

S EMIANNUAL

R EPORT

2011

February 1 to July 31, 2011



SEKISUI HOUSE

To Our Shareholders and Investors

In the first six months of the fiscal year ending January 31, 2012, the Japanese economy made steady progress towards a recovery, with progress in the reconstruction of supply chains, social infrastructure, sales and production facilities, and other facilities that were damaged by the Great East Japan Earthquake. In the housing market, demand in disaster-hit areas remained sluggish as the number of new housing starts to decline. In contrast, the number of new housing started in the Tokyo Metropolitan Area increased, chiefly reflecting a recovery in condominium investment. As a result, the overall market continued to stage a gradual recovery.

Responding to these conditions, as part of its product strategies, Sekisui House introduced Airkis, an air environment friendly system, on July 2011, and started selling the products by installing them as a standard in Sekisui's mainstay steel-framed housing.

In overseas business, Sekisui House, as a core company of the Modern Construction Industrial Park, a national project carried out by Shenyang City, China, started to construct a production factory for steel-framed housing to meet the demand for energy-saving and high functional built-to-order housing in China.

In the Custom Detached Houses Business, Sekisui House took initiatives to bolster orders in line with the "Green First Strategy" (as a driver of business growth in eco-friendly housing). To respond to demand for the reconstruction of houses after the Great East Japan Earthquake, the Company established a system for supplying the standardized housing packages for customers in afflicted areas who were hoping for the early reconstruction of their houses. Thanks to the above initiatives, as well as renewed recognition of the safety of housing, demand for reconstruction, and the continuation of official stimulus measures, orders in this business increased. Sales in this segment amounted to ¥227,866 million for the first six months of the fiscal year, and operating income to ¥23,953 million.

In the Rental Housing Business, Sekisui House actively proposed Sha-Maison Gardens, which was designed with the concept of harmonizing with the landscape, minimizing the burden on the environment, and ensuring safety and comfort. As a result of these efforts, as well as active promotion of Sha-Maison Gardens and a rise in demand for rental housing in cities, orders in this segment remained steady. Sales in this segment amounted to ¥133,365 million for the first six months of the fiscal year, and operating income to ¥12,127 million.

In the Houses for Sale Business, by holding sales promotion events, Sekisui House effectively executed the Green First Strategy, and strengthened its sales capabilities. However, overall sales nationwide remained sluggish. In response, Sekisui House took steps to streamline assets by continuing to adjust inventories. Sales in this segment amounted to ¥65,460 million for the first six months of the fiscal year, and operating income to ¥1,392 million.

In the Condominium Business, orders for new condominiums that Sekisui House started to sell in urban areas, remained steady. However, as a result of initiatives to reduce inventories of sales properties, orders generally remained sluggish. Sales in this segment amounted to ¥19,500 million for the first six months of the fiscal year, and operating loss to ¥5,756 million.

In the Urban Redevelopment Business, Sekisui House sold Daiba Garden City to Japan Excellent, Inc., a J-REIT in February 2011. In addition Sekisui House is steadily managing rental properties held by the Sekisui House Group with sound improvements in the occupancy rate. Sales in this segment amounted to ¥25,694 million for the first six months of the fiscal year, and operating

income to ¥6,935 million.

In the Remodeling Business, based on its Green First Strategy, Sekisui House made remodeling proposals aimed at energy conservation, installing photovoltaic power generation systems and introducing heat insulation renovations. As a result of these business promotions, orders remained steady. Sales in this segment amounted to ¥49,903 million for the first six months of the fiscal year, and operating income to ¥4,895 million.

In the Real Estate Management Fees Business, the number of units of Sha-Maison low-rise apartments for block leasing and management by Sekiwa Real Estate companies enjoyed a steady increase. Sales in this segment amounted to ¥187,947 million for the first six months of the fiscal year, and operating income to ¥7,312 million.

In the Other Business, Sekisui House sought to bolster its ability to make proposals to customers and enhance operating efficiency in the exterior business by integrating Greentechno Sekiwa companies and Sekiwa Construction, Ltd. Sales in this segment amounted to ¥36,655 million for the first six months of the fiscal year, and operating loss to ¥2,261 million.

