

S EMIANNUAL

R EPORT

2009

February 1 to July 31, 2009



SEKISUI HOUSE

To Our Shareholders

During the first six months of the year ending January 31, 2010, the global stock market registered a recovery trend as the governments of various countries took active steps to reflate the economy and achieve financial stability, with the result that concerns over economic growth have been decreasing. Even so, this recovery has not proven strong enough to dramatically improve the real economy, which experienced a sharp deceleration. In Japan, despite signs of industrial production bottoming out, consumer confidence stayed persistently weak as private capital expenditures remained low and the employment environment showed no sign of improvement.

In the housing market, willingness to invest in housing remained low overall, due to falling land prices throughout the country following the decrease in funds for real estate investment in the wake of the financial crisis, and absence of any signs of improvement in personal income, among other reasons. Amid the sluggish real estate market, condominium sales continued to perform slowly and demands for rental housing decreased on the back of declining job security. Meanwhile, willingness to invest in housing began to show signs of recovery, primarily owing to the expanded mortgage tax break and investment tax credit for housing, thus effecting a turnaround in demands of real estate, including detached houses, and rebuilding demands.

Against this backdrop, in order to boost the sales of eco-friendly housing, in March we put *Green First* models on the detached house and rental housing markets as a response to growing customer demands for "comfort," "economic efficiency," and "eco-friendliness." Sales of the eco-friendly housing recorded steady growth, with *Green First* models accounting for nearly half of the new orders for our detached houses placed in the latter half of the period under review.

On the marketing front, we opened *Kansai Sumai-no-Yume-Kojo* (large-scale experiment-based facilities) within our Comprehensive Housing R&D Institute in order to bolster sales promotions through display of a variety of technologies which have been incorporated into our housing.

In a move to extend our global reach, we have embarked on three projects in the eastern part of Australia for development and supply of residential areas and sales of our buildings. As part of an effort to enhance our corporate resilience, on March 31 we discontinued production at the Shiga Factory, thus ensuring steady progress in the implementation of full-scale company-wide business restructuring.

In the Built to Order Housing Business, we achieved positive differentiation in our steel-framed detached house line by expanding the *IS Series*, which features our original external *Dyne Wall*. For wood-framed lines, in which we are experiencing a strong rate of orders, we made efforts to gain a greater market share by holding the nationwide sales promotion event to familiarize prospective customers with the benefits of *Sha-wood* lines. In the low-rise apartment business, we made aggressive marketing efforts by introducing region-specific lines which cater to the specific demands of each region. As a result of these efforts, orders for detached houses showed signs of bottoming out. Orders for low-rise apartments, however, remained sluggish.

In the Real Estate for Sale Business, we held the sales promotion event *Machinami Sankan-bi* (visits to existing subdivisions with superior living environments) in an effort to increase our sales share. This event successfully stimulated first-time buyers, showing the promise of a recovery in orders for built-for-sale houses and other detached houses.

In the Condominium Business, we continued to focus our resources on the three largest metropolitan areas. The sluggish condominium market, however, had a negative impact on our Condominium Business, which performed slowly.

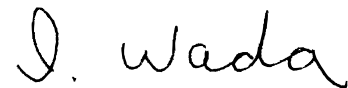
In the Real Estate for Leasing Business, we strengthened our alliance with Sekiwa Real Estate companies to increase the occupancy rate, which has been declining due to the slowdown of the rental housing business. For new property projects, we sought to increase our earnings on a higher level of orders 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.

For the remodeling business, the Sekiwa Construction companies and Sekiwa Real Estate companies entered into the remodeling business in April as we expanded the scope of our remodeling business from buildings of our own construction to those built by others. With this new initiative, our remodeling business exhibited strong growth.

Despite these efforts, net sales in the first six months of the year ending January 31, 2010 remained sluggish, recording ¥668,012 million (\$6,997,088 thousand) on a consolidated basis. This sluggish performance is attributable to the fact that weak consumer confidence in the wake of last year's rapid economic downturn and the slower-than-expected effects of stimulus government policies have had a lingering impact on the level of our orders and other numbers. On the profit side, while we outperformed our target for cost reduction, due to the decline in sales we recorded operating income of ¥2,996 million (\$31,382 thousand) and net loss of ¥2,374 million (\$24,866 thousand).

