

**Consolidated First-Quarter Earnings Report  
February 1, 2006 – April 30, 2006**

**Sekisui House, Ltd.**

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

(a) Adoption of simplified accounting method: Yes

A simplified accounting method is applied to income taxes, allowances and reserves.

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

Accounting for unrecognized pension assets related to retirement benefits

Partial Revision of Accounting Standards for Retirement Benefits (Accounting Standards No. 3) and the Implementation Guidance for Partial Revision of Accounting Standard for Retirement Benefits (Accounting Standards Implementation Guidance No. 7) have been adopted from the first quarter of fiscal 2006.

(c) Change to the scope of consolidation and application of the equity method: No

**2. First-Quarter Operating Results for Fiscal 2006 (Feb.1, 2006 to Apr. 30, 2006)**

**(1) Consolidated Business Results**

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

|                      | Net Sales       |     | Operating income |      | Recurring income |       | Net income      |        |
|----------------------|-----------------|-----|------------------|------|------------------|-------|-----------------|--------|
|                      | Millions of yen | %   | Millions of yen  | %    | Millions of yen  | %     | Millions of yen | %      |
| FY2006 First Quarter | 291,017         | 2.2 | 366              | 47.3 | 936              | 473.0 | 28              | (80.1) |
| FY2005 First Quarter | 284,757         | 7.1 | 248              | -    | 163              | -     | 143             | -      |
| FY2005               | 1,501,857       |     | 79,980           |      | 81,699           |       | 43,029          |        |

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

|                      | Net income per share | Fully diluted net income per share |
|----------------------|----------------------|------------------------------------|
|                      | yen                  | yen                                |
| FY2006 First Quarter | 0.04                 | -                                  |
| FY2005 First Quarter | 0.21                 | -                                  |
| FY2005               | 62.94                | -                                  |

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

During the three months ended April 30, 2006, the Japanese economy was on a moderate path to recovery, with private capital expenditures and the employment environment continuing to improve on the back of brisk corporate profits. However, some uncertainties concerning the future course of business still remained, due to the rising prices of oil and other raw materials, as well as concerns regarding an increase in long-term interest rates.

In the housing market, built-for-sale units moved relatively well, primarily among first-time buyers, as the bottoming-out of land prices became clearer in metropolitan areas and interest rates remained low. Nevertheless, demand from owner-occupiers stayed sluggish as second-time buyers, who account for the majority of secondary acquisitions for rebuilding, were not confident enough to invest in their housing.

Against this backdrop, the Company focused its efforts on enhancing its marketing expertise. Net sales grew year-on-year by 2.2% to 291,017 million yen, recurring income totaled at 936 million yen, and net income for the first quarter at 28 million yen. Consolidated orders reached 388,725 million yen.

## (2) Consolidated Financial Position

|                      | Total asset            | Shareholders' equity   | Equity ratio | Shareholders' equity per share |
|----------------------|------------------------|------------------------|--------------|--------------------------------|
|                      | <i>Millions of yen</i> | <i>Millions of yen</i> | <i>%</i>     | <i>yen</i>                     |
| FY2006 First Quarter | 1,159,867              | 744,205                | 64.2         | 1,049.50                       |
| FY2005 First Quarter | 1,060,896              | 635,584                | 59.9         | 953.77                         |
| FY2005               | 1,098,203              | 685,762                | 62.4         | 1,028.46                       |

## Consolidated Cash Flows

|                      | Net cash provided by operating activities | Net cash used in investing activities | Net cash used in financing activities | Cash and cash equivalents at end of period |
|----------------------|---|---------------------------------------|---------------------------------------|--|
|                      | <i>Millions of yen</i>                    | <i>Millions of yen</i>                | <i>Millions of yen</i>                | <i>Millions of yen</i>                     |
| FY2006 First Quarter | 1,369                                     | (3,170)                               | 58,020                                | 151,232                                    |
| FY2005 First Quarter | (66,910)                                  | 45,064                                | (50,574)                              | 107,255                                    |
| FY2005               | (5,756)                                   | 12,259                                | (91,200)                              | 94,979                                     |

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

Inventories increased due to the aggressive procurement of land for sale, in response to the expanding real estate business. Current assets grew by 8.6% as cash and deposits increased substantially, thanks to the sale of our treasury stock for financing investments in real estate development. Current liabilities increased by 1.3%, primarily due to an increase in advances received on construction work in progress as orders continued to grow. Shareholders' equity grew by 8.5%, owing to the sale of 43,000,000 treasury shares and the resulting substantial increase in capital surplus. Consequently, the equity ratio advanced by 1.8 percentage points, thereby placing our finances on secure footing.

## 3. Consolidated Results Forecast for the Year ending January 31, 2007 (Feb.1, 2006 to Jan. 31, 2007)

|           | <i>Millions of yen</i> |                  |            | Net income per share (yen) |
|-----------|------------------------|------------------|------------|----------------------------|
|           | Net sales              | Recurring income | Net income |                            |
| Interim   | 764,000                | 37,500           | 20,000     | -                          |
| Full year | 1,610,000              | 95,000           | 52,000     | 73.33                      |

\*Forecasts are based on information available to management at the time of this announcement. A number of uncertainties may cause actual results to differ materially from forecast.

No revisions have been made to initial interim and full-year forecasts announced on March 1, 2006.



