

Consolidated Financial Statements
Sekisui House, Ltd. and Subsidiaries
Years ended January 31, 2009 and 2008
with Report of Independent Auditors

Sekisui House, Ltd. and Subsidiaries

Consolidated Financial Statements

Years ended January 31, 2009 and 2008

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Report of Independent Auditors

The Board of Directors
Sekisui House, Ltd.

We have audited the accompanying consolidated balance sheets of Sekisui House, Ltd. and subsidiaries as of January 31, 2009 and 2008, and the related consolidated statements of income, changes in net assets, and cash flows for the years then ended, all expressed in yen. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sekisui House, Ltd. and subsidiaries at January 31, 2009 and 2008, and the consolidated results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in Japan.

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended January 31, 2009 are presented solely for convenience. Our audit also included the translation of yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1.

Ernst & Young ShinNihon LLC

April 23, 2009

Sekisui House, Ltd. and Subsidiaries

Consolidated Balance Sheets

January 31, 2009 and 2008

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2009	2008	2009
Assets			
Current assets:			
Cash and cash equivalents <i>(Note 9)</i>	¥ 124,518	¥ 60,236	\$ 1,390,486
Short-term investments <i>(Note 4)</i>	2,050	140	22,892
Notes and accounts receivable:			
Affiliates	134	106	1,496
Trade	13,180	84,589	147,180
Other	12,862	16,572	143,629
Less allowance for doubtful accounts	(1,473)	(1,843)	(16,448)
	24,703	99,424	275,857
Inventories <i>(Notes 5 and 9)</i>	737,872	709,185	8,239,777
Deferred income taxes <i>(Note 10)</i>	45,505	45,522	508,152
Other current assets	16,553	12,956	184,846
Total current assets	951,201	927,463	10,622,010
Property, plant and equipment, at cost:			
Land <i>(Notes 6 and 9)</i>	127,713	105,111	1,426,164
Buildings and structures <i>(Notes 6 and 9)</i>	221,601	202,329	2,474,606
Machinery and equipment	91,506	90,838	1,021,843
Construction in progress	4,859	5,964	54,260
	445,679	404,242	4,976,873
Less accumulated depreciation	(167,870)	(159,994)	(1,874,595)
Property, plant and equipment, net	277,809	244,248	3,102,278
Investments and other assets:			
Long-term loans receivable	32,491	33,714	362,825
Less allowance for doubtful accounts	(1,386)	(1,484)	(15,477)
	31,105	32,230	347,348
Investments in securities <i>(Note 4)</i>	58,507	82,770	653,344
Investments in affiliates <i>(Notes 7 and 9)</i>	3,270	3,028	36,516
Deferred income taxes <i>(Note 10)</i>	12,374	4,941	138,180
Intangible assets	9,182	8,356	102,535
Prepaid pension cost <i>(Note 13)</i>	4,893	6,918	54,640
Other assets	38,896	39,487	434,349
Total investments and other assets	158,227	177,730	1,766,912
	¥ 1,387,237	¥ 1,349,441	\$ 15,491,200

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2009	2008	2009
Liabilities and net assets			
Current liabilities:			
Notes and accounts payable:			
Affiliates	¥ 4,029	¥ 3,306	\$ 44,992
Trade	145,906	157,530	1,629,324
Short-term bonds payable (Note 8)	–	40,000	–
Accrued income taxes (Note 10)	5,957	27,530	66,521
Advances received on construction projects in progress	84,727	87,033	946,142
Allowance for employees' bonuses	12,337	17,030	137,767
Allowance for directors' and corporate auditors' bonuses	595	860	6,644
Other current liabilities (Note 9)	49,026	46,315	547,471
Total current liabilities	<u>302,577</u>	<u>379,604</u>	<u>3,378,861</u>
Long-term liabilities:			
Long-term debt (Note 8)	249,982	120,418	2,791,536
Guarantee deposits received (Note 9)	55,611	54,665	621,005
Deferred income taxes (Note 10)	–	26	–
Accrued retirement benefits for employees (Note 13)	21,561	20,107	240,770
Accrued retirement benefits for directors and corporate auditors	1,223	1,235	13,657
Other liabilities	2,153	2,423	24,042
Total long-term liabilities	<u>330,530</u>	<u>198,874</u>	<u>3,691,010</u>
Contingent liabilities (Note 14)			
Net assets:			
Shareholders' equity (Note 11):			
Common stock:			
Authorized: 1,978,281,000 shares			
Issued: 2009 – 676,885,078 shares, and 2008 – 709,385,078 shares	186,554	186,554	2,083,238
Capital surplus	237,523	254,127	2,652,406
Retained earnings (Note 21)	331,895	377,565	3,706,254
Less treasury stock, at cost	(1,355)	(58,531)	(15,131)
Total shareholders' equity	<u>754,617</u>	<u>759,715</u>	<u>8,426,767</u>
Valuation:			
Net unrealized holding (loss) gain on securities	(961)	10,893	(10,731)
Deferred losses on hedges (Note 16)	(8)	(4)	(89)
Total valuation	<u>(969)</u>	<u>10,889</u>	<u>(10,820)</u>
Stock subscription rights (Note 11)	158	67	1,764
Minority interests	324	292	3,618
Total net assets	<u>754,130</u>	<u>770,963</u>	<u>8,421,329</u>
	<u>¥ 1,387,237</u>	<u>¥ 1,349,441</u>	<u>\$ 15,491,200</u>

See notes to consolidated financial statements.