Looking at these management results, Sekisui House took steps to increase orders in line with the key initiative of its mid-term management plan, the "Green First Strategy". As a result, orders for detached houses and rental housing, in particular, increased. These increases were mainly attributable to a rise in the installation rate of SHEQAS, Sekisui's unique antiseismic system, as a result of rising awareness of the safety of houses nationwide, an increase in orders for double power generation systems that use both household fuel cells and photovoltaic power generation systems, and a hike in demand for rental housing in cities. In the first six months of the fiscal year ending January 31, 2012, net sales amounted to ¥746,394 million (\$9,587,592 thousand). Operating income amounted to ¥32,553 million (\$418,150 thousand), net income to ¥16,868 million (\$216,673 thousand).

We made upward revisions to our consolidated results forecast for the fiscal year ending January 31, 2012 as follows: Net sales of ¥1,520 billion, Operating income of ¥68 billion, and Net income of ¥35.5 billion.

The dividend for the interim period under review will be ¥10.00 (\$0.13) per share.

September 2011



Isami Wada
Chairman & CEO



Toshinori Abe
President & COO

CONSOLIDATED BALANCE SHEETS

As of July 31 and January 31, 2011 and July 31, 2010

Assets	Millions of yen			Thousands of U.S. dollars
	July 31 2011	January 31 2011	July 31 2010	July 31 2011
Current assets:				
Cash and cash equivalents.....	¥ 154,681	¥ 151,983	¥ 246,902	\$ 1,986,911
Short-term investments.....	5	5	1,329	64
Notes and accounts receivable:				
Affiliates.....	165	159	162	2,120
Trade.....	44,369	35,545	31,603	569,929
Other.....	19,415	15,784	14,199	249,390
Less allowance for doubtful accounts..	(2,139)	(2,361)	(2,252)	(27,476)
	<u>61,810</u>	<u>49,127</u>	<u>43,712</u>	<u>793,963</u>
Inventories.....	594,543	550,436	543,017	7,637,033
Deferred income taxes.....	51,937	52,640	59,653	667,142
Other current assets.....	31,777	18,339	12,536	408,182
Total current assets	<u>894,753</u>	<u>822,530</u>	<u>907,149</u>	<u>11,493,295</u>
Property, plant and equipment, at cost:				
Land.....	194,373	193,249	189,572	2,496,763
Buildings and structures.....	250,788	241,411	238,489	3,221,426
Machinery, equipment and other.....	90,340	88,068	85,498	1,160,437
Construction in progress.....	8,505	11,100	8,072	109,248
	<u>544,006</u>	<u>533,828</u>	<u>521,631</u>	<u>6,987,874</u>
Less accumulated depreciation.....	(187,863)	(181,696)	(177,172)	(2,413,141)
Property, plant and equipment, net	<u>356,143</u>	<u>352,132</u>	<u>344,459</u>	<u>4,574,733</u>
Investments and other assets:				
Long-term loans receivable.....	27,132	28,831	31,781	348,516
Less allowance for doubtful accounts.....	(1,430)	(1,445)	(1,463)	(18,368)
	<u>25,702</u>	<u>27,386</u>	<u>30,318</u>	<u>330,148</u>
Investments in securities.....	68,736	68,107	65,532	882,929
Investments in affiliates.....	5,183	4,343	3,895	66,577
Deferred income taxes.....	20,941	18,651	18,701	268,991
Intangible assets.....	13,866	9,809	9,502	178,112
Other assets.....	38,562	38,351	36,260	495,337
Total investments and other assets	<u>172,990</u>	<u>166,647</u>	<u>164,208</u>	<u>2,222,094</u>
	<u>¥ 1,423,886</u>	<u>¥ 1,341,309</u>	<u>¥ 1,415,816</u>	<u>\$ 18,290,122</u>

