses () is the amount of the effect in the case of applying the percentage of completion basis, in accordance with "Accounting Standards for Construction Contracts," when reporting net sales.

The figures are forecasts prepared by our judgment and assumptions based on information available as of the date the document was prepared. Actual results may significantly differ from estimates due to various future events.

Appendix 3: Summary of subsidiaries and affiliates for the year ended January 31, 2010

(Upper) This term
(Lower) Previous term

¥ millions

	Sales	Gross profit	SG&A	Operating income	Ordinary income	Extraordinary income	Extraordinary loss	Net income	Total assets	Net assets	*1 Interest-bearing debt
Sekisui House	910,353	89,774	150,398	(60,624)	(59,604)	6	7,459	(39,811)	1,205,075	622,261	249,986
	1,100,500	223,594	170,307	53,286	58,071	41	48,082	1,780	1,256,075	672,827	249,981
Sekiwa Real Estate (Consolidated)	152,987	18,724	12,586	6,137	6,225	0	16	3,675	67,896	31,211	-
	136,589	19,470	12,787	6,682	6,740	-	752	4,057	59,767	26,410	-
Sekiwa Real Estate Tohoku	23,364	1,781	1,470	310	335	-	4	176	10,477	3,733	-
	22,512	2,233	1,580	652	695	-	22	396	10,401	3,616	-
Sekiwa Real Estate Chubu (Consolidated)	99,807	11,672	7,478	4,194	4,249	-	50	2,535	35,734	17,710	-
	98,122	12,446	8,184	4,261	4,264	0	652	1,988	34,676	15,466	-
Sekiwa Real Estate Kansai	72,888	8,732	5,279	3,452	3,410	42	94	2,007	39,034	26,314	-
	57,548	8,013	5,669	2,344	2,375	4	1,270	612	38,079	24,517	-
Sekiwa Real Estate Chugoku	25,058	4,052	2,652	1,400	1,411	1	126	774	14,836	5,951	-
	23,371	3,988	2,650	1,338	1,382	-	20	782	14,120	5,324	-
Sekiwa Real Estate Kyushu	23,067	1,430	1,669	(238)	(248)	-	53	(365)	5,650	1,647	-
	23,150	2,000	1,697	303	295	-	0	157	6,204	2,064	-
*3 Sekiwa Real Estate Sapporo	1,058	(53)	33	(86)	(85)	0	-	(85)	-	-	-
	2,044	13	64	(50)	(49)	-	1	(50)	400	(6)	-
*3 Sekiwa Real Estate KRM	6,161	702	423	279	271	41	35	131	-	-	-
	11,930	1,426	798	627	633	-	-	360	4,621	1,540	-
Sekiwa Real Estate Subtotal	404,394	47,042	31,593	15,449	15,569	84	380	8,849	173,631	86,568	-
	375,268	49,593	33,433	16,159	16,336	4	2,720	8,305	168,270	78,933	-
40 Sekiwa Construction companies and others	193,832	10,768	6,343	4,424	4,909	19	81	2,843	60,882	35,204	-
	222,573	10,150	7,358	2,791	3,335	115	212	1,731	61,273	33,032	-
Sekisui House Remodeling	47,558	11,585	8,277	3,307	3,547	-	3	1,980	13,398	6,808	-
	47,073	11,204	8,956	2,248	2,544	-	1	1,370	10,320	4,857	-
SGM Operation	2,287	228	123	104	100	-	1	55	2,227	1,434	-
	2,421	166	126	40	29	17	-	21	2,305	1,378	-
Sekisui House Umeda Operation	6,789	1,599	1,405	193	189	-	1	110	2,997	887	-
	7,499	1,803	1,595	207	211	-	23	107	2,793	829	-
31 Other Companies	2,698	325	760	(434)	(364)	12	11	(320)	29,464	15,662	11,680
	3,964	239	474	(234)	(222)	15	11	(243)	2,655	1,194	-
Gross	1,567,915	161,324	198,902	(37,578)	(35,651)	122	7,940	(26,293)	1,487,677	768,826	261,666
	1,759,301	296,752	222,252	74,500	80,306	194	51,052	13,074	1,503,694	793,054	249,981
Eliminations and others	(214,728)	(4,987)	(3,810)	(1,176)	*2 (3,107)	(116)	(271)	(2,984)	(133,731)	(52,530)	-
	(245,128)	(5,503)	(4,963)	(540)	(3,234)	(194)	(1,603)	(1,557)	(116,456)	(38,924)	-
Consolidated	1,353,186	156,336	195,091	(38,754)	(38,758)	6	7,668	(29,277)	1,353,946	716,295	261,666
	1,514,172	291,249	217,288	73,960	77,072	-	49,448	11,516	1,387,237	754,130	249,981
Consolidated / Non-Consolidated	1.49	1.74	1.30	-	-	1.00	1.03	-	1.12	1.15	1.05
	1.38	1.30	1.28	1.39	1.33	-	1.03	6.47	1.10	1.12	1.00

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

*2 ¥387 million, income from investments in subsidiaries and affiliates for by the equity method, is included.

*3 Merged with Sekiwa Real Estate as of August 1, 2009. Shown above are numbers for the first six months of the year under review.

1. Business Results

(1) Analysis of Business Results

<Review of Business Performance>

Over the fiscal year, Japan's economy showed signs of a recovery in exports and production, backed by a recovery in the global economy helped by fiscal stimulus packages implemented in each country. In Japan, economic policy contributed to signs of a recovery in demand in some parts mainly for durable goods such as automobiles and home appliances, which in turn heightened expectations for a bottom in corporate profitability. That said, however, uncertainties about the economic outlook, such as continued upward pressure on the yen and risk of depressed corporate profitability due to concerns about deflation, leave room to fear that the recovery in corporate earnings may slow.

In the housing market, the situation remains harsh. Land prices continue their fall nationwide and noticeable concerns about the employment outlook coupled with an erosion of personal income have dampened demand for home purchases. Occupancy rates in rental housing are declining, and financial institutions continue to use rigid lending standards.

However, year-on-year comparisons for housing starts on new owner-occupied homes have been improving since November 2009, and we appear to be approaching a bottom in housing investment. These developments are attributable to economic measures, such as tax incentives including expanded tax breaks on mortgages and subsidies for photovoltaic power generation and fuel cell ENE-FARMS aimed at driving penetration of eco-friendly housing. Additionally, a variety of measures related to housing are being implemented or studied. Japan's 2009 supplemental budget introduced a housing ecopoint system, and fiscal 2010 tax code revisions that would expand the tax exemption on the *inter vivos* gifting when a house is built are being debated.

Amidst such circumstances, we at Sekisui House actively expanded sales of our eco-friendly *Green First* series detached homes and rental apartments to respond to customer needs for comfort, economy and eco-friendliness. We also implemented a variety of sales initiatives to increase market share through attempts to capture new demand leveraging an expanded product lineup. Our eco-friendly housing product *Green First* won the Chairperson's Award from the Eco-Products Awards Steering Committee (Eco-Products Category) at the 6th Eco-Products Awards (sponsored by the Eco-Products Awards Promotion Council).

On the marketing front, we opened *Kansai Sumai-no-Yume-Kojo* (large-scale experiment-based facilities) within our Comprehensive Housing R&D Institute in Kyoto to bolster sales promotions through the display of a variety of our key housing technologies. In the meantime, we held the sales promotion event *Sumai-no Sankan-bi* nationwide in an effort to increase our sales. In a bid to strengthen our solutions, in the Tokyo Metropolitan area we opened a display home which features the new concept of living a lifestyle that makes the most of the space of the site.

As part of our foray into an overseas business, we have started condominium sales at Wentworth Point, near Sydney, which is one of three projects we have underway in the Commonwealth of Australia. Furthermore, we have decided to expand our operations overseas in China and Russia as new candidate countries.

Moreover, in light of social problems such as the aging population and the shortage of nursing caregivers, working with the Chiba Institute of Technology, we have begun joint development of in-home health management and support systems for the elderly. We continue to pursue a variety of research activities related to the residential environment, such as the commencement of smart house validation experiments combining fuel cells, photovoltaic power generation and storage batteries as part of a joint effort with Osaka Gas Co., Ltd.

Furthering the ongoing company-wide business restructuring, we transferred some 500 people from the Head Office, branch offices, and factories to sales and service offices of the parent and group companies, thus strengthening our sales force and building a solid sales structure. Meanwhile, we endeavored to cut costs by curtailing advertising and promotion costs, reviewing operations, and containing personnel expenses by increasing efficiency through the introduction of computer systems. On the production site, we strove to reduce materials purchasing costs and to increase the factory utilization rate by discontinuing production at the Shiga Factory and reviewing other production lines. Thanks to these measures, we have been able to reduce costs on a scale significantly larger than originally

planned.

In the following fiscal year (ending January 2011), we celebrate our 50th anniversary and have positioned the year as a time to achieve new growth take a leap forward. On January 20, 2010, we have announced to promote our business through our mid-term management plan that was prepared targeting future business expansion and a recovery in earnings.

Looking at management results, we have seen a recovery in orders since our third quarter. Consolidated sales were ¥1,353,186 million. While cost reductions progressed smoothly, falling land prices resulting from recent stagnation in the real estate market have impacted profits. As a result, real estate for sale, such as lands owned by Sekisui House slated for urban redevelopment projects and condominiums, has been impacted significantly. We have booked ¥67.8 billion in inventories valuation losses under costs of sales, applying financial accounting standards for inventory valuation. That resulted in a loss of ¥38,754 million on the operating level, a loss of ¥38,758 million on the ordinary level and a net loss of ¥29,277 million for the period.

<Review by each business segment>

Built to Order Housing Business

Since the announcement of the *Environmental Future Plan* in 1999, we have implemented a series of programs which are designed to reduce CO₂ emissions, being the first in the industry to meet next-generation energy-saving standards. These days, the Japanese government has placed top priority on the prevention of global warming. As a leader in the housing industry, we have taken the initiative in addressing this pressing issue. In a bid to promote the spread of eco-friendly housing, we tapped into our past experiences and know-how to bolster sales promotions of *Green First* housing products equipped with household photovoltaic power generation systems and fuel cells. As a follow up to the promotion of these new models, we put on the market in April the steel-framed detached house *Be Ecord Casual Green First* and wood-framed *MNatura Green First*, which come equipped with our original photovoltaic power generation system built-in to the roof tiles. As a result, we took orders for about 7,000 homes equipped with photovoltaic power generation systems and about 1,200 domestic fuel cell units, beating our original targets. Since the third quarter, *Green First* models have accounted for more than half of our order bookings, showing strong sales growth in environmentally-friendly housing. Featuring superior design appeal, our original photovoltaic power generation system built-in to the roof tiles received a Good Design Award in the Living/ Residential Facilities category.

