

1-88, Oyodonaka 1-chome, Kita-ku, Osaka  
 Chairman & Representative Director (CEO)  
 Isami Wada

**NOTICE OF THE 59<sup>TH</sup> ORDINARY GENERAL MEETING OF SHAREHOLDERS**

We are pleased to invite you to the 59<sup>th</sup> Ordinary General Meeting of Shareholders of Sekisui House, Ltd. (the "Company" or "Sekisui House"). Details of the meeting are given below.

If you are unable to attend the meeting, it is still possible to exercise your voting rights either in writing or *via* the Internet. To exercise voting rights in writing, please study the reference documents below and indicate on the enclosed voting form whether you approve or disapprove the proposals listed, and return it to the Company by 6:00 p.m. of Tuesday, April 27, 2010. To exercise voting rights *via* the Internet, please refer to next page, Guidelines regarding the exercise of a voting right *via* the Internet.

**1. Date and Time:** 10:00 a.m., Wednesday, April 28, 2010

**2. Place of the Meeting:** Umeda Stella Hall  
 3F, Tower West, Umeda Sky Building  
 1-30, Oyodonaka 1-chome, Kita-ku, Osaka

**3. Agenda:**

- Items for reporting:**
1. Reports on the Business as of January 31, 2010, and the Consolidated Financial Statements and Non-Consolidated Financial Statements for the 59th fiscal year ended January 31, 2010 (February 1, 2009 - January 31, 2010)
  2. Report on the Results of Audit conducted by the Accounting Auditor and the Board of Corporate Auditors with respect to the Consolidated Financial Statements for the 59th fiscal year ended January 31, 2010

**Propositions to be tabled:**

<b>No.1</b>	Appropriation of retained earnings for the 59th fiscal year ended January 31, 2010
<b>No.2</b>	Election of 11 Directors
<b>No.3</b>	Election of 1 Corporate Auditor

**4. Guideline of the Exercise of Voting Rights:**

Please refer to next page, Guideline of the Exercise of Voting Rights.

---

If attending the meeting in person, please submit the enclosed Voting Right Exercise Form to the receptionist at the meeting

[**Translation:** Please note that this document purports to be a translation from the Japanese original Notice of Convocation of the Ordinary General Meeting of Shareholders 2010 of Sekisui House, Ltd. prepared for the convenience of foreign readers. However, in the case of any discrepancy between the translation and the Japanese original, the latter shall prevail. Please also be advised that certain statements regarding voting procedures for domestic shareholders are not applicable to the shareholders outside Japan.]

## Guideline of the Exercise of Voting Rights

1. Announcement method if the statements of the Reference Documents for General Meeting of Shareholders and other documents are amended:

In case that any amendment to the statements of the Reference Document for General Meeting of Shareholders, business report and consolidated financial statements, or non-consolidated financial statements is necessary, please be advised that the Company will post such amendments where applicable on the Company's website (<http://www.sekisuihouse.co.jp>).

2. Handling of votes if a voting right is exercised using both mail and the Internet:

In case that a voting right is exercised using both mail and the Internet, then only the vote registered *via* the Internet will be recognized as valid.

3. Handling of votes if a voting right is exercised more than once *via* the Internet:

In case that a voting right is exercised more than once *via* the Internet, only the last vote will be recognized as valid.

4. Guidelines regarding the exercise of a voting right *via* the Internet:

When exercising a voting right *via* the Internet, the Company cordially requests shareholders to carefully read the matters stated below before any exercise of their voting rights.

- (1) Website for exercising votes:

- ① Exercising a voting right can only be made by accessing our designated website for the exercise of voting rights (<http://www.evotep.jp/>) from your personal computers or mobile phones (i-mode, EZweb, Yahoo! *Keitai*). However, it is not possible to gain access to the designated website from 2:00 AM to 5:00 AM.

\* The “i-mode”, “EZweb” and “Yahoo!” are trademarks or registered trademarks of NTT DoCoMo, Inc., KDDI Corporation and Yahoo! Inc. of the U.S., respectively.

- ② Depending on the Internet connection of your computer (i.e., if a shareholder sets up a firewall, installs any security software or uses a proxy server), the service may not be available.

- ③ When exercising a voting right through mobile phones, please use either of the services provided by i-mode, EZweb or Yahoo! *Keitai*. In addition, please note that if the handset of your mobile phone is incompatible with the SSL (Secure Socket Layer) transmission or other transmission service through mobile phones, the service may not be available for security reasons.

- ④ While the exercise of a voting right *via* the Internet is received by 6:00 p.m. on 27<sup>th</sup> April, 2010 (Tuesday), it is best to exercise your voting rights as soon as possible. If you have any inquiries, please contact the help desk below.

- (2) Internet voting procedure:

- ① On the website for the exercise of voting rights (<http://evotep.jp/>), please use the log-in ID and temporary password which are shown on the vote exercise form. After logging in, please indicate whether you approve or disapprove the items on the agenda by following the instructions on the display screen.

- ② To prevent unauthorized access to the website by persons other than the shareholder (spoofing) or alteration of votes submitted, the Company requests the users change the temporary password given to the shareholder to another password on the website for the exercise of voting rights.

- ③ The Company will inform you of the new log-in ID and temporary password at every convocation of general meetings of shareholders.

(3) Connection charges when accessing the exercise of voting rights website:

Any connection charges to be incurred when accessing the website for the exercise of voting rights (all dial-up connection charges and call charges) must be borne by the exercising shareholder. Similarly, if the shareholder uses a mobile phone to vote, the exercising shareholder must bear the costs incurred by paying by packet pack communications and other call charges.

(4) Method to receive the notice of convocation:

If a shareholder wishes to receive a notice of convocation by email, please follow the procedures listed on the website for the exercise of voting rights. After following such procedures, the Company will send the notice of convocation by email for the next meeting of shareholders. (Please note that this procedure cannot be taken from mobile phones and the email address of your mobile phone cannot also be designated as the recipient.)

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Service Support: dial-in 0120 (173) 027 \*

Business Hours: from 9:00am to 9:00 pm (call free)

5. Electronic Voting Platform

If you are a nominee shareholder such a trust bank (including a standing proxy) and apply in advance to use the electronic voting platform operated by ICJ, Inc. established by the Tokyo Stock Exchange and others, you are entitled to use the platform for uses other than the aforementioned exercise of your voting rights electronically *via* the Internet as a method for exercising your voting rights.

---

Note:\* The service is available in Japanese only.

**Business Report**  
**For the Fiscal Year Ended Jan. 31, 2010**

**1. Business Conditions**

**1) Progress and Results of Sekisui House Group**

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

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

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

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

On the marketing front, we opened *Kansai Sumai-no-Yume-Kojo* (large-scale experiment-based facilities) within our Comprehensive Housing R&D Institute in Kyoto to bolster sales promotions through the display of a variety of our key housing technologies. In the meantime, we held the sales promotion event *Sumai-no Sankan-bi* nationwide in an effort to increase our sales. In a bid to strengthen our

solutions, in the Tokyo Metropolitan area we opened a display home which features the new concept of living a lifestyle that makes the most of the space of the site.

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

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

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

Below are the results of each business segment.

### **Built to Order Housing Business**

Since the announcement of the *Environmental Future Plan* in 1999, we have implemented a series of programs which are designed to reduce CO<sub>2</sub> emissions, being the first in the industry to meet next-generation energy-saving standards. These days, the Japanese government has placed top priority on the prevention of global warming. As a leader in the housing industry, we have taken the initiative in addressing this pressing issue. In a bid to promote the spread of eco-friendly housing, we tapped into our past experiences and know-how to bolster sales promotions of *Green First* housing products equipped with household photovoltaic power generation systems and fuel cells. As a follow up to the promotion of these new models, we put on the market in April the steel-framed detached house *Be Ecord Casual Green First* and wood-framed *M'Natura Green First*, which come equipped with our original photovoltaic power generation system built-in to the roof tiles. As a result, we took orders for about 7,000 homes equipped with photovoltaic power generation systems and about 1,200 domestic fuel cell units, beating our original targets. Since the third quarter, *Green First* models have accounted for more than half of our order bookings, showing strong sales growth in environmentally-friendly housing. Featuring superior

design appeal, our original photovoltaic power generation system built-in to the roof tiles received a Good Design Award in the Living/ Residential Facilities category.

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

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

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

### **Real Estate for Sale Business**

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

Meanwhile, we have actively engaged in “High-quality Long-term Sustainable Housing Leading Model Project” to contribute to greater adoption of, and enlightenment about, longer-lasting housing advocated by the Ministry of Land, Infrastructure and Transport and Tourism as part of an effort to create a recycling-oriented society. We have also began *EVERLOOP Sankan-bi* events demonstrating our *EVERLOOP* revitalized housing concept.

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

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

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

#### **Real Estate for Leasing Business**

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

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

#### **Other Businesses**

For the remodeling business, in pursuit of housing that offers "comfort now and forever", we aggressively made suggestions in a bid to expand orders, such as introducing elements of a new house in accordance with the diversification of lifestyles. As a part of our environmental initiatives, our sales team focused on remodeling housing to be more energy-efficient by way of , for example, installing photovoltaic power generation systems and high-efficiency hot water supply systems. In April 2009, the Sekiwa Construction companies entered into the remodeling business as we expanded the scope of our remodeling business from buildings of our own construction to those built by others. With these new initiatives, our remodeling business exhibited strong growth.

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

For the business results for the fiscal year under review, we have seen a recovery in orders since our third quarter, accordingly consolidated orders received totaled 1,361,750 million yen, a decrease of 7.6%. Consolidated net sales totaled 1,353,186 million yen.

While cost reductions progressed smoothly, falling land prices resulting from recent stagnation in the real estate market have impacted profits. As a result, real estate for sale, such as lands owned by Sekisui House slated for urban redevelopment projects and condominiums, has been impacted significantly. We have booked 67.8 billion yen in inventories valuation losses under costs of sales, applying financial accounting standards for inventory valuation. That resulted in an operating loss of 38,754 million yen, an ordinary loss of 38,758 million yen and a net loss of 29,277 million yen for the period.

## **2) Issues for Sekisui House Group**

Economic condition in Japan of late has relied greatly on external demand and economic measures. We have yet to see a home-grown recovery. Continued upward pressure on the yen and downside risk to corporate profitability due to deflation could continue to weigh on corporate earnings. For those reasons, we expect the housing market to continue to feel the effects of employment uncertainties and eroding personal incomes. Moreover, we expect to see diversifying product needs and more stringent quality demands, to which we will be required to respond thoroughly.

Seeing the fiftieth anniversary of our incorporation, we drew up and announced our mid-term management plan to deal with these situations on January 20, 2010. The plan sets forth four basic directions for our management plan 1) strengthen intragroup ties (strengthen core businesses and expand business portfolio); 2) position environmentally friendly housing as a driver of business growth; 3) continue to promote structural reforms across the company; and 4) raise operational and production efficiencies and cut costs. Under that direction, we seek to implement a variety of measures in the pursuit of our business.

### 3) Breakdown of Orders Received and Net Sales of Sekisui House Group

Millions of yen

	Orders brought forward from previous year	Orders for the year to Jan. 2010	Net sales for the year to Jan. 2010	Orders carried forward to the following year
Built to Order Housing	339,702	611,551	590,376	360,877
Real Estate for Sale	71,101	233,713	253,572	51,242
Real Estate for Leasing	—	364,217	364,217	—
Other Business	92,427	152,266	145,019	99,674
<b>Total</b>	<b>503,230</b>	<b>1,361,750</b>	<b>1,353,186</b>	<b>511,794</b>

Note:

Each business division is set out in 6) Major businesses.

### 4) Business Results and Financial Situation

#### 1. Business Results and Financial Situation of Sekisui House Group

Millions of yen

	Year to Jan. 2007	Year to Jan. 2008	Year to Jan. 2009	Year to Jan. 2010
Net sales	1,596,183	1,597,807	1,514,172	1,353,186
Net income	62,663	60,352	11,516	△29,277
Net income per share (¥)	¥89.26	¥87.70	¥17.04	△¥43.32
Total assets	1,278,770	1,349,441	1,387,237	1,353,946
Net assets	798,302	770,963	754,130	716,295

Note:

Net income per share is calculated based on the average total number of shares issued during the term concerned (treasury stock was excluded).