## Non-Consolidated First-Quarter Earnings Report February 1, 2006 – April 30, 2006

### 1. First-Quarter Operating Results for Fiscal 2006 (Feb.1, 2006 to Apr. 30, 2006)

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

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

|                      | Net Sales              |       | Operating income       |   | Recurring income       |   | Net income             |   |
|----------------------|------------------------|-------|------------------------|---|------------------------|---|------------------------|---|
|                      | <i>Millions of yen</i> | %     | <i>Millions of yen</i> | % | <i>Millions of yen</i> | % | <i>Millions of yen</i> | % |
| FY2006 First Quarter | 197,125                | (0.8) | (6,052)                | - | (3,063)                | - | (1,149)                | - |
| FY2005 First Quarter | 198,766                | 2.1   | (4,472)                | - | (2,687)                | - | (1,177)                | - |
| FY2005               | 1,145,540              |       | 59,864                 |   | 63,146                 |   | 33,003                 |   |

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

|                      | Net income per share | Fully diluted net income per share |
|----------------------|----------------------|------------------------------------|
|                      | <i>yen</i>           | <i>yen</i>                         |
| FY2006 First Quarter | (1.67)               | -                                  |
| FY2005 First Quarter | (1.71)               | -                                  |
| FY2005               | 48.76                | -                                  |

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

|                      | Total asset            | Shareholders' equity   | Equity ratio | Shareholders' equity per share |
|----------------------|------------------------|------------------------|--------------|--------------------------------|
|                      | <i>Millions of yen</i> | <i>Millions of yen</i> | %            | <i>yen</i>                     |
| FY2006 First Quarter | 1,039,833              | 692,798                | 66.6         | 976.84                         |
| FY2005 First Quarter | 935,220                | 593,906                | 63.5         | 891.06                         |
| FY2005               | 976,952                | 635,074                | 65.0         | 952.92                         |

### 2. Non-Consolidated Results Forecast for the Year ending January 31, 2007 (Feb.1, 2006 to Jan. 31, 2007)

|           | <i>Millions of yen</i> |                  |            | Net income per share (yen) |
|-----------|------------------------|------------------|------------|----------------------------|
|           | Net sales              | Recurring income | Net income |                            |
| Interim   | 580,000                | 30,000           | 17,500     | -                          |
| Full year | 1,245,000              | 77,000           | 43,500     | 61.33                      |

\*Forecasts are based on information available to management at the time of this announcement. A number of uncertainties may cause actual results to differ materially from forecast.

No revisions have been made to initial interim and full-year forecasts announced on March 1, 2006.

## CONSOLIDATED BALANCE SHEETS

As of April 30, 2006, 2005 and January 31, 2006

Millions of yen

|                                      | FY2006 1 <sup>st</sup> Quarter | FY2005           | Difference    | %            | FY2005 1 <sup>st</sup> Quarter |
|--------------------------------------|--------------------------------|------------------|---------------|--------------|--------------------------------|
| <b>Assets</b>                        | <b>1,159,867</b>               | <b>1,098,203</b> | <b>61,664</b> | <b>5.6</b>   | <b>1,060,896</b>               |
| <b>Current assets</b>                | <b>774,199</b>                 | <b>712,752</b>   | <b>61,447</b> | <b>8.6</b>   | <b>706,498</b>                 |
| Cash and deposits                    | 151,832                        | 95,579           |               |              | 106,555                        |
| Notes and accounts receivable        | 30,291                         | 96,610           |               |              | 37,267                         |
| Marketable securities                | 216                            | 216              |               |              | 1,539                          |
| Inventories                          | 505,834                        | 436,609          |               |              | 450,159                        |
| Deferred income taxes                | 61,928                         | 59,242           |               |              | 87,304                         |
| Other current assets                 | 25,784                         | 26,255           |               |              | 25,304                         |
| Less allowance for doubtful accounts | (1,688)                        | (1,762)          |               |              | (1,633)                        |
| <b>Fixed assets</b>                  | <b>385,667</b>                 | <b>385,451</b>   | <b>216</b>    | <b>0.1</b>   | <b>354,398</b>                 |
| <b>Tangible fixed assets</b>         | <b>201,796</b>                 | <b>202,131</b>   | <b>(335)</b>  | <b>(0.2)</b> | <b>184,838</b>                 |
| Buildings and structures             | 92,914                         | 91,933           |               |              | 87,377                         |
| Machinery and vehicles               | 12,426                         | 12,495           |               |              | 11,775                         |
| Tools and equipment                  | 5,866                          | 5,953            |               |              | 5,259                          |
| Land                                 | 88,168                         | 87,925           |               |              | 77,297                         |
| Construction in progress             | 2,420                          | 3,823            |               |              | 3,128                          |
| <b>Intangible fixed assets</b>       | <b>6,598</b>                   | <b>5,973</b>     | <b>625</b>    | <b>10.5</b>  | <b>5,966</b>                   |
| Industrial property rights           | 52                             | 54               |               |              | 23                             |
| Lease rights                         | 2,011                          | 2,011            |               |              | 2,011                          |
| Software                             | 3,622                          | 3,001            |               |              | 3,035                          |
| Utility rights                       | 42                             | 36               |               |              | 29                             |
| Telephone subscription rights        | 869                            | 869              |               |              | 867                            |
| <b>Investments and other assets</b>  | <b>177,272</b>                 | <b>177,345</b>   | <b>(73)</b>   | <b>(0.0)</b> | <b>163,593</b>                 |
| Investment in securities             | 102,607                        | 100,895          |               |              | 77,101                         |
| Long-term loans receivable           | 36,737                         | 37,985           |               |              | 43,065                         |
| Deferred income taxes                | 2,725                          | 3,054            |               |              | 9,268                          |
| Other investments and other assets   | 36,617                         | 36,824           |               |              | 35,562                         |
| Less allowance for doubtful accounts | (1,415)                        | (1,414)          |               |              | (1,404)                        |
| <b>Total Assets</b>                  | <b>1,159,867</b>               | <b>1,098,203</b> | <b>61,664</b> | <b>5.6</b>   | <b>1,060,896</b>               |