The dividend for the interim period under review will be 10 yen (\$0.10) per share.

September 2009



Isami Wada
Chairman & CEO



Toshinori Abe
President & COO

CONSOLIDATED BALANCE SHEETS

As of July 31 and January 31, 2009 and July 31, 2008

Assets	Millions of yen			Thousands of U.S. dollars
	July 31 2009	January 31 2009	July 31 2008	July 31 2009
Current assets:				
Cash and cash equivalents.....	¥ 102,869	¥ 124,518	¥ 89,213	\$ 1,077,501
Short-term investments.....	399	2,050	10	4,179
Notes and accounts receivable:				
Affiliates.....	134	134	187	1,404
Trade.....	8,862	13,180	12,581	92,825
Other.....	14,347	12,862	13,667	150,277
Less allowance for doubtful accounts..	(2,160)	(1,473)	(1,874)	(22,625)
	<u>21,183</u>	<u>24,703</u>	<u>24,561</u>	<u>221,881</u>
Inventories.....	727,864	737,872	766,354	7,624,008
Deferred income taxes	46,627	45,505	40,620	488,394
Other current assets.....	13,972	16,553	11,341	146,350
Total current assets	<u>912,914</u>	<u>951,201</u>	<u>932,099</u>	<u>9,562,313</u>
Property, plant and equipment, at cost:				
Land.....	128,421	127,713	112,265	1,345,145
Buildings and structures.....	227,450	221,601	209,677	2,382,424
Machinery, equipment and other.....	88,177	91,506	91,412	923,608
Construction in progress.....	4,210	4,859	6,124	44,098
	<u>448,258</u>	<u>445,679</u>	<u>419,478</u>	<u>4,695,275</u>
Less accumulated depreciation.....	(170,934)	(167,870)	(164,902)	(1,790,447)
Property, plant and equipment, net	<u>277,324</u>	<u>277,809</u>	<u>254,576</u>	<u>2,904,828</u>
Investments and other assets:				
Long-term loans receivable.....	32,964	32,491	32,251	345,281
Less allowance for doubtful accounts....	(1,406)	(1,386)	(1,567)	(14,727)
	<u>31,558</u>	<u>31,105</u>	<u>30,684</u>	<u>330,554</u>
Investments in securities.....	67,372	58,507	87,890	705,688
Investments in affiliates.....	3,219	3,270	3,184	33,717
Deferred income taxes	14,084	12,374	6,663	147,523
Intangible assets	9,273	9,182	8,830	97,130
Prepaid pension cost.....	1	4,893	6,370	10
Other assets	37,599	38,896	39,859	393,831
Total investments and other assets	<u>163,106</u>	<u>158,227</u>	<u>183,480</u>	<u>1,708,453</u>
	<u>¥ 1,353,344</u>	<u>¥ 1,387,237</u>	<u>¥ 1,370,155</u>	<u>\$ 14,175,594</u>