Sekisui House, Ltd. and Subsidiaries

Consolidated Statements of Income

Years ended January 31, 2009 and 2008

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2009	2008	2009
	Net sales	¥ 1,514,172	¥ 1,597,807
Cost of sales	1,222,923	1,269,243	13,656,315
Gross profit	291,249	328,564	3,252,362
Selling, general and administrative expenses	217,289	218,836	2,426,455
Operating income	73,960	109,728	825,907
Other income (expenses):			
Interest and dividend income	2,661	2,799	29,715
Interest expense	(2,618)	(1,153)	(29,235)
Loss on revaluation of real estate held for sale (Note 18)	(34,883)	(3,375)	(389,537)
Loss on revaluation of investments in securities	(9,299)	(566)	(103,841)
Loss resulting from changes in business plan (Note 19)	(2,818)	–	(31,468)
Loss on impairment of fixed assets (Note 6)	(980)	–	(10,943)
Other, net	1,601	1,999	17,878
Income before income taxes and minority interests	27,624	109,432	308,476
Income taxes (Note 10):			
Current	15,519	36,778	173,300
Deferred	554	12,267	6,186
	16,073	49,045	179,486
Income before minority interests	11,551	60,387	128,990
Minority interests in earnings of subsidiaries	(34)	(35)	(380)
Net income	¥ 11,517	¥ 60,352	\$ 128,610

Sekisui House, Ltd. and Subsidiaries

Consolidated Statements of Changes in Net Assets

Years ended January 31, 2009 and 2008

Millions of yen

	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding (loss) gain on securities	Deferred losses on hedges	Translation adjustments	Stock subscription rights	Minority interests	Total net assets
Balance at January 31, 2007	709,385,078	¥ 186,554	¥ 254,133	¥ 333,838	¥ (662)	¥ 24,035	¥ –	¥ 146	¥ –	¥ 259	¥ 798,303
Net income for the year	–	–	–	60,352	–	–	–	–	–	–	60,352
Cash dividends	–	–	–	(16,625)	–	–	–	–	–	–	(16,625)
Purchases of treasury stock	–	–	–	–	(57,905)	–	–	–	–	–	(57,905)
Sale of treasury stock	–	–	(6)	–	36	–	–	–	–	–	30
Other changes	–	–	–	–	–	(13,142)	(4)	(146)	67	33	(13,192)
Balance at January 31, 2008	709,385,078	¥ 186,554	¥ 254,127	¥ 377,565	¥ (58,531)	¥ 10,893	¥ (4)	¥ –	¥ 67	¥ 292	¥ 770,963
Net income for the year	–	–	–	11,517	–	–	–	–	–	–	11,517
Cash dividends	–	–	–	(16,233)	–	–	–	–	–	–	(16,233)
Purchases of treasury stock	–	–	–	–	(569)	–	–	–	–	–	(569)
Retirement of treasury stock	(32,500,000)	–	(16,604)	(40,833)	57,437	–	–	–	–	–	–
Sale of treasury stock	–	–	–	(121)	308	–	–	–	–	–	187
Other changes	–	–	–	–	–	(11,854)	(4)	–	91	32	(11,735)
Balance at January 31, 2009	676,885,078	¥ 186,554	¥ 237,523	¥ 331,895	¥ (1,355)	¥ (961)	¥ (8)	¥ –	¥158	¥ 324	¥ 754,130

Thousands of U.S. dollars (Note 1)

	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Net unrealized holding (loss) gain on securities	Deferred losses on hedges	Translation adjustments	Stock subscription rights	Minority interests	Total net assets
Balance at January 31, 2008	\$ 2,083,238	\$2,837,822	\$4,216,248	\$ (653,612)	\$ 121,642	\$ (45)	\$ –	\$ 748	\$ 3,261	\$8,609,302
Net income for the year	–	–	128,610	–	–	–	–	–	–	128,610
Cash dividends	–	–	(181,273)	–	–	–	–	–	–	(181,273)
Purchases of treasury stock	–	–	–	(6,354)	–	–	–	–	–	(6,354)
Retirement of treasury stock	–	(185,416)	(455,980)	641,396	–	–	–	–	–	–
Sale of treasury stock	–	–	(1,351)	3,439	–	–	–	–	–	2,088
Other changes	–	–	–	–	(132,373)	(44)	–	1,016	357	(131,044)
Balance at January 31, 2009	\$ 2,083,238	\$2,652,406	\$ 3,706,254	\$ (15,131)	\$ (10,731)	\$ (89)	\$ –	\$1,764	\$ 3,618	\$ 8,421,329

See notes to consolidated financial statements.