As of April 30, 2006, 2005 and January 31, 2005

Millions of yen

|  | FY2006 1 <sup>st</sup> Quarter | FY2005           | Difference    | %            | FY2005 1 <sup>st</sup> Quarter |
|--|--------------------------------|------------------|---------------|--------------|--------------------------------|
| <b>Liabilities</b>   | <b>415,404</b>                 | <b>412,168</b>   | <b>3,236</b>  | <b>0.8</b>   | <b>429,835</b>                 |
| <b>Current liabilities</b>   | <b>331,011</b>                 | <b>326,864</b>   | <b>4,147</b>  | <b>1.3</b>   | <b>334,618</b>                 |
| Notes and accounts payable   | 147,850                        | 166,388          |               |              | 135,405                        |
| Short-term notes   | -                              | -                |               |              | 15,000                         |
| Current portion of long-term debt and notes  | -                              | -                |               |              | 20,000                         |
| Accrued income taxes   | 3,138                          | 7,206            |               |              | 3,203                          |
| Advances received  | 111,812                        | 86,174           |               |              | 99,027                         |
| Reserve for bonuses  | 17,316                         | 18,000           |               |              | 16,575                         |
| Reserve for warranty on completed works  | 2,691                          | 2,611            |               |              | 1,802                          |
| Other current liabilities  | 48,203                         | 46,482           |               |              | 43,604                         |
| <b>Long term liabilities</b>   | <b>84,393</b>                  | <b>85,304</b>    | <b>(911)</b>  | <b>(1.1)</b> | <b>95,217</b>                  |
| Long-term debt   | -                              | -                |               |              | 8,245                          |
| Deposits and guarantees  | 53,566                         | 53,063           |               |              | 56,587                         |
| Deferred tax liability   | 3,283                          | 2,256            |               |              | -                              |
| Accrued retirement benefits  | 24,689                         | 26,143           |               |              | 26,396                         |
| Reserve for retirement benefits for retiring directors,<br>executive officers and corporate auditors | 867                            | 1,803            |               |              | 1,490                          |
| Reserve for Japan Expo Expenses  | -                              | -                |               |              | 186                            |
| Consolidated adjustment account  | 147                            | 185              |               |              | 300                            |
| Other long term liabilities  | 1,838                          | 1,851            |               |              | 2,009                          |
| <b>Minority interests</b>  | <b>257</b>                     | <b>271</b>       | <b>(14)</b>   | <b>(5.4)</b> | <b>(4,523)</b>                 |
| <b>Shareholders' equity</b>  | <b>744,205</b>                 | <b>685,762</b>   | <b>58,443</b> | <b>8.5</b>   | <b>635,584</b>                 |
| Paid-in capital  | 186,554                        | 186,554          |               |              | 186,554                        |
| Capital surplus  | 254,130                        | 237,522          |               |              | 237,522                        |
| Retained earnings  | 278,295                        | 285,574          |               |              | 248,203                        |
| Net unrealized holding gain (loss) on securities   | 25,535                         | 24,530           |               |              | 10,702                         |
| Foreign currency translation adjustment  | (6)                            | (40)             |               |              | (41)                           |
| Less treasury stock, at cost   | (303)                          | (48,379)         |               |              | (47,356)                       |
| <b>Liabilities, Minority Interests, and<br/>Shareholders' Equity</b>                                 | <b>1,159,867</b>               | <b>1,098,203</b> | <b>61,664</b> | <b>5.6</b>   | <b>1,060,896</b>               |