In the steel-framed detached house line, we made aggressive sales promotions for our mid- to high-end housing *IS ORDER* which achieves positive differentiation through our original external *Dyne Wall*. To the *Sha-Wood* wood-framed lines, we added *RIRAKU* single-story detached housing in response to growing demand among senior generations, in an effort to win new demand and increase our market share. Pinpointing the demands of working couples, we launched the concept product *TOMOIE*, which incorporates a number of innovations that support their lifestyle, and engaged in aggressive marketing to expand its orders.

For the *Sha-Maison* low-rise apartment lines, using our *BEREO* apartment as a base we opened a four-storied display home in Shinjuku, Tokyo, where we offer a greater variety of solutions to meet diverse demands, such as a combination of housing, shopping, and rental housing. Incorporating our universal design and a number of innovations which allow residents exposure to breezy air and natural light to encourage a day-to-day lifestyle that pleases the five senses, coupled with photovoltaic power generation systems and a fuel cell system (*Green First Premium* model), this new promotion site is our suggestion for an urban lifestyle, living comfortably as they make a profit from their housing. In the low-rise apartment business, too, we aggressively promoted *Sha-Maison Eco-Style* in an effort to expand the sales of our eco-friendly housing.

As a result, orders for detached homes bottomed and entered a recovery phase. For rental apartments, however, the situation remains harsh.

The Built to Order Housing business booked consolidated sales of ¥590,376 million and operating income of ¥48,564 million.

Real Estate for Sale Business

In the Built for Sale Housing Business, we held the sales promotion event *Machinami Sankan-bi* (visits to existing subdivisions with superior living environments) to stimulate sales. In doing so we continued to emphasize our environmental initiatives by making continued efforts to aggressively promote our environmentally conscious *Green First* line and to advance “urban development” that is friendly to the environment and increases asset values.

Meanwhile, we have actively engaged in a long-lasting quality housing leadership model to contribute to greater adoption of and enlightenment about longer-lasting housing advocated by the Ministry of Land, Infrastructure and Transport and Tourism as part of an effort to create a recycling-oriented society. We have also began *EVERLOOP Sankan-bi* events demonstrating our *EVERLOOP* revitalized housing concept.

However, orders for detached houses for sale remain stagnant, due to depressed demand for built for sale houses caused by falling land prices and eroding personal incomes.

For the Condominium Business, in the three major metropolitan areas we developed Grande Maison series condominiums that feature an attractive landscape and a wealth of eco-friendly innovations, as well as design suggestions which tap into our extensive know-how amassed in the detached housing business, and focused on their sales by drawing attention to their appealing concept. These programs paid off when our *Grande Maison Higashi-Totsuka* received the Ministry of Land, Infrastructure, Transport and Tourism Award (greenery area development category) in the 29th Green City Awards. However, the condominium market is increasingly price sensitive and while we did not see a significant improvement in orders we carried out solid sales activities leveraging the strength of our brand.

In the Urban Redevelopment Business, construction of the *Hommachi Garden City Project* (Osaka) achieved steady progress toward completion in June 2010 and a grand opening in fall 2010. Meanwhile, we commenced construction work on the *Gotenyama Project* (Shinagawa, Tokyo) and *Hommachi Minami Garden City Project* (Osaka) in March 2009. In light of the recent slump in the real estate market, we will remain flexible in determining when to sell properties after completion by carefully assessing the timing of market recovery.

The Real Estate for Sale Business booked consolidated sales of ¥253,572 million. However, operating losses were ¥73,103 million due to the booking of valuation losses on inventories under cost of sales.

Real Estate for Leasing Business

In the Real Estate for Leasing Business, the number of units of *Sha-Maison* low-rise apartments for block leasing and management by Sekiwa Real Estate companies showed a steady increase. On the other hand, the occupancy rate decreased due to the sluggish rental housing market. Against this backdrop, we did our utmost to increase the occupancy rate by aggressively encouraging housing owners to remodel their properties for maintenance and enhancement of asset values, deepening ties between Sekiwa Real Estate companies and special agents, and joining together with our housing sales team to conduct leasing activities.

For new property projects, we sought to increase our earnings on a higher level of orders for *Sha-Maison* low-rise apartments by custom designing marketing strategies for each area so that we can offer design solutions which are optimized to specific demands.

The Real Estate for Leasing business booked consolidated sales of ¥364,217 million and operating income of ¥14,180 million.

Other Businesses

For the remodeling business, in pursuit of housing that offers “comfort now and forever”, we aggressively made suggestions in a bid to expand orders, such as introducing elements of a new house in accordance with the diversification of lifestyles. As a part of our environmental initiatives, our sales team focused on remodeling housing to be more energy-efficient by way of , for example, installing

photovoltaic power generation systems and high-efficiency hot water supply systems. In April, the Sekiwa Construction companies entered into the remodeling business as we expanded the scope of our remodeling business from buildings of our own construction to those built by others. With these new initiatives, our remodeling business exhibited strong growth.

For the RC (reinforced concrete buildings) contracts business, we made a series of aggressive efforts which included marketing proposals on the efficient use of land to owners of high value-added apartments, based on the findings of finely-tuned marketing research. As individual land owners stayed on the sidelines regarding their asset utilization, primarily owing to uncertainty over the economy, and corporate demands lowered on the back of weak earnings on the part of enterprises, this business was placed under difficult conditions and thus preformed slowly.

This segment booked consolidated sales of ¥145,019 million and operating income of ¥6,218 million.

c. Outlook

We expect the housing market to continue to feel the effects of a stagnant economic environment and resulting employment uncertainties as well as eroding personal incomes. However, as we announced on January 20, 2010, our mid-term management plan sets forth four basic directions for our management plan: 1) strengthen intragroup ties (strengthen core businesses and expand business portfolio); 2) position environmentally friendly housing as a driver of business growth; 3) continue to promote structural reforms across the company; and 4) raise operational and production efficiencies and cut costs. Under that direction, we seek to implement a variety of measures in the pursuit of our business. For the fiscal year ending January 2011, we forecast consolidated earnings of ¥1,440 billion in sales (up 6.4% year-on-year), ¥51 billion in operating income, ¥50 billion in ordinary income and ¥27 billion in net income.

2. Analysis on financial position

Total assets decreased by ¥33,291 million to ¥1,353,946 million at the end of the fiscal year under review, primarily owing to the increase in buildings for sale as construction work of urban redevelopment projects progressed, while land for sale in lots decreased. Liabilities increased by ¥4,543 million to ¥637,650 million, mainly due to the decrease in notes and accounts payable, despite of the increase in long-term loans payable to meet the capital requirements of the overseas business. Net assets declined by ¥37,834 million to ¥716,295 million, chiefly due to dividend payments and net loss.

Net cash provided by operating activities increased by ¥55,402 million, primarily due to the decreases in inventories and notes and accounts payable.

Net cash provided by investing activities decreased by ¥26,472 million. This was mainly attributable to purchases of leasing properties and investment securities.

Net cash provided by financing activities decreased by ¥6,969 million, primarily owing to the increase in long-term loans payable, while at the same time dividends were paid.

Consequently, cash and cash equivalents at the end of the fiscal year under review amounted to ¥148,630 million, increasing by ¥24,112 million from the end of the previous fiscal year.

(Reference) Trend in cash flow pertinent indicators

	FY2005	FY2006	FY2007	FY2008	FY2009
Equity ratio (%)	62.4	62.4	57.1	54.3	52.9
Equity ratio based on market price (%)	110.9	93.8	59.1	37.5	42.7
Debt service coverage ratio (years)	-	0.3	-	6.8	4.7
Interest coverage ratio (times)	-	732.9	-	16.5	17.8

(Note) Equity ratio = equity / total assets

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

Ratio of cash flow to interest-bearing debt = interest-bearing debt / cash flow

Interest coverage ratio = operating cash flow / interest paid

1. All indicators are calculated from consolidated financial data.
2. Market capitalization = share price at end of period × number of shares outstanding (exclusive treasury stock)
3. Cash flow from operating activities is used for calculation.
4. Interest-bearing debts include all debts subject to interest payments within the liabilities shown on the consolidated balance sheet.

3. Basic policy on profit distribution, dividend for the current and next fiscal years

In order to realize a high level of profit sharing while maintaining sound management over the medium- and long-term, we will aim at an average dividend payout ratio of 40% or higher over the medium-term.

By putting into perspective future business opportunities based on earnings and cash flow situations and the behavior of the domestic economy and market environment each year, we will make every effort to increase shareholder returns through the improvement of asset efficiency, including share buybacks and retirement of treasury stocks if and when deemed appropriate.

Regarding dividends, we will not be paying out a year-end dividend due to the fact we suffered a net loss for this period.

For the year ending January 2011, we plan to pay out an interim dividend of ¥8 and commemorative dividend of ¥5 to celebrate our 50th anniversary as well as a year-end dividend of ¥8, totaling ¥21 over the full year.

4. Risk factors

This section contains an overview of the major business-related risks and other risks facing Sekisui House, Ltd. and its Group companies (the Group) that could have material bearing on the decisions of investors. These risks include potential risks for the future, which the Group deems to be risks as of the day when these financial statements are issued (March 1, 2010).

(1) Changes in operating environments

Since the Group's main area of business is housing, its business is vulnerable to trends in private consumption, interest rates, land prices, the government's housing-related policies and taxation system, fluctuations in rents caused by these trends, and trends in local economies. Changes in these operating environments could have a negative impact on the Group's business performance.

(2) Natural disasters, etc.

A major natural disaster can incur a large amount of costs for the Group, including those for initial response and subsequent support activities such as inspection and emergency measures for customers' buildings, as well as those for the repair of damaged equipment and facilities of the Group. Such an occurrence could have a negative impact on the Group's business performance.

(3) Price rise of raw and other materials

A sharp price hike in steel and timber (the Group's main structural elements), as well as fluctuations in oil prices and foreign exchange, can lead to a rise in the purchasing prices of raw and other materials. Such an occurrence could have a negative impact on the Group's business performance.

(4) Assets held by the Group

Securities, real estate for sales, noncurrent assets, and other assets held by the Group can suffer impairment or loss from revaluation due to a decline in market value, etc. Such an occurrence could have a negative impact on the Group's business performance and

financial position.

(5) Quality control

The Group makes its best effort to assure the quality of its products and services. Should the Group be held liable for defect warranty to a degree beyond expectation, however, the Group may incur a large amount of expenses and suffer the major degradation of its reputation. Such an occurrence could have a negative impact on the Group's business performance.

(6) General legal and regulatory risks

The Group secures the appropriate business permits and licenses under the Building Lots and Buildings Transaction Business Law, Construction Industry Law, Architect Law, and other applicable laws in Japan, and operates in conformity with the laws and regulations related to land transaction, labor relations, environmental management, and other business undertakings. In the event that these laws and regulations should be revised or repealed, new legal regulations be established, or the Group infringe upon laws or regulations, the Group's business performance could be negatively affected.

(7) Overseas business

The Group is engaged in housing-related business overseas. Unforeseeable changes in social and economic conditions, including trends in laws, regulations, and taxation systems in the respective countries could have a negative effect on the Group's business performance.