Liabilities and net assets	Millions of yen			Thousands of U.S. dollars
	July 31 2009	January 31 2009	July 31 2008	July 31 2009
Current liabilities:				
Notes and accounts payable:				
Affiliates.....	¥ 3,051	¥ 4,029	¥ 4,362	\$ 31,958
Trade.....	116,104	145,906	146,837	1,216,131
Short-term bonds payable.....	–	–	60,000	–
Current portion of long-term debt.....	449	–	–	4,703
Accrued income taxes.....	4,290	5,957	15,795	44,935
Advances received on construction projects in progress.....	86,779	84,727	100,234	908,966
Allowance for employees' bonuses.....	8,470	12,337	12,257	88,719
Allowance for directors' and corporate auditors' bonuses.....	–	595	–	–
Other current liabilities.....	42,540	49,026	42,253	445,585
Total current liabilities	<u>261,683</u>	<u>302,577</u>	<u>381,738</u>	<u>2,740,997</u>
Long-term liabilities:				
Long-term debt.....	259,677	249,982	120,665	2,719,985
Guarantee deposits received.....	54,922	55,611	54,519	575,280
Deferred income taxes.....	–	–	10	–
Accrued retirement benefits for employees	22,795	21,561	20,136	238,766
Accrued retirement benefits for directors and corporate auditors.....	1,025	1,223	1,111	10,737
Other liabilities	2,436	2,153	2,154	25,516
Total long-term liabilities	<u>340,855</u>	<u>330,530</u>	<u>198,595</u>	<u>3,570,284</u>
Contingent liabilities (Note 2)				
Net assets:				
Shareholders' equity				
Common stock:				
Authorized-1,978,281,000 shares				
Issued: July 2009 and 2008, and January 2009- 676,885,078 shares...	186,554	186,554	186,554	1,954,059
Capital surplus.....	237,523	237,523	237,523	2,487,933
Retained earnings.....	321,402	331,895	356,603	3,366,524
Less treasury stock, at cost.....	(1,368)	(1,355)	(1,099)	(14,329)
Total shareholders' equity	<u>744,111</u>	<u>754,617</u>	<u>779,581</u>	<u>7,794,187</u>
Valuation and translation adjustments:				
Net unrealized holding gain (loss)				
on securities.....	4,526	(961)	9,824	47,407
Deferred losses on hedges.....	(135)	(8)	(3)	(1,414)
Translation adjustments.....	1,435	–	–	15,031
Total valuation and translation adjustments	<u>5,826</u>	<u>(969)</u>	<u>9,821</u>	<u>61,024</u>
Stock subscription rights.....	196	158	111	2,053
Minority interests.....	673	324	309	7,049
Total net assets	<u>750,806</u>	<u>754,130</u>	<u>789,822</u>	<u>7,864,313</u>
	<u>¥ 1,353,344</u>	<u>¥ 1,387,237</u>	<u>¥ 1,370,155</u>	<u>\$ 14,175,594</u>

* See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Six months ended July 31, 2009 and 2008, and year ended January 31, 2009

	Millions of yen			Thousands of U.S. dollars
	July 31 2009	July 31 2008	January 31 2009	July 31 2009
Net sales	¥ 668,012	¥ 783,447	¥ 1,514,172	\$ 6,997,088
Cost of sales	563,920	621,977	1,222,923	5,906,777
Gross profit	104,092	161,470	291,249	1,090,311
Selling, general and administrative expenses	101,096	110,526	217,289	1,058,929
Operating income	2,996	50,944	73,960	31,382
Other income (expenses):				
Interest and dividend income	1,026	1,453	2,661	10,747
Interest expense	(1,532)	(1,248)	(2,618)	(16,047)
Cost of business structure improvement (Note 3)	(4,155)	-	-	(43,522)
Loss on revaluation of investments in securities	(743)	-	(9,299)	(7,783)
Loss on revaluation of real estate held for sale (Note 4)	-	-	(34,883)	-
Loss resulting from change in business plan (Note 5)	-	(2,818)	(2,818)	-
Loss on impairment of fixed assets (Note 6)	-	(822)	(980)	-
Other, net	(738)	80	1,601	(7,730)
Income (loss) before income taxes and minority interests ..	(3,146)	47,589	27,624	(32,953)
Income taxes:				
Current	3,744	15,686	15,519	39,216
Deferred	(4,521)	3,878	554	(47,355)
	(777)	19,564	16,073	(8,139)
Income (loss) before minority interests	(2,369)	28,025	11,551	(24,814)
Minority interests in earnings of subsidiaries	(5)	(19)	(34)	(52)
Net income (loss)	¥ (2,374)	¥ 28,006	¥ 11,517	\$ (24,866)

* See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Six months ended July 31, 2009 and 2008, and year ended January 31, 2009