|  | Feb. 1, 2006 –<br>Apr. 30, 2006 | Feb. 1, 2005 –<br>Apr. 30, 2005 | Difference             |               | Feb. 1, 2005 –<br>Jan. 31, 2006 |
|--|---------------------------------|---------------------------------|------------------------|---------------|---------------------------------|
|  | <i>Millions of yen</i>          | <i>Millions of yen</i>          | <i>Millions of yen</i> | %             | <i>Millions of yen</i>          |
| <b>Net sales</b>   | <b>291,017</b>                  | <b>284,757</b>                  | <b>6,260</b>           | <b>2.2</b>    | <b>1,501,857</b>                |
| Cost of sales  | 238,792                         | 233,435                         | 5,357                  | 2.3           | 1,213,190                       |
| Gross profit   | 52,225                          | 51,321                          | 904                    | 1.8           | 288,666                         |
| Selling, general and administrative expenses             | 51,858                          | 51,072                          | 786                    | 1.5           | 208,686                         |
| <b>Operating income</b>                                  | <b>366</b>                      | <b>248</b>                      | <b>118</b>             | <b>47.3</b>   | <b>79,980</b>                   |
| <b>Non-operating income</b>                              | <b>1,133</b>                    | <b>989</b>                      | <b>144</b>             | <b>14.5</b>   | <b>5,566</b>                    |
| Interest received  | 276                             | 297                             |                        |               | 2,223                           |
| Equity in earning of affiliates                          | 48                              | -                               |                        |               | 183                             |
| Miscellaneous income                                     | 807                             | 691                             |                        |               | 3,159                           |
| <b>Non-operating loss</b>                                | <b>563</b>                      | <b>1,074</b>                    | <b>(511)</b>           | <b>(47.6)</b> | <b>3,846</b>                    |
| Interest expense   | 12                              | 78                              |                        |               | 139                             |
| Equity in losses of affiliates                           | -                               | 3                               |                        |               | -                               |
| Miscellaneous expense                                    | 551                             | 993                             |                        |               | 3,707                           |
| <b>Recurring income</b>                                  | <b>936</b>                      | <b>163</b>                      | <b>773</b>             | <b>473.0</b>  | <b>81,699</b>                   |
| <b>Extraordinary income</b>                              | <b>95</b>                       | <b>396</b>                      | <b>(301)</b>           | <b>(76.1)</b> | <b>5,937</b>                    |
| <b>Extraordinary loss</b>                                | <b>178</b>                      | <b>195</b>                      | <b>(17)</b>            | <b>(8.8)</b>  | <b>12,862</b>                   |
| <b>Income before income taxes and minority interests</b> | <b>852</b>                      | <b>364</b>                      | <b>488</b>             | <b>134.0</b>  | <b>74,774</b>                   |
| Income tax   | 825                             | 223                             | 602                    | 269.7         | 31,562                          |
| Minority interests in earnings of subsidiaries           | (1)                             | (2)                             | 1                      | -             | 182                             |
| <b>Net Income</b>  | <b>28</b>                       | <b>143</b>                      | <b>(115)</b>           | <b>(80.1)</b> | <b>43,029</b>                   |

## CONSOLIDATED STATEMENT OF CASH FLOW

*Millions of yen*

|   | Feb.1, 2006 – Apr. 30, 2006 | Feb. 1, 2005 –Apr. 30, 2005 | Feb. 1, 2005 –Jan. 31, 2006 |
|---|-----------------------------|-----------------------------|-----------------------------|
| <b>Cash flows from operating activities</b>                         |                             |                             |                             |
| Income before income taxes and minority interests                   | 852                         | 364                         | 74,774                      |
| Depreciation and amortization                                       | 2,795                       | 2,482                       | 11,117                      |
| Provision for retirement benefit                                    | ( 1,454 )                   | ( 499 )                     | ( 752 )                     |
| Interest and dividend income  | ( 276 )                     | ( 297 )                     | ( 2,223 )                   |
| Interest expense  | 12                          | 78                          | 139                         |
| Equity in losses (gains) of affiliates                              | ( 48 )                      | 3                           | ( 183 )                     |
| Loss on revaluation of real estate held for sale                    | -                           | -                           | 12,015                      |
| Loss on revaluation of securities                                   | -                           | -                           | 9                           |
| Decrease (increase) in note and accounts receivables                | 66,319                      | 45,303                      | ( 14,040 )                  |
| Increase in inventories and advance payments                        | ( 68,534 )                  | ( 88,817 )                  | ( 68,174 )                  |
| Increase (decrease) in notes and accounts payable                   | ( 16,794 )                  | ( 16,345 )                  | 12,493                      |
| Increase (decrease) in advances received                            | 25,638                      | 12,593                      | ( 260 )                     |
| Other   | ( 1,047 )                   | ( 3,318 )                   | ( 9,889 )                   |
| <b>Subtotal</b>   | <b>7,461</b>                | <b>(48,454)</b>             | <b>15,026</b>               |
| Interest and dividends received                                     | 281                         | 427                         | 2,367                       |
| Interest paid   | ( 12 )                      | ( 88 )                      | ( 244 )                     |
| Income taxes paid   | ( 6,360 )                   | ( 18,795 )                  | ( 22,905 )                  |
| <b>Net cash provided by operating activities</b>                    | <b>1,369</b>                | <b>( 66,910 )</b>           | <b>( 5,756 )</b>            |
| <b>Cash flows from investing activities</b>                         |                             |                             |                             |
| Purchases of marketable securities                                  | -                           | ( 444 )                     | ( 232 )                     |
| Proceeds from sales of marketable securities                        | -                           | 639                         | 265                         |
| Purchases of property, plant and equipment                          | ( 4,350 )                   | ( 3,976 )                   | ( 47,141 )                  |
| Proceeds from sales of property, plant and equipment                | 11                          | 38                          | 1,951                       |
| Purchase of investments in securities                               | ( 37 )                      | ( 4,771 )                   | ( 12,654 )                  |
| Proceeds from sales of investments in securities                    | 108                         | 52,783                      | 65,740                      |
| Payment for loans receivable  | ( 259 )                     | ( 550 )                     | ( 1,483 )                   |
| Settlement of loans receivable                                      | 1,488                       | 1,444                       | 7,456                       |
| Other   | ( 130 )                     | ( 99 )                      | ( 1,642 )                   |
| <b>Net cash used in investing activities</b>                        | <b>( 3,170 )</b>            | <b>45,064</b>               | <b>12,259</b>               |
| <b>Cash flows from financing activities</b>                         |                             |                             |                             |
| Increase in issuance of short-term notes                            | -                           | 15,000                      | -                           |
| Repayment of long-term debt   | -                           | ( 1,180 )                   | ( 1,552 )                   |
| Repayment of notes  | -                           | ( 10,000 )                  | ( 30,000 )                  |
| Cash dividend paid  | ( 6,662 )                   | ( 6,120 )                   | ( 12,784 )                  |
| Cash dividend paid for minority interests                           | ( 1 )                       | ( 404 )                     | ( 404 )                     |
| Purchase of treasury stock  | ( 113 )                     | ( 47,875 )                  | ( 46,599 )                  |
| Proceeds from disposal of treasury stock and sale of shares         | 64,794                      | -                           | -                           |
| Other   | 3                           | 6                           | 141                         |
| <b>Net cash used in financing activities</b>                        | <b>58,020</b>               | <b>( 50,574 )</b>           | <b>( 91,200 )</b>           |
| <b>Effect of exchange rate changes on cash and cash equivalents</b> | <b>33</b>                   | <b>( 36 )</b>               | <b>( 35 )</b>               |
| <b>Net increase (decrease) in cash and cash equivalents</b>         | <b>56,253</b>               | <b>( 72,456 )</b>           | <b>( 84,732 )</b>           |
| <b>Cash and cash equivalents at beginning of year</b>               | <b>94,979</b>               | <b>179,712</b>              | <b>179,712</b>              |
| <b>Cash and cash equivalents at end of year</b>                     | <b>151,232</b>              | <b>107,255</b>              | <b>94,979</b>               |