(8) Protection of privacy

Because of the nature of its business, the Group handles a large volume of customer data. The Group makes extra efforts to protect such personal information. Leakage, etc. of such personal information would significantly damage the Group's reputation and credit, and thus could have a negative impact on the Group's business performance.

(9) Pension liabilities

The amount of the Group's employee retirement costs and obligations is calculated based on assumptions used in the relevant actuarial calculations, such as the discount rate, and the assumed rates of return on pension assets. In the event of any revisions to these actuarial assumptions, or in case estimates based on the assumed rates on return should differ materially from actual results, the Group's business performance and its financial position could be negatively affected.

(10) Computer viruses

In order to perform its operations efficiently, the Group makes aggressive use of information technology. The unforeseeable occurrence of computer viruses could have a negative impact on the Group's business performance.

(11) Preventive measures against takeover bids

We do not deny third parties' acquisition of our stock as a part of sound economic activities and the subsequent transfer of controlling interest resulting from the exercise of shareholders' rights.

However, we believe that it is necessary to carefully examine any purchase of our stock in a bid to acquire large interest or its offer in terms of the purchaser's business lines and plans, past investment operations, as well as the legitimacy of the purchase, so that we may determine whether the purchase or its offer will help increase our corporate value and contribute to the common interests of our existing shareholders and any and all impacts upon each of our stakeholders.

At this point in time, we are not observing any concrete cases of such a purchase or its offer, and so do not plan to draw up in advance any anti-takeover measures, which will be taken once such a purchaser is identified. Nevertheless, we will always watch the movements

of our stock carefully, and, once we have identified a party who intends to acquire a large interest in the company, we will immediately take any and all actions that we deem to be most appropriate, fulfilling the natural duties entrusted to us by our shareholders and investors.

In more concrete terms, we will invite outside specialists to examine and assess the identified purchase or its offer, and negotiate with the purchaser. Should we conclude that the purchase or its offer would damage our corporate value or threaten the common interests of our existing shareholders, we will make prompt decisions as to the need of concrete preventive measures and their contents, and position ourselves to put them into action.

2. Outline of the Sekisui House Group

The Sekisui House, Ltd. group consists of Sekisui House, Ltd., 84 subsidiaries, and 8 affiliates. 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.

(1) Built to Order Housing Business

This division constructs steel, wood, and concrete houses and apartments. The main group companies of this division are Sekiwa Wood, Ltd., Sekiwa Construction Higashi-Tokyo, Ltd., Sekiwa Construction Saitama, Ltd., and Sekiwa Construction Kyushu, Ltd.

(2) Real Estate for Sale Business

This division sells houses and real estate, designs, constructs, and contracts for sale housing on estate land, conducts urban redevelopment projects and commercial buildings transactions.

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 Kyushu, Ltd., and Sekiwa Real Estate Tohoku, Ltd.

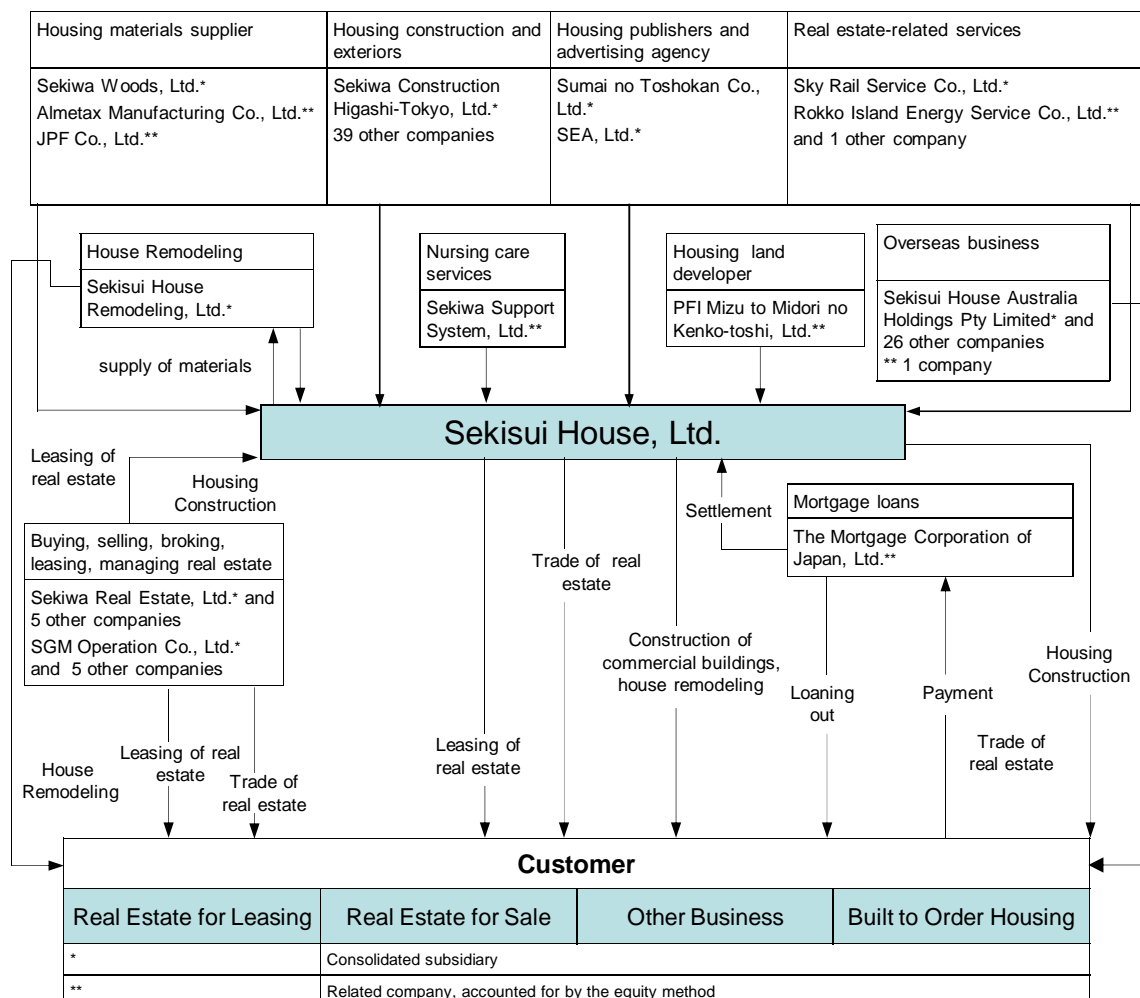
(3) Real Estate for Leasing Business

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 Kyushu, Ltd., and Sekiwa Real Estate Tohoku, 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.



(Major subsidiaries and affiliates)

Name	Capital	Main business	Voting rights holding ratio	Transactions
(Consolidated subsidiaries)	Millions of yen			
Sekiwa Real Estate, Ltd.	1,668	Real Estate for Leasing Real Estate for Sale	100.0%	Leasing and consigned management of Sekisui House customers' real estate, real estate brokerage, etc.
Sekiwa Real Estate Kansai, Ltd.	5,829	Same as above	100.0%	Same as above
Sekiwa Real Estate Chubu, Ltd.	1,368	Same as above	100.0%	Same as above
Sekiwa Real Estate Chugoku, Ltd.	379	Same as above	100.0%	Same as above
Sekiwa Real Estate Kyushu, Ltd.	263	Same as above	100.0%	Same as above
Sekiwa Real Estate Tohoku, Ltd.	200	Same as above	100.0%	Same as above
Sekisui House Remodeling, Ltd.	100	Other Business	100.0%	Contract remodeling
SGM Operation Co., Ltd.	418	Real Estate for Leasing	100.0%	Consignment of real estate management and sales of housing-related equipment
Sekisui House Umeda Operation Co., Ltd.	100	Same as above	100.0%	Consignment of real estate management
Sekiwa Wood, Ltd.	480	Built to Order Housing	100.0%	Sales of housing materials
74 other companies				
(Companies accounted by the equity method)				
Almetax Manufacturing Co., Ltd.*1	2,160	Manufacturing and sale of housing construction materials	31.40%	Sales of building materials
JPF Co., Ltd.*1	2,550	Same as above	21.75%	Same as above
6 Other companies				

Notes

1. The main business of each company is recorded in line with the revised business categories of Sekisui House.
2. There is no consolidated subsidiary which is classified into a designated subsidiary.
3. *1: financial report submitting companies

3. Management Policy

(1) 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.

(2) 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 Return on Assets and ROE to 10%.

(3) Medium and long-term business strategy

Since the Lehman Shock, global economies decelerated simultaneously, causing rapid deterioration in business performance, reductions in capital investments and a worsened employment environment. The effect on the real economy has been substantial. In response, the government of Japan has implemented a variety of domestic economic measures, albeit to limited effect. With a rapid appreciation of the Japanese Yen eroding exporters' profits and the government's declaration of deflation in response to price declines, there is little confidence in the outlook for the economy. This in turn fuels concerns about a turnaround in corporate earnings and weighs on personal income, forcing the housing market into significant retrenchment.

Aside from such a business environment, the market is diversifying more than ever before. To keep pace, the Company has prepared its mid-term management plan on January 20, 2010, with the aim to expand our business portfolio and leverage our cumulative sales base of two million homes as an asset in the pursuit of sustainable growth.

The market for built-to-order housing is in a recovery trend now that the effects of the Lehman Shock have dissipated. The situation, however, remains harsh. A driver of the recovery has been government policies focused on the shift from quantity to quality as well as tax advantages and expanded subsidies for environmentally-friendly measures. As a top runner in environmentally-friendly housing, Sekisui House will actively pursue business growth.

In the built-for-sale housing business, the decline in land prices has shown signs of moderating and Sekisui House will focus on its strength in creating community townscapes. However, we will move to shrink our land bank to manage assets more efficiently and reduce holding risk. Meanwhile, in the condominium business, price erosion is making it difficult to sell off inventory. Considering such a situation, we will take a more cautious stance by applying more rigid selection standards when preparing project plans. Meanwhile, in the built-for-sale housing business, more prominent disparities in income has led to expansion in the market for smaller homes. To respond to this trend, the Sekiwa Real Estate Group has set out to expand sales of its *MAST* brand, based on targeted area analysis.

The market for real estate for leasing has yet to see a recovery in owners' demand for investment. That said, the latent demand for managing rental housing as part of a portfolio of assets is deeply rooted, and we strive to grow orders by making strong value propositions and maintaining high occupancy rates at properties managed by Sekiwa Real Estate Group with its expertise.

In our development business, in light of the deterioration in real estate prices, we will revisit our conventional business approach of selling immediately upon completion of construction. Instead, we will strive to grow future returns by holding assets over the near- to mid-term and generating earnings from a stock of properties. At the same time, we will consider opportunities for M&A, alliances and building cooperative relationships to enhance our capabilities in development, leasing and exit strategies in our urban redevelopment

business.

In our new overseas business, sales have already started in Australia, and we plan to roll out housing businesses in Russia, China and other countries moving forward, as well.