Sekisui House, Ltd. and Subsidiaries

Consolidated Statements of Cash Flows

Years ended January 31, 2009 and 2008

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars (Note 1)</i>
	2009	2008	2009
Cash flows from operating activities			
Income before income taxes and minority interests	¥ 27,624	¥ 109,432	\$ 308,476
Adjustments for:			
Depreciation and amortization	15,392	14,157	171,882
Loss on impairment of fixed assets	980	–	10,943
Increase (decrease) in accrued retirement benefits	1,453	(1,596)	16,226
Decrease (increase) in prepaid pension cost	2,024	(6,918)	22,602
Interest and dividend income	(2,661)	(2,799)	(29,715)
Interest expense	2,618	1,153	29,235
Loss on revaluation of real estate held for sale	34,883	3,375	389,537
Loss on revaluation of investments in securities	9,299	566	103,841
Decrease (increase) in notes and accounts receivable	71,062	(286)	793,545
Increase in inventories and advance payments	(73,989)	(213,528)	(826,231)
Decrease in notes and accounts payable	(13,690)	(10,967)	(152,875)
Decrease in advances received on construction projects in progress	(2,193)	(11,072)	(24,489)
Other	5,467	(11,513)	61,049
Subtotal	78,269	(129,996)	874,026
Interest and dividends received	2,719	2,858	30,363
Interest paid	(2,239)	(843)	(25,003)
Income taxes paid	(41,745)	(47,299)	(466,164)
Net cash provided by (used in) operating activities	37,004	(175,280)	413,222
Cash flows from investing activities			
Proceeds from sales of short-term investments	140	1,450	1,563
Proceeds from sales of property, plant and equipment	74	71	826
Purchases of property, plant and equipment	(39,954)	(44,552)	(446,164)
Proceeds from sales of investments in securities	–	434	–
Purchases of investments in securities	(6,906)	(17,052)	(77,118)
Decrease in loans receivable	1,284	1,604	14,338
Other	(990)	(1,855)	(11,055)
Net cash used in investing activities	(46,352)	(59,900)	(517,610)
Cash flows from financing activities			
(Decrease) increase in short-term bonds payable	(40,000)	40,000	(446,678)
Proceeds from long-term debt	130,245	40,391	1,454,439
Proceeds from issuance of bonds	–	59,977	–
Cash dividends paid	(16,233)	(16,625)	(181,273)
Increase in treasury stock	(569)	(57,855)	(6,354)
Other	187	29	2,088
Net cash provided by financing activities	73,630	65,917	822,222
Net increase (decrease) in cash and cash equivalents	64,282	(169,263)	717,834
Cash and cash equivalents at beginning of the year	60,236	229,499	672,652
Cash and cash equivalents at end of the year	¥ 124,518	¥ 60,236	\$ 1,390,486

See notes to consolidated financial statements.

Sekisui House, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements

January 31, 2009 and 2008

1. Basis of Preparation

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. 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.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader and has been made at ¥89.55 = U.S.\$1.00, the approximate rate of exchange in effect on January 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.

Sekisui House, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all its subsidiaries (collectively, the “Group”) over which substantial control is exerted through either majority ownership of voting stock and/or by other means. All significant intercompany transactions and accounts have been eliminated in consolidation.

Investments in affiliates (companies over which the Company has the ability to exercise significant influence) are accounted for by the equity method.

The balance sheet date of one domestic consolidated subsidiary is March 31. For consolidation purposes, the financial statements of the subsidiary were prepared as of and for the year ended January 31, 2009.

Goodwill and negative goodwill are amortized using the straight-line method over their respective determinable useful lives or a period of five years if the useful lives are indeterminable. Minor goodwill or negative goodwill are charged or credited to income in the year of acquisition.

(b) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except that receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding forward foreign exchange contract rates. Gain or loss on each translation is credited or charged to income.

The financial statements of the overseas subsidiary are translated into yen at the rate of exchange in effect at the balance sheet date except that the components of net assets are translated at their historical exchange rates. Differences resulting from translating the financial statements of the overseas subsidiary have not been included in the determination of net income.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, deposits held at call with banks, net of overdrafts, and all highly liquid investments with maturities of three months or less.

Sekisui House, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(d) Short-term investments and investments in securities

Securities other than those of affiliates are classified into three categories: trading securities, held-to-maturity debt securities and other securities.

Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain or loss, both realized and unrealized, is credited or charged to income. Held-to-maturity debt securities are stated at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of net assets. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

Under the Corporation Law of Japan, unrealized holding gain on other securities, net of the related taxes, is not available for distribution as dividends.

(e) Inventories

The individual cost method is applied to land held for sale, construction for sale and contracts in process.

Other inventories are stated at cost determined by the moving average method.

(f) Property, plant and equipment

Property, plant and equipment is stated on the basis of cost. Depreciation is computed principally by the declining-balance method at rates based on the estimated useful lives of the respective assets. The straight-line method is applied to buildings (except for structures attached to the buildings).

Change in method of depreciation

Effective the year ended January 31, 2008, the Company and its domestic subsidiaries changed their method of accounting for depreciation of property, plant and equipment acquired on or after April 1, 2007. This change was made based on an amendment to the Corporation Tax Law. As a result of the adoption of this accounting standard, income before income taxes and minority interests decreased by ¥390 million for the year ended January 31, 2008 from the amount which would have been recorded under the method applied in the previous year.

Sekisui House, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(f) Property, plant and equipment (continued)

Supplementary information

Effective February 1, 2008, in accordance with the 2007 revision of the Corporation Tax Law, the method of accounting for depreciation of property, plant and equipment acquired before March 31, 2007 has been changed. Property, plant and equipment acquired before March 31, 2007 which have been depreciated to their respective residual values are depreciated to memorandum value by the straight-line method over a period of 5 years.

The effect of this change was to decrease operating income, and income before income taxes and minority interests by ¥356 million (\$3,975 thousand) for the year ended January 31, 2009 from amounts which would have been recorded under the previous method.

(g) Leases

Non-cancelable lease transactions are accounted for as operating leases (whether such leases are classified as operating or finance leases) except that lease agreements which stipulate the transfer of ownership of the leased property to the lessee are accounted for as finance leases.

(h) Allowance for doubtful accounts

The allowance for doubtful accounts has been provided based on the Company's and its subsidiaries' historical experience with respect to write-offs plus an estimate of the amount of specific uncollectible accounts.