### 5) Plant-and-equipment investment and conditions of financing

The aggregate amount of plant-and-equipment investments made by the Sekisui House Group during the fiscal year under review amounted to 82,145 million yen and the main component was acquisition of the real estate for investments (transfer from inventories was included).

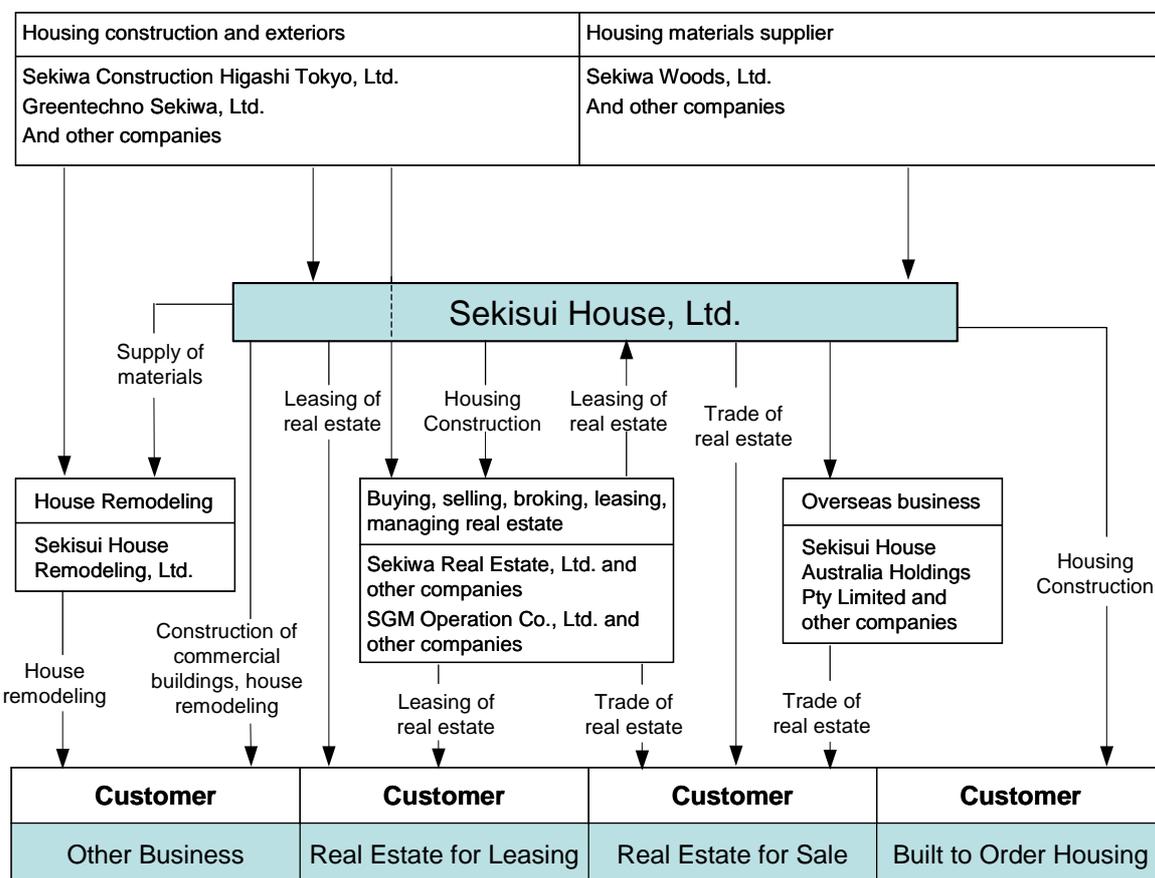
The main component of funds that the Company procured during the fiscal year under review was borrowing of an overseas subsidiary from the financial institutions in a total amount of 99 million AUD (8,201 million yen, converted by the term-end rate of exchange).

## 6) Major Businesses

The Company and the Sekisui House Group companies are involved in the contract design, construction, and letting of prefabricated houses. We also buy and sell, act as agents for, lease and manage real estate. The position of each company within the Group is illustrated below.

Built to Order Housing Business	<ul style="list-style-type: none"> <li>● Designs and builds steel, wooden and concrete houses and condominiums The main affiliated companies of this division are Sekiwa Woods, Ltd., Sekiwa Construction Higashi Tokyo, Ltd., Sekiwa Construction Saitama, Ltd., and Sekiwa Construction Kyusyu, Ltd.</li> </ul>
Real Estate for Sale Business	<ul style="list-style-type: none"> <li>● Sells houses and real estate, designs, constructs, and contracts for sale housing on estate land, conducts urban redevelopment projects and commercial buildings transactions The main affiliated companies of this division are Sekiwa Real Estate, Ltd., Sekiwa Real Estate Kansai, Ltd., Sekiwa Real Estate Chubu, Ltd., Sekiwa Real Estate Chugoku, Ltd., Sekiwa Real Estate Kyushu, Ltd., and Sekiwa Real Estate Tohoku, Ltd.</li> </ul>
Real Estate for Leasing Business	<ul style="list-style-type: none"> <li>● Leases and manages apartments, condominiums, commercial buildings, shops etc. The main affiliated companies of this division are Sekiwa Real Estate, Ltd., Sekiwa Real Estate Kansai, Ltd., Sekiwa Real Estate Chubu, Ltd., Sekiwa Real Estate Chugoku, Ltd., Sekiwa Real Estate Kyushu, Ltd., and Sekiwa Real Estate Tohoku, Ltd.</li> </ul>
Other Business	<ul style="list-style-type: none"> <li>● Designs and constructs condominiums and commercial buildings, and contracts remodeling of houses, and designs and constructs landscape gardens The main affiliated companies of this division are Sekisui House Remodeling, Ltd., Greentechno Sekiwa, Ltd., and Landtech Sekiwa, Ltd.</li> </ul>

The outline of the major business of the Sekisui House Group is set out below:



## 7) Major Operations of Sekisui House Group

### 1. Location of Major Operations of the Company

<b>Head office:</b>	1-88, Oyodonaka 1-chome, Kita-ku, Osaka	
<b>Tokyo office:</b>	15-1, Akasaka 4-chome, Minato-ku, Tokyo	
<b>Sales and project headquarters:</b>		<u>City</u>
Tohoku Sales Administration Headquarters		Sendai
Tokyo Sales Administration Headquarters		Shibuya-ku, Tokyo
Kanagawa Sales Administration Headquarters		Yokohama
Saitama Sales Administration Headquarters		Saitama
Higashi Kanto Sales Administration Headquarters		Chiba
Kita Kanto Sales Administration Headquarters		Utsunomiya
Chubu Daiichi Sales Administration Headquarters		Nagoya
Chubu Daini Sales Administration Headquarters		Shizuoka
Hokuriku Sales Administration Headquarters		Kanazawa
Kansai Daiichi Sales Administration Headquarters		Osaka
Kansai Daini Sales Administration Headquarters		Kyoto
Chugoku Sales Administration Headquarters		Hiroshima
Shikoku Sales Administration Headquarters		Takamatsu
Kyushu Sales Administration Headquarters		Fukuoka
Tokken Building Projects Headquarters		Osaka
Condominium Headquarters		Osaka
Development Headquarters		Osaka
House Purchase & Resale Department		Osaka
<b>Branches:</b>	126 branches	
<b>Customer service centers:</b>	65 Customer Service Centers	
<b>Factories:</b>		
Tohoku Factory	Shikama-cho, Kami-gun, Miyagi Prefecture	
Kanto Factory	Koga-City, Ibaraki Prefecture	
Shizuoka Factory	Kakegawa-City, Shizuoka Prefecture	
Yamaguchi Factory	Yamaguchi-City	
Hyogo Factory	Kato- City, Hyogo Prefecture	
Azai Factory	Nagahama- City, Shiga Prefecture	
<b>R&amp;D Institute</b>		
Comprehensive Housing R&D Institute	Kizugawa- City, Kyoto Prefecture	

Note:

With respect to sales and project headquarters, the Company established Tokyo Sha-Maison Sales Administration Headquarters (Shibuya-ku, Tokyo) and Kansai Sha-Maison Sales Administration Headquarters (Osaka), integrated Kansai Daiichi Sales Administration Headquarters and Kansai Daini Sales Administration Headquarters to Kansai Sales Administration (Osaka), and abolished Tokken Building Projects Headquarters on February 1, 2010.

## 2. Address of Major Operations of subsidiaries

Sekiwa Real Estate, Ltd.	Head office: 1-1, Yoyogi 2-chome, Shibuya-ku, Tokyo
Sekiwa Real Estate Kansai, Ltd.	Head office: 1-30, Oyodonaka 1-chome, Kita-ku, Osaka
Sekiwa Real Estate Chubu, Ltd.	Head office: 5-28, Meieki 4-chome, Nakamura-ku, Nagoya
Sekiwa Real Estate Chugoku, Ltd.	Head office: 1-25, Komachi, Naka-ku, Hiroshima
Sekiwa Real Estate Kyushu, Ltd.	Head office: 25-21, Hakataekimae 3-chome, Hakata-ku, Fukuoka
Sekiwa Real Estate Tohoku, Ltd.	Head office: 16-10, Honcho 2-chome, Aoba-ku, Sendai
Sekisui House Remodeling, Ltd.	Head office: 1-90, Oyodonaka 1-chome, Kita-ku, Osaka
SGM Operation Co., Ltd.	Head office: 13, Koyochonaka 5-chome, Higashinada-ku, Kobe
Sekiwa Woods, Ltd.	Head office: 27-3, Ariso 2-chome, Imizu-City, Toyama Prefecture
Sekisui House Australia Holdings Pty Limited.	Head office: Level 18 60 Castlereagh Street Sydney NSW 2000

## 8) Outline of main subsidiaries

Millions of yen

Company Name	Capital	Percentage owned	Main business
Sekiwa Real Estate, Ltd.	1,758	100.0%	Real Estate for Leasing and Sale
Sekiwa Real Estate Kansai, Ltd.	5,829	100.0%	Real Estate for Leasing and Sale
Sekiwa Real Estate Chubu, Ltd.	1,368	100.0%	Real Estate for Leasing and Sale
Sekiwa Real Estate Chugoku, Ltd.	379	100.0%	Real Estate for Leasing and Sale
Sekiwa Real Estate Kyushu, Ltd.	263	100.0%	Real Estate for Leasing and Sale
Sekiwa Real Estate Tohoku, Ltd.	200	100.0%	Real Estate for Leasing and Sale
Sekisui House Remodeling, Ltd.	100	100.0%	Other Business
SGM Operation Co., Ltd.	418	100.0%	Real Estate for Leasing
Sekiwa Woods, Ltd.	480	100.0%	Built to Order Housing
Sekisui House Australia Holdings Pty Limited.	180 (Millions of AUD)	100.0%	Real Estate for Sale

Notes:

1. There are 84 consolidated subsidiaries, and eight companies to which equity method of accounting is applied.
2. Sekiha, Ltd. changed its trade name to Sekiwa Woods, Ltd. on May 1, 2009.

## 9) Employees

Outline of Sekisui House Group

Number of employees	Change compared to previous year
21,745	509 (decreased)

Outline of Sekisui House, Ltd.

Number of employees	Change compared to previous year	Average age	Average length of employment
15,497	679 (decreased)	38.6 years old	14.9 years

Note:

The number of employees stated above includes those dispatched to subsidiaries and the like.

## 10) Principal Lenders

Millions of yen

Name of lenders	Amount of loan
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	41,000
Sumitomo Mitsui Banking Corporation	39,000
Mizuho Corporate Bank, Ltd.	31,000
Mizuho Trust & Banking Co., Ltd.	21,700
BOS International (Australia), Limited.	11,438
Resona Bank, Ltd.	10,000

Note:

The balance of borrowings in denominated of foreign currency is converted using a term-end rate of exchange.