The remodeling business is a growth market. Instead of limiting ourselves to remodeling of homes we built, we will grow the business by targeting other existing homes, leveraging the capabilities of Sekiwa Construction companies. By doing so, as a group we will have all bases covered, with Sekisui House Remodeling targeting owners of Sekisui House homes, Sekiwa Real Estate Group targeting large-scale remodeling projects and tenant turnover-related remodeling in rental properties, and the Sekiwa Construction Group targeting other existing properties.

In the built-to-order detached house business as well, more prominent disparities in income has lead to expansion in the market for smaller homes. To respond to this trend, the Sekiwa Construction Group has set out to expand share by introducing its second brand to the market.

(4) Issues that the Company Needs to Address

Corporate earnings in Japan of late have relied greatly on external demand and economic measures. We have yet to see a home-grown recovery. Continued upward pressure on the yen and downside risk to corporate profitability due to deflation could continue to weigh on corporate earnings. For those reasons, we forecast it will take some time before we see a recovery in demand for active investment by homebuyers and expect to see diversifying product needs and more stringent quality demands.

To address these issues, we seek to generate stable profits through the pursuit of our business under our mid-term management plan. Also, in response to the expansion of government housing policies, we will aggressively pursue sales activities.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥ millions)

	As of January 31, 2009	As of January 31, 2010
Assets		
Current assets		
Cash and deposits	124,517	149,330
Notes receivable, accounts receivable from completed construction contracts	13,180	11,391
Short-term investment securities	2,049	1,274
Inventories	737,871	-
Costs on uncompleted construction contracts	-	47,540
Buildings for sale	-	115,643
Land for sale in lots	-	357,321
Undeveloped land for sale	-	71,089
Other inventories	-	5,848
Deferred tax assets	45,505	65,787
Other	29,549	27,844
Allowance for doubtful accounts	(1,473)	(2,137)
Total current assets	951,200	850,933
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	221,601	234,463
Machinery, equipment and vehicles	62,545	60,055
Tools, furniture and fixtures	28,960	27,422
Land	127,712	189,361
Lease assets	-	223
Construction in progress	4,859	6,160
Accumulated depreciation	(167,870)	(175,455)
Total property, plant and equipment	277,808	342,233
Intangible assets		
Industrial property	36	29
Leasehold right	2,011	2,011
Software	6,153	5,936
Right of using facilities	115	150
Telephone subscription right	865	863
Other	-	79
Total intangible assets	9,181	9,070
Investments and other assets		
Investment securities	61,777	67,410
Long-term loans receivable	32,491	32,791
Prepaid pension cost	4,893	-
Deferred tax assets	12,374	17,274
Other	38,896	35,715
Allowance for doubtful accounts	(1,386)	(1,483)

(¥ millions)

	As of January 31, 2009	As of January 31, 2010
Total investments and other assets	149,046	151,708
Total noncurrent assets	436,036	503,012
Total assets	1,387,237	1,353,946
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	149,935	135,658
Current portion of long-term loans payable	-	172,901
Income taxes payable	5,957	4,810
Advances received on uncompleted construction contracts	84,726	90,425
Provision for bonuses	12,337	6,177
Provision for directors' bonuses	594	-
Provision for warranties for completed construction	2,660	2,390
Other	46,364	48,102
Total current liabilities	302,576	460,466
Noncurrent liabilities		
Bonds payable	59,981	59,986
Long-term loans payable	190,000	28,778
Long-term lease and guarantee deposited	55,611	54,439
Provision for retirement benefits	21,561	29,347
Provision for directors' retirement benefits	1,222	1,125
Negative goodwill	5	-
Other	2,147	3,507
Total noncurrent liabilities	330,530	177,184
Total liabilities	633,107	637,650
Net assets		
Shareholders' equity		
Capital stock	186,554	186,554
Capital surplus	237,522	237,522
Retained earnings	331,895	287,738
Treasury stock	(1,355)	(1,385)
Total shareholders' equity	754,616	710,429
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(960)	3,152
Deferred gains or losses on hedges	(8)	4
Foreign currency translation adjustment	-	2,151
Total valuation and translation adjustments	(969)	5,308
Subscription rights to shares	158	232
Minority interests	323	325
Total net assets	754,130	716,295
Total liabilities and net assets	1,387,237	1,353,946

(2) Consolidated Statements of Income

(¥ millions)

	Feb. 1, 2008 – Jan. 31, 2009	Feb. 1, 2009 – Jan. 31, 2010
Net sales	1,514,172	1,353,186
Cost of sales	1,222,923	1,196,849
Gross profit	291,249	156,336
Selling, general and administrative expenses		
Selling expenses	51,754	43,182
General and administrative expenses	165,534	151,909
Total selling, general and administrative expenses	217,288	195,091
Operating income (loss)	73,960	(38,754)
Non-operating income		
Interest income	1,390	1,087
Dividends income	1,270	847
Insurance agency commission	1,285	1,162
Real estate rent	942	709
Equity in earnings of affiliates	466	387
Penalty income	2,313	149
Other	1,331	2,010
Total non-operating income	9,000	6,353
Non-operating expenses		
Interest expenses	2,618	2,965
Loss on cancel of model house leasing contracts	876	671
Other	2,393	2,721
Total non-operating expenses	5,888	6,357
Ordinary income (loss)	77,072	(38,758)
Extraordinary income		
Gain on sales of investment securities	-	6
Total extraordinary income	-	6
Extraordinary loss		
Cost of business structure improvement	-	4,821
Loss on sales and retirement of noncurrent assets	1,468	1,973
Loss on valuation of investment securities	9,299	873
Loss on valuation of real estate for sale	34,882	-
Loss resulting from changes in business plan	2,818	-
Impairment loss	980	-
Total extraordinary losses	49,448	7,668
Income (loss) before income taxes and minority interests	27,623	(46,421)
Income taxes-current	15,519	8,698
Income taxes-deferred	553	(25,869)
Total income taxes	16,073	(17,170)
Minority interests in income	34	26
Net income (loss)	11,516	(29,277)

(3) Consolidated Statements of Changes in Net Assets

(¥ millions)

	Feb. 1, 2008 – Jan. 31, 2009	Feb. 1, 2009 – Jan. 31, 2010
Shareholders' equity		
Capital stock		
Balance at the end of previous period	186,554	186,554
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	186,554	186,554
Capital surplus		
Balance at the end of previous period	254,126	237,522
Changes of items during the period		
Retirement of treasury stock	(16,604)	-
Total changes of items during the period	(16,604)	-
Balance at the end of current period	237,522	237,522
Retained earnings		
Balance at the end of previous period	377,564	331,895
Changes of items during the period		
Dividends from surplus	(16,232)	(14,871)
Net income (loss)	11,516	(29,277)
Retirement of treasury stock	(40,832)	-
Disposal of treasury stock	(120)	(8)
Total changes of items during the period	(45,669)	(44,157)
Balance at the end of current period	331,895	287,738
Treasury stock		
Balance at the end of previous period	(58,530)	(1,355)
Changes of items during the period		
Purchase of treasury stock	(569)	(54)
Retirement of treasury stock	57,437	-
Disposal of treasury stock	307	23
Total changes of items during the period	57,175	(30)
Balance at the end of current period	(1,355)	(1,385)
Total shareholders' equity		
Balance at the end of previous period	759,715	754,616
Changes of items during the period		
Dividends from surplus	(16,232)	(14,871)
Net income (loss)	11,516	(29,277)
Purchase of treasury stock	(569)	(54)
Disposal of treasury stock	187	14
Total changes of items during the period	(5,098)	(44,187)
Balance at the end of current period	754,616	710,429

(¥ millions)

	Feb. 1, 2008 – Jan. 31, 2009	Feb. 1, 2009 – Jan. 31, 2010
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	10,893	(960)
Changes of items during the period		
Net changes of items other than shareholders' equity	(11,854)	4,112
Total changes of items during the period	(11,854)	4,112
Balance at the end of current period	(960)	3,152
Deferred gains or losses on hedges		
Balance at the end of previous period	(4)	(8)
Changes of items during the period		
Net changes of items other than shareholders' equity	(4)	13
Total changes of items during the period	(4)	13
Balance at the end of current period	(8)	4
Foreign currency translation adjustment		
Balance at the end of previous period	-	-
Changes of items during the period		
Net changes of items other than shareholders' equity	-	2,151
Total changes of items during the period	-	2,151
Balance at the end of current period	-	2,151
Total valuation and translation adjustments		
Balance at the end of previous period	10,889	(969)
Changes of items during the period		
Net changes of items other than shareholders' equity	(11,858)	6,277
Total changes of items during the period	(11,858)	6,277
Balance at the end of current period	(969)	5,308
Subscription rights to shares		
Balance at the end of previous period	67	158
Changes of items during the period		
Net changes of items other than shareholders' equity	91	73
Total changes of items during the period	91	73
Balance at the end of current period	158	232
Minority interests		
Balance at the end of previous period	292	323
Changes of items during the period		
Net changes of items other than shareholders' equity	31	1
Total changes of items during the period	31	1
Balance at the end of current period	323	325

(¥ millions)

	Feb. 1, 2008 – Jan. 31, 2009	Feb. 1, 2009 – Jan. 31, 2010
Total net assets		
Balance at the end of previous period	770,963	754,130
Changes of items during the period		
Dividends from surplus	(16,232)	(14,871)
Net income (loss)	11,516	(29,277)
Purchase of treasury stock	(569)	(54)
Disposal of treasury stock	187	14
Net changes of items other than shareholders' equity	(11,735)	6,353
Total changes of items during the period	(16,833)	(37,834)
Balance at the end of current period	754,130	716,295

(4) Consolidated Statements of Cash Flows

(¥ millions)

	Feb. 1, 2008 – Jan. 31, 2009	Feb. 1, 2009 – Jan. 31, 2010
Net cash provided by (used in) operating activities		
Income (loss) before income taxes and minority interests	27,623	(46,421)
Depreciation and amortization	15,392	16,579
Impairment loss	980	-
Increase (decrease) in provision for retirement benefits	1,453	7,785
Decrease (increase) in prepaid pension costs	2,024	4,893
Interest and dividends income	(2,661)	(1,934)
Interest expenses	2,618	2,965
Equity in (earnings) losses of affiliates	(466)	(387)
Loss on valuation of real estate for sale	34,882	-
Loss (gain) on valuation of investment securities	9,299	873
Decrease (increase) in notes and accounts receivable-trade	71,062	1,797
Decrease (increase) in inventories	(73,989)	85,962
Increase (decrease) in notes and accounts payable-trade	(13,690)	(13,331)
Increase (decrease) in advances received on uncompleted construction contracts	(2,193)	5,699
Other, net	5,932	(518)
Subtotal	78,269	63,962
Interest and dividends income received	2,719	1,988
Interest expenses paid	(2,239)	(3,106)
Income taxes paid	(41,745)	(12,590)
Income taxes refund	-	5,147
Net cash provided by (used in) operating activities	37,003	55,402
Net cash provided by (used in) investing activities		
Proceeds from sales of short-term investment securities	140	2,050
Purchase of property, plant and equipment	(39,954)	(21,630)
Proceeds from sales of property, plant and equipment	74	174
Purchase of investment securities	(6,905)	(2,650)
Proceeds from sales of investment securities	-	26
Payments of loans receivable	(2,957)	(4,819)
Collection of loans receivable	4,240	4,782
Other, net	(990)	(4,403)
Net cash provided by (used in) investing activities	(46,352)	(26,472)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term bonds payable	(40,000)	-
Proceeds from long-term loans payable	130,245	8,201
Repayment of long-term loans payable	-	(205)
Cash dividends paid	(16,232)	(14,871)
Purchase of treasury stock	(569)	(53)
Other, net	187	(39)
Net cash provided by (used in) financing activities	73,630	(6,969)

(¥ millions)

	Feb. 1, 2008 – Jan. 31, 2009	Feb. 1, 2009 – Jan. 31, 2010
Effect of exchange rate change on cash and cash equivalents	-	2,151
Net increase (decrease) in cash and cash equivalents	64,281	24,112
Cash and cash equivalents at beginning of period	60,236	124,517
Cash and cash equivalents at end of period	124,517	148,630

(5)Matters Regarding Assumption of Going Concerns

Not applicable

(6)Basic Important Matters for Preparation of Consolidated Financial Statements

Scope of Consolidation

Consolidated subsidiaries: 84, 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., and Sekiwa Real Estate Tohoku, Ltd.