(i) Income taxes

Income taxes are calculated based on taxable income and are determined in accordance with the applicable tax laws and charged to income on an accrual basis. The Group recognizes the tax effect of the temporary differences between assets and liabilities for financial reporting purposes and for income tax purposes.

(j) Allowance for employees' bonuses

Allowance for employees' bonuses is provided at the estimated amount of bonuses to be paid to the employees in the following year which has been allocated to the current fiscal year.

Sekisui House, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

2. Summary of Significant Accounting Policies (continued)

(k) Allowance for directors' and corporate auditors' bonuses

Allowance for directors' and corporate auditors' bonuses are provided for payments of bonuses to directors and corporate auditors based on an estimated amount.

(l) Accrued retirement benefits

Employees of the Company and its domestic subsidiaries are covered by an employees' retirement allowances plan and an employees' pension plan. The employees' retirement allowances plan provides for a lump-sum payment determined by reference to the rate of pay, length of service and conditions under which termination occurs. The employees' pension plan, which is a funded defined pension plan, covers approximately 75% of the benefits under the retirement allowances plan for employees retiring after three or more years of service.

Accrued retirement benefits are provided based on the amount of the projected benefit obligation reduced by the pension plan assets at fair value at the end of the year.

Actuarial gain or loss is amortized in the year following the year in which such gain or loss is recognized principally by the straight-line method over a period of 5 years.

Prior service cost is amortized by the straight-line method over a period of 5 years.

Directors and corporate auditors of the certain domestic subsidiaries are customarily entitled to lump-sum payments under an unfunded retirement allowances plan. The provision for retirement allowances for these officers has been made at an estimated amount based on each subsidiary's internal regulations.

(m) Research and development cost

Research and development cost is charged to income as incurred.

(n) Accounting for warranty expenses

The Company provides after-sales service for twenty years for structural defects in detached houses and low-rise apartment buildings as well as a ten-year warranty under the Housing Quality Assurance Act except for buildings other than houses.

Expenses in connection with repair services or warranties are charged to manufacturing overhead as incurred and had no material effect on net income.

Sekisui House, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

3. Changes in Method of Accounting

(a) Accounting Standard for Share-Based Payment including stock options

Effective the year ended January 31, 2008, the Company and its domestic subsidiaries adopted “Accounting Standard for Share-Based Payment” (Accounting Standards Board of Japan (ASBJ) Statement No. 8 issued on December 27, 2005) and “Guidance on Accounting Standard for Share-Based Payment” (ASBJ Guidance No.11 issued on May 31, 2006).

As a result of the adoption of this accounting standard, income before income taxes and minority interests decreased by ¥67 million for the year ended January 31, 2008 from the amount which would have been recorded under the method applied in the previous year.

(b) Accounting Standards for Business Combinations and Business Divestitures

Effective the year ended January 31, 2008, the Company and its domestic subsidiaries adopted “Accounting Standard for Business Combinations” (issued on October 31, 2003 by the Business Accounting Council of Japan), “Accounting Standard for Business Divestitures” (ASBJ Statement No.7 issued on December 27, 2005) and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No.10 issued on November 15, 2007).

Sekisui House, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Short-Term Investments and Investments in Securities

Held-to-maturity debt securities and other securities at January 31, 2009 and 2008 were as follows:

		<i>Millions of yen</i>							
		Held-to-maturity debt securities							
		2009				2008			
		Book value	Gross unrealized gain	Gross unrealized loss	Estimated fair value	Book value	Gross unrealized gain	Gross unrealized loss	Estimated fair value
Market value determinable:									
	Bonds	¥ 1,322	¥ 9	¥ –	¥ 1,331	¥ 1,354	¥ 6	¥ (0)	¥ 1,360
		<u>¥ 1,322</u>	<u>¥ 9</u>	<u>¥ –</u>	<u>¥ 1,331</u>	<u>¥ 1,354</u>	<u>¥ 6</u>	<u>¥ (0)</u>	<u>¥ 1,360</u>
Market value not determinable:									
	Bonds	¥ 7,000	–	–	–	¥ 7,000	–	–	–
		<u>¥ 7,000</u>	<u>–</u>	<u>–</u>	<u>–</u>	<u>¥ 7,000</u>	<u>–</u>	<u>–</u>	<u>–</u>

		<i>Thousands of U.S. dollars</i>			
		Held-to-maturity debt securities			
		2009			
		Book value	Gross unrealized gain	Gross unrealized loss	Estimated fair value
Market value determinable:					
	Bonds	\$ 14,763	\$ 89	\$ –	\$ 14,852
		<u>\$ 14,763</u>	<u>\$ 89</u>	<u>\$ –</u>	<u>\$ 14,852</u>
Market value not determinable:					
	Bonds	\$ 78,168	–	–	–
		<u>\$ 78,168</u>	<u>–</u>	<u>–</u>	<u>–</u>

Sekisui House, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

4. Short-Term Investments and Investments in Securities (continued)

		<i>Millions of yen</i>							
		Other securities							
		2009			2008				
		Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Market value determinable:									
Equity securities		¥ 42,378	¥ 4,101	¥ (5,612)	¥ 40,867	¥ 51,694	¥ 20,367	¥ (2,105)	¥ 69,956
		<u>¥ 42,378</u>	<u>¥ 4,101</u>	<u>¥ (5,612)</u>	<u>¥ 40,867</u>	<u>¥ 51,694</u>	<u>¥ 20,367</u>	<u>¥ (2,105)</u>	<u>¥ 69,956</u>
Market value not determinable:									
Equity securities		¥ 3,569	-	-	-	¥ 3,600	-	-	-
Investments in special purpose company		6,800	-	-	-	-	-	-	-
Other		999	-	-	-	999	-	-	-
		<u>¥ 11,368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>¥ 4,599</u>	<u>-</u>	<u>-</u>	<u>-</u>