	Millions of yen			Thousands of U.S. dollars
	July 31 2009	July 31 2008	January 31 2009	July 31 2009
Cash flows from operating activities				
Income (loss) before income taxes and minority interests.....	¥ (3,146)	¥ 47,589	¥ 27,624	\$ (32,953)
Adjustments for:				
Depreciation and amortization.....	8,100	7,407	15,392	84,843
Loss on impairment of fixed assets.....	-	822	980	-
Increase in accrued retirement benefits.....	1,234	28	1,453	12,925
Decrease in prepaid pension cost.....	4,892	548	2,024	51,241
Interest and dividend income.....	(1,026)	(1,453)	(2,661)	(10,747)
Interest expense.....	1,532	1,248	2,618	16,047
Loss on revaluation of real estate held for sale.....	-	-	34,883	-
Loss on revaluation of securities.....	743	-	9,299	7,783
Decrease in notes and accounts receivable.....	4,326	72,007	71,062	45,313
Decrease (increase) in inventories and advance payments.....	14,674	(58,105)	(73,989)	153,703
Decrease in notes and accounts payable.....	(30,801)	(11,650)	(13,690)	(322,625)
Increase (decrease) in advances received on construction projects in progress.....	2,052	13,201	(2,193)	21,494
Other.....	(11,075)	(3,305)	5,467	(116,005)
Subtotal.....	(8,495)	68,337	78,269	(88,981)
Interest and dividends received.....	1,081	1,500	2,719	11,323
Interest paid.....	(1,611)	(1,243)	(2,239)	(16,874)
Income taxes paid.....	(5,833)	(26,736)	(41,745)	(61,098)
Income taxes refund.....	5,143	-	-	53,870
Net cash (used in) provided by operating activities.....	(9,715)	41,858	37,004	(101,760)
Cash flows from investing activities				
Proceeds from sales of short-term investments.....	2,000	130	140	20,949
Proceeds from sales of property, plant and equipment.....	96	37	74	1,005
Purchases of property, plant and equipment.....	(8,845)	(17,929)	(39,954)	(92,647)
Purchases of investments in securities.....	(2,595)	(6,906)	(6,906)	(27,181)
(Increase) decrease in loans receivable.....	(485)	1,455	1,284	(5,080)
Other.....	(2,685)	(1,773)	(990)	(28,124)
Net cash used in investing activities.....	(12,514)	(24,986)	(46,352)	(131,078)
Cash flows from financing activities				
Increase (decrease) in short-term bonds payable.....	-	20,000	(40,000)	-
Proceeds from long-term debt.....	7,298	245	130,245	76,443
Cash dividends paid.....	(8,112)	(8,116)	(16,233)	(84,969)
Increase in treasury stock.....	(32)	(47)	(569)	(335)
Other.....	(9)	23	187	(94)
Net cash (used in) provided by financing activities.....	(855)	12,105	73,630	(8,955)
Effect of exchange rate changes on cash and cash equivalents.....	1,435	-	-	15,031
Net (decrease) increase in cash and cash equivalents.....	(21,649)	28,977	64,282	(226,762)
Cash and cash equivalents at beginning of period.....	124,518	60,236	60,236	1,304,263
Cash and cash equivalents at end of period.....	¥ 102,869	¥ 89,213	¥ 124,518	\$ 1,077,501

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2009 and 2008

1. Basis of Consolidated Financial Statements

Sekisui House, Ltd. (the "Company") and its domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Corporation Law of Japan and the Financial Instruments and Exchange Law of Japan and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The Company's overseas subsidiary maintains its accounts and records in conformity with the accounting principles generally accepted and the practices prevailing in its country of domicile. The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader and has been made at ¥95.47= U.S. \$1.00, the approximate rate of exchange in effect on July 31, 2009. This translation should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollar amounts at the above or any other rate.

2. Contingent Liabilities

The Company and its subsidiaries had the following contingent liabilities at July 31, 2009.

	Millions of yen	Thousands of U.S. dollars
Guarantees of housing loans to customers.....	¥ 72,071	\$ 754,907
Guarantees of bank loans of third party.....	780	8,170
	¥ 72,851	\$ 763,077

3. Cost of business structure improvement

As part of its restructuring activities, including a reorganization and reallocation of human resources, the Company suspended production at the Shiga factory on March 31, 2009 in order to integrate its factories and improve productivity. As a result, the Company recorded ¥4,155 million (\$43,522 thousand) of losses on disposal, relocation and impairment of its facilities, and for additional retirement allowances with regard to an early retirement scheme as cost of business structure improvement in the consolidated statement of operations for the six months ended July 31, 2009.

4. Loss on Revaluation of Real Estate Held for Sale

Real estate held for sale at January 31, 2009, the market value of which has declined significantly from its carrying value, has been written down to its fair market value.