Changes in scope of consolidation: Newly included: 26 Excluded: 11

All 84 subsidiaries are consolidated.

Scope of application of equity method

Affiliated companies accounted for by the equity method: 8, including Almetax Manufacturing Co., Ltd., JPF Co., Ltd., and others

Changes in scope of equity method: Newly included: 1

Investment in 8 affiliated companies is accounted for by the equity method.

Term-ends of consolidated subsidiaries

The fiscal year ends on March 31 for Sky Rail Service Co., Ltd. and on December 31 for Sekisui House Australia Holdings Pty Limited and 26 other consolidated subsidiaries. When preparing consolidated financial statements, the Company uses the financial statements of Sky Rail Service Co., Ltd., which have been compiled by provisionally settling their accounts as of January 31, 2010, and those of other consolidated subsidiaries as of their respective balance sheet dates.

Summary of significant accounting standards

(1) Basis and method for valuation for significant assets

(a) Short-term investment securities:

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

(ii) Other short-term investment 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 net assets 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:

Inventories are valued at cost (cost method whereby the book value is written down to the net realizable value in cases where there has been a material decline in value).

(i) Costs on uncompleted construction contracts, buildings for sale, land for sale in lots, and undeveloped land for sale:

At cost based on individual cost method

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

(Change in accounting principles)

Inventories held for sale in the ordinary course of business were previously stated at cost based on either the individual cost method or the moving average method. From this accounting period, however, the Company has applied the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006), and inventories are now valued mainly at cost based on either the individual cost method or the moving average method (with book value being written down to the net realizable value in cases where there has been a material decline in value).

As a result, "Gross profit" decreased by ¥67,852 million, while "Operating loss", "Ordinary loss", and "Loss before income taxes and minority interest" increased by the same amount.

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

(a) Property, plant and equipment (excluding lease assets):

The Company applies the straight-line method to buildings (excluding attached structures), and uses the declining-balance method for other property, plant and equipment.

(b) Intangible assets (excluding lease assets): Straight-line method

(c) Lease assets:

Leased assets for finance lease transactions other than those involving a transfer of title

The Company applies the straight-line method to such finance leases, where the useful lives of the assets are the terms of leases and the residual values of the assets are deemed zero. Finance lease transactions other than those involving a transfer of title that began prior to January 31, 2009 are accounted for using the same method as operating leases.

(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) Provision for bonuses

To prepare for bonus payments to employees, the Company provides for the estimated appropriate amount in that financial period.

(c) Provision for directors' bonuses

To prepare for bonus payments to directors and corporate auditors, the Company provides for the estimated amount.

(d) Provision for warranties for completed construction

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.

(e) Provision for retirement benefits

To prepare for future retirement payments to employees, the Company provides for estimated total retirement obligations and pension assets at the end of the consolidated fiscal year. 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.

(f) Provision for directors' retirement benefits

To allow for retirement payments to directors and corporate auditors, the Company provides the required amounts at the end of the current term 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.

(5) Main hedge accounting methods

(a) Hedge accounting methods

The Company accounts for hedging activities under deferral hedge accounting. *Furiate-shori* (accounting method in which the current and forward rate difference is allocated by period length for the calculation at the accounting period) is applied to forward foreign exchange contracts which conform to the requirements of such hedge accounting.

(b) Hedging instruments and targets

(1)The Company hedges foreign currency cash debts and forward transactions with exchange contracts.

(2)The Company hedges its borrowings with interest-rate swaps.

(c) Hedging policies

The Company uses derivatives transactions with the aim of avoiding losses from fluctuations in exchange. The use of exchange contracts does not exceed the amount of import transactions. The assumed principal balance subject to interest-swap transaction does not exceed the interest bearing debts outstanding.

(d) Methods of assessing hedge effectiveness

The Company assesses if the percentage changes of hedge targets and hedge instruments approximately range from 80% to 125%, where hedging transactions are considered to be effective, while it 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.

(6) Accounting for consumption taxes

The tax exclusion method is used to account for consumption taxes. Consumption taxes not subject to noncurrent asset related deductions at consolidated subsidiaries whose main business is real estate for leasing are recorded in "Other" under the "Investments and other assets" on the relevant balance sheets and are amortized on a straight line basis over 5 years. Other

consumption taxes not subject to deductions are expensed in the consolidated accounting period in which they arise.

(7) Basis for accounting for income and expenses

Basis for accounting for income from finance leases

The Company records net sales and cost of sales upon receipt of lease charges.

(8) Inclusion of interest paid in acquisition cost

In conformity with the accounting standards of relevant countries, overseas consolidated subsidiaries include interest paid with regard to borrowed funds for the real estate development business in acquisition cost. At end of period, interest expenses of ¥338 million and ¥396 million are included in “Land for sale in lots” and “Undeveloped land for sale,” respectively.

Assessing the assets and liabilities of consolidated subsidiaries

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

Amortization of goodwill and negative goodwill

Goodwill and negative goodwill are amortized over 5 years using the straight-line method, beginning in the fiscal year in which they arise, except for cases where useful life can be estimated, in which case they are amortized over the estimated useful life based on a substantive analysis by the company, and with the exception of minor amounts, which are charged to income as it accrues.

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 3 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.

(7) Changes in Basic Important Matters for Preparation of Consolidated Financial Statements

Adoption of the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statement”

Effective from this fiscal year, the Company adopts the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18 issued on May 17, 2006). The adoption of the new accounting standard did not have a material impact on the income statements.

Accounting standard for lease transaction

In and before the fiscal year ended January 2009, finance leases, other than those deemed to transfer ownership of the leased assets to the lessee, were accounted for in a manner similar to that applicable to operating leases. Effective from this fiscal year, the Company has applied the “Accounting Standard for Lease Transaction” (ASBJ Statement No. 13 of June 17, 1993 (First Committee of the Business Accounting council); revised on March 30, 2007) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16 of January 18, 1994 (Japanese Institute of Certified Public Accountants, Committee on Accounting Systems); revised on March 30, 2007), and accordingly such transactions are now based on the capital lease method.

Finance lease transactions other than those involving a transfer of title which began prior to the application of the new accounting standards have been accounted for using the same method as the ordinary operating lease method.

The adoption of the new accounting standard and guidance will have minor impact on the income statement

(8) Change in Presentation

Consolidated Balance Sheets

With the application of the “Cabinet Office Ordinance on Partial Amendment of the Regulations on Terminology, Forms and Preparation Method of Financial Statements, etc.” (Cabinet Office Ordinance No. 50, August 7, 2008), the accounts presented as “Inventories” in the previous fiscal year have been reclassified as “Costs on uncompleted construction contracts,” “Buildings for sale,” “Land for sale in lots,” “Undeveloped land for sale,” and “Other inventories.”

These accounts amounted to ¥42,564 million, ¥105,556 million, ¥517,003 million, ¥66,700 million, and ¥6,047 million for the previous fiscal year.

(9) Note to Consolidated Financial Statements
(Notes to Consolidated Balance Sheets)

	As of Jan. 31, 2009	As of Jan. 31, 2010
1. Collateralized assets	4,997	26,944
2. Liabilities guaranteed	74,461	82,602
3. Shareholdings in related companies included in investment securities	3,269	3,653
4. Interest bearing liabilities	249,981	261,666

¥ millions

5. Change in the purpose of holding assets

(As of January 31, 2009)

¥12,334 million of real estate held for sale that appeared primarily under “Inventories” at the end of the previous fiscal year have been reclassified as “Buildings and Structures” and “Land” etc. Meanwhile, leasing properties of ¥2,920 million, which were reported under “Buildings and Structures” and “Land” etc. at the end of the previous fiscal year, have been reclassified under “Inventories”.

(As of January 31, 2010)

¥60,998 million of real estate held for sale that appeared primarily under “Inventories” at the end of the previous fiscal year have been reclassified as “Buildings and Structures” and “Land” etc. Meanwhile, the Company’s dormitories and leasing properties of ¥262 million, which were reported under “Buildings and Structures” and “Land” etc. at the end of the previous fiscal year, have been reclassified under “Buildings for sale” and “Land for sale in lots”.

(Notes to Consolidated Statements of Income)

February 1, 2009 – January 31, 2010

(1) Cost of business structure improvement

Structure improvement costs were incurred primarily from removal, relocation of, and impairment loss on equipment and premium severance pay due to early retirement, which have been brought about as a result of company-wide structural reforms that include reorganization of the production setup, organizational changes, and reallocation of human resources.

(2) Impairment loss

During the period, impairment loss of the following property, plant and equipment was recorded.

Location	Usage	Type	Amount (¥ millions)
Ritto, Shiga Prefecture	Factory	Buildings and structures, etc.	1,472

The Company and its subsidiaries recognize impairment loss by grouping investment properties by project and grouping other assets by operating unit, which allow us to manage gains and losses in a rational manner. As a result, for the group of assets where production was discontinued, the book value was impaired down to the recoverable value, and this decrease was recorded as loss on asset impairment under “Extraordinary loss.” For some buildings, the net saleable value is determined based on real estate value as assessed for municipal taxes. For other real estate, the value is zero.