Liabilities and net assets	Millions of yen			Thousands of U.S. dollars
	July 31 2011	January 31 2011	July 31 2010	July 31 2011
Current liabilities:				
Short-term loans.....	¥ 2,648	¥ 25	¥ -	\$ 34,014
Notes and accounts payable:				
Affiliates.....	3,176	3,312	3,242	40,796
Trade.....	136,658	146,402	127,365	1,755,401
Current portion of long-term debt and lease obligations.....	28,645	27,593	175,767	367,951
Accrued income taxes.....	14,054	9,039	6,520	180,527
Advances received on construction projects in progress.....	81,849	75,539	74,487	1,051,368
Allowance for employees' bonuses.....	12,909	14,419	11,578	165,819
Allowance for directors' and corporate auditors' bonuses.....	-	663	-	-
Allowance for warranties for completion contracts.....	3,017	2,762	2,887	38,754
Other current liabilities.....	51,662	44,335	42,496	663,610
Total current liabilities	<u>334,618</u>	<u>324,089</u>	<u>444,342</u>	<u>4,298,240</u>
Long-term liabilities:				
Long-term debt and lease obligations...	236,622	185,966	154,080	3,039,460
Guarantee deposits received.....	52,311	52,593	54,097	671,946
Accrued retirement benefits for employees.....	38,771	34,914	32,545	498,022
Accrued retirement benefits for directors and corporate auditors.....	940	1,023	932	12,075
Other liabilities.....	9,215	4,695	2,004	118,369
Total long-term liabilities	<u>337,859</u>	<u>279,191</u>	<u>243,658</u>	<u>4,339,872</u>
Contingent liabilities (Note 2)				
Net assets:				
Shareholders' equity				
Common stock:				
Authorized:1,978,281,000 shares				
Issued:676,885,078 shares in July 2011 and 2010, and January 2011...				
	186,554	186,554	186,554	2,396,326
Capital surplus.....	237,523	237,523	237,523	3,051,034
Retained earnings.....	320,821	309,362	301,358	4,121,015
Less treasury stock, at cost.....	(1,427)	(1,417)	(1,406)	(18,330)
Total shareholders' equity	<u>743,471</u>	<u>732,022</u>	<u>724,029</u>	<u>9,550,045</u>
Valuation and translation adjustments:				
Net unrealized holding gain on securities.....	3,185	2,813	2,539	40,912
Deferred gain (loss) on hedges.....	(25)	12	10	(321)
Translation adjustments.....	3,546	2,116	444	45,549
Total valuation and translation adjustments	<u>6,706</u>	<u>4,941</u>	<u>2,993</u>	<u>86,140</u>
Stock subscription rights.....	330	292	268	4,239
Minority interests.....	902	774	526	11,586
Total net assets	<u>751,409</u>	<u>738,029</u>	<u>727,816</u>	<u>9,652,010</u>
	<u>¥ 1,423,886</u>	<u>¥ 1,341,309</u>	<u>¥ 1,415,816</u>	<u>\$ 18,290,122</u>

* See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

Six months ended July 31, 2011 and 2010, and year ended January 31, 2011

	Millions of yen			Thousands of U.S. dollars
	July 31 2011	July 31 2010	January 31 2011	July 31 2011
Net sales	¥ 746,394	¥ 738,777	¥ 1,488,370	\$ 9,587,592
Cost of sales	614,519	612,808	1,231,162	7,893,629
Gross profit	131,875	125,969	257,208	1,693,963
Selling, general and administrative expenses	99,322	99,586	200,853	1,275,813
Operating income	32,553	26,383	56,355	418,150
Other income (expenses):				
Interest and dividend income	1,213	1,173	2,159	15,581
Interest expense	(959)	(1,522)	(2,639)	(12,319)
Loss from earthquake (Note 3)	(1,273)	-	-	(16,352)
Cumulative effect of initial application of asset retirement obligations	(688)	-	-	(8,838)
Loss on revaluation of investments in securities	(639)	(715)	(232)	(8,208)
Loss on sales or disposal of fixed assets	(450)	(861)	(2,235)	(5,780)
Equity in earnings of affiliates	264	344	917	3,391
Loss on impairment of fixed assets (Note 4)	-	(33)	(126)	-
Other, net	(503)	(461)	(385)	(6,460)
Income before income taxes and minority interests	29,518	24,308	53,814	379,165
Income taxes:				
Current	14,662	6,182	12,636	188,337
Deferred	(2,030)	4,486	10,735	(26,076)
Income before minority interests	12,632	10,668	23,371	162,261
Income before minority interests	16,886	13,640	30,443	216,904
Minority interests in earnings of subsidiaries	(18)	(17)	(22)	(231)
Net income	¥ 16,868	¥ 13,623	¥ 30,421	\$ 216,673

