

S EMIANNUAL

R EPORT

2006

February 1 to July 31, 2006



SEKISUI HOUSE

To Our Shareholders

During the first half of fiscal 2006 the Japanese economy experienced a mild recovery, as companies made aggressive capital expenditures and the employment environment improved, which led in turn to an increase in private consumption, all on the back of brisk corporate profits. Meanwhile, active investing in blue-chip properties within the Tokyo and other metropolitan areas continued to experience growth.

The housing business also saw improvements in the operating environment. The bottoming out of land prices became more visible primarily within metropolitan areas and the percentage land price decrease began to shrink in local cities. Furthermore, with interest rates remaining low, built-for-sale housing - whose core customer group is first time buyers - fared quite well. However, demand from owner-occupiers has yet to see a full-fledged recovery, although the motivation of another customer group, who accounts for secondary acquisitions for rebuilding, showed signs of recovery towards the end of the first half.

Against this backdrop, we took a series of actions designed to reinforce the Built to Order Housing Business and peripheral businesses, including the enhancement of corporate resilience and marketing expertise, consolidation of the product line in such a way as to meet market needs, and development of new products.

Through the supply of housing that meets customer satisfaction, Sekisui House is committed to contributing to the building of a sustainable society while aiming to be a leading creator of homes and environments in such society. To this end, we will effectively operate our business by paying well-balanced attention to four values; pursuit of profits (economic value), environmental responsibility (environmental value), good corporate citizenship (social value), and dwellers value.

In order for us to "provide homes for the future of humankind and the Planet Earth," we have begun conducting demonstration experiments and research efforts regarding the housing of the next generation that will become a part of a sustainable society.

As part of our continued commitment to the conservation of the environment, we have begun a campaign to preserve forests and the ecosystem and we have also boosted our social contribution activities through education, by developing and offering a completely free online eco-education program that communicates the importance of the ecosystem to children of future generations.

On the marketing side of our Built to Order Housing Business, we implemented a series of measures designed to enhance our marketing expertise, including the thorough implementation of a consulting sales model. In terms of product development, on the other hand, we expanded the built to order line that gives customers more freedom when choosing design and appearance details. Thus, we have laid the foundations for strengthening our lifestyle solution business model.

In our Real Estate for Sales Business, we actively purchased land for sale and promoted sales of quality housing complexes with enhanced security and disaster-mitigation features. With the goal of creating a community that residents develop their attachment to over time and where they will want to continue to live for generations to come, we have established the Urban Development Charter, thus promoting the creation of an eco-friendly community where regional culture and communications within the community are fostered.

In our Real Estate for Leasing Business, management of leasing properties by the Sekiwa Real Estate Group, such as block leasing, performed relatively well. Through a tighter alliance with the Sekiwa Real Estate Group, we put our efforts into strengthening the proposal capacity of our leasing business.

As part of our promotion of customer satisfaction to provide our customers with comfortable residences over the long term, we are putting major efforts into our exterior and home remodeling businesses as we strive to create an organization that can provide comprehensive and high quality homes.

Consolidated net sales also grew substantially by 11.0% to 818,847 million yen (\$7,129,708 thousand), driven by the favorable showings of the Real Estate for Sales Business (the sale of Akasaka Garden City building office, which was originally scheduled for the second half of this fiscal year, was accelerated at a greater value than was originally expected). We also achieved an increase in consolidated profits on all levels: consolidated operating income grew by 100.9% to 76,789 million yen (\$668,602 thousand), and consolidated net income by 128.1% to 45,294 million yen (\$394,375 thousand).

The dividend for the interim period under review will be 10 yen (\$0.09) per share.