(Notes to Consolidated Statement of Changes in Net Assets)

February 1, 2008 – January 31, 2009

1. Matters related to shares outstanding

	Number of shares at end of previous period	Number of shares increased	Number of shares decreased	Number of shares at end of this year
Ordinary shares	709,385,078	-	32,500,000	676,885,078

(Reason(s) for changes)

Breakdown of the number of decreased ordinary shares held in treasury

Decrease due to retirement of treasury stock 32,500,000 shares

2. Matters related to treasury stock

	Number of shares at end of previous period	Number of shares increased	Number of shares decreased	Number of shares at end of this period
Ordinary shares	33,196,226	606,335	32,713,193	1,089,368

(Reason(s) for changes)

Breakdown of the number of increased ordinary shares held in treasury

Increase due to repurchases of fractional shares 605,474 shares

Treasury stock acquired through equity-method subsidiaries and affiliates and attributable to the Company 861 shares

Breakdown of the number of decreased ordinary shares held in treasury

Decrease due to retirement of treasury stock 32,500,000 shares

Decrease due to requests for additional purchases of fractional shares 211,193 shares

Decrease due to exercise of stock options 2,000 shares

3. Matters related to subscription rights to shares

Company name	Details	Class of shares to be issued upon exercise of subscription rights	Number of shares to be issued upon exercise of the subscription rights (thousand)				Balance at end of this period (¥ millions)
			Number of shares at end of previous period	Number of shares increased	Number of shares decreased	Number of shares at end of this period	
Reporting entity	Subscription rights as stock option	Ordinary share	-	-	-	-	158
Total			-	-	-	-	158

4. Matters related to dividends

(1) Dividends paid to shareholders

Resolve	Type	Cash dividends paid	Dividends (per share)	Standard date	Effective date
April 24, 2008 The General Shareholders' Meeting	Ordinary share	¥8,116 million	¥12.00	Jan. 31, 2008	Apr. 25, 2008
Sep. 1, 2008 The Meeting of the Board of Directors	Ordinary share	¥8,116 million	¥12.00	Jul. 31, 2008	Sep. 30, 2008

(2) Dividends whose record date is attributable to the accounting period under review but effective after the accounting period under review

Resolve	Type	Funds for dividends	Cash dividends paid	Dividends (per share)	Standard date	Effective date
April 23, 2009 The General Shareholders' Meeting	Ordinary share	Retained earnings	¥8,111 million	¥12.00	Jan. 31, 2009	Apr. 24, 2009

February 1, 2009 – January 31, 2010

1. Matters related to shares outstanding

	Number of shares at end of previous period	Number of shares increased	Number of shares decreased	Number of shares at end of this year
Ordinary shares	676,885,078	-	-	676,885,078

(Reason(s) for changes)

The number of shares outstanding has remained unchanged.

2. Matters related to treasury stock

	Number of shares at end of previous period	Number of shares increased	Number of shares decreased	Number of shares at end of this period
Ordinary shares	1,089,368	66,767	18,471	1,137,664

(Reason(s) for changes)

Breakdown of the number of increased ordinary shares held in treasury

Increase due to repurchases of fractional shares 66,471 shares

Treasury stock acquired through equity-method subsidiaries and affiliates and attributable to the Company 296 shares

Breakdown of the number of decreased ordinary shares held in treasury

Decrease due to requests for additional purchases of fractional shares 15,471 shares

Decrease due to exercise of stock options 3,000 shares

3. Matters related to subscription rights to shares

Company name	Details	Class of shares to be issued upon exercise of subscription rights	Number of shares to be issued upon exercise of the subscription rights (thousand)				Balance at end of this period (¥ millions)
			Number of shares at end of previous period	Number of shares increased	Number of shares decreased	Number of shares at end of this period	
Reporting entity	Subscription rights as stock option	Ordinary share	-	-	-	-	232
Total			-	-	-	-	232

4. Matters related to dividends

(1) Dividends paid to shareholders

Resolve	Type	Cash dividends paid	Dividends (per share)	Standard date	Effective date
April 23, 2009 The General Shareholders' Meeting	Ordinary share	¥8,111 million	¥12.00	Jan. 31, 2009	Apr. 24, 2009
Sep. 1, 2009 The Meeting of the Board of Directors	Ordinary share	¥6,759 million	¥10.00	Jul. 31, 2009	Sep. 30, 2009

(2) Dividends whose record date is attributable to the accounting period under review but effective after the accounting period under review

Not applicable

(Notes to Consolidated Statements of Cash Flows)

February 1, 2008 through January 31, 2009		February 1, 2009 through January 31, 2010	
* 1	Cash and cash equivalents at the end of fiscal year and relationship with amounts recorded in consolidated balance sheets	* 1	Cash and cash equivalents at the end of fiscal year and relationship with amounts recorded in consolidated balance sheets
	(January 31, 2009)		(January 31, 2010)
	Cash and deposits		Cash and deposits
	¥124,517 millions		¥149,330 millions
	Time deposits with terms in excess of three months		Time deposits with terms in excess of three months
	-		(700)
	Cash and cash equivalents		Cash and cash equivalents
	124,517		148,630

(Matters Related to Investment securities)

1. Marketable debt securities expected to be held to maturity

¥ millions

Type		As of January 31, 2009			As of January 31, 2010		
		Consolidated balance sheet amount	Market value	Difference	Consolidated balance sheet amount	Market value	Difference
Where market value exceeds amount in consolidated balance sheets	National and regional government bonds	1,321	1,330	8	1,279	1,285	5
	Subtotal	1,321	1,330	8	1,279	1,285	5
Where market value does not exceed amount in consolidated balance sheets	National and regional government bonds	-	-	-	50	50	(0)
	Subtotal	-	-	-	50	50	(0)
Total		1,321	1,330	8	1,330	1,335	5

2. Other investment securities with market value

¥ millions

Type		As of January 31, 2009			As of January 31, 2010		
		Acquisition cost	Consolidated balance sheet amount	Difference	Acquisition cost	Consolidated balance sheet amount	Difference
Where market value exceeds amount in consolidated balance sheets	Equities	16,319	20,421	4,101	21,429	31,070	9,640
	Subtotal	16,319	20,421	4,101	21,429	31,070	9,640
Where market value does not exceed amount in consolidated balance sheets	Equities	26,058	20,445	(5,612)	20,948	14,558	(6,389)
	Subtotal	26,058	20,445	(5,612)	20,948	14,558	(6,389)
Total		42,378	40,867	(1,511)	42,378	45,629	3,250

(Note) Acquisition costs above are carrying values after impairment losses. Please note that the Company reported ¥9,299 million in impairment loss on other investment securities with market value in the previous fiscal year.

3. Other investment securities sold in year to 2009 and 2010

¥ millions

Category	Feb. 1, 2008 – Jan. 31, 2009	Feb. 1, 2009 – Jan. 31, 2010
Amount sold	-	26
Total gain on sales	-	6
Total loss on sales	-	-

4. Breakdown of other investment securities where market valuation is not used

	As of January 31, 2009	As of January 31, 2010
	Consolidated balance sheet amount (¥ millions)	Consolidated balance sheet amount (¥ millions)
(1) Bonds held to maturity		
Unlisted foreign government bonds	7,000	5,000
(2) Other investment securities		
Investments in special purpose companies	6,800	9,350
Unlisted equities	3,558	2,709
Preferred securities	999	999
Stake in investment limited partnership	10	12

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

As of January 31, 2009

¥ millions

	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	50	1,285	-	-
(2) Corporate bonds	-	-	-	-
(3) Others	2,000	-	-	5,000
Total	2,050	1,285	-	5,000

As of January 31, 2010

¥ millions

	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	1,274	55	-	-
(2) Corporate bonds	-	-	-	-
(3) Others	-	-	-	5,000
Total	1,274	55	-	5,000

(Matters Related to Retirement Benefits)

Previous consolidated fiscal year January 31, 2009	Current consolidated fiscal year January 31, 2010																																
<p>1 Overview of retirement benefit system</p> <p>The Company and its domestic subsidiaries maintain a defined benefit framework comprising the employee pension fund system and lump-sum retirement payments, and a defined contribution framework comprising the defined contribution pension system.</p>	<p>1 Overview of retirement benefit system</p> <p>Same as left</p>																																
<p>2 Matters related to retirement payments obligations (January 31, 2009)</p> <table border="0"> <tr> <td>(1) Retirement benefit obligation</td> <td style="text-align: right;">¥ (213,784) millions</td> </tr> <tr> <td>(2) Fair value of plan assets</td> <td style="text-align: right;">135,289</td> </tr> <tr> <td>(3) Unfunded retirement benefit obligation (1)+(2)</td> <td style="text-align: right;">(78,495)</td> </tr> <tr> <td>(4) Unrecognized actuarial loss</td> <td style="text-align: right;">61,827</td> </tr> <tr> <td>(5) Unrecognized prior service cost (reduced obligations)</td> <td style="text-align: right;">-</td> </tr> <tr> <td>(6) Net retirement benefit obligation (3)+(4)+(5)</td> <td style="text-align: right;">(16,668)</td> </tr> <tr> <td>(7) Prepaid pension cost</td> <td style="text-align: right;">4,893</td> </tr> <tr> <td>(8) Provision for retirement benefits (6)-(7)</td> <td style="text-align: right;">(21,561)</td> </tr> </table> <p>Note: Some subsidiaries are using simple method to calculate retirement payment obligation.</p>	(1) Retirement benefit obligation	¥ (213,784) millions	(2) Fair value of plan assets	135,289	(3) Unfunded retirement benefit obligation (1)+(2)	(78,495)	(4) Unrecognized actuarial loss	61,827	(5) Unrecognized prior service cost (reduced obligations)	-	(6) Net retirement benefit obligation (3)+(4)+(5)	(16,668)	(7) Prepaid pension cost	4,893	(8) Provision for retirement benefits (6)-(7)	(21,561)	<p>2 Matters related to retirement payments obligations (January 31, 2010)</p> <table border="0"> <tr> <td>(1) Retirement benefit obligation</td> <td style="text-align: right;">¥ (213,958) millions</td> </tr> <tr> <td>(2) Fair value of plan assets</td> <td style="text-align: right;">147,779</td> </tr> <tr> <td>(3) Unfunded retirement benefit obligation (1)+(2)</td> <td style="text-align: right;">(66,178)</td> </tr> <tr> <td>(4) Unrecognized actuarial loss</td> <td style="text-align: right;">36,831</td> </tr> <tr> <td>(5) Unrecognized prior service cost (reduced obligations)</td> <td style="text-align: right;">-</td> </tr> <tr> <td>(6) Net retirement benefit obligation (3)+(4)+(5)</td> <td style="text-align: right;">(29,347)</td> </tr> <tr> <td>(7) Prepaid pension cost</td> <td style="text-align: right;">-</td> </tr> <tr> <td>(8) Provision for retirement benefits (6)-(7)</td> <td style="text-align: right;">(29,347)</td> </tr> </table> <p>Note: Some subsidiaries are using simple method to calculate retirement payment obligation.</p>	(1) Retirement benefit obligation	¥ (213,958) millions	(2) Fair value of plan assets	147,779	(3) Unfunded retirement benefit obligation (1)+(2)	(66,178)	(4) Unrecognized actuarial loss	36,831	(5) Unrecognized prior service cost (reduced obligations)	-	(6) Net retirement benefit obligation (3)+(4)+(5)	(29,347)	(7) Prepaid pension cost	-	(8) Provision for retirement benefits (6)-(7)	(29,347)
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(Matters Related to Tax Effect Accounting)