* See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Six months ended July 31, 2011 and 2010, and year ended January 31, 2011

	Millions of yen			Thousands of U.S. dollars
	July 31 2011	July 31 2010	January 31 2011	July 31 2011
Cash flows from operating activities				
Income before income taxes and minority interests.....	¥ 29,518	¥ 24,308	¥ 53,814	\$ 379,165
Adjustments for:				
Depreciation and amortization.....	8,861	7,774	16,383	113,821
Increase in accrued retirement benefits.....	3,856	3,198	5,567	49,531
Increase in prepaid pension cost.....	-	(3)	-	-
Interest and dividend income.....	(1,213)	(1,173)	(2,159)	(15,581)
Interest expense.....	959	1,522	2,639	12,319
Equity in earnings of affiliates.....	(264)	(344)	(917)	(3,391)
Loss on revaluation of investment in securities.....	639	715	232	8,208
Cumulative effect of initial application of asset retirement obligations...	688	-	-	8,838
Increase in notes and accounts receivable.....	(8,824)	(20,084)	(24,003)	(113,346)
(Increase) decrease in inventories.....	(46,653)	51,631	42,030	(599,268)
(Decrease) increase in notes and accounts payable.....	(4,290)	(7,220)	9,052	55,106
Increase (decrease) in advances received on construction projects in progress..	6,310	(15,939)	(14,909)	81,053
Other.....	(8,917)	1,591	5,785	(114,541)
Subtotal.....	(19,330)	45,976	93,514	(248,298)
Interest and dividends received	1,215	1,100	2,194	15,607
Interest paid	(1,692)	(1,481)	(3,701)	(21,734)
Income taxes paid.....	1,128	2,636	2,911	14,489
Income taxes refunded.....	(28,301)	42,605	85,061	(363,532)
Cash flows from investing activities				
Proceeds from sales of short-term investments.....	-	150	1,280	-
Proceeds from sales of property, plant and equipment.....	1,177	701	4,165	15,119
Purchases of property, plant and equipment.....	(14,894)	(9,800)	(21,936)	(191,317)
Proceeds from sales of investments in securities.....	105	289	311	1,349
Purchases of investments in securities.....	(916)	(2,958)	(4,067)	(11,766)
Increase in loans receivable.....	(347)	(786)	(967)	(4,457)
Collection of loans receivable.....	2,060	1,907	5,318	26,461
Other.....	(5,667)	(898)	(5,093)	(72,794)
Net cash used in investing activities.....	(18,482)	(11,395)	(20,989)	(237,405)
Cash flows from financing activities				
Increase in short-term loans.....	2,622	-	25	33,680
Proceeds from issuance of bonds.....	50,000	70,000	70,000	642,261
Proceeds from long-term debt.....	8,033	-	53,197	103,186
Repayment of long-term debt.....	(6,525)	(2,647)	(174,326)	(83,815)
Cash dividends paid.....	(5,407)	-	(8,786)	(69,454)
Increase in treasury stock.....	(15)	(27)	(62)	(193)
Other.....	(87)	(51)	(180)	(1,118)
Net cash provided by (used in) financing activities.....	48,621	67,275	(60,132)	624,547
Effect of exchange rate changes on cash and cash equivalents.....	860	(213)	(587)	11,047
Net increase in cash and cash equivalents.....	2,698	98,272	3,353	34,657
Cash and cash equivalents at beginning of period.....	151,983	148,630	148,630	1,952,254
Cash and cash equivalents at end of period.....	¥ 154,681	¥ 246,902	¥151,983	\$ 1,986,911