**(Segmental information)**

Four sections classify each business

FY2006 1<sup>st</sup> Qtr. (Feb. 1, 2006 – Apr. 30, 2006)

Millions of yen

|  | Built to Order<br>Housing | Real Estate<br>for Sale | Real Estate for<br>Leasing | Other<br>Business | Total   | Eliminations and<br>Back Office | Consolidated |
|--|---------------------------|-------------------------|----------------------------|-------------------|---------|---------------------------------|--------------|
| <b>Sales &amp; Operating income and loss</b> |                           |                         |                            |                   |         |                                 |              |
| Sales  |                           |                         |                            |                   |         |                                 |              |
| Sales to third parties                       | 113,058                   | 66,361                  | 77,708                     | 33,889            | 291,017 | -                               | 291,017      |
| Inter-group sales and transfers              | 376                       | -                       | 532                        | 695               | 1,605   | (1,605)                         | -            |
| Total sales                                  | 113,435                   | 66,361                  | 78,241                     | 34,585            | 292,622 | (1,605)                         | 291,017      |
| Operating expenses                           | 112,022                   | 64,030                  | 73,138                     | 34,200            | 283,391 | 7,259                           | 290,650      |
| Operating income                             | 1,412                     | 2,330                   | 5,102                      | 384               | 9,230   | (8,864)                         | 366          |

FY2005 1<sup>st</sup> Qtr. (Feb. 1, 2005 – Apr. 30, 2005)

Millions of yen

|  | Built to Order<br>Housing | Real Estate<br>for Sale | Real Estate for<br>Leasing | Other<br>Business | Total   | Eliminations and<br>Back Office | Consolidated |
|--|---------------------------|-------------------------|----------------------------|-------------------|---------|---------------------------------|--------------|
| <b>Sales &amp; Operating income and loss</b> |                           |                         |                            |                   |         |                                 |              |
| Sales  |                           |                         |                            |                   |         |                                 |              |
| Sales to third parties                       | 130,986                   | 49,939                  | 72,783                     | 31,047            | 284,757 | -                               | 284,757      |
| Inter-group sales and transfers              | 536                       | -                       | 529                        | 715               | 1,781   | (1,781)                         | -            |
| Total sales                                  | 131,522                   | 49,939                  | 73,313                     | 31,763            | 286,539 | (1,781)                         | 284,757      |
| Operating expenses                           | 126,444                   | 49,900                  | 69,535                     | 31,720            | 277,601 | 6,906                           | 284,508      |
| Operating income                             | 5,077                     | 39                      | 3,777                      | 42                | 8,937   | (8,688)                         | 248          |

FY2005 (Feb. 1, 2005 – Jan. 31, 2006)

Millions of yen

|  | Built to Order<br>Housing | Real Estate<br>for Sale | Real Estate for<br>Leasing | Other<br>Business | Total     | Eliminations and<br>Back Office | Consolidated |
|--|---------------------------|-------------------------|----------------------------|-------------------|-----------|---------------------------------|--------------|
| <b>Sales &amp; Operating income and loss</b> |                           |                         |                            |                   |           |                                 |              |
| Sales  |                           |                         |                            |                   |           |                                 |              |
| Sales to third parties                       | 725,216                   | 347,723                 | 291,154                    | 137,762           | 1,501,857 | -                               | 1,501,857    |
| Inter-group sales and transfers              | 1,702                     | -                       | 1,517                      | 5,151             | 8,371     | (8,371)                         | -            |
| Total sales                                  | 726,919                   | 347,723                 | 292,672                    | 142,913           | 1,510,228 | (8,371)                         | 1,501,857    |
| Operating expenses                           | 652,140                   | 324,317                 | 279,438                    | 139,354           | 1,395,250 | 26,625                          | 1,421,876    |
| Operating income                             | 74,779                    | 23,406                  | 13,233                     | 3,558             | 114,978   | (34,997)                        | 79,980       |

## [Notes]

## 1. Business classification

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

## 2. Main details of each business segment:

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

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

FY2006 1<sup>st</sup> Qtr : 7,871 million yen FY2005 1<sup>st</sup> Qtr : 7,709 million yen FY2005 : 31,927 million yen