Previous consolidated fiscal year January 31, 2009	Current consolidated fiscal year January 31, 2010
1 Main breakdowns of deferred tax assets and liabilities	1 Main breakdowns of deferred tax assets and liabilities
Deferred tax assets	Deferred tax assets
Loss on valuation of real estate for sale ¥41,433 millions	Loss on valuation of real estate for sale ¥55,783 millions
Provision for retirement benefits 9,065	Provision for retirement benefits 12,224
Provision for bonuses 5,010	Accumulated impairment loss 8,845
Accumulated impairment loss 4,459	Loss carried forward for tax purposes 5,174
Loss on valuation of investment securities 3,977	Loss on valuation of investment securities 2,742
Unrealized gain on noncurrent assets 1,848	Provision for bonuses 2,507
Provision for warranties for completed construction 1,075	Unrealized gain on noncurrent assets 1,894
Valuation difference on available-for-sale securities 612	Provision for warranties for completed construction 965
Accrued enterprise tax 602	Accrued enterprise tax 585
Other 3,314	Valuation difference on available-for-sale securities 8
<u>Subtotal deferred tax assets 71,398</u>	<u>Other 4,401</u>
Valuation allowance (11,185)	<u>Subtotal deferred tax assets 95,133</u>
<u>Total deferred tax assets 60,213</u>	Valuation allowance (11,524)
	<u>Total deferred tax assets 83,609</u>
Deferred tax liabilities	Deferred tax liabilities
Prepaid pension costs ¥ (1,977) millions	Valuation difference on available-for-sale securities ¥ (80) millions
Valuation difference on available-for-sale securities (1)	Other (467)
Other (354)	<u>Total deferred tax liabilities (548)</u>
<u>Total deferred tax liabilities (2,333)</u>	Net deferred tax assets and net deferred tax liabilities 83,061
Net deferred tax assets and net deferred tax liabilities 57,879	
Note:	Note:
1. The main valuation allowances are the accumulated valuation difference on available-for-sale securities and accumulated impairment loss that were judged non-deferrable.	1. The main valuation allowances are the accumulated valuation difference on available-for-sale securities and accumulated impairment loss that were judged non-deferrable.
2. Net amount of deferred tax assets is included in the following items on the consolidated balance sheet	2. Net amount of deferred tax assets is included in the following items on the consolidated balance sheet
Current assets – Deferred tax assets ¥45,505 millions	Current assets – Deferred tax assets ¥65,787 millions
Noncurrent assets – Deferred tax assets 12,374	Noncurrent assets – Deferred tax assets 17,274

(Segmental information)

(a) Segmental information by each business

February 1, 2008 to January 31, 2009

¥ millions

	Built to Order Housing	Real Estate for Sale	Real Estate for Leasing	Other Business	Total	Eliminations and back office	Consolidated
I. Sales & Operating income (loss)							
Sales							
(1)Sales to third parties	682,862	317,278	357,075	156,955	1,514,172	-	1,514,172
(2)Intragroup sales and transfers	9,410	14	2,558	3,938	15,922	(15,922)	-
Net sales	692,273	317,293	359,633	160,894	1,530,094	(15,922)	1,514,172
Operating expenses	633,550	284,015	340,950	158,044	1,416,561	23,651	1,440,212
Operating income	58,722	33,277	18,683	2,850	113,533	(39,573)	73,960
II. Assets, Depreciation and amortization, Impairment loss & Capital expenditures							
Total assets	147,776	737,291	264,745	19,384	1,169,198	218,039	1,387,237
Depreciation and amortization	7,219	761	4,681	388	13,052	2,340	15,392
Impairment loss	-	-	158	-	158	821	980
Capital expenditures	9,467	303	45,831	51	55,654	1,777	57,432

February 1, 2009 to January 31, 2010

¥ millions

	Built to Order Housing	Real Estate for Sale	Real Estate for Leasing	Other Business	Total	Eliminations and back office	Consolidated
I. Sales & Operating income (loss)							
Sales							
(1)Sales to third parties	590,376	253,572	364,217	145,019	1,353,186	-	1,353,186
(2)Intragroup sales and transfers	8,384	223	1,837	5,935	16,381	(16,381)	-
Net sales	598,761	253,795	366,055	150,955	1,369,567	(16,381)	1,353,186
Operating expenses	550,197	326,899	351,874	144,736	1,373,707	18,233	1,391,941
Operating income (loss)	48,564	(73,103)	14,180	6,218	(4,139)	(34,615)	(38,754)
II. Assets, Depreciation and amortization, Impairment loss & Capital expenditures							
Total assets	140,042	614,067	339,886	22,576	1,116,572	237,374	1,353,946
Depreciation and amortization	7,354	799	5,330	362	13,847	2,731	16,579
Impairment loss	1,472	-	-	-	1,472	-	1,472
Capital expenditures	6,019	106	75,058	57	81,241	903	82,145

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, designing, constructing, and contracting for sale housing on estate land, conducting urban redevelopment projects and commercial buildings transactions

Real Estate for Leasing: Renting and managing properties

Other Business: Designing, constructing, and contracting for 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, 2009: ¥37,015 million Year to January 31, 2010: ¥32,474 million

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

Year to January 31, 2009: ¥218,039 million Year to January 31, 2010: ¥237,376 million

5. Changes in accounting principles

Accounting Standard for Measurement of Inventories

As stated in the "Significant Matters Related to Preparation of Consolidated Financial Statements," the Company has applied the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006) beginning with this accounting period. This change had no impact on the profits of any of the Company's businesses for this accounting period, with the exception of a ¥67,852 million decrease in operating income in the Real Estate for Sale Business.

(b) Geographical segment information

In the years to January 31, 2009 and 2010, Japanese operations accounted for more than 90% of sales in all segments, so the Company has not presented geographical segment information.

(c) Overseas sales

In the years to January 31, 2009 and 2010, there are no applicable overseas sales.

(Per share information)

	Feb. 1, 2008 – Jan. 31, 2009	Feb. 1, 2009 – Jan. 31, 2010
Net assets per share	¥ 1,115.20	¥ 1,059.18
Net income (loss) per share	17.04	(43.32)
Fully diluted net income per share	17.03	-

Fully diluted net income per share for the accounting period under review is not presented here because it is a negative value, although the Company does have residual securities.

(Note) 1. Net assets per share for the current fiscal year was calculated on the following basis.

¥ millions, except where noted	Previous fiscal year	Current fiscal year
Net assets recorded on balance sheet	754,130	716,295
Difference between net assets in consolidated balance sheet and net assets attributable to ordinary shares		
Subscription rights to shares	158	232
Minority interests	323	325
Net assets attributable to ordinary shares	753,647	715,737
Number of ordinary shares outstanding (1,000 shares)	676,885	676,885
Number of ordinary shares held in treasury (1,000 shares)	1,089	1,137
Number of ordinary shares used to calculate shareholders' equity per share (1,000 shares)	675,795	675,747

2. Net income per share and fully diluted income per share for the current period was calculated on the following basis.

¥ millions, except where noted	Previous fiscal year	Current fiscal year
Net income per share		
Net income (loss) recorded on statement of income	11,516	(29,277)
Amount not attributable to ordinary shares	-	-
Net income (loss) attributable to ordinary shares	11,516	(29,277)
Average number of ordinary shares outstanding during period (1,000 shares)	676,039	675,771
Fully diluted net income per share		
Adjustment to net income	-	-
Number of ordinary shares increased (shares)		
Subscription rights to shares	171,819	274,256
Overview of residual securities not included in the calculation of fully diluted net income per share as they have no dilutive effect	-	-

[Significant Subsequent Event]

Not applicable

[Omission of disclosure]

Notes concerning lease and derivative transactions, transactions with related parties, stock options, business combinations, etc. are omitted, as we believe that they hold no significant bearing in terms of the necessity of disclosure of financial reports.

5. Non-Consolidated Financial Statements

(1) Balance Sheets

(¥ millions)

	As of January 31, 2009	As of January 31, 2010
Assets		
Current assets		
Cash and deposits	85,189	100,025
Notes receivable-trade	148	140
Accounts receivable from completed construction contracts	9,469	7,081
Accounts receivable-real estate business	338	159
Short-term investment securities	2,000	895
Costs on uncompleted construction contracts	41,138	48,241
Buildings for sale	101,235	112,397
Land for sale in lots	500,807	338,450
Undeveloped land for sale	61,535	56,428
Semi-finished goods	2,384	2,502
Raw materials	2,297	1,926
Work in process	536	411
Supplies	460	604
Advance payments-trade	1,095	677
Prepaid expenses	5,647	4,072
Accounts receivable-other	11,949	12,297
Deferred tax assets	41,096	63,751
Other	8,243	7,447
Allowance for doubtful accounts	(1,020)	(1,797)
Total current assets	874,556	755,714
Noncurrent assets		
Property, plant and equipment		
Buildings	157,051	161,457
Accumulated depreciation	(72,546)	(77,603)
Buildings, net	84,505	83,853
Structures	13,816	13,552
Accumulated depreciation	(9,483)	(9,772)
Structures, net	4,333	3,780
Machinery and equipment	57,835	55,527
Accumulated depreciation	(45,174)	(45,682)
Machinery and equipment, net	12,661	9,845
Vehicles	947	834
Accumulated depreciation	(824)	(759)
Vehicles, net	122	75
Tools, furniture and fixtures	23,126	21,649
Accumulated depreciation	(19,301)	(18,725)
Tools, furniture and fixtures, net	3,825	2,924
Land	107,348	168,124

(¥ millions)

	As of January 31, 2009	As of January 31, 2010
Lease assets	-	94
Accumulated depreciation	-	(17)
Lease assets, net	-	77
Construction in progress	1,881	1,050
Total property, plant and equipment	214,678	269,730
Intangible assets		
Industrial property	23	19
Leasehold right	1,608	1,608
Software	5,400	5,500
Lease assets	-	75
Right of using facilities	17	11
Telephone subscription right	683	681
Total intangible assets	7,732	7,896
Investments and other assets		
Investment securities	58,013	63,599
Stocks of subsidiaries and affiliates	37,864	50,610
Long-term loans receivable	4,220	4,844
Long-term loans receivable from employees	26,109	23,725
Long-term loans receivable from subsidiaries and affiliates	1,949	1,514
Lease and guarantee deposits	13,504	12,106
Long-term prepaid expenses	753	617
Prepaid pension cost	4,522	-
Deferred tax assets	7,755	12,183
Other	5,335	3,550
Allowance for doubtful accounts	(922)	(1,021)
Total investments and other assets	159,107	171,733
Total noncurrent assets	381,518	449,360
Total assets	1,256,075	1,205,075
Liabilities		
Current liabilities		
Notes payable-trade	60,812	54,014
Accounts payable-trade	41,145	40,277
Accounts payable for construction contracts	41,204	33,717
Current portion of long-term loans payable	-	170,000
Lease obligations	-	42
Accounts payable-other	3,323	3,881
Accrued expenses	14,710	12,308
Income taxes payable	662	550
Accrued consumption taxes	5,233	4,777
Advances received on uncompleted construction contracts	51,116	60,437