September, 2006



Isami Wada
President & Representative Director

CONSOLIDATED BALANCE SHEETS

As of July 31 and January 31, 2006 and July 31, 2005

Assets	Millions of yen			Thousands of U.S. dollars
	July 31 2006	January 31 2006	July 31 2005	July 31 2006
Current assets:				
Cash and cash equivalents.....	¥ 236,360	¥ 94,980	¥ 95,458	\$ 2,057,989
Short-term investments.....	750	817	772	6,530
Notes and accounts receivable:				
Affiliate.....	178	148	163	1,550
Trade.....	91,902	96,611	87,025	800,191
Other.....	17,212	17,189	15,959	149,865
Less allowance for doubtful accounts	(1,968)	(1,763)	(1,568)	(17,135)
	107,324	112,185	101,579	934,471
Inventories.....	432,102	436,609	403,807	3,762,316
Deferred income taxes	54,913	59,243	71,754	478,128
Other current assets.....	10,277	8,918	11,215	89,482
Total current assets	841,726	712,752	684,585	7,328,916
Property, plant and equipment:				
Land.....	90,370	87,926	81,613	786,852
Buildings and structures.....	174,342	170,252	165,645	1,517,997
Machinery and equipment.....	85,360	84,905	82,593	743,230
Construction in progress.....	2,759	3,823	2,779	24,023
	352,831	346,906	332,630	3,072,102
Less accumulated depreciation.....	(147,802)	(144,774)	(142,023)	(1,286,913)
Property, plant and equipment, net	205,029	202,132	190,607	1,785,189
Investments and other assets:				
Long-term loans receivable.....	35,953	37,985	41,342	313,043
Less allowance for doubtful accounts	(1,419)	(1,414)	(1,311)	(12,356)
	34,534	36,571	40,031	300,687
Investments in securities.....	99,438	99,896	83,897	865,808
Investments in affiliates.....	1,213	999	831	10,562
Deferred income taxes	1,724	3,055	8,724	15,011
Other assets	44,507	42,798	41,802	387,523
Total investments and other assets	181,416	183,319	175,285	1,579,591
	¥ 1,228,171	¥ 1,098,203	¥ 1,050,477	\$ 10,693,696

Liabilities and net assets	Millions of yen			Thousands of U.S. dollars
	July 31 2006	January 31 2006	July 31 2005	July 31 2006
Current liabilities:				
Notes and accounts payable:				
Affiliate.....	¥ 3,024	¥ 3,080	¥ 2,933	\$ 26,330
Trade.....	169,642	163,308	152,673	1,477,074
Accrued income taxes.....	26,379	7,207	5,695	229,682
Advances received.....	95,101	86,174	88,370	828,045
Other current liabilities.....	63,566	67,095	58,906	553,470
Total current liabilities	357,712	326,864	308,577	3,114,601
Long-term liabilities:				
Deferred income taxes.....	2,352	2,257	—	20,479
Accrued retirement benefits for employees	23,461	26,144	26,388	204,275
Accrued retirement benefits for directors, corporate auditors and executive officers	967	1,803	1,616	8,420
Other liabilities	55,985	55,101	57,140	487,462
Total long-term liabilities	82,765	85,305	85,144	720,636
Contingent liabilities (Note 2)				
Shareholders' equity :				
Common stock:				
Authorized -1,978,281,000 shares				
Issued: July 2006 and 2005, and January 2006 -709,385,078 shares.....	186,554	186,554	186,554	1,624,327
Capital surplus.....	254,131	237,523	237,523	2,212,721
Retained earnings.....	323,560	285,574	269,068	2,817,240
Less treasury stock, at cost.....	(368)	(48,379)	(48,139)	(3,204)
	763,877	661,272	645,006	6,651,084
Net unrealized holding gain on securities.....	23,518	24,530	11,513	204,771
Translation adjustment.....	29	(40)	(112)	253
	23,547	24,490	11,401	205,024
Minority interests.....	270	272	349	2,351
Total net assets	787,694	686,034	656,756	6,858,459
	¥ 1,228,171	¥ 1,098,203	¥ 1,050,477	\$ 10,693,696