## Segment Breakdown

### Consolidated

|                         | Feb.1, 2006 – Apr. 30, 2006 |                        | Feb.1, 2005 – Apr. 30, 2005 |                        | Feb.1, 2005 – Jan.31, 2006 |                        |
|-------------------------|-----------------------------|------------------------|-----------------------------|------------------------|----------------------------|------------------------|
|                         | Orders                      | Accumulated orders     | Orders                      | Accumulated orders     | Orders                     | Accumulated orders     |
|                         | <i>Millions of yen</i>      | <i>Millions of yen</i> | <i>Millions of yen</i>      | <i>Millions of yen</i> | <i>Millions of yen</i>     | <i>Millions of yen</i> |
| Built to Order Housing  | 179,186                     | 437,553                | 163,753                     | 445,269                | 684,139                    | 371,425                |
| Real Estate for Sale    | 94,175                      | 111,355                | 71,746                      | 101,822                | 351,248                    | 83,540                 |
| Real Estate for Leasing | 77,708                      | -                      | 72,783                      | -                      | 291,154                    | -                      |
| Other Business          | 37,654                      | 99,259                 | 34,772                      | 85,164                 | 151,816                    | 95,493                 |
| <b>Total</b>            | <b>388,725</b>              | <b>648,168</b>         | <b>343,056</b>              | <b>632,257</b>         | <b>1,478,359</b>           | <b>550,459</b>         |

### Non-Consolidated

|                         | Feb.1, 2006 – Apr. 30, 2006 |                        | Feb.1, 2005 – Apr. 30, 2005 |                        | Feb.1, 2005 – Jan.31, 2006 |                        |
|-------------------------|-----------------------------|------------------------|-----------------------------|------------------------|----------------------------|------------------------|
|                         | Orders                      | Accumulated orders     | Orders                      | Accumulated orders     | Orders                     | Accumulated orders     |
|                         | <i>Millions of yen</i>      | <i>Millions of yen</i> | <i>Millions of yen</i>      | <i>Millions of yen</i> | <i>Millions of yen</i>     | <i>Millions of yen</i> |
| Built to Order Housing  | 177,594                     | 438,653                | 162,482                     | 446,047                | 678,060                    | 372,550                |
| Real Estate for Sale    | 89,185                      | 105,742                | 68,875                      | 97,319                 | 333,371                    | 78,068                 |
| Real Estate for Leasing | 1,912                       | -                      | 2,515                       | -                      | 9,116                      | -                      |
| Other Business          | 22,765                      | 93,144                 | 21,270                      | 78,082                 | 103,127                    | 92,587                 |
| <b>Total</b>            | <b>291,458</b>              | <b>637,539</b>         | <b>255,145</b>              | <b>621,449</b>         | <b>1,123,675</b>           | <b>543,206</b>         |

## NON-CONSOLIDATED BALANCE SHEETS

As of April 30, 2005, 2006 and January 31, 2006

Millions of yen

|   | FY2006 1 <sup>st</sup> Quarter | FY2005         | Difference    | %            | FY2005 1 <sup>st</sup> Quarter |
|---|--------------------------------|----------------|---------------|--------------|--------------------------------|
| <b>Assets</b>                                       | <b>1,039,833</b>               | <b>976,952</b> | <b>62,881</b> | <b>6.4</b>   | <b>935,220</b>                 |
| <b>Current assets</b>                               | <b>680,709</b>                 | <b>618,305</b> | <b>62,404</b> | <b>10.1</b>  | <b>595,000</b>                 |
| Cash and deposits                                   | 98,485                         | 35,725         |               |              | 48,542                         |
| Notes receivable-trade                              | 908                            | 785            |               |              | 1,093                          |
| Accounts receivable-construction                    | 20,603                         | 88,565         |               |              | 30,113                         |
| Accounts receivable-real estate                     | 4,433                          | 3,634          |               |              | 1,402                          |
| Prepaid expenses for construction in progress       | 68,657                         | 43,667         |               |              | 57,090                         |
| Buildings for sale                                  | 80,950                         | 58,216         |               |              | 65,587                         |
| Land for sale                                       | 290,278                        | 272,818        |               |              | 248,214                        |
| Land for sale in process                            | 31,524                         | 32,728         |               |              | 46,083                         |
| Other inventories                                   | 6,098                          | 5,106          |               |              | 5,819                          |
| Advance payments                                    | 1,016                          | 968            |               |              | 2,793                          |
| Prepaid expenses                                    | 4,996                          | 4,426          |               |              | 4,218                          |
| Accounts receivable-other                           | 13,228                         | 16,468         |               |              | 13,273                         |
| Deferred income taxes                               | 56,592                         | 54,006         |               |              | 68,252                         |
| Other current assets                                | 4,098                          | 2,453          |               |              | 3,573                          |
| Less allowance for doubtful accounts                | (1,160)                        | (1,268)        |               |              | (1,058)                        |
| <b>Fixed Assets</b>                                 | <b>359,123</b>                 | <b>358,647</b> | <b>476</b>    | <b>0.1</b>   | <b>340,219</b>                 |
| <b>Tangible fixed assets</b>                        | <b>159,293</b>                 | <b>159,612</b> | <b>(319)</b>  | <b>(0.2)</b> | <b>143,222</b>                 |
| Buildings   | 64,040                         | 64,696         |               |              | 59,824                         |
| Structures  | 4,377                          | 4,450          |               |              | 4,206                          |
| Machinery and equipment                             | 11,154                         | 11,210         |               |              | 10,389                         |
| Vehicles and delivery equipment                     | 162                            | 167            |               |              | 159                            |
| Tools and equipment                                 | 4,466                          | 4,526          |               |              | 3,832                          |
| Land  | 73,004                         | 72,761         |               |              | 61,597                         |
| Constructions in progress                           | 2,086                          | 1,800          |               |              | 3,211                          |
| <b>Intangible fixed assets</b>                      | <b>4,631</b>                   | <b>3,988</b>   | <b>643</b>    | <b>16.1</b>  | <b>3,929</b>                   |
| Industrial property rights                          | 36                             | 37             |               |              | -                              |
| Lease rights  | 1,608                          | 1,608          |               |              | 1,608                          |
| Software  | 2,275                          | 1,629          |               |              | 1,614                          |
| Utility rights                                      | 25                             | 26             |               |              | 23                             |
| Telephone subscription rights                       | 686                            | 686            |               |              | 683                            |
| <b>Investments</b>                                  | <b>195,198</b>                 | <b>195,046</b> | <b>152</b>    | <b>0.1</b>   | <b>193,068</b>                 |
| Investment in securities                            | 101,111                        | 99,432         |               |              | 75,164                         |
| Investment in subsidiaries and partnership          | 39,893                         | 39,891         |               |              | 39,710                         |
| Long-term loans receivable                          | 50,707                         | 52,173         |               |              | 72,177                         |
| Long-term prepaid expenses                          | 805                            | 800            |               |              | 813                            |
| Deposit and guaranty                                | 12,393                         | 12,359         |               |              | 12,474                         |
| Deferred income taxes                               | -                              | -              |               |              | 15,708                         |
| Other investments and other assets                  | 5,315                          | 5,407          |               |              | 3,983                          |
| Reserve for losses from investments in subsidiaries | (682)                          | (682)          |               |              | (682)                          |
| Less allowance for doubtful accounts                | (14,346)                       | (14,337)       |               |              | (26,283)                       |
| <b>Total</b>  | <b>1,039,833</b>               | <b>976,952</b> | <b>62,881</b> | <b>6.4</b>   | <b>935,220</b>                 |