## 2. Present Conditions of the Company, as of January 31, 2010

### 1) Description of Common Shares of the Company

1	Total number of shares authorized to be issued	1,978,281,000 shares
2	Total number of shares issued (Including treasury stock)	676,885,078 shares (960,081 shares)
3	Total number of shareholders	34,006
4	Details of main shareholders are as follows:	
	Name	Number of shares held (thousands)
		Ratio of shareholding
	Sekisui Chemical Co., Ltd.	72,168
		10.68%
	Japan Trustee Services Bank, Ltd. (Trust account)	37,717
		5.58%
	The Master Trust Bank of Japan, Ltd. (Trust account)	37,181
		5.50%
	The Bank of New York Mellon as Depository Bank for Depository Receipt Holders	26,749
		3.96%
	The Dai-ichi Mutual Life Insurance Company	16,158
		2.39%
	Northern Trust Company (AVFC) Sub-account American Client	15,792
		2.34%
	State Street Bank and Trust Company 505225	14,761
		2.18%
	Sekisui House <i>Ikushikai</i>	14,272
		2.11%
	The Bank of Tokyo-Mitsubishi UFJ, Ltd.	13,624
		2.02%
	Japan Trustee Services Bank, Ltd. (Trust account 9)	11,953
		1.77%

Notes:

- The Bank of New York Mellon as Depository Bank for Depository Receipt Holders is the nominee of shares deposited for issuance as American Depository Receipts (ADRs) of the Company.
- Sekisui House *Ikushikai* is the Company's employee stock holding association.
- The ratio of shareholding is calculated deducting shares of treasury stock from total number of shares issued.

## 2) Outlines of Stock Acquisition Rights

### 1. Outlines of Stock Acquisition Rights as of January 31, 2010

- Number of stock acquisition rights

309 units

- Type and number of shares to be issued upon exercise of stock acquisition rights

309,000 common shares of the Company (1,000 shares for one unit)

- Current situation of stock acquisition rights held by posts

Posts	Directors (Outside Directors)		Executive Officers		Corporate Auditors		Others	
	Number of holders	Number of stock acquisition rights	Number of holders	Number of stock acquisition rights	Number of holders	Number of stock acquisition rights	Number of holders	Number of stock acquisition rights
No.1 Stock Acquisition Rights (Stock compensation-type stock option)	11	26	7	7	1	3	5	9
No.2 Stock Acquisition Rights (Stock compensation-type stock option)	11	31	7	7	1	4	5	10
No.3 Stock Acquisition Rights (Stock compensation-type stock option)	12 (1)	60 (2)	17	37	—	—	3	11
No.4 Stock Acquisition Rights (Stock compensation-type stock option)	12 (1)	68 (3)	17	35	—	—	1	1

#### Notes:

1. The number of Executive Officers stated in the above table does not include Executive Officers who concurrently hold the office of Directors.
2. The exercise price of stock acquisition rights above is 1 yen per one share.
3. The exercise period of stock acquisition rights above is as stated below.

No.1 Stock Acquisition Rights (Stock compensation-type stock option): From April 28, 2006 to April 27, 2026

No.2 Stock Acquisition Rights (Stock compensation-type stock option): From June 8, 2007 to June 7, 2027

No.3 Stock Acquisition Rights (Stock compensation-type stock option): From June 7, 2008 to June 6, 2028

No.4 Stock Acquisition Rights (Stock compensation-type stock option): From June 10, 2009 to June 9, 2029

### 2. Outlines of Stock Acquisition Rights delivered during the fiscal year under review

- Name of stock acquisition rights

No.4 Stock Acquisition Rights (Stock compensation-type stock option)

- Number of stock acquisition rights

106 units

- Type and number of shares to be issued upon exercise of stock acquisition rights

106,000 common shares of the Company (1,000 shares for one unit)

• Issuance price

681 yen per one share

• Amount to be paid in upon exercise of each stock acquisition right

1 yen per one share

• Exercise period of stock acquisition rights

The period in which stock acquisition rights are exercisable will be determined by the Board of Directors of the Company within the period between June 10, 2009 and June 9, 2029.

• Conditions for exercise of stock acquisition rights

(i) Holders of stock acquisition rights can exercise stock acquisition rights from the day following the day on which they lose their positions as directors of the Company or its consolidated subsidiaries (including corporate officers in a case where the Company turns into "company with committees" in the future); corporate auditor, or executive officers (the "start date of exercise of stock acquisition rights").

(ii) Notwithstanding the description in the above item (i), if either of the following two cases (a) or (b) occurs, holders of stock acquisition rights can exercise their stock acquisition rights within the periods specified (provided, however, that with respect to (b), the foregoing shall not be applied to a case in which stock acquisition rights of the reorganized company are assigned to the holders of stock acquisition rights).

(a) Holders of stock acquisition rights are unable to have the start date of exercise of stock acquisition rights commencing before June 9, 2028:

Between June 10, 2028 and June 9, 2029

(b) A general meeting of shareholders of the Company approves a resolution for a merger contract in which the Company becomes a dissolving company or a resolution for a share exchange or transfer contract or plan in which the Company becomes a wholly-owned subsidiary (in case of resolution of the general meeting of shareholders of the Company being not required, a resolution of the Board of Directors will substitute therefor):

For 15 days from the date following the date on which the approval is granted

(iii) If holders of stock acquisition rights waive their rights, they cannot exercise the rights.

(iv) No partial exercise of a single stock acquisition right is allowed.

(v) The other terms and conditions of the stock acquisition rights shall be provided for in the Stock Acquisition Rights Allotment Agreement entered into between the Company and individual officers to whom stock acquisition rights were allotted.

• Terms and conditions for acquisition of stock acquisition rights:

If a meeting of shareholders of the Company approves proposals (1), (2), (3), (4) and (5) below, the Company may acquire the stock acquisition rights without compensation on a date separately determined by the Board of Directors (if an approval is not required, then, the day on which the Board of Directors of the Company adopts a resolution).

(1) a proposal for approval of a merger contract in which the Company is to be dissolved;

(2) a proposal for approval of a corporate division agreement or plan under which the Company undergoes a split;

(3) a proposal for approval of a share exchange or transfer contract or plan in which the Company becomes a wholly-owned subsidiary;

- (4) a proposal for approval of changes in the Articles of Incorporation to establish the provisions that the Company's approval is required for acquisition by transfer of any shares issued by the Company;
- (5) a proposal for approval of changes in the Articles of Incorporation to establish the provisions that the Company's approval is required for acquisition by transfer of shares to be issued upon exercise of stock acquisition rights, or that the Company shall acquire all such shares to be issued upon exercise of stock acquisition rights by resolution of the general meeting of shareholders.

·Current situation of stock acquisition rights held by posts

Posts	Directors (Outside Directors)		Executive Officers	
	Number of holders	Number of stock acquisition rights	Number of holders	Number of stock acquisition rights
	13 (1)	71 (3)	17	35

Note:

The number of Executive Officers stated in the above table does not include Executive Officers who concurrently hold the post of Directors.

### 3) Directors and Corporate Auditors

#### 1. Names and posts of Directors and Corporate Auditors

Chairman, Representative Director & CEO(Chief Executive Officer).	Isami Wada
President, Representative Director & COO(Chief Operating Officer).	Toshinori Abe
Directors:	
Katsuhiko Machida	
Akira Morimoto	Senior Managing Officer, in charge of construction and Sekiwa construction remodeling project
Sumio Wada	Senior Managing Officer, management of technology, in charge of purchasing, Chief Manager of International Business Department
Shiro Inagaki	Senior Managing Officer, in charge of accounting & finance, IT operation, auditing, TKC project and corporate marketing
Yoshiro Kubota	Senior Managing Officer, in charge of general affairs, legal and personnel, General Manager of CS Promoting Headquarters
Fumiaki Hirabayashi	Managing Officer, General Manager of Tokyo Administration Office
Takashi Uchida	Managing Officer, in charge of administrative control of subsidiary & affiliated companies, Chief Manager of Accounting & Finance Department
Junichi Terada	Managing Officer, in charge of detached house projects, Tokken building projects, real estate, development and metropolitan area administration
Tetsuo Iku	Managing Officer, in charge of design, technology and environment, General Manager of Technology Headquarters
Kenji Hatanaka	Managing Officer, General Manager of Condominium Headquarters
Full-Time Standing Corporate Auditors:	
Hiroshi Itawaki	
Tadashi Iwasaki	
Corporate Auditors:	
Takaharu Dohi	
Teruyuki Saegusa	
Eiji Mansho	

Notes:

1. Names, posts and responsibilities of Directors who retired during the fiscal year under review are stated below.

Executive Vice President & Executive Officer	Kazuo Yoshimitsu	Assistant to the President Management of real estate and Tokken building projects	Resigned on April 20, 2009
Director	Yuzo Matsumoto	In charge of environment	Resigned on June 25, 2009

2. Corporate Auditor Mr. Teruyuki Saegusa was newly elected at the 58<sup>th</sup> General Meeting of Shareholders held on April 23, 2009 and assumed the office.
3. Director Mr. Katsuhiko Machida is Outside Director as prescribed in Section 15 of Article 2 of the Companies Act.
4. Corporate Auditors Messrs. Takaharu Dohi, Eiji Mansho and Teruyuki Saegusa are Outside Corporate Auditors as prescribed in Section 16 of Article 2 of the Companies Act.
5. In order to promote prompt management through a clear distinction between the decision-making and the business operations of the management system and to create a management structure that can accurately meet the needs of a volatile economic and market environment, the Company has adopted an Executive Officer System. In addition to the executive officers mentioned above, who simultaneously serve as Directors, the Company has 17 full-time executive officers as of January 31, 2010.
6. The duties of the Directors changed on February 1, 2010 as set forth below:
  - Yoshiro Kubota Senior Managing Officer, in charge of CS, general affairs, legal and personnel
  - Junichi Terada Managing Officer, in charge of detached house projects, real estate and metropolitan area administration, General Manager of Development Headquarters
7. Director Mr. Kenji Hatanaka retired from the office of Managing Officer on January 31, 2010 and assumed the office of Advisor of Sekiwa Real Estate Kansai, Ltd on February 1, 2010
8. Directors and Corporate Auditors who concurrently hold the important post of other companies are stated below.

Directors:		
Name	Company in which Directors and Corporate Auditors of the Company hold an concurrent post	Post
Isami Wada	Sekiwa Real Estate Tohoku, Ltd. Sekiwa Real Estate, Ltd. Sekiwa Real Estate Kansai, Ltd. Sekiwa Real Estate Chubu, Ltd. Sekiwa Real Estate Kyushu, Ltd. Almetax Manufacturing Co., Ltd.	Chairman & Director Director Director Director Executive Advisor & Director
Katsuhiko Machida	Sharp Corporation	Chairman & Representative Director
Sumio Wada	Sekisui House Australia Holdings Pty Limited Sekiwa Woods, Ltd.	President & Director Director
Shiro Inagaki	The Mortgage Corporation of Japan, Limited	Director
Fumiaki Hirabayashi	Sumai no Toshokan Co., Ltd.	President & Representative Director
Takashi Uchida	Japan Excellent Asset Management Co., Ltd. SGM Operation Co., Ltd.	Director Corporate Auditor
Junichi Terada	Sekiwa Real Estate, Ltd.	Corporate Auditor
Corporate Auditors:		
Name	Company in which Directors and Corporate Auditors of the Company hold an concurrent post	Post
Hiroshi Itawaki	Sekiwa Woods, Ltd. Almetax Manufacturing Co., Ltd.	Corporate Auditor Corporate Auditor
Tadashi Iwasaki	Sekiwa Real Estate Tohoku, Ltd. Sekiwa Real Estate Kansai, Ltd. Sekiwa Real Estate Chugoku, Ltd. Sekiwa Real Estate Kyushu, Ltd. Sekisui House Remodeling, Ltd.	Corporate Auditor Corporate Auditor Corporate Auditor Corporate Auditor Corporate Auditor
Takaharu Dohi	Dohi Law Office Kansai Telecasting Corporation The Kansai Electric Power Co., Inc. Hankyu Hanshin Holdings, Inc. Kawase Computer Supplies Co., Ltd.	Lawyer Director Corporate Auditor Corporate Auditor Corporate Auditor
Teruyuki Saegusa	Saegusa Circulation Research Co., Ltd Shinki Bus Co., Ltd	Representative Director Corporate Auditor
Eiji Mansho	Sekisui Chemical Co., Ltd Sekisui Plastics Co., Ltd.	Full-time Corporate Auditor Corporate Auditor

## 2. Remunerations paid for Directors and Corporate Auditors

	Directors (Outside Director)		Corporate Auditors (Outside Corporate Auditors)		Total (Outside Officers)	
	Number of people	Remunerations (Millions of yen)	Number of people	Remunerations (Millions of yen)	Number of people	Remunerations (Millions of yen)
Remunerations based on a general meeting of shareholders' resolution	14 (1)	355 (18)	5 (3)	84 (34)	19 (4)	439 (52)
Stock compensation-type stock options (stock acquisition rights)	14 (1)	50 (1)	—	—	14 (1)	50 (1)

Notes:

1. Remunerations based on a general meeting of shareholders' resolution and stock compensation-type stock options (stock acquisition rights) cover two Directors who retired from the office during the fiscal year under review.
2. Remunerations based on a general meeting of shareholders' resolution to the Directors (43 million yen or less per month for all Directors as a group) were paid pursuant to resolution of the 43rd Ordinary General Meeting of Shareholders held on April 27, 1994, and also to Corporate Auditors (nine million yen or less per month for all Corporate Auditors as a group) were paid pursuant to resolution of the 55th Ordinary General Meeting of Shareholders held on April 27, 2006.
3. Stock compensation-type stock options (stock acquisition rights) were granted pursuant to resolution of the 56th Ordinary General Meeting of Shareholders held on April 28, 2007 (the maximum amount and number are 90 million yen and 90 stock acquisition rights per year).