CONSOLIDATED STATEMENTS OF INCOME

Six months ended July 31, 2006 and 2005 and year ended January 31, 2006

	Millions of yen			Thousands of U.S. dollars
	July 31 2006	July 31 2005	January 31 2006	July 31 2006
Net sales	¥ 818,847	¥ 737,766	¥ 1,501,857	\$ 7,129,708
Cost of sales	634,269	595,955	1,213,190	5,522,586
Gross profit	184,578	141,811	288,667	1,607,122
Selling, general and administrative expenses	107,789	103,580	208,686	938,520
Operating income	76,789	38,231	79,981	668,602
Other income (expenses):				
Interest and dividend income	1,199	1,305	2,223	10,440
Interest expense	(25)	(115)	(140)	(218)
Loss on revaluation of real estate held for sale (Note 3)	(47)	(4,188)	(12,015)	(409)
Loss on revaluation of securities	(7)	(9)	(9)	(61)
Other, net	(364)	(554)	4,735	(3,169)
Income before income taxes and minority interests	77,545	34,670	74,775	675,185
Income taxes :				
Current	25,798	4,596	9,937	224,623
Deferred	6,442	10,196	21,626	56,091
	32,240	14,792	31,563	280,714
Income before minority interests	45,305	19,878	43,212	394,471
Minority interests in earnings of subsidiaries	(11)	(24)	(183)	(96)
Net income	¥ 45,294	¥ 19,854	¥ 43,029	\$ 394,375

CONSOLIDATED STATEMENTS OF CASH FLOWS

Six months ended July 31, 2006 and 2005 and year ended January 31, 2006

	Millions of yen			Thousands of U.S. dollars
	July 31 2006	July 31 2005	January 31 2006	July 31 2006
Cash flows from operating activities				
Income before income taxes and minority interests.....	¥ 77,545	¥ 34,670	¥ 74,775	\$ 675,185
Adjustments for:				
Depreciation and amortization.....	5,735	5,180	11,117	49,935
Provision for retirement benefits.....	(2,682)	(508)	(752)	(23,352)
Interest and dividend income.....	(1,199)	(1,305)	(2,223)	(10,440)
Interest expense.....	25	115	140	218
Loss on revaluation of real estate held for sale.....	47	4,188	12,015	409
Loss on revaluation of securities.....	7	9	9	61
Decrease (increase) in notes and accounts receivable.....	4,709	(4,454)	(14,040)	41,001
Decrease (increase) in inventories and advance payments.....	5,439	(44,514)	(68,175)	47,357
Increase in notes and accounts payable.....	6,908	613	12,493	60,148
Increase (decrease) in advances received.....	8,927	1,936	(260)	77,727
Other.....	(4,569)	(9,568)	(10,073)	(39,782)
Subtotal.....	100,892	(13,638)	15,026	878,467
Interest and dividends received.....	1,197	1,439	2,367	10,422
Interest paid.....	(25)	(219)	(244)	(217)
Income taxes paid.....	(6,836)	(18,965)	(22,905)	(59,521)
Net cash provided by (used in) operating activities.....	95,228	(31,383)	(5,756)	829,151
Cash flows from investing activities				
Proceeds from sales of short-term investments.....	117	625	266	1,019
Purchases of short-term investments.....	—	(561)	(232)	—
Proceeds from sales of property, plant and equipment.....	47	100	1,951	409
Purchases of property, plant and equipment.....	(11,947)	(12,720)	(47,142)	(104,022)
Proceeds from sales of investments in securities.....	149	52,877	65,741	1,297
Purchases of investments in securities.....	(1,471)	(11,159)	(12,655)	(12,808)
Decrease in loans receivable.....	2,018	2,612	5,973	17,571
Other.....	(786)	(124)	(1,642)	(6,844)
Net cash (used in) provided by investing activities.....	(11,873)	31,650	12,260	(103,378)
Cash flows from financing activities				
Repayment of long-term debt.....	—	(31,553)	(31,553)	—
Cash dividends paid.....	(6,663)	(6,120)	(12,785)	(58,015)
Increase in treasury stock.....	(180)	(46,472)	(46,600)	(1,567)
Proceeds from offering of treasury stock.....	64,794	—	—	564,162
Other.....	5	(269)	(263)	43
Net cash provided by (used in) financing activities.....	57,956	(84,414)	(91,201)	504,623
Effect of exchange rate changes on cash and cash equivalents.....	69	(107)	(35)	601
Net increase (decrease) in cash and cash equivalents.....	141,380	(84,254)	(84,732)	1,230,997
Cash and cash equivalents at beginning of period.....	94,980	179,712	179,712	826,992
Cash and cash equivalents at end of period.....	¥ 236,360	¥ 95,458	¥ 94,980	\$ 2,057,989