5. Loss Resulting from Change in Business Plan

The Company updated its business plan during the year ended January 31, 2009. As a result, the grace period for payment of the special land holding tax was no longer in effect, and the Company was obliged to pay such tax and related interest. The Company accounted for these obligations as loss resulting from changes in business plan in the consolidated statement of income for the year ended January 31, 2009 and the six months ended July 31, 2008.

6. Loss on Impairment of Fixed Assets

The Company and one domestic consolidated subsidiary recognized loss on impairment of fixed assets for the year ended January 31, 2009 and the six months ended July 31, 2008.

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

The Company and one domestic consolidated subsidiary have written down certain fixed assets, which are planned to be sold or are determined to be available for sale rather than for lease due to the changes in the business plan, to their respective net recoverable values. Consequently, the Company and its consolidated subsidiaries recorded a loss on impairment of fixed assets of ¥980 million and ¥822 million as a component of other income (expenses) in the accompanying consolidated statements of income for the year ended January 31, 2009 and the six months ended July 31, 2008.

7. Amounts per Share

	Yen			U.S. dollars
	July 31 2009	July 31 2008	January 31 2009	July 31 2009
Net income (loss):				
Basic	¥ (3.51)	¥ 41.42	¥ 17.04	\$ (0.04)
Diluted	-	41.41	17.03	-
Net assets.....	1,109.75	1,167.47	1,115.20	11.62
Cash dividends.....	10.00	12.00	24.00	0.10

CORPORATE DATA

Corporate Officers

(As of July 31, 2009)

Chairman, Representative Director & CEO

Isami Wada

President, Representative Director & COO

Toshinori Abe

Directors

Katsuhiko Machida

Akira Morimoto

Sumio Wada

Shiro Inagaki

Yoshiro Kubota

Fumiaki Hirabayashi

Takashi Uchida

Junichi Terada

Tetsuo Iku

Kenji Hatanaka

Standing Corporate Auditors

Hiroshi Itawaki

Tadashi Iwasaki

Corporate Auditors

Takaharu Dohi

Teruyuki Saegusa

Eiji Mansho

Senior Managing Officers

Akira Morimoto

Sumio Wada

Shiro Inagaki

Yoshiro Kubota

Managing Officers

Fumiaki Hirabayashi

Takashi Uchida

Junichi Terada

Tetsuo Iku

Kenji Hatanaka

Daiji Kuroki

Shinichi Yamada

Akihisa Terasaki

Kengo Yoshida

Executive Officers

Kenji Imamura

Mitsugu Iijima

Katsuaki Shimoda

Hidehiro Yamaguchi

Yoshikazu Takatsuka

Tsutomu Motomura

Naoki Ishii

Takanobu Ishioka

Shinichi Doi

Masaaki Oikawa

Atsuyuki Miyamoto

Yoshimoto Nakamura

Fumiyasu Suguro

OUTLINE OF THE COMPANY

(As of July 31, 2009)

Established

August 1, 1960

Capital Stock Issued

¥ 186,554 million

Employees

16,215 (As of April 1, 2009)

Head Office

Tower East Umeda Sky Building

1-88 Oyodonaka 1-chome Kita-ku Osaka

531-0076 Japan

Phone: 81-6-6440-3111

Facsimile: 81-6-6440-3369

Factories

Ibaraki, Shizuoka, Yamaguchi, Miyagi and

Hyogo

Laboratory

Kyoto

Subsidiaries and Affiliates

Sekiwa Real Estate Tohoku, Ltd.

Sekiwa Real Estate, Ltd.

Sekiwa Real Estate Chubu, Ltd.

Sekiwa Real Estate Kansai, Ltd.

Sekiwa Real Estate Chugoku, Ltd.

Sekiwa Real Estate Kyushu, Ltd.

Sekisui House Remodeling, Ltd.

Sekisui House Umeda Operation Co., Ltd.

SGM Operation Co., Ltd. etc

Sekisui House Australia Holdings Pty Limited

All 86 subsidiaries and 7 affiliates.

Stock Listing

Tokyo Stock Exchange

Osaka Securities Exchange

Nagoya Stock Exchange

American Depositary Receipts

Symbol: SKHSY

CUSIP: 816078307

Ratio: 1:1

Exchange: OTC (Over-the-Counter)

Depository: The Bank of New York Mellon

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