## 3. Matters concerning Outside Officers

·The principal performance of Outside Director and Corporate Auditors during the fiscal year under review:

Post	Name	Principal performance
Director	Katsuhiko Machida	Mr. Machida attended 11 meetings out of 14 meetings of the Board of Directors. He stated timely opinions based on his knowledge and experience engaged in other company's management.
Corporate Auditor	Takaharu Dohi	Mr. Dohi attended all 14 meetings out of 14 meetings of the Board of Directors and all 13 meetings out of 13 meetings of the Board of Corporate Auditors. He stated timely opinions from a legal viewpoint as a lawyer and based on his knowledge and experience as other company's outside officers.
Corporate Auditor	Teruyuki Saegusa	Mr. Saegusa attended 10 meetings out of 11 meetings of the Board of Directors and all 10 meetings out of 10 meetings of the Board of Corporate Auditors. He stated timely opinions based on his knowledge and experience engaged in other company's management.
Corporate Auditor	Eiji Mansho	Mr. Mansho attended all 14 meetings out of 14 meetings of the Board of Directors and all 13 meetings out of 13 meetings of the Board of Corporate Auditors. He stated timely opinions based on his knowledge and experience engaged in other company's management.

- Outlines of agreement to limit Outside Director's liability and Corporate Auditor's liability:

The Company entered into an agreement with the Outside Director and each of all the Outside Corporate Auditors that if Outside Director and Outside Corporate Auditor cause damages to the Company by neglect of their duty, where deemed their conduct to be made in good faith without gross negligence, their liability under each agreement is without fail limited to the sum of the amount provided by the items in Article 425, Section 1 of the Companies Act.

- Relationship between other companies where the Company's Director holds concurrent post and the Company:

Director Mr. Katsuhiko Machida concurrently holds the post of Chairman & Representative Director of Sharp Corporation. The Company has business transactions with Sharp Corporation relating to the solar power generation systems.

Corporate Auditor Mr. Eiji Mansho concurrently holds the post of Standing Corporate Auditor of Sekisui Chemical Co., Ltd. Sekisui Chemical Co., Ltd is the largest shareholder of the Company and the Company has business transactions with Sekisui Chemical Co., Ltd relating to housing materials or other.

#### 4) Outline of Accounting Auditor

**1. Name** Ernst & Young Shin Nihon LLC

##### 2. Remuneration

	Remuneration
The aggregate amount of remuneration payable to Accounting Auditor by the Company for the fiscal year under review	¥127 million
The aggregate amount of remuneration payable to Accounting Auditor by the Company and its consolidated companies	¥223 million

Notes:

1. The amount of remuneration for auditing made pursuant to the Companies Act and the amount of remuneration pursuant to the Financial Instrument and Exchange Act are not divided in the Auditing Agreement, which both the Company and the Accounting Auditor agreed to. Also, since it is impossible to state separately in practice, the amount represents the aggregate amount of the remuneration paid by the Company.
2. Out of subsidiaries, Sekisui House Australia Holdings Pty Limited was audited by another audit corporation.

##### 3. Details of Non-Audit Service

The Company commissions the non-audit service, that are, advisory services for maintenance, management and assessment of the effectiveness of the internal control system over financial reporting and other to the Accounting Auditor, in addition to services specified in Article 2, Paragraph 1 of the Certified Public Accountants Act.

##### 4. Dismissal or Non-reappointment of Accounting Auditor

If any of the dismissal causes provided by Article 340 of the Companies Act is applicable to the Accounting Auditor, the Board of Corporate Auditors shall dismiss the Accounting Auditor subject to the consent of all Corporate Auditors, and if the Company considers that it is impossible for the Accounting Auditor to appropriately carry out the duties, the Company shall submit a proposal of the dismissal or non re-appointment of the Accounting Auditor to a general meeting of shareholders subject to consent or requests from the Board of Corporate Auditors.

## **5) System which ensures the due execution of business:**

### **1. System which ensures that execution of duties by Directors complies with laws and ordinances and the Articles of Incorporation of the Company**

- (1) In the light of achieving the corporate philosophy of the Company and materializing corporate management on the basis of the compliance with laws and ordinances and the Articles of Incorporation, the Company hereby sets forth the Conduct Code with which officers and employees of the Company shall comply.
- (2) By holding regularly lectures and training sessions for compliance towards Directors, the Company will exert to have knowledge and understanding of laws and ordinances, etc. required for the execution of duties by Directors penetrated into Directors.
- (3) The Board of Directors shall decide on important matters relating to the operation of business based on laws and ordinances, internal regulations and the aforesaid Conduct Code and oversee the execution of duties by Directors.
- (4) The Board of Directors shall elect and oversee Executive Officers executing assigned duties under the Representative Director's instruction and order.
- (5) The Board of Directors shall hold a meeting once per month in principle pursuant to laws and ordinances and the Regulations of the Board of Directors.
- (6) The Representative Director and Executive Officers shall make report on the status of execution of duties at the meeting of the Board of Directors.
- (7) Corporate Auditors shall audit execution of duties by Directors and Executive Officers in accordance with the audit standard set forth pursuant to laws and ordinances and internal regulations of the Company.

### **2. System under which information regarding execution of duties by Directors shall be maintained and controlled**

The following documents relating to the execution of duties (including electronic records; the same applicable hereinafter) shall be duly maintained and controlled upon condition that Directors and Corporate Auditors, etc. may inspect the same whenever necessary.

- ① Minutes and related materials of the general meeting of shareholders, the Board of Directors and important meetings which Directors attended;
- ② Important documents by which Director decided execution of duties (application document for decision making by rotation and related materials);
- ③ Important documents prepared by Director for execution of duties (contracts, memorandum, reports, etc.);
- ④ Important documents relating to execution of duties by Director.

### **3. Regulation regarding Control of Risk for Loss and other System**

- (1) The Company shall arrange for and prepare regulation regarding risk control of the overall Company and regularly evaluate and control risks existing in the Company;
- (2) The Company shall arrange for and prepare risk control system to deal with natural calamity or any emergency which may cause the Company incurred material loss and

damage and procure dissemination and penetration thereof into the Company.

**4. System under which Directors shall be ensured to efficiently execute duties**

In order for duties of Directors executed through Executive Officers and employees being implemented efficiently, the Company shall set forth regulation for assignment of duties and thereby define duties and responsibilities.

**5. System which ensures that execution of duties by Employees complies with laws and ordinances and the Articles of Incorporation of the Company**

- (1) The Company shall set forth the Conduct Code for employees of the Company based on the Corporate Ethics of the Company and take a punitive action under internal regulation including work regulation, etc. against employees violating the same.
- (2) Through training sessions for compliance for employees, the Company will exert to have knowledge and understanding of laws and ordinances, etc. required for the execution of duties and the aforesaid Conduct Code penetrated into employees.
- (3) The CSR Committee directly controlled by the President in which outside well informed persons participate and the CSR Office established in the Corporate Communication Department will promote CSR activities including arrangement for the compliance system.
- (4) Internal help line windows will enable the Company to immediately collect information regarding violation of laws and ordinances within the Company and take appropriate measures.
- (5) Internal Audit Department shall conduct regularly audit.

**6. System which ensures due execution of duties by group companies**

- (1) Each department shall give guidance and control a subsidiary in connection with assigned duties and a department specialized in subsidiaries control shall be established and give comprehensive guidance and control subsidiaries.
- (2) Personnel for directors and corporate auditors of subsidiaries shall be dispatched from the Company to control and audit execution of duties by directors of subsidiaries.
- (3) The Internal Audit Department of the Company shall regularly audit subsidiaries which have not internal audit departments.
- (4) The internal help line windows of the Company shall receive internal notification from employees of subsidiaries so that it will enable information regarding violation of laws and ordinances, etc. within subsidiaries to be collected immediately and appropriate measures to be taken.
- (5) The Company will give guidance and control subsidiaries with respect to establishment of the independent internal control system on the basis of the operational environments in terms of the size, business and internal organizations of each subsidiary.

**7. Matters related to employees to assist duties of Corporate Auditors when Corporate Auditors request to do so**

Employees shall be selected to assist Corporate Auditors in their duties when Corporate Auditors so request. Selection of employees, etc. shall be determined upon respecting intention of the Board of Corporate Auditors and mutual consultation.

**8. Matters related to independence of the employees of item 7 above from Directors**

Employees selected to assist Corporate Auditors in their duties shall not be under instruction and order of the senior person with respect to the duties requested by Corporate Auditors and transfer, evaluation and disciplinary action with respect to the employee shall be determined while respecting opinions of the Board of Corporate Auditors.

**9. System under which Directors and employees report to Corporate Auditors and system under which any report is made to Corporate Auditors**

- (1) Directors and Executive Officers shall from time to time report the status of execution of duties at the meeting of the Board of Directors and other important meeting which Corporate Auditors attend.
- (2) Directors and Executive Officers shall immediately report to Corporate Auditors whenever finding any fact which might cause material loss and damage to the Company or subsidiaries.
- (3) Documents by which decision was made, minutes of important meeting such as the Board of Directors, audit report prepared by the Internal Audit Department, other important documents related to audit of Corporate Auditors shall be forwarded to Corporate Auditors.

**10. Other system under which audit by Corporate Auditors is ensured to efficiently to be performed**

- (1) Corporate Auditors and the Internal Audit Department shall keep close contact through exchange of opinions and cooperate each other so that audit by each party shall be conducted efficiently and effectively.
- (2) Corporate Auditors and Accounting Auditors shall have meetings regularly and cooperate each other so that audit duties of each shall be conducted efficiently and effectively.

---

Note:

Amounts of the Business Report are given in the stated unit of the presentation, by disregarding any amount less than the stated unit of the presentation.