		<i>Thousands of U.S. dollars</i>			
		Other securities			
		2009			
		Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Market value determinable:					
Equity securities		\$ 473,233	\$ 45,796	\$ (62,669)	\$ 456,360
		<u>\$ 473,233</u>	<u>\$ 45,796</u>	<u>\$ (62,669)</u>	<u>\$ 456,360</u>
Market value not determinable:					
Equity securities		\$ 39,855	-	-	-
Investments in special purpose company		75,935	-	-	-
Other		11,156	-	-	-
		<u>\$ 126,946</u>	<u>-</u>	<u>-</u>	<u>-</u>

Sekisui House, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

5. Inventories

Inventories at January 31, 2009 and 2008 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2009	2008	2009
Land held for sale, including land held for development	¥ 583,703	¥ 562,067	\$ 6,518,180
Construction for sale, including projects under construction	105,557	97,932	1,178,749
Contracts in process	42,565	42,802	475,321
Other	6,047	6,384	67,527
	¥ 737,872	¥ 709,185	\$ 8,239,777

6. Impairment of Fixed Assets

The Company and one domestic subsidiary recognized loss on impairment of fixed assets for the year ended January 31, 2009 as follows:

Location	Use	Classification
Higashiibaraki District, Ibaraki Prefecture and other areas	Facilities for education and other	Buildings and structures, land and other

The Company and its 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 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 subsidiaries recorded a loss on impairment of fixed assets of ¥980 million (\$10,943 thousand) as a component of other income (expenses) in the accompanying consolidated statements of income for the year ended January 31, 2009.

Sekisui House, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

6. Impairment of Fixed Assets (continued)

Impairment losses by asset type for the year ended January 31, 2009 were as follows:

Classification	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2009	2009
Buildings and structures	¥ 544	\$ 6,075
Land	419	4,679
Other	17	189
	<u>¥ 980</u>	<u>\$ 10,943</u>

The recoverable value of the above impaired fixed assets was measured at net estimated selling value, which is mainly based on appraisals conducted by real estate appraisers.

7. Investments in Affiliates

Investments in affiliates at January 31, 2009 and 2008 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2009	2008	2009
Investments in capital stock, at cost	¥ 2,686	¥ 2,637	\$ 29,994
Equity in undistributed earnings since acquisition, net	584	391	6,522
	<u>¥ 3,270</u>	<u>¥ 3,028</u>	<u>\$ 36,516</u>

8. Short-Term Bonds Payable and Long-Term Debt

Short-term bonds payable at January 31, 2008 were unsecured commercial paper at an interest rate of 0.60% per annum.

Sekisui House, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

8. Short-Term Bonds Payable and Long-Term Debt (continued)

Long-term debt at January 31, 2009 and 2008 consisted of the following:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2009	2008	2009
Interest rates ranging from 1.1% to 1.6% unsecured loans from banks, due 2010	¥170,000	¥ 40,000	\$ 1,898,381
Interest 1.6% unsecured loans from a bank, due 2011	20,000	20,000	223,339
Unsecured loans at interest rates ranging from 2.4% to 2.6% from service trades, due 2012	–	441	–
1.37% yen unsecured bonds, due 2012	59,982	59,977	669,816
	<u>¥249,982</u>	<u>¥120,418</u>	<u>\$ 2,791,536</u>

The aggregate annual maturities of long-term debt subsequent to January 31, 2009 are summarized as follows:

<u>Year ending January 31,</u>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2011	¥ 170,000	\$ 1,898,381
2012	20,000	223,339
2013 and thereafter	59,982	669,816
	<u>¥ 249,982</u>	<u>\$ 2,791,536</u>

In order to achieve more efficient and flexible financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these lines of credit at January 31, 2009 was as follows:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
	2009	2009
Lines of credit	¥ 50,000	\$ 558,347
Credit utilized	–	–
Available credit	<u>¥ 50,000</u>	<u>\$ 558,347</u>

Sekisui House, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

9. Mortgaged and Pledged Assets

The following assets, recorded at net book value at January 31, 2009 and 2008, were either mortgaged or pledged for guarantees of third party bank loan, guarantee deposits received and other current liabilities, and totaled ¥3,117 million (\$34,807 thousand) and ¥2,519 million, respectively.

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2009	2008	2009
Cash and cash equivalents	¥ 759	¥ –	\$ 8,476
Inventories	3,371	3,541	37,644
Land	192	192	2,144
Buildings and structures	661	692	7,381
Investments in affiliates	14	2	156
	¥ 4,997	¥4,427	\$ 55,801

10. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 40.4% for the years ended January 31, 2009 and 2008. The overseas subsidiary is subject to the income taxes of the country in which it operates.