(¥ millions)

	As of January 31, 2009	As of January 31, 2010
Advances received	5,917	2,608
Deposits received	69,034	77,552
Provision for bonuses	8,301	4,374
Provision for directors' bonuses	150	-
Provision for warranties for completed construction	2,659	2,389
Other	4	1
Total current liabilities	304,275	466,932
Noncurrent liabilities		
Bonds payable	59,981	59,986
Long-term loans payable	190,000	20,000
Lease obligations	-	119
Long-term lease and guarantee deposited	9,271	8,847
Long-term accounts payable-other	554	531
Long-term unearned revenue	73	48
Provision for retirement benefits	19,091	26,347
Total noncurrent liabilities	278,971	115,881
Total liabilities	583,247	582,813
Net assets		
Shareholders' equity		
Capital stock	186,554	186,554
Capital surplus		
Legal capital surplus	242,307	242,307
Total capital surpluses	242,307	242,307
Retained earnings		
Legal retained earnings	23,128	23,128
Other retained earnings		
Reserve for dividends	18,000	18,000
General reserve	201,800	186,800
Retained earnings brought forward	2,966	(36,724)
Total earned surpluses	245,895	191,203
Treasury stock	(1,186)	(1,216)
Total shareholders' equity	673,571	618,849
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(899)	3,181
Deferred gains or losses on hedges	(2)	(1)
Total valuation and translation adjustments	(902)	3,180
Subscription rights to shares	158	232
Total net assets	672,827	622,261
Total liabilities and net assets	1,256,075	1,205,075

(2) Statements of Income

(¥ millions)

	Feb. 1, 2008 – Jan. 31, 2009	Feb. 1, 2009 – Jan. 31, 2010
Net sales of completed construction contracts	851,759	737,299
Cost of sales of completed construction contracts	684,694	593,873
Gross profit on completed construction contracts	167,064	143,425
Sales on real estate business	248,741	173,054
Cost of sales on real estate business	192,212	226,706
Gross profit (loss)-real estate business	56,529	(53,651)
Total net sales	1,100,500	910,353
Total cost of sales	876,906	820,579
Gross profit	223,594	89,774
Selling, general and administrative expenses		
Advertising expenses	21,292	16,844
Promotion expenses	20,665	17,228
Servicing fee	9,659	7,267
Provision of allowance for doubtful accounts	54	1,043
Directors' compensations	557	489
Employees' salaries and allowances	43,722	41,266
Employees' bonuses	9,338	8,177
Provision for bonuses	4,559	2,422
Provision for directors' bonuses	150	-
Retirement benefit expenses	6,549	11,219
Legal welfare expenses	7,456	6,717
Welfare expenses	4,072	3,396
Traveling and transportation expenses	7,397	5,812
Rent expenses	4,915	4,275
Heating and lighting expenses	1,543	1,307
Depreciation	4,857	5,619
Supplies expenses	2,902	2,014
Experiment and research expenses	731	427
Investigation expenses	541	301
Insurance expenses	149	169
Taxes and dues	5,012	4,631
Communication expenses	1,895	1,634
Entertainment expenses	1,949	1,090
Trademark fee	180	180
Miscellaneous expenses	10,150	6,860
Total selling, general and administrative expenses	170,307	150,398
Operating income (loss)	53,286	(60,624)

(¥ millions)

	Feb. 1, 2008 – Jan. 31, 2009	Feb. 1, 2009 – Jan. 31, 2010
Non-operating income		
Interest income	883	714
Dividends income	3,872	2,713
Penalty income	2,313	149
Insurance agency commission	1,285	1,162
Real estate rent	942	709
Other	1,004	1,476
Total non-operating income	10,301	6,926
Non-operating expenses		
Interest expenses	1,235	2,109
Interest on bonds	1,367	853
Loss on cancel of model house leasing contracts	876	671
Other	2,036	2,272
Total non-operating expenses	5,516	5,906
Ordinary income (loss)	58,071	(59,604)
Extraordinary income		
Gain on sales of investment securities	41	6
Total extraordinary income	41	6
Extraordinary loss		
Cost of business structure improvement	-	4,821
Loss on sales and retirement of noncurrent assets	1,247	1,764
Loss on valuation of investment securities	9,299	873
Loss on valuation of real estate for sale	33,006	-
Loss resulting from changes in business plan	2,818	-
Loss on valuation of stocks of subsidiaries and affiliates	889	-
Impairment loss	821	-
Total extraordinary losses	48,082	7,459
Income (loss) before income taxes	10,029	(67,057)
Income taxes-current	5,598	528
Income taxes-deferred	2,651	(27,774)
Total income taxes	8,249	(27,246)
Net income (loss)	1,780	(39,811)

(3) Statements of Changes in Net Assets

(¥ millions)

	Feb. 1, 2008 – Jan. 31, 2009	Feb. 1, 2009 – Jan. 31, 2010
Shareholders' equity		
Capital stock		
Balance at the end of previous period	186,554	186,554
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	186,554	186,554
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	242,307	242,307
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	242,307	242,307
Other capital surplus		
Balance at the end of previous period	16,604	-
Changes of items during the period		
Retirement of treasury stock	(16,604)	-
Total changes of items during the period	(16,604)	-
Balance at the end of current period	-	-
Total capital surplus		
Balance at the end of previous period	258,912	242,307
Changes of items during the period		
Retirement of treasury stock	(16,604)	-
Total changes of items during the period	(16,604)	-
Balance at the end of current period	242,307	242,307
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	23,128	23,128
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	23,128	23,128
Other retained earnings		
Reserve for dividends		
Balance at the end of previous period	18,000	18,000
Changes of items during the period		
Total changes of items during the period	-	-
Balance at the end of current period	18,000	18,000
General reserve		
Balance at the end of previous period	206,800	201,800
Changes of items during the period		
Reversal of general reserve	(5,000)	(15,000)

(¥ millions)

	Feb. 1, 2008 – Jan. 31, 2009	Feb. 1, 2009 – Jan. 31, 2010
Total changes of items during the period	(5,000)	(15,000)
Balance at the end of current period	201,800	186,800
Retained earnings brought forward		
Balance at the end of previous period	53,372	2,966
Changes of items during the period		
Dividends from surplus	(16,232)	(14,871)
Reversal of general reserve	5,000	15,000
Net income (loss)	1,780	(39,811)
Retirement of treasury stock	(40,832)	-
Disposal of treasury stock	(120)	(8)
Total changes of items during the period	(50,405)	(39,691)
Balance at the end of current period	2,966	(36,724)
Total retained earnings		
Balance at the end of previous period	301,300	245,895
Changes of items during the period		
Dividends from surplus	(16,232)	(14,871)
Net income (loss)	1,780	(39,811)
Retirement of treasury stock	(40,832)	-
Disposal of treasury stock	(120)	(8)
Total changes of items during the period	(55,405)	(54,691)
Balance at the end of current period	245,895	191,203
Treasury stock		
Balance at the end of previous period	(58,362)	(1,186)
Changes of items during the period		
Purchase of treasury stock	(569)	(53)
Retirement of treasury stock	57,437	-
Disposal of treasury stock	307	23
Total changes of items during the period	57,176	(30)
Balance at the end of current period	(1,186)	(1,216)
Total shareholders' equity		
Balance at the end of previous period	688,404	673,571
Changes of items during the period		
Dividends from surplus	(16,232)	(14,871)
Net income (loss)	1,780	(39,811)
Purchase of treasury stock	(569)	(53)
Disposal of treasury stock	187	14
Total changes of items during the period	(14,833)	(54,721)
Balance at the end of current period	673,571	618,849

(¥ millions)

	Feb. 1, 2008 – Jan. 31, 2009	Feb. 1, 2009 – Jan. 31, 2010
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	10,871	(899)
Changes of items during the period		
Net changes of items other than shareholders' equity	(11,771)	4,081
Total changes of items during the period	(11,771)	4,081
Balance at the end of current period	(899)	3,181
Deferred gains or losses on hedges		
Balance at the end of previous period	(4)	(2)
Changes of items during the period		
Net changes of items other than shareholders' equity	1	1
Total changes of items during the period	1	1
Balance at the end of current period	(2)	(1)
Total valuation and translation adjustments		
Balance at the end of previous period	10,867	(902)
Changes of items during the period		
Net changes of items other than shareholders' equity	(11,769)	4,082
Total changes of items during the period	(11,769)	4,082
Balance at the end of current period	(902)	3,180
Subscription rights to shares		
Balance at the end of previous period	67	158
Changes of items during the period		
Net changes of items other than shareholders' equity	91	73
Total changes of items during the period	91	73
Balance at the end of current period	158	232
Total net assets		
Balance at the end of previous period	699,339	672,827
Changes of items during the period		
Dividends from surplus	(16,232)	(14,871)
Net income (loss)	1,780	(39,811)
Purchase of treasury stock	(569)	(53)
Disposal of treasury stock	187	14
Net changes of items other than shareholders' equity	(11,678)	4,156
Total changes of items during the period	(26,511)	(50,565)
Balance at the end of current period	672,827	622,261

(4)Matters Regarding Assumption of Going Concerns

Not applicable

6. Changes to Directors, Auditors and Executive Officers

(1) New Directors candidates (April 28, 2010)

Daiji Kuroki Currently Managing Officer, Head of Sha-Maison Sales and General Manager of Saitama Sales Administration Headquarters

Kengo Yoshida Currently Managing Officer and General Manager of Manufacturing Headquarters

(2) Planned retirement of Directors (including executive officers) (April 28, 2010)

Akira Morimoto To be Advisor of Sekisui House
Currently Senior Managing Officer

Yoshiro Kubota To be Standing Auditor of Sekisui House
Currently Senior Managing Officer

Kenji Hatanaka To be Managing Director of Sekiwa Real Estate Kansai, Ltd.

(3) New Auditor candidate (April 28, 2010)

Yoshiro Kubota Currently Senior Managing Officer & Director

(4) Planned to be elected by mutual vote of auditor after shareholders' meeting

Yoshiro Kubota As Standing Auditor

(5) Planned retirement of Auditor (April 28, 2010)

Hiroshi Itawaki To be Advisor of Sekisui House
Currently as Standing Auditor

(6) New Executive Officers (April 1, 2010)

Michio Yoshizaki Currently General Manager of Fukuoka Condominium Department

Keigo Nakano Currently General Manager of Product Design & Development Department

Kotaro Asano Currently General Manager of Auditing Department

Hisao Yamada Currently General Manager of CS Promoting Headquarters

Yuichi Matsushima Currently General Manager of Kanagawa Sales Administration Headquarters

Motohiko Fujiwara Currently Head of Real Estate Sales in East Japan and General Manager of Higashi-Kanto Sales Administration Headquarters

Kazushi Mitani Currently General Manager of Condominium Headquarters

Koji Nakata Currently General Manager of Legal Department

Haruyuki Iwata Currently General Manager of Purchasing Department

(7) Planned retirement of Executive Officer (March 31, 2010)

Kenji Imamura To be Advisor of Sekisui House