<b>CONSOLIDATED BALANCE SHEETS</b>			
As of January 31, 2010			
<i>Millions of yen</i>			
<b>Assets</b>	<b>1,353,946</b>	<b>Liabilities</b>	<b>637,650</b>
<b>Current assets</b>	<b>850,933</b>	<b>Current liabilities</b>	<b>460,466</b>
Cash on deposits	149,330	Notes payable, accounts payable for construction contracts	135,658
Notes receivable, accounts receivable from completed construction contracts	11,391	Current portion of long-term loans payable	172,901
Short-term investment securities	1,274	Income taxes payable	4,810
Costs on uncompleted construction contracts	47,540	Advances received on uncompleted construction contracts	90,425
Buildings for sale	115,643	Provision for bonuses	6,177
Land for sale in lots	357,321	Provision for warranties for completed construction	2,390
Undeveloped land for sale	71,089	Other	48,102
Other inventories	5,848		
Deferred tax assets	65,787		
Other	27,844		
Allowance for doubtful accounts	(2,137)		
<b>Noncurrent assets</b>	<b>503,012</b>	<b>Noncurrent liabilities</b>	<b>177,184</b>
<b>Property, plant and equipment</b>	<b>342,233</b>	Bonds Payable	59,986
Buildings and structures	131,828	Long-term loans payable	28,778
Machinery, equipment and vehicles	10,587	Long-term lease and guarantee deposited	54,439
Tools, furniture and fixtures	4,108	Provision for retirement benefits	29,347
Land	189,361	Provision for directors' retirement benefits	1,125
Lease assets	185	Other	3,507
Construction in progress	6,160		
<b>Intangible assets</b>	<b>9,070</b>	<b>Net assets</b>	<b>716,295</b>
Industrial property	29	<b>Shareholders' equity</b>	<b>710,429</b>
Leasehold right	2,011	<b>Capital stock</b>	<b>186,554</b>
Software	5,936	<b>Capital surplus</b>	<b>237,522</b>
Right of using facilities	150	<b>Retained earnings</b>	<b>287,738</b>
Telephone subscription right	863	<b>Treasury stock</b>	<b>(1,385)</b>
Other	79	<b>Valuation and translation adjustments</b>	<b>5,308</b>
<b>Investments and other assets</b>	<b>151,708</b>	Valuation difference on available-for-sale securities	3,152
Investment securities	67,410	Deferred gains or losses on hedges	4
Long-term loans receivable	32,791	Foreign currency translation adjustment	2,151
Deferred tax assets	17,274	<b>Subscription rights to shares</b>	<b>232</b>
Other	35,715	<b>Minority Interests</b>	<b>325</b>
Allowance for doubtful accounts	(1,483)		
<b>Total assets</b>	<b>1,353,946</b>	<b>Total Liabilities and Net assets</b>	<b>1,353,946</b>

<b>CONSOLIDATED STATEMENTS OF INCOME</b>	
From February 1, 2009 to January 31, 2010	
<i>Millions of yen</i>	
<b>Net sales</b>	<b>1,353,186</b>
<b>Cost of sales</b>	<b>1,196,849</b>
<b>Gross profit</b>	<b>156,336</b>
<b>Selling, general and administrative expenses</b>	<b>195,091</b>
<b>Operating loss</b>	<b>38,754</b>
<b>Non-operating income</b>	<b>6,353</b>
Interest and dividends income	1,934
Equity in earnings of affiliates	387
Other	4,032
<b>Non-operating expenses</b>	<b>6,357</b>
Interest expenses	2,965
Other	3,392
<b>Ordinary loss</b>	<b>38,758</b>
<b>Extraordinary income</b>	<b>6</b>
Gain on sales of investment securities	6
<b>Extraordinary loss</b>	<b>7,668</b>
Cost of business structure improvement	4,821
Loss on sales and retirement of noncurrent assets	1,973
Loss on valuation of investment securities	873
<b>Loss before income taxes and minority interests</b>	<b>46,421</b>
Income taxes-current	8,698
Income taxes-deferred	(25,869)
Minority interests in income	26
<b>Net loss</b>	<b>29,277</b>

## CONSOLIDATED STATEMENTS OF CHANGE IN NET ASSETS

(From February 1, 2009 to January 31, 2010)

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the end of previous period	186,554	237,522	331,895	(1,355)	754,616
Changes of items during the period					
Dividends from surplus	—	—	(14,871)	—	(14,871)
Net loss	—	—	(29,277)	—	(29,277)
Retirement of treasury stock	—	—	—	(54)	(54)
Disposal of treasury stock	—	—	(8)	23	14
Net changes of items other than "Shareholders' equity" during the period	—	—	—	—	—
Total changes of items during the period	—	—	(44,157)	(30)	(44,187)
Balance at the end of current period	186,554	237,522	287,738	(1,385)	710,429

	Valuation and translations adjustments				Subscripti on rights to shares	Minority interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Total			
Balance at end of previous period	(960)	(8)	—	969	158	323	754,130
Changes of items during the period							
Dividends from surplus	—	—	—	—	—	—	(14,871)
Net loss	—	—	—	—	—	—	(29,277)
Retirement of treasury stocks	—	—	—	—	—	—	(54)
Disposal of treasury stock	—	—	—	—	—	—	14
Net changes of items other than "Shareholders' equity" during the period	4,112	13	2,151	6,277	73	1	6,353
Total changes of items during the period	4,112	13	2,151	6,277	73	1	(37,834)
Balance at the end of current period	3,152	4	2,151	5,308	232	325	716,295

## List of Notes to Consolidated Financial Statements

### 1. Notes to Significant Matters which are Basis for Preparation of Consolidated Financial Statements

#### 1) Scope of consolidation

Consolidated subsidiaries: 84, including Sekiwa Real Estate, Ltd., Sekiwa Real Estate Kansai, Ltd., Sekiwa Real Estate Chubu, Ltd., Sekiwa Real Estate Chugoku, Ltd., Sekiwa Real Estate Kyushu, Ltd., Sekiwa Real Estate Tohoku, Ltd. and other companies.

All 84 subsidiaries are consolidated.

Changes in scope of consolidation

26 companies increased as overseas subsidiaries were established or otherwise. In addition Sekiwa Construction Nishi Saitama, Ltd. and 10 other companies were extinguished due to a merger with other subsidiary.

#### 2) Application of equity method

Affiliated companies accounted for by the equity method: 8, including Almetax Manufacturing Co., Japan Power Fastening Co., The Mortgage Corporation of Japan, Ltd. and other companies.

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

Changes in scope of equity method

Investment in 1 company is accounted for by the equity method.

#### 3) Term-ends of consolidated subsidiaries

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

#### 4) Summary of significant accounting standards

##### (1) Basis and method for valuation for significant assets

##### (a) Short-time investment securities:

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

##### (ii) Other short-time investment securities:

##### • Stocks with market value:

Based on closing market price on the last day of period (Valuation gains and losses resulting are calculated by the full net asset costing method; cost of disposal is calculated by the moving average method)

##### • Stocks with no available market value:

At cost based on the moving average method

##### (b) Derivatives: Market value method

- (c) Inventories:
  - (i) Costs on uncompleted construction, buildings for sale, land for sale in lots, and undeveloped land for sale: At cost based on individual cost method  
(Cost method whereby the book value is written down to the net realizable value in cases where there has been a material decline in value).
  - (ii) Other inventories: At cost based on moving average method

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

Property, plant and equipment (excluding lease assets):

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

Intangible assets (excluding lease assets):

The Company applies the straight-line method to intangible assets.

Lease assets:

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

(3) Basis for accounting for significant allowances

(a) Allowance for doubtful accounts

The Company makes provisions for general debtors based on actual historical collection rates and for specific debtors where collection is doubtful based on estimates of the amount collectible.

(b) Provision for bonuses

To prepare for bonus payments to employees, the Company provides for the estimated appropriate amount in the relevant fiscal year.

(c) Provision for compensation payments on completed works

Provisions for losses and guarantee expenses due to post-completion defects are recorded based on historical repair and other costs arising from completed structures and detached housing.

(e) Provision for retirement benefits

To prepare for future retirement payments to employees, the Company provides for estimated total retirement obligations and pension assets at the end of the consolidated fiscal year. To account for differences in actuarial calculations, the Company recognizes those differences through straight-line depreciation over 5 years, expensing them in the year following such recognition. Differences arising in respect of past service obligations

are calculated over 5 years by the straight-line method and expensed in the year in which they arise.

(f) Provision for directors' retirement benefits

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

(4) Basis for converting significant foreign currency-denominated assets and liabilities into yen

For foreign currency-denominated monetary claims and debts, the Company converts into yen at the rates of exchange prevailing on the consolidated balance sheet date. Translation differences are included in the statements of income.

(5) Main hedge accounting methods

(a) Hedge accounting methods

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

(b) Hedging instruments and targets

- The Company hedges foreign currency cash debts and forward transactions with exchange forward contracts.
- The Company hedges its borrowings with interest-rate swaps.

(c) Hedging policies

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

(d) Methods of assessing hedge effectiveness

The Company assesses if the percentage changes of hedge targets and hedge instruments approximately range from 80% to 125%, where hedging transactions are considered to be effective, while it does not assess the effectiveness of hedging where the main conditions match with regard to the relevant transactions and hedge targets, and where the cash flow is fixed.

(6) Accounting for consumption taxes

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

(7) Basis for accounting for income and expenses

The Company records net sales and cost of sales upon receipt of lease charges to account for income from finance lease.

(8) Inclusion of interest paid in acquisition cost

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

**5) Assessing the assets and liabilities of consolidated subsidiaries**

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

**6) Amortization of goodwill and negative goodwill**

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

**7) Change in significant matters which are basis for preparation of consolidated financial statements**

(1) Accounting standard for measurement of inventories

Inventories held for sale in the ordinary course of business were previously stated at cost based on either the individual cost method or the moving average method. However, since the Company has applied the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006) since the fiscal year under review, inventories are now assessed mainly at cost based on either the individual cost method or the moving average method (with book value being written down to the net realizable value in cases where there has been a material decline in value). As a result, "Gross profit" decreased by ¥67,852 million, while "Operating loss", "Ordinary loss", and "Loss before income taxes and minority interest" increased by the same amount.

(2) Accounting standard for lease transaction

In and before the fiscal year ended January 2009, finance leases, other than those deemed to transfer ownership of the leased assets to the lessee, were accounted for in a manner similar to that applicable to operating leases. Effective from the fiscal year under review, the Company has applied the "Accounting Standard for Lease Transaction" (ASBJ Statement No. 13 of June 17, 1993 (First Committee of the Business Accounting Council); revised on March 30, 2007) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No.16 of January 18, 1994 (Japanese Institute of Certified Public Accountants, Committee on Accounting Systems); revised on March 30,2007), and accordingly such transactions are now accounted for applying *mutatis mutandis* the capital lease method. The adoption of the new accounting standard and guidance has minor impact on the income statement.

Furthermore, finance leases other than those involving a transfer of ownership which began on or before January 31, 2009 have been accounted for applying *mutatis mutandis* the ordinary operating lease method.

- (3) Adoption of the “Practical Solution on Unification of Accounting Policies Applied to Overseas Subsidiaries for Consolidated Financial Statement”

Effective from the fiscal year under review, the Company adopts the “Practical Solution on Unification of Accounting Policies Applied to Overseas Subsidiaries for Consolidated Financial Statements” (ASBJ Practical Issues Task Force No. 18 issued on May 17, 2006). The adoption of the new accounting standard has minor impact on the income statement.

## 8) Change in presentation

(Consolidated Balance Sheets)

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

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

## 2. Notes to the Consolidated Balance Sheet

### 1) Collateralized assets and secured liabilities:

Millions of yen

Collateralized assets		Secured liabilities	
Type	Book value at the end of year	Details	Balance at the end of year
Fixed deposit	200	Deposits from customers	—
Stocks	17	Liabilities of PFI Mizu to Midori no Kenko-toshi, Ltd.	—
Buildings	633	Deposits on contract	180
Land	26,093	Long-term loans payable	10,185
		Deposits on contract with establishment of leasehold	1,355
		Borrowings of clients from banks	743
Total	26,944	Total	12,464

- 2) **Accumulated depreciation of property, plant and equipment** ¥175,455 million

### 3) Liabilities guaranteed:

Liabilities guaranteed for repayment (for persons to have housing mortgage) ¥81,858 million

(Additional information)

Changes in holding purpose of assets:

Real estate held for sale of 60,998 million yen, which was reported under inventories as at January 31, 2009, has been reclassified under inventories.