As of April 30, 2005, 2006 and January 31, 2006

Millions of yen

|   | FY2006 1 <sup>st</sup> Quarter | FY2005          | Difference     | %            | FY2005 1 <sup>st</sup> Quarter |
|---|--------------------------------|-----------------|----------------|--------------|--------------------------------|
| <b>Liabilities</b>  | <b>347,034</b>                 | <b>341,877</b>  | <b>5,157</b>   | <b>1.5</b>   | <b>341,313</b>                 |
| <b>Current Liabilities</b>  | <b>314,406</b>                 | <b>308,187</b>  | <b>6,219</b>   | <b>2.0</b>   | <b>307,869</b>                 |
| Notes payable-trade   | 58,464                         | 63,749          |                |              | 51,596                         |
| Accounts payable-trade  | 40,812                         | 40,560          |                |              | 40,080                         |
| Accounts payable-construction   | 35,390                         | 55,746          |                |              | 32,166                         |
| Short-term notes  | -                              | -               |                |              | 15,000                         |
| Current portion of notes  | -                              | -               |                |              | 20,000                         |
| Accounts payable-other  | 8,553                          | 7,057           |                |              | 8,785                          |
| Accrued expenses  | 15,701                         | 12,328          |                |              | 14,301                         |
| Corporate tax payable   | 335                            | 1,200           |                |              | 508                            |
| Consumption tax payable   | -                              | 6,819           |                |              | 905                            |
| Advances received-construction  | 81,466                         | 58,917          |                |              | 71,513                         |
| Advance received-other  | 6,456                          | 4,556           |                |              | 5,851                          |
| Reserve for bonuses   | 13,006                         | 13,902          |                |              | 12,560                         |
| Reserve for warranty on completed works   | 2,691                          | 2,611           |                |              | 1,802                          |
| Other current liabilities   | 51,527                         | 40,737          |                |              | 32,798                         |
| <b>Long term liabilities</b>  | <b>32,627</b>                  | <b>33,690</b>   | <b>(1,063)</b> | <b>(3.2)</b> | <b>33,443</b>                  |
| Deposits and guaranty received  | 6,303                          | 6,302           |                |              | 8,918                          |
| Deferred tax liability  | 4,079                          | 2,918           |                |              | -                              |
| Accrued retirement benefits   | 22,245                         | 23,600          |                |              | 23,582                         |
| Reserve for retirement benefits for retiring directors, executive officers and corporate auditors | -                              | 869             |                |              | 755                            |
| Reserve for Japan Expo expenses   | -                              | -               |                |              | 186                            |
| <b>Shareholders' Equity</b>   | <b>692,798</b>                 | <b>635,074</b>  | <b>57,724</b>  | <b>9.1</b>   | <b>593,906</b>                 |
| <b>Paid-in capital</b>  | <b>186,554</b>                 | <b>186,554</b>  | <b>-</b>       | <b>-</b>     | <b>186,554</b>                 |
| <b>Capital surplus</b>  | <b>258,916</b>                 | <b>242,307</b>  | <b>16,609</b>  | <b>6.9</b>   | <b>242,307</b>                 |
| <b>Retained earnings</b>  | <b>221,907</b>                 | <b>229,875</b>  | <b>(7,968)</b> | <b>(3.5)</b> | <b>202,358</b>                 |
| Legal reserve   | 23,128                         | 23,128          |                |              | 23,128                         |
| Reserve for dividends   | 15,000                         | 15,000          |                |              | 15,000                         |
| General reserve   | 176,800                        | 162,300         |                |              | 162,300                        |
| Unappropriated retained earnings  | 6,978                          | 29,446          |                |              | 1,929                          |
| <b>Net unrealized holding gain (loss) on securities</b>   | <b>25,607</b>                  | <b>24,600</b>   | <b>1,007</b>   | <b>4.1</b>   | <b>10,650</b>                  |
| <b>Less treasury stock, at cost</b>   | <b>(186)</b>                   | <b>(48,262)</b> | <b>48,076</b>  | <b>-</b>     | <b>(47,963)</b>                |
| <b>Total</b>  | <b>1,039,833</b>               | <b>976,952</b>  | <b>62,881</b>  | <b>6.4</b>   | <b>935,220</b>                 |