The effective tax rates reflected in the accompanying consolidated statements of income for the years ended January 31, 2009 and 2008 differ from the above statutory tax rate for the following reasons:

	2009	2008
Statutory tax rate	40.4%	40.4%
Non-deductible entertainment expenses	6.4	1.6
Non-taxable dividend income	(0.8)	(0.2)
Inhabitants' per capita taxes	2.2	0.6
Valuation allowance	11.8	2.8
Other	(1.8)	(0.4)
Effective tax rates	58.2%	44.8%

Sekisui House, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

10. Income Taxes (continued)

The significant components of the Group's deferred tax assets (liabilities) at January 31, 2009 and 2008 are summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2009	2008	2009
Loss on revaluation of real estate held for sale	¥ 41,433	¥ 37,446	\$ 462,680
Accrued retirement benefits for employees	9,066	8,403	101,239
Loss on impairment of fixed assets	4,459	7,348	49,793
Allowance for employees bonuses	5,011	6,909	55,958
Loss on revaluation of investments in securities	3,977	–	44,411
Net unrealized holding gain (loss) on securities	610	(7,384)	6,812
Other	4,508	5,869	50,341
Less valuation allowance	(11,185)	(8,152)	(124,902)
Total deferred tax assets	<u>¥ 57,879</u>	<u>¥ 50,438</u>	<u>\$ 646,332</u>

11. Shareholders' Equity

The Corporation Law of Japan (the "Law"), which superseded most of the provisions of the Commercial Code of Japan (the "Code"), went into effect on May 1, 2006. The Law provides that an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) be transferred to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The Company's legal reserve included in retained earnings at January 31, 2009 and 2008 amounted to ¥23,129 million (\$258,280 thousand) and ¥23,129 million, respectively.

Under the Law, upon the issuance and sale of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds of the sale of new shares as additional paid-in capital.

Stock-based compensation plan

In accordance with the Law, on June 6, 2008, the Company granted certain stock options (the 2008 plan) to directors and executive officers of the Company based on the approval of a resolution by the Board of Directors at a meeting held on May 15, 2008. Under the terms of this plan, 108,000 shares of common stock have been reserved at an exercise price of ¥1 per share. The options became exercisable on June 7, 2008 and are scheduled to expire on June 6, 2028.

Sekisui House, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

11. Shareholders' Equity (continued)

In accordance with the Law, on June 7, 2007, the Company granted certain stock options (the 2007 plan) to directors and executive officers of the Company based on the approval of a resolution by the Board of Directors at a meeting held on May 17, 2007. Under the terms of this plan, 55,000 shares of common stock have been reserved at an exercise price of ¥1 per share. The options became exercisable on June 8, 2007 and are scheduled to expire on June 7, 2027.

In accordance with the Code, a stock option plan (the 2006 plan) for directors and executive officers of the Company was approved at the annual general meeting of the shareholders held on April 27, 2006. Under the terms of this plan, 48,000 shares of common stock have been reserved at an exercise price of ¥1 per share. The options became exercisable on April 28, 2006 and are scheduled to expire on April 27, 2026.

Information regarding the Company's stock option plans is summarized as follows:

	The 2008 plan	The 2007 plan	The 2006 plan
Number of stock options:			
Outstanding at February 1, 2008	–	55,000	47,000
Granted	108,000	–	–
Cancelled	–	–	–
Exercised	–	1,000	1,000
Outstanding at January 31, 2009	108,000	54,000	46,000
Fair value of stock options as of the grant date	¥ 876	¥ 1,571	–

Treasury stock

Movements in treasury stock during the years ended January 31, 2009 and 2008 are summarized as follows:

		Number of shares		
		2009		
	January 31, 2008	Increase	Decrease	January 31, 2009
Treasury stock	33,196,226	606,335	32,713,193	1,089,368
		2008		
	January 31, 2007	Increase	Decrease	January 31, 2008
Treasury stock	484,974	32,732,321	21,069	33,196,226

Sekisui House, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

12. Research and Development Cost

Research and development cost charged to income amounted to ¥6,191 million (\$69,135 thousand) and ¥6,299 million for the years ended January 31, 2009 and 2008, respectively.

13. Accrued Retirement Benefits

The following table sets forth the funded and accrued status of the pension plans, and the amounts recognized in the accompanying consolidated balance sheets at January 31, 2009 and 2008 for the Group's defined benefit pension plans:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2009	2008	2009
Retirement benefit obligation at end of year	¥(213,784)	¥(208,395)	\$(2,387,314)
Fair value of plan assets at end of year	135,289	180,072	1,510,765
Unfunded retirement benefit obligation	(78,495)	(28,323)	(876,549)
Unrecognized actuarial loss	61,827	15,635	690,419
Unrecognized prior service cost	-	(501)	-
Net retirement benefit obligation	(16,668)	(13,189)	(186,130)
Prepaid pension cost	4,893	6,918	54,640
Accrued retirement benefits	<u>¥ (21,561)</u>	<u>¥ (20,107)</u>	<u>\$ (240,770)</u>

The components of net retirement benefit expenses for the years ended January 31, 2009 and 2008 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2009	2008	2009
Service cost	¥ 13,200	¥ 11,070	\$ 147,404
Interest cost	5,069	4,785	56,605
Expected return on plan assets	(6,961)	(7,606)	(77,733)
Amortization:			
Actuarial loss (gain)	2,690	(1,230)	30,039
Prior service cost	(501)	(3,009)	(5,595)
Retirement benefit obligation at transition	77	-	860
Other	15	-	168
Retirement benefit expenses	<u>¥ 13,589</u>	<u>¥ 4,010</u>	<u>\$ 151,748</u>

Sekisui House, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

13. Accrued Retirement Benefits (continued)

The assumptions used in accounting for the defined benefit pension plans for the years ended January 31, 2009 and 2008 were as follows:

	2009	2008
Discount rate	2.5%	2.5%
Expected rate of return on plan assets	4.0%	4.0%