### 3. Notes to the Statement of Shareholders' Equity

**1) Total number of shares issued:**

Common shares 676,885,078 shares

**2) Matters related to dividends:**

(1) Dividends paid to shareholders:

a. Matters related to the dividends paid pursuant to the resolution of the 58<sup>th</sup> ordinary general meeting of shareholders held on April 23, 2009:

- Total amount of dividends; 8,111 million yen  
- Dividends per share: 12.00 yen  
- Record date: Jan. 31, 2009  
- Effective date: Apr. 24, 2009

b. Matters related to the dividends (interim dividends) paid pursuant to the resolution of the meeting of the Board of Directors held on September 1, 2009:

- Total amount of dividends; 6,759 million yen  
- Dividends per share: 10.00 yen  
- Record date: Jul. 31, 2009  
- Effective date: Sep. 30, 2009

(2) Dividends whose record date belongs to the fiscal year under review will be effective after the fiscal year under review:

Not applicable

**3) Type and Number of shares to be issued if all stock acquisition rights are exercised at the balance sheet date of the fiscal year under review:**

Common shares 309,000 shares

**4) Notes to the Information per Share:**

1. Shareholders' equity per share ¥1,059.18  
2. Net loss per share ¥43.32

---

Note:

Amounts of the Consolidated Balance Sheet, Consolidated Statement of Income, Significant Consolidated Accounting Policies, Notes to Consolidated Balance Sheet and Consolidated Statement of Income are given in the stated unit of the presentation, by disregarding any amount less than the stated unit of the presentation.

<b>NON-CONSOLIDATED BALANCE SHEETS</b>			
As of January 31, 2010			
<i>Millions of yen</i>			
<b>Assets</b>	<b>1,205,075</b>	<b>Liabilities</b>	<b>582,813</b>
<b>Current assets</b>	<b>755,714</b>	<b>Current liabilities</b>	<b>466,932</b>
Cash and deposits	100,025	Notes payable-trade	54,014
Notes receivable-trade	140	Accounts payable-trade	40,277
Accounts receivable from completed construction contracts	7,081	Accounts payable for construction contracts	33,717
Accounts receivable-real estate business	159	Current portion of long-term loans payable	170,000
Short-time investment securities	895	Lease obligations	42
Costs on uncompleted construction contracts	48,241	Accounts payable-other	3,881
Buildings for sale	112,397	Accrued expenses	12,308
Land for sale in lots	338,450	Income taxes payable	550
Undeveloped land for sale	56,428	Accrued consumption taxes	4,777
Semi-finished goods and work in process	2,913	Advances received on uncompleted construction contracts	60,437
Raw materials and supplies	2,530	Advances received	2,608
Advance payments-trade	677	Deposits received	77,552
Prepaid expenses	4,072	Provision for bonuses	4,374
Accounts receivable-other	12,297	Provision for warranties for completed construction	2,389
Deferred tax assets	63,751	Other	1
Other	7,447		
Allowance for doubtful accounts	(1,797)		
<b>Noncurrent Assets</b>	<b>449,360</b>	<b>Noncurrent Liabilities</b>	<b>115,881</b>
<b>Property, plant and equipment</b>	<b>269,730</b>	Bonds payable	59,986
Buildings	83,853	Long-term loans payable	20,000
Structures	3,780	Lease obligations	119
Machinery and equipment	9,845	Long-term lease and guarantee deposited	8,847
Vehicles	75	Provision for retirement benefits	26,347
Tools, furniture and fixtures	2,924	Other	580
Land	168,124		
Lease assets	77		
Construction in progress	1,050		
<b>Intangible assets</b>	<b>7,896</b>	<b>Net assets</b>	<b>622,261</b>
Industrial property	19	<b>Shareholders' equity</b>	<b>618,849</b>
Leasehold right	1,608	<b>Capital stock</b>	<b>186,554</b>
Software	5,500	<b>Capital surplus</b>	<b>242,307</b>
Lease assets	75	Legal capital surplus	242,307
Right of using facilities	11	<b>Retained earnings</b>	<b>191,203</b>
Telephone subscription right	681	Legal retained earnings	23,128
<b>Investments and other assets</b>	<b>171,733</b>	Other retained earnings	168,075
Investment securities	63,599	Reserve for dividends	18,000
Stocks of subsidiaries and affiliates	50,610	General reserve	186,800
Long-term loans receivable	30,085	Retained earnings brought forward	(36,724)
Lease and guarantee deposits	12,106	<b>Treasury stock</b>	<b>(1,216)</b>
Long-term prepaid expenses	617	<b>Valuation and translation adjustments</b>	<b>3,180</b>
Deferred tax assets	12,183	<b>Valuation difference on available-for-sale securities</b>	<b>3,181</b>
Other	3,550	<b>Deferred gains or losses on hedges</b>	<b>(1)</b>
Allowance for doubtful accounts	(1,021)	<b>Subscription rights to shares</b>	<b>232</b>
<b>Total Assets</b>	<b>1,205,075</b>	<b>Total Liabilities and Net assets</b>	<b>1,205,075</b>

<b>NON-CONSOLIDATED STATEMENT OF INCOME</b>	
From February 1, 2009 to January 31, 2010	
<i>Millions of yen</i>	
<b>Net sales</b>	<b>910,353</b>
Completed construction contracts	737,299
Real estate business	173,054
<b>Cost of sales</b>	<b>820,579</b>
Completed construction contracts	593,873
Real estate business	226,706
<b>Gross profit</b>	<b>89,774</b>
Gross profit from completed construction contracts	143,425
Gross loss from real estate business	53,651
<b>Selling, general and administrative expenses</b>	<b>150,398</b>
<b>Operating loss</b>	<b>60,624</b>
<b>Non-operating income</b>	<b>6,926</b>
Interest and dividends income	3,427
Other	3,499
<b>Non-operating expenses</b>	<b>5,906</b>
Interest expenses	2,109
Interest on bonds	853
Other	2,943
<b>Ordinary loss</b>	<b>59,604</b>
<b>Extraordinary income</b>	<b>6</b>
Gain on sales of investment securities	6
<b>Extraordinary loss</b>	<b>7,459</b>
Cost of business structure improvement	4,821
Loss on sales and retirement of noncurrent assets	1,764
Loss on valuation of investment securities	873
<b>Loss before income taxes</b>	<b>67,057</b>
Income taxes-current	528
Income taxes-deferred	(27,774)
<b>Net loss</b>	<b>39,811</b>

## NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(From February 1, 2009 to January 31, 2010)

*Millions of yen*

	Shareholders' equity							
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings			Total
		Legal capital surplus	Total		Other retained earnings			
					Reserve for dividends	General reserve	Retained earnings brought forward	
Balance at the end of previous period	186,554	242,307	242,307	23,128	18,000	201,800	2,966	245,895
Changes of items during the period								
Dividends from surplus	—	—	—	—	—	—	(14,871)	(14,871)
Reversal of general Reserve	—	—	—	—	—	(15,000)	15,000	—
Net loss	—	—	—	—	—	—	(39,811)	(39,811)
Retirement of treasury stock	—	—	—	—	—	—	—	—
Disposal of treasury stock	—	—	—	—	—	—	(8)	(8)
Net changes of items other than "Shareholders' equity" during the period	—	—	—	—	—	—	—	—
Total changes of items during the period	—	—	—	—	—	(15,000)	(39,691)	(54,691)
Balance at the end of current period	186,554	242,307	242,307	23,128	18,000	186,800	(36,724)	191,203

	Shareholders' equity		Valuation and translation adjustments			Subscripti on rights to shares	Total net assets
	Treasury stock	Total	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total		
Balance at the end of previous period	(1,186)	673,571	(899)	(2)	(902)	158	672,827
Changes of items during the period							
Dividends from surplus	—	(14,871)	—	—	—	—	(14,871)
Reversal of general reserve	—	—	—	—	—	—	—
Net loss	—	(39,811)	—	—	—	—	(39,811)
Retirement of treasury stock	(53)	(53)	—	—	—	—	(53)
Disposal of treasury stock	23	14	—	—	—	—	14
Net changes of items other than "Shareholders' equity" during the period	—	—	4,081	1	4,082	73	4,156
Total changes of items during the period	(30)	(54,721)	4,081	1	4,082	73	(50,565)
Balance at the end of current period	(1,216)	618,849	3,181	(1)	3,180	232	622,261

## List of Notes to Non-Consolidated Financial Statements

### 1. Summary of Significant Accounting Policies

#### 1) Basis and method of valuation of assets:

##### (1) Short-time investment securities:

- (i) Debt securities expected to be held to maturity: Amortized cost (straight-line) method
- (ii) Shares held in subsidiaries or affiliated companies: At cost based on moving average method
- (iii) Other short-time investment securities:

- Stocks with market value:

Based on closing market price on the last day of period (Valuation gains and losses resulting are calculated by the full capital costing method; cost of disposal is calculated by the moving average method)

- Stocks with no available market value:

At cost based on the moving average method

##### (2) Derivatives: Market value method

##### (3) Inventories:

- (i) Costs on uncompleted construction contracts, buildings for sale, land for sale in lot, and undeveloped land for sale: At cost based on individual cost method

(Cost method whereby the book value is written down to the net realizable value in cases where there has been a material decline in value)

- (ii) Semi-finished goods and work in process, raw material and supplies: At cost based on moving average method

(Cost method whereby the book value is written down to the net realizable value in cases where there has been a material decline in value)..

#### 2) Depreciation of noncurrent assets:

- (i) Property, plant and equipment (excluding lease assets):

The Company applies the straight-line method to buildings (excluding attached structures), and to other property, plant and equipment applies the declining balance method. Expected life of assets is calculated to standards in accordance with corporate tax regulations.

- (ii) Intangible assets (excluding lease assets):

The Company applies the straight-line method to intangible assets. Expected life of assets is calculated to standards in accordance with corporate tax regulations, except for company-use software, which is straight-line depreciated over its expected useful life of 5 years.

- (iii) Lease assets:

With respect to leased assets for finance lease transactions other than those involving a transfer of ownership, the Company applies the straight-line method to such finance leases, where the useful lives of the assets are the terms of leases and the residual values of the assets are deemed zero. Finance lease transactions other than those involving a transfer of ownership that began on or prior to January 31, 2009 are accounted for applying *mutatis mutandis* the ordinary operating leases.

### 3) Basis for accounting for allowances:

(a) Allowance for doubtful accounts:

The Company makes provisions for general debtors based on actual historical collection rates and for specific debtors where collection is doubtful based on estimates of the amount collectible.

(b) Provision for bonuses:

To prepare for bonus payments to employees, the Company provides for the estimated appropriate amount in the relevant fiscal year.

(c) Provision for warranties for completed construction:

Provisions for losses and guarantee expenses due to post-completion defects are recorded based on historical repair and other costs arising from completed structures and detached housing.

(d) Provision for retirement benefits

To prepare for future retirement payments to employees, the Company makes provisions in the amount accrued at the end of the relevant consolidated fiscal year based on the estimated total retirement obligations and pension assets. To account for differences in actuarial calculations, the Company recognizes those differences through straight-line depreciation over 5 years, expensing them in the year following such recognition. Differences arising in respect of past service obligations are calculated over 5 years by the straight-line method and expensed in the year in which they arise.

### 4) Basis for converting foreign currency-denominated assets and liabilities into yen:

For foreign currency-denominated monetary claims and debts, the Company converts into yen at the rates of exchange prevailing on the consolidated balance sheet date. Translation differences are stated in the statements of income.

### 5) Main hedge accounting methods:

(i) Hedge accounting methods:

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

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

(iii) Hedging policies:

The Company uses derivatives transactions with the aim of avoiding losses from fluctuations in exchange rates etc. The use of exchange forward contracts does not exceed the amount of import transactions.

(iv) Methods of assessing hedge effectiveness:

The Company omits to assess the effectiveness of hedging because the main conditions match with regard to the relevant transactions and hedge targets, and the cash flow is fixed.

## 6) Accounting for consumption taxes

The tax exclusion method is used to account for consumption taxes. The amount in excess of consumption taxes not subject to deductions are expensed in the fiscal year in which they arise.

## 7) Change in significant accounting policies

### (1) Accounting standard for measurement of inventories

Inventories held for sale in the ordinary course of business were previously stated at cost based on either the individual cost method or the moving average method. However, since the Company has applied the "Accounting Standard for Measurement of Inventories" (ASBJ Statement No. 9, July 5, 2006) since the fiscal year under review, inventories are now assessed mainly at cost based on either the individual cost method or the moving average method (with book value being written down to the net realizable value in cases where there has been a material decline in value). As a result, "Gross profit" decreased by ¥67,457 million, while "Operating loss", "Ordinary loss", and "Loss before income taxes and minority interest" increased by the same amount.