**NON-CONSOLIDATED STATEMENTS OF INCOME**

|   | Feb. 1, 2006 –<br>Apr. 30, 2006 | Feb. 1, 2005 –<br>Apr. 30, 2005 | Difference             |               | Feb. 1, 2005 –<br>Jan. 30, 2006 |
|---|---------------------------------|---------------------------------|------------------------|---------------|---------------------------------|
|   | <i>Millions of yen</i>          | <i>Millions of yen</i>          | <i>Millions of yen</i> | <i>%</i>      | <i>Millions of yen</i>          |
| <b>Net sales</b>  | <b>197,125</b>                  | <b>198,766</b>                  | <b>(1,641)</b>         | <b>(0.8)</b>  | <b>1,145,540</b>                |
| Construction  | 152,464                         | 167,476                         |                        |               | 904,572                         |
| Real estate   | 44,660                          | 31,289                          |                        |               | 240,967                         |
| <b>Cost of sales</b>  | <b>161,729</b>                  | <b>162,322</b>                  | <b>(593)</b>           | <b>(0.4)</b>  | <b>917,522</b>                  |
| Construction  | 124,707                         | 134,551                         |                        |               | 712,599                         |
| Real estate   | 37,022                          | 27,771                          |                        |               | 204,922                         |
| <b>Gross profit on sales</b>                                      | <b>35,395</b>                   | <b>36,443</b>                   | <b>(1,048)</b>         | <b>(2.9)</b>  | <b>228,018</b>                  |
| Total gross profit from construction                              | 27,757                          | 32,925                          |                        |               | 191,973                         |
| Total gross profit from sales of real estate                      | 7,637                           | 3,517                           |                        |               | 36,044                          |
| <b>Selling, general and administrative expenses</b>               | <b>41,448</b>                   | <b>40,916</b>                   | <b>532</b>             | <b>1.3</b>    | <b>168,153</b>                  |
| <b>Operating income</b>   | <b>(6,052)</b>                  | <b>(4,472)</b>                  | <b>(1,580)</b>         | <b>-</b>      | <b>59,864</b>                   |
| <b>Non-operating income</b>                                       | <b>3,490</b>                    | <b>2,804</b>                    | <b>686</b>             | <b>24.5</b>   | <b>6,573</b>                    |
| Interest received   | 2,770                           | 1,882                           |                        |               | 3,801                           |
| Other income  | 719                             | 921                             |                        |               | 2,772                           |
| <b>Non-operating expense</b>                                      | <b>500</b>                      | <b>1,018</b>                    | <b>(518)</b>           | <b>(50.9)</b> | <b>3,292</b>                    |
| Interest paid   | 12                              | 8                               |                        |               | 39                              |
| Interest on bonds   | -                               | 70                              |                        |               | 99                              |
| Other expenses  | 488                             | 940                             |                        |               | 3,153                           |
| <b>Recurring income</b>   | <b>(3,063)</b>                  | <b>(2,687)</b>                  | <b>(376)</b>           | <b>-</b>      | <b>63,146</b>                   |
| <b>Extraordinary income</b>                                       | <b>95</b>                       | <b>396</b>                      | <b>(301)</b>           | <b>(76.1)</b> | <b>5,488</b>                    |
| <b>Extraordinary loss</b>   | <b>167</b>                      | <b>184</b>                      | <b>(17)</b>            | <b>(9.2)</b>  | <b>12,741</b>                   |
| <b>Income before taxes</b>  | <b>(3,136)</b>                  | <b>(2,475)</b>                  | <b>(661)</b>           | <b>-</b>      | <b>55,893</b>                   |
| Income taxes (except enterprise tax)                              | 121                             | 119                             | 2                      | 1.7           | 890                             |
| Deferred income taxes   | (2,108)                         | (1,417)                         | (691)                  | -             | 22,000                          |
| <b>Net income (loss)</b>  | <b>(1,149)</b>                  | <b>(1,177)</b>                  | <b>28</b>              | <b>-</b>      | <b>33,003</b>                   |
| Retained earning brought forward from the preceding business term | 8,128                           | 11,931                          |                        |               | 11,931                          |
| Loss on sales of treasury stock                                   | -                               | 8,824                           |                        |               | 8,823                           |
| Interim dividends   | -                               | -                               |                        |               | 6,664                           |
| <b>Unappropriated retained earnings</b>                           | <b>6,978</b>                    | <b>1,929</b>                    |                        |               | <b>29,446</b>                   |