14. Contingent Liabilities

The Group had the following contingent liabilities at January 31, 2009:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Guarantees of housing loans to customers	¥ 73,645	\$ 822,390
Guarantees of bank loans of a third party	816	9,112
	¥ 74,461	\$ 831,502

15. Leases

The following *pro forma* amounts represent the acquisition costs, accumulated depreciation and net book value of property leased to the Group at January 31, 2009 and 2008, which would have been reflected in the accompanying consolidated balance sheets if finance leases other than those which transfer the ownership of the leased property (currently accounted for as operating leases) were capitalized:

	<i>Millions of yen</i>					
	2009			2008		
	Acquisition costs	Accumulated depreciation	Net book value	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	¥ 27,820	¥ 22,572	¥ 5,248	¥ 33,857	¥ 24,186	¥ 9,671
Machinery and equipment	7,633	5,640	1,993	8,423	6,184	2,239
Intangible assets	1,374	934	440	1,779	1,058	721
	¥ 36,827	¥ 29,146	¥ 7,681	¥ 44,059	¥ 31,428	¥ 12,631

Sekisui House, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

15. Leases (continued)

	<i>Thousands of U.S. dollars</i>		
	2009		
	Acquisition costs	Accumulated depreciation	Net book value
Buildings and structures	\$ 310,664	\$ 252,060	\$ 58,604
Machinery and equipment	85,238	62,982	22,256
Intangible assets	15,343	10,430	4,913
	\$ 411,245	\$ 325,472	\$ 85,773

Future minimum lease payments subsequent to January 31, 2009 for finance leases other than those which transfer the ownership of the leased property are summarized as follows:

<u>Year ending January 31,</u>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2010	¥ 4,187	\$ 46,756
2011 and thereafter	4,069	45,438
	¥ 8,256	\$ 92,194

Lease payments relating to finance leases accounted for as operating leases and depreciation/amortization and interest expense, which have not reflected in the consolidated statements of income for the years ended January 31, 2009 and 2008 were as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2009	2008	2009
	Lease payments	¥ 5,638	¥ 6,591
Depreciation/amortization	5,155	6,147	57,566
Interest expense	251	332	2,803

Depreciation and amortization is calculated by the straight-line method over the respective lease terms assuming a nil residual value.

No loss on impairment of leased assets was recorded for the years ended January 31, 2009 and 2008.

Future minimum lease payments subsequent to January 31, 2009 under operating leases are summarized as follows:

<u>Year ending January 31,</u>	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
2010	¥ 8	\$ 89
2011 and thereafter	8	89
	¥ 16	\$ 178

Sekisui House, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

16. Derivatives and Hedging Activities

Derivative financial instruments are utilized by the Company to reduce the risk arising from foreign exchange rate fluctuation. The Company has established a control environment which includes policies and procedures for risk assessment and for the approval, reporting and monitoring of transactions involving derivative financial instruments. The Company does not enter into derivatives transactions for speculative trading purposes.

The Company is exposed to certain market risk arising from its forward foreign exchange contracts. The Company is also exposed to the risk of credit loss in the event of non-performance by the counterparties to currency-related derivatives transactions; however, the Company does not anticipate non-performance by any of these counterparties all of whom are financial institutions with high credit ratings.

Derivatives positions are carried at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability.

17. Amounts per Share

	<i>Yen</i>		<i>U.S. dollars</i>
	2009	2008	2009
Net income:			
Basic	¥ 17.04	¥ 87.70	\$ 0.19
Diluted	17.03	87.68	0.19
Net assets	1,115.20	1,139.63	12.45
Cash dividends	24.00	24.00	0.27

Basic net income per share has been computed based on the net income available for distribution to shareholders of common stock and the weighted-average number of shares of common stock outstanding during the year.

Diluted net income per share is computed based on the net income available for distribution to the shareholders and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock options.

Amounts per share of net assets have been computed based on the net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end.

Cash dividends per share of the Company represent the cash dividends declared as applicable to the respective years together with the interim cash dividends paid.

Sekisui House, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

17. Amounts per Share (continued)

Financial data for the computation of basic net income per share for the years ended January 31, 2009 and 2008 in the table above is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2009	2008	2009
Information on basic net income per share:			
Net income	¥ 11,517	¥ 60,352	\$ 128,610
Adjusted net income available to common stockholders	¥ 11,517	¥ 60,352	\$ 128,610
	<i>Thousands of shares</i>		
	2009	2008	
Weighted-average number of shares of common stock outstanding during the year	676,039	688,197	

Financial data for the computation of net assets per share at January 31, 2009 and 2008 in the above table is summarized as follows:

	<i>Millions of yen</i>		<i>Thousands of U.S. dollars</i>
	2009	2008	2009
Total net assets	¥ 754,130	¥ 770,963	\$8,421,329
Deductions from total net assets:			
Stock subscription rights	158	67	1,764
Minority interests	324	292	3,618
Total net assets available to common stockholders	¥ 753,648	¥ 770,604	\$8,415,947
	<i>Thousands of shares</i>		
	2009	2008	
Number of shares of common stock used in the calculation of net assets per share	675,795	676,188	

Sekisui House, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

18. Loss on Revaluation of Real Estate Held for Sale

Real estate held for sale at January 31, 2009 and 2008, the market value of which has declined significantly from its carrying value, has been written down to its fair market value.

19. Loss Resulting from Changes 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.

20. Segment Information

The Group is primarily engaged in the construction, purchase, administration and sale of residential properties; the design, contracting, execution, and supervision of construction projects; real estate brokerage, and landscaping.