### (2) Accounting standard for lease transaction

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

Furthermore, finance leases other than those involving a transfer of ownership which began on or before January 31, 2009 have been accounted for as applying *mutatis mutandis* the ordinary operating lease method.

## 2. Notes to the Balance Sheet

### 1) Collateralized assets and secured liabilities

Millions of yen

Collateralized assets		Secured liabilities	
Type	Book value at the end of year	Details	Balance at the end of year
Stocks	2	Liabilities of PFI Mizu to Midori no Kenko-toshi, Ltd.	—
Land	3,352	Deposits on contract with establishment of leasehold	1,355
Total	3,354	Total	1,355

2) **Accumulated depreciation of property, plant and equipment** ¥ 152,560 million

3) **Liabilities guaranteed**

Liabilities guaranteed for repayment (for persons to have housing mortgage) ¥ 81,720 million

4) **Pecuniary claims and debts to affiliated companies**

*Millions of yen*

Short-term pecuniary claims to subsidiaries	1,818
Long-term pecuniary claims to subsidiaries	1,514
Short-term pecuniary debts to subsidiaries	76,993

5) **Pecuniary claims and debts to Directors**

*Millions of yen*

Long-term loans (for the purpose of acquiring homes)	1
--	---

(Additional information)

Changes in holding purpose of assets:

Real estate held for sale of 60,268 million yen, which was reported under inventories as at January 31, 2009, has been reclassified under inventories.

**3. Notes to the Statement of Income**

Transactions with subsidiaries	<i>Millions of yen</i>
Sales to subsidiaries	16,338
Purchases from subsidiaries	189,433
Non-operating transactions	407

**4. Notes to the Statement of Shareholders' Equity**

Type and numbers of shares outstanding and treasury stock

Type of shares	Common shares
Outstanding shares (non-consolidated) as of Jan. 31, 2009	912,081 shares
Number of shares increased	66,471 shares
Number of shares decreased	18,471 shares
Outstanding shares (non-consolidated) as of Jan. 31, 2010	960,081 shares

(Notes)

1. Breakdown of the number of increased shares held in treasury

Increase due to repurchases of fractional shares: 66,471 shares

2. Breakdown of the number of decreased shares held in treasury

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

Decrease due to exercise of stock options: 3,000 shares

## 5. Notes of Tax Effect Accounting

Significant components of deferred tax assets and liabilities

Millions of yen

<b>Deferred tax assets</b>	
Loss on valuation of real estate for sale	55,408
Provision for retirement benefits	11,004
Accumulated impairment loss	7,870
Loss carried forward for tax purposes	5,096
Loss on valuation of investment securities	2,742
Provision for bonuses	1,767
Allowance for doubtful accounts	1,019
Provision for warranties for completed construction	965
Other	1,575
<b>Subtotal deferred tax assets</b>	<b>87,450</b>
Valuation allowance	(11,136)
<b>Total deferred tax assets</b>	<b>76,313</b>

<b>Deferred tax liabilities</b>	
Valuation difference on available-for-sale securities	(80)
Other	(298)
<b>Total deferred tax liabilities</b>	<b>(378)</b>
<b>Net deferred tax assets and net deferred tax liabilities</b>	<b>75,935</b>

Notes:

1. The main valuation allowances are loss on valuation of investment securities and accumulated impairment loss that were judged non-deferrable.
2. Net amount of deferred tax assets for the fiscal year under review is included in the following items of the balance sheets.

Current assets – Deferred tax assets: 63,751 million yen

Noncurrent assets – Deferred tax assets : 12,183 million yen

## 6. Notes of Fixed Assets to use by a lease

Finance leases other than those involving a transfer of ownership which began on or before January 31, 2009 have been accounted for applying *mutatis mutandis* the ordinary operating lease method and the details are as stated below:

Finance leases other than those deemed to transfer ownership of the leased assets to the lessee:

(1) Acquisition costs, accumulated depreciation and balance of leased assets as of January 31, 2010:

*Millions of yen*

	Acquisition costs	Accumulated depreciation	Balance as at the end year
Buildings	23,379	21,271	2,108
Machinery and equipment	8	8	—
Vehicles	146	105	41
Tools, furniture and fixtures	5,321	4,389	932
Software	726	601	125
Total	29,584	26,377	3,206

Note: Acquisition costs are calculated after deducting the interest portion thereon.

(2) Future minimum lease payments subsequent to January 31, 2010 are summarized as follows:

Due in one year or less	2,434million yen
Due after one year	1,129million yen
Total	3,563million yen

Note: The future minimum lease payments are calculated after deducting the interest portion thereon.

(3) Lease payments, depreciation of leased assets and interest portion are shown below:

Lease payments:	4,277 million yen
Depreciation of leased assets:	3,960 million yen
Interest portion	149 million yen

(4) Method of calculation of depreciation:

Depreciation of leased assets is calculated by the straight-line method over the respective lease terms assuming a residual value of zero.

(5) Method of calculation of interest portion:

The difference between the total amount of lease and acquisition costs of leased assets is recognized as interest portion, and the method to distribute to respective term is based on the interest method.

(Impairment loss)

There are no impairment losses distributed to the leased assets, so that the item relating thereto are not stated.

## 7. Notes to the Information per Share

1. Shareholders' equity per share	¥920.26
2. Net loss per share	¥58.90

---

Note:

Amounts of the Balance Sheet, Statement of Income, Notes to Balance Sheet and Statement of Income are given in the stated unit of the presentation, by disregarding any amount less than the stated unit of the presentation.

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

March 12, 2010

The Board of Directors  
Sekisui House, Ltd.

From: Ernst & Young Shin Nihon LLC.  
Ryu Ichida  
Representative Partner  
Certified Public Accountant  
Ken Watabe  
Representative Partner  
Certified Public Accountant  
Masahiko Inoue  
Representative Partner  
Certified Public Accountant

We have examined the consolidated financial statements for the 59<sup>th</sup> fiscal year (from February 1, 2009 to January 31, 2010) including the balance sheet, statement of income, statement of shareholders' equity, list of notes to financial statements and attached schedules, pursuant to the provisions of Article 444, Section 4 of the Companies Act. The preparation of financial statements is the responsibility of the Company's management. Our responsibility is to independently express an opinion on the financial statements and attached schedules based on our audits.

We conducted our audits in accordance with the auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices 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 and attached schedules. We believe that our audits provide a reasonable basis for our opinion.

As a result of the audit, we hereby acknowledge that the financial statements and attached schedules above fairly present the status of assets and income of the Company and its consolidated subsidiaries, in conformity with the accounting standards generally accepted and applied in Japan.

(Additional information)

The Company has applied the "Accounting Standard for Measurement of Inventories" from the fiscal year under review as stated in "Changes in Basic Important Matters for Preparation of Consolidated Financial Statements" in "List of Notes to Consolidated Financial Statements".

There are no interests between the Company and the audit company or the Representative Partners that require disclosure pursuant to the provisions of the Certified Public Accountants Act.

- End -

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

March 12, 2010

The Board of Directors  
Sekisui House, Ltd.

From: Ernst & Young Shin Nihon LLC.  
Ryu Ichida  
Representative Partner  
Certified Public Accountant  
Ken Watabe  
Representative Partner  
Certified Public Accountant  
Masahiko Inoue  
Representative Partner  
Certified Public Accountant

We have examined the non-consolidated financial statements for the 59<sup>th</sup> fiscal year (from February 1, 2009 to January 31, 2010) including the balance sheet, statement of income, statement of shareholders' equity, list of notes to financial statements and attached schedules, pursuant to the provisions of Article 436, Section 2, item 1 of the Companies Act. The preparation of financial statements is the responsibility of the Company's management. Our responsibility is to independently express an opinion on the financial statements and attached schedules based on our audits.

We conducted our audits in accordance with the auditing standards, procedures and practices generally accepted and applied in Japan. Those standards, procedures and practices 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 and attached schedules. We believe that our audits provide a reasonable basis for our opinion.

As a result of the audit, we hereby acknowledge that the financial statements and attached schedules above fairly present the status of assets and income of the Company, in conformity with the accounting standards generally accepted and applied in Japan.

(Additional information)

The Company has applied the "Accounting Standard for Measurement of Inventories" from the fiscal year under review as stated in "Changes in Basic Important Matters for Preparation of Consolidated Financial Statements" in "List of Notes to Non-Consolidated Financial Statements".

There are no interests between the Company and the audit company or the Representative Partners that require disclosure pursuant to the provisions of the Certified Public Accountants Act.

- End -

AUDIT REPORT

The Board of Corporate Auditors prepared this audit report based on audit reports prepared by each Corporate Auditor upon deliberation of the Corporate Auditors with respect to execution of duties by Directors for the 59th fiscal year (February 1, 2009 to January 31, 2010) and report as follows:

1. Method and Contents of Audit by Corporate Auditors and the Board of Corporate Auditors

The Board of Corporate Auditors determined accounting policies and duties assigned to each Corporate Auditor, received reports and explanations on the audit and result of audit from each Corporate Auditor, received reports on the execution of duties of Directors and Accounting Auditor and requested additional explanations as necessary.

Each Corporate Auditor, in accordance with, *inter alia*, the audit policy set up and the duties assigned by the Board of Corporate Auditors, made efforts to communicate with Directors, Executive Officers, Audit Department and other employees, collect information and prepare and arrange for circumstances for audit. Furthermore, each Corporate Auditor attended meetings of the Board of Directors and other meetings as deemed important, received reports from the Directors and Executive Officers on their performance of duties, requested additional explanation as necessary, perused the documents whereby the important decisions were made and examined the business and financial conditions at the head office and the principal offices. Also, each Corporate Auditor supervised the resolutions of the Board of Directors relating to establishment of the system that ensures the performance of duties by Directors is in conformity with laws and regulations, and the Articles of Incorporation, and the system that ensures appropriate business of *Kabushiki Kaisha* as required under Article 100, Sections 1 and 3 of the Companies Act Enforcement Regulations, as well as the conditions of the system established under such resolutions (internal controlling system). With respect to subsidiaries, each Corporate Auditor communicated and exchanged information with the directors and corporate auditors of subsidiaries and received reports as necessary. Based on the method stated above, we examined financial statements and attached schedules for the fiscal year under review.

Additionally, we supervised and examined that the Accounting Auditor maintained their independent position and performed due audit, and received from the Accounting Auditor reports on the execution of their duties. We requested additional explanation as necessary.

The Company received a notice from the Accounting Auditor that they have prepared the "System to ensure due execution of audit (matters prescribed in each item of Section 131 of the Corporate Accounting Rules)" in accordance with, among other things, the "Quality Management Standards for Audit" (Business Accounting Board, October 28, 2005) and requested additional explanation as necessary.

In accordance with the method stated above, the Board of Corporate Auditors examined the non-consolidated financial statements for the fiscal year under review (the balance sheet, the statement of income, statement of shareholders' equity and list of notes to financial statements), attached schedules, and the consolidated financial statements (the consolidated balance sheet, the consolidated statement of income, consolidated statement of shareholders' equity and list of notes to consolidated financial statements).

2. Results of Audit

(1) Results of audit of business reports:

1. We confirmed that the business reports and the schedules fairly shows the position of the Company, in conformity with the relevant laws and regulations and the Articles of Incorporation.
2. We do not find any unlawful acts to have been carried out by the Directors in the performance of their duties, nor do we find any material matters that are either unlawful or contrary to the Articles of Incorporation.
3. We confirmed that the resolutions of the Board of Directors relating to the internal controlling system are fair. We do not find any aspects to be pointed out for the Directors' performance of duties relating to the internal controlling system.

(2) Results of audit of the non-consolidated financial statements and attached schedules:

We confirmed that the method and the result of the audit carried out by Ernst & Young Shin Nihon LLC. Accounting Auditor, are fair.

(3) Results of audit of the consolidated financial statements:

We confirmed that the method and the result of the audit carried out by Ernst & Young Shin Nihon LLC. Accounting Auditor, are fair.

March 18, 2010

Board of Corporate Auditors of Sekisui House, Ltd.