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2011 and 2010

1. Basis of Consolidated Financial Statements

The accompanying consolidated financial statements of Sekisui House, Ltd. (the "Company") and subsidiaries have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan. In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to present them in a form which is familiar to readers outside Japan. In addition, the notes to the accompanying consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Certain reclassifications of previously reported amounts have been made to conform the consolidated financial statements for the six months ended July 31, 2010 to the 2011 presentation. Such reclassifications had no effect on consolidated net income or net assets.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader and has been made at ¥77.85= U.S. \$1.00, the approximate rate of exchange in effect on July 31, 2011. 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, 2011.

	Millions of yen	Thousands of U.S. dollars
Guarantees of housing loans to customers.....	¥ 100,232	\$ 1,287,501
Guarantees of bank loans of a third party.....	634	8,144
	¥ 100,866	\$ 1,295,645

3. Loss from earthquake

Loss from earthquake represents loss related to restoration costs for fixed assets and inventories damaged by the Great East Japan Earthquake on March 11, 2011.

4. Loss on Impairment of Fixed Assets

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

For the year ended January 31, 2011, the Company wrote down certain real estate for lease to their respective net recoverable values. Consequently, the Company recorded a loss on impairment of fixed assets of ¥ 126 million in the accompanying consolidated statements of operations for operations for the year ended January 31, 2011.

For the six months ended July 31, 2010, the Company wrote down certain real estate for lease to their respective net recoverable values. Consequently, the Company recorded a loss on impairment of fixed assets of ¥ 33 million in the accompanying consolidated statements of operations for operations for the six months ended July 31, 2010.

5. Amounts per Share

	Yen			U.S. dollars
	July 31 2011	July 31 2010	January 31 2011	July 31 2011
Net income :				
Basic	¥ 24.96	¥ 20.16	¥ 45.02	\$ 0.32
Diluted	24.69	20.15	45.00	0.32
Net assets.....	1,110.25	1,075.92	1,090.67	14.26
Cash dividends.....	10.00	13.00	21.00	0.13

CORPORATE DATA

Corporate Officers

(As of August 1, 2011)

Chairman, Representative Director & CEO

Isami Wada

President, Representative Director & COO

Toshinori Abe

Executive Vice President & Directors

Sumio Wada

Shiro Inagaki

Directors

Katsuhiko Machida

Fumiaki Hirabayashi

Junichi Terada

Takashi Uchida

Tetsuo Iku

Daiji Kuroki

Kengo Yoshida

Standing Corporate Auditors

Tadashi Iwasaki

Yoshiro Kubota

Corporate Auditors

Takaharu Dohi

Teruyuki Saegusa

Eiji Mansho

Executive Vice President

Sumio Wada

Shiro Inagaki

Senior Managing Officers

Fumiaki Hirabayashi

Junichi Terada

Managing Officers

Takashi Uchida

Tetsuo Iku

Daiji Kuroki

Kengo Yoshida

Akihisa Terasaki

Executive Officers

Mitsugu Iijima

Tsutomu Motomura

Naoki Ishii

Takanobu Ishioka

Masaaki Oikawa

Fumiyasu Suguro

Michio Yoshizaki

Keigo Nakano

Kotaro Asano

Hisao Yamada

Yuichi Matsushima

Motohiko Fujiwara

Kazushi Mitani

Koji Nakata

Haruyuki Iwata

OUTLINE OF THE COMPANY

(As of July 31, 2011)

Established

August 1, 1960

Capital Stock Issued

¥ 186,554 million

Employees

15,032 (As of April 1, 2011)

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.

Sekiwa Construction Higashi-Tokyo, Ltd.

Sekisui House Umeda Operation Co., Ltd.

SGM Operation Co., Ltd.

Sekisui House Australia Holdings Pty Limited

All 105 subsidiaries and 12 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

BNY Mellon Shareowner Services

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