In the built-to-order housing segment, the Company prefabricates, builds to order and sells steel frames, wooden frames, and concrete houses and low-rise apartment buildings on land owned by customers. The real estate for sale segment includes sales of land, built-for-sale houses, and also the portion of built-to-order sales where the Company also sold the land, and sales of condominiums. In the real estate for leasing segment, the Company leases, subleases and manages detached houses, low-rise apartment buildings, condominiums, commercial buildings, shops, and so forth. The other segment is involved in contracts for the design of condominiums and commercial buildings, the construction and remodeling of houses, and landscape and garden design and construction.

Sekisui House, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Segment Information (continued)

Business segment information of the Group for the years ended January 31, 2009 and 2008 is outlined as follows:

	<i>Millions of yen</i>						
	2009						
	Built-to-order housing	Real estate for sale	Real estate for leasing	Other	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 682,862	¥ 317,279	¥ 357,075	¥ 156,956	¥ 1,514,172	–	¥ 1,514,172
Intragroup sales and transfers	9,411	14	2,558	3,939	15,922	¥ (15,922)	–
Net sales	692,273	317,293	359,633	160,895	1,530,094	(15,922)	1,514,172
Operating expenses	633,551	284,016	340,950	158,044	1,416,561	23,651	1,440,212
Operating income	¥ 58,722	¥ 33,277	¥ 18,683	¥ 2,851	¥ 113,533	¥ (39,573)	¥ 73,960
Total assets	¥ 147,777	¥ 737,291	¥ 264,746	¥ 19,384	¥ 1,169,198	¥ 218,039	¥ 1,387,237
Depreciation and amortization	¥ 7,219	¥ 762	¥ 4,682	¥ 389	¥ 13,052	¥ 2,340	¥ 15,392
Loss on impairment of fixed assets	¥ –	¥ –	¥ 158	¥ –	¥ 158	¥ 822	¥ 980
Capital expenditures	¥ 9,468	¥ 303	¥ 45,832	¥ 51	¥ 55,654	¥ 1,778	¥ 57,432

	<i>Millions of yen</i>						
	2008						
	Built-to-order housing	Real estate for sale	Real estate for leasing	Other	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 704,507	¥ 403,083	¥ 334,531	¥ 155,686	¥ 1,597,807	–	¥ 1,597,807
Intragroup sales and transfers	10,590	–	1,697	4,437	16,724	¥ (16,724)	–
Net sales	715,097	403,083	336,228	160,123	1,614,531	(16,724)	1,597,807
Operating expenses	641,535	345,373	320,946	156,219	1,464,073	24,006	1,488,079
Operating income	¥ 73,562	¥ 57,710	¥ 15,282	¥ 3,904	¥ 150,458	¥ (40,730)	¥ 109,728
Total assets	¥ 194,031	¥ 723,748	¥ 227,963	¥ 33,428	¥ 1,179,170	¥ 170,271	¥ 1,349,441
Depreciation and amortization	¥ 6,559	¥ 980	¥ 4,102	¥ 389	¥ 12,030	¥ 2,127	¥ 14,157
Capital expenditures	¥ 14,364	¥ 163	¥ 36,690	¥ 108	¥ 51,325	¥ 3,088	¥ 54,413

Sekisui House, Ltd. and Subsidiaries

Notes to Consolidated Financial Statements (continued)

20. Segment Information (continued)

	<i>Thousands of U.S. dollars</i>						
	2009						
	Built-to-order housing	Real estate for sale	Real estate for leasing	Other	Total	Eliminations and other	Consolidated
Sales to third parties	\$ 7,625,483	\$ 3,543,038	\$ 3,987,437	\$ 1,752,719	\$ 16,908,677	–	\$ 16,908,677
Intragroup sales and transfers	105,092	156	28,565	43,987	177,800	\$ (177,800)	–
Net sales	7,730,575	3,543,194	4,016,002	1,796,706	17,086,477	(177,800)	16,908,677
Operating expenses	7,074,830	3,171,591	3,807,370	1,764,869	15,818,660	264,110	16,082,770
Operating income	<u>\$ 655,745</u>	<u>\$ 371,603</u>	<u>\$ 208,632</u>	<u>\$ 31,837</u>	<u>\$ 1,267,817</u>	<u>\$ (441,910)</u>	<u>\$ 825,907</u>
Total assets	\$ 1,650,218	\$ 8,233,288	\$ 2,956,404	\$ 216,460	\$ 13,056,370	\$ 2,434,830	\$ 15,491,200
Depreciation and amortization	\$ 80,614	\$ 8,509	\$ 52,284	\$ 4,344	\$ 145,751	\$ 26,131	\$ 171,882
Loss on impairment of fixed assets	\$ –	\$ –	\$ 1,764	\$ –	\$ 1,764	\$ 9,179	\$ 10,943
Capital expenditures	\$ 105,729	\$ 3,384	\$ 511,803	\$ 570	\$ 621,486	\$ 19,855	\$ 641,341

As more than 90% of the consolidated net sales for the years ended January 31, 2009 and 2008 were made in Japan, the disclosure of geographical segment information and overseas sales information has been omitted.

21. Subsequent Event

The following appropriation of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended January 31, 2009, was approved at a shareholders' meeting held on April 23, 2009:

	<i>Millions of yen</i>	<i>Thousands of U.S. dollars</i>
Year-end cash dividends of ¥12.00 (\$0.13) per share	¥ 8,111	\$ 90,575