Hiroshi Itawaki, Standing Corporate Auditor (full-time)

Tadashi Iwasaki, Standing Corporate Auditor (full-time)

Takaharu Dohi, Corporate Auditor

Saegusa Teruyuki, Corporate Auditor

Eiji Mansho, Corporate Auditor

**Proposition No.1: Appropriation of retained earnings for the 59th fiscal year ended January 31, 2010**

It is proposed to appropriate retained earnings for the year according to the schedule shown below. The Company proposes to transfer a part of general reserve to retained earnings brought forward as stated below, so that the Company can dispose the deficit (loss) and use it as dividend fund for the 50<sup>th</sup> founding anniversary of next fiscal year. It is regrettable that the Company proposes to declare no dividend for the fiscal year under review.

(1) Item of surplus that decreases and amount thereof:

General reserve 48,000,000,000 yen

(2) Item of surplus that increases and amount thereof:

Retained earnings brought forward 48,000,000,000 yen

**Proposition No. 2: Election of 11 Directors:**

The term of office of all the twelve (12) current Directors terminates at the close of this Ordinary General Meeting of Shareholders.

The Company proposes the election of eleven (11) Directors.

We have candidates as follows:

No	Name (Date of birth)	Career summary, post and responsibility in the Company (Significant concurrent position of other companies)	(1) Number of Company's shares owned (2) Special interest in Company
1	Isami Wada (Apr. 29, 1941)	Apr. 1965: joined the Company Apr. 1990: Director of the Company Apr. 1994: Managing Director of the Company Apr. 1996: Senior Managing Director of the Company Apr. 1998: President & Representative Director of the Company Apr. 2008: Chairman & Representative Director and CEO of the Company (up to the present) (Significant concurrent post of other companies) Executive Advisor & Director of Almetax Manufacturing Co., Ltd.	(1) 264,335 shares (2) None
2	Toshinori Abe (Oct.27, 1951)	Apr. 1975: joined the Company Apr. 2004: Executive Officer of the Company May 2005: Managing Officer of the Company Apr. 2006: Director of the Company May 2007: Senior Managing Officer of the Company Apr. 2008: President & Representative Director and COO of the Company (up to the present)	(1) 23,000 shares (2) None

3	Katsuhiko Machida (Jun.22, 1943)	<p>Mar. 1969: joined Sharp Corporation</p> <p>Jun. 1987: Director of Sharp Corporation</p> <p>Apr. 1990: Managing Director of Sharp Corporation</p> <p>Oct. 1992: Representative Director and Senior Managing Director of Sharp Corporation</p> <p>Jun. 1998: President &amp; Representative Director of Sharp Corporation</p> <p>Apr. 2007: Chairman &amp; Representative Director of Sharp Corporation (up to the present)</p> <p>Apr. 2008: Director of Sekisui House, Ltd. (up to the present)</p> <p>(Significant concurrent post of other companies) Chairman &amp; Representative Director of Sharp Corporation</p>	<p>(1) 2,000 share</p> <p>(2) See Note 3. described hereinafter</p>
4	Sumio Wada (Jul. 8, 1945)	<p>Sep. 1971: joined the Company</p> <p>Apr. 1998: Director of the Company (up to the present) assigned to the post of Superintendent of Kanto Factory</p> <p>Apr. 2002: Managing Officer in charge of production</p> <p>Apr. 2004: in charge of ICT promoting assigned to the post of General Manager of Technology Headquarters</p> <p>Apr. 2006: Senior Managing Officer (up to the present) in charge of technology and design</p> <p>Apr. 2006: in charge of technology, design and purchasing</p> <p>Apr. 2008: management of technology, In charge of purchasing (up to the present)</p> <p>May 2008: assigned to the post of Chief Manager of International Business Department (up to the present)</p> <p>(Significant concurrent post of other companies) President &amp; Representative Director of Sekisui House Australia Holdings Pty Limited Director of Sekiwa Woods, Ltd.</p>	<p>(1) 30,000 shares</p> <p>(2) None</p>

5	Shiro Inagaki (Jun.25, 1950)	<p>Apr. 1973: joined the Company</p> <p>Apr. 2002: Executive Officer assigned to the post of Chief Manager of Finance Department</p> <p>Apr. 2004: Managing Officer in charge of accounting and information &amp; computer system</p> <p>Apr. 2004: Director of the Company (up to the present)</p> <p>Apr. 2006: Senior Managing Officer (up to the present) in charge of accounting &amp; finance and information &amp; computer system</p> <p>Aug. 2007: in charge of accounting &amp; finance, information &amp; computer system and auditing</p> <p>Apr. 2008: in charge of accounting &amp; finance, information &amp; computer system, auditing ,TKC project and corporate marketing</p> <p>Feb. 2009: in charge of accounting &amp; finance, IT operation, auditing ,TKC project and corporate marketing (up to the present)</p> <p>(Significant concurrent post of other companies) Director of The Mortgage Corporation of Japan, Limited</p>	(1) 13,000 shares (2) None
6	Fumiaki Hirabayashi (Nov.14, 1946)	<p>Apr. 1971: joined the Company</p> <p>Apr. 2002: Executive Officer in charge of advertising &amp; sales promoting assigned to the post of Chief Secretary</p> <p>Apr. 2004: Managing Officer, assigned to the post of General Manager of Tokyo Administration Office (up to the present)</p> <p>Apr. 2006: Director of the Company(up to the present) (Significant concurrent post of other companies) President &amp; Representative Director of Sumai no Toshokan Co., Ltd.</p>	(1) 21,000 shares (2) None
7	Takashi Uchida (Apr.19, 1951)	<p>Apr. 1976: joined the Company</p> <p>Apr. 2004: Executive Officer assigned to the post of Chief Manager of Accounting Department</p> <p>Apr. 2006: Managing Officer, assigned to the post of Chief Manager of Accounting &amp; Finance Department (up to the present)</p> <p>Apr. 2006: Director of the Company (up to the present)</p> <p>Feb. 2009: in charge of administrative control of subsidiary &amp; affiliated companies (up to the present)</p> <p>(Significant concurrent post of other companies) Director of Japan Excellent Asset Management Co., Ltd. Corporate Auditor of SGM Operation Co., Ltd.</p>	(1) 9,000 shares (2) None

8	Junichi Terada (Jun.4, 1947)	<p>Apr. 1970: joined the Company</p> <p>Apr. 2002: Executive Officer assigned to General Manager of Chubu Daiichi Sales Administration Headquarters and Chief Manager of Mie Branch</p> <p>Aug. 2002: assigned to the post of General Manager of Chubu Daiichi Sales Administration Headquarters</p> <p>Apr. 2004: Managing Officer of the Company (up to the present)</p> <p>Aug. 2005: assigned to the post of General Manager of Kanagawa Sales Administration Headquarters</p> <p>May 2007: assigned to the post of General Manager of Tokyo Sales Administration Headquarters</p> <p>Apr. 2008: Director of the Company (up to the present) in charge of metropolitan area administration</p> <p>Aug. 2009: in charge of detached house, Tokken building project, real estate, development and metropolitan area administration</p> <p>Feb. 2010: in charge of detached house, real estate and metropolitan area administration assigned to the post of General Manager of Development Headquarters (up to the present)</p> <p>(Significant concurrent post of other companies) Corporate Auditor of Sekiwa Real Estate, Ltd.</p>	(1) 27,969 shares (2) None
9	Tetsuo Iku (Aug.3, 1949)	<p>Apr. 1976: joined the Company</p> <p>Apr. 2004: Executive Officer of the Company assigned to the post of Chief Manager of Product Planning &amp; Design Department</p> <p>Apr. 2006: Managing Officer of the Company (up to the present) assigned to the post of General Manager of Design Headquarters</p> <p>Apr. 2008: Director of the Company (up to the present) in charge of design and technology</p> <p>Feb. 2009: assigned to the post of General Manager of Technology Headquarters (up to the present)</p> <p>Jun. 2009: in charge of design, technology and environment (up to the present)</p>	(1) 2,000 shares (2) None

10	Daiji Kuroki (Dec.19, 1950)	<p>Apr. 1974: joined the Company</p> <p>Feb. 1999: Chief Manager of Tokyo Higashi Branch of the Company</p> <p>Jul. 2002: General Manager of Tokyo Sales Administration Headquarters and Chief Manager of Tokyo Higashi branch</p> <p>Aug. 2002: General Manager of Tokyo Sales Administration Headquarters</p> <p>Apr. 2004: Executive Officer of the Company</p> <p>Feb. 2005: assigned to the post of General Manager of Saitama Sales Administration Headquarters</p> <p>Aug. 2005: assigned to the post of General Manager of Saitama Sales Administration Headquarters and Chief Manager of Saitama Branch</p> <p>Feb. 2006: assigned to the General Manager of Saitama Sales Administration Headquarters</p> <p>Jun. 2007: assigned to the post of General Manager of Saitama Sales Administration Headquarters and Chief Manager of Saitama Minami Branch</p> <p>Feb. 2008: assigned to the post of General Manager of Saitama Sales Administration Headquarters (up to the present)</p> <p>Apr. 2008: Managing Officer of the Company (up to the present)</p> <p>Aug. 2009: in charge of Sha-Maison sales administration (up to the present)</p>	(1)10,000 shares (2) None
11	Kengo Yoshida (Aug.20, 1948)	<p>Aug. 1973: joined the Company</p> <p>Sep. 2000: Superintendent of Shizuoka Factory</p> <p>Feb. 2008: Superintendent of Yamaguchi Factory</p> <p>Apr. 2008: Executive Officer of the Company</p> <p>Feb. 2009: General Manager of Manufacturing Department and assigned to the post of Superintendent of Yamaguchi Factory</p> <p>Apr. 2009: Managing Officer of the Company (up to the present)</p> <p>May 2009: assigned to the post of General Manager of Manufacturing Department (up to the present)</p> <p>(Significant concurrent post of other companies) Director of Sekiwa Woods, Ltd.</p>	(1)11,000 shares (2) None

- Notes: 1. Mr.Katsuhiko Machida is a candidate for Outside Director.
2. Matters concerning a candidate for Outside Director are as stated below:

(1) Reason for election;

The Company proposes the shareholders to elect Mr. Katsuhiko Machida as Outside Director to reflect his rich knowledge and experience engaged in other company's management to strengthened management of the Company.

(2) Years since the assumption of office of Outside Director;

Mr. Katsuhiko Machida is currently in the office of Outside Director and it will be two years at the close of the Ordinary General Meeting of Holders since his assumption.

(3) Agreement on Limitation of Outside Director's Liability;

The Company entered into an agreement with Mr. Katsuhiko Machida that if Outside Director causes damages to the Company by neglect of his duty, where deemed his conduct to be made in good faith without gross negligence, his liability under the agreement is without fail limited to the sum of the amount provided by Article 425, Section 1 of the Companies Act. In case the proposition is approved, the Company will continue the agreement.

3. The Company has business transactions with Sharp Corporation relating to the solar power generation systems.

**Proposition No. 3: Election of 1 Corporate Auditor:**

The term of office of Corporate Auditor, Mr. Hiroshi Itawaki terminates at the close of this Ordinary General Meeting of Shareholders and the Company proposes the election of one Corporate Auditor.

This proposition has already received approval from the Board of Corporate Auditors.

We have a candidate as follows:

Name (Date of birth)	Career summary, post in the Company (Significant concurrent position of other companies)	(1) Number of Company's shares owned (2) Special interest in Company
Yoshiro Kubota (Nov. 29, 1944)	Jan. 1969: joined the Company Apr. 2000: Director of the Company Apr. 2002: retired from the office of Director of the Company, Managing Officer of the Company Aug. 2002: assigned to the post of General Manager of CS Promoting Headquarters Apr. 2006: Senior Managing Officer of the Company (up to the present), in charge of general affairs and legal Apr. 2007: Director of the Company (up to the present) Aug. 2007: in charge of general affairs, legal and public relations Apr. 2008: in charge of general affairs, legal, public relations and personnel Apr. 2009: in charge of general affairs, legal and personnel Feb. 2010: in charge of CS, general affairs, legal and personnel (up to the present)	(1) 20,000 shares (2) None

- End -