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2006 and 2005

1. Basis of Consolidated Financial Statements

Sekisui House, Ltd. (the "Company") and its domestic subsidiaries maintain their accounts and records in accordance with the provisions set forth in the Commercial Code of Japan and the Securities and Exchange Law of Japan and in conformity with accounting principles and practices generally accepted and applied in Japan, which may differ in certain material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan. The Company's overseas subsidiary maintains its accounts and records in conformity with the accounting principles generally accepted and the practices prevailing in its country of domicile. The accompanying consolidated financial statements have been prepared by the Company as required by the Securities and Exchange Law of Japan.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader and was made at ¥114.85= U.S.\$1.00, the approximate rate of exchange in effect on July 31, 2006. This translation should not be construed as representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollar amounts at the above or any other rate.

2. Contingent Liabilities

The Company and its subsidiaries had the contingent liabilities at July 31, 2006:

	Millions of yen	Thousands of U.S. dollars
Guarantees of housing loans to customers	¥ 88,485	\$ 770,440
Guarantees of bank loans of third parties and other.....	1,148	9,995
	¥ 89,633	\$ 780,435

3. Loss on Revaluation of Real Estate Held for Sale

Real estate held for sale at July 31, 2006 and 2005 and January 31, 2006, the market value of which has declined significantly from its carrying value, has been written down to its fair market value.

4. Amounts per Share

	Yen			U.S. dollars
	July 31 2006	July 31 2005	January 31 2006	July 31 2006
Net income per share:				
Basic	¥ 65.07	¥ 29.21	¥ 62.94	\$ 0.57
Diluted	65.06	—	—	0.57
Net assets	1,110.51	985.09	1,028.46	9.67
Dividends	10.00	10.00	20.00	0.09

CORPORATE DATA

(As of July 31, 2006)

Corporate Officers

President & Representative Director

Isami Wada

Executive Vice President & Director

Tadashi Iwasaki

Director

Akira Morimoto

Sumio Wada

Kazuo Yoshimitsu

Shiro Inagaki

Yuzo Matsumoto

Fumiaki Hirabayashi

Toshiharu Arakawa

Kiyohide Hirabayashi

Toshinori Abe

Takashi Uchida

Standing Corporate Auditors

Hiroshi Itawaki

Kenichi Kawauchi

Corporate Auditors

Takaharu Dohi

Katsuya Kittaka

Executive Vice President & Officer

Tadashi Iwasaki

Senior Managing Executive Officer

Akira Morimoto

Sumio Wada

Kazuo Yoshimitsu

Shiro Inagaki

Yoshiro Kubota

Managing Executive Officer

Yuzo Matsumoto

Fumiaki Hirabayashi

Toshiharu Arakawa

Kiyohide Hirabayashi

Toshinori Abe

Takashi Uchida

Junichi Terada

Mikio Ishikawa

Tetsuo Iku

Executive Officer

Satoru Shima

Hisashi Murao

Daiji Kuroki

Kenji Imamura

Takaaki Shigematsu

Mitsugu Iijima

Shinichi Yamada

Katsuaki Shimoda

Kenji Hatanaka

Hidehiro Yamaguchi

Akihisa Terasaki

Outline of the Company

(As of July 31, 2006)

Established

August 1, 1960

Capital Stock Issued

¥ 186,554,196,729

Employees

16,223 (As of April 1, 2006)

Head Office

Tower East Umeda Sky Building

1-88 Oyodonaka 1-chome Kita-ku Osaka

531-0076 Japan

Phone: 81-6-6440-3111

Facsimile: 81-6-6440-3369

Factories

Shiga, Ibaraki, Shizuoka, Yamaguchi,

Miyagi and Hyogo

Laboratory

Kyoto

Domestic Subsidiaries and Affiliates

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.

Sekiwa Real Estate Sapporo, Ltd.

Sekisui House Umeda Operation Co., Ltd.

SGM Operation Co., Ltd. etc

All 90 subsidiaries and 5 affiliates.

Stock Listing

Tokyo Stock Exchange

Osaka Securities Exchange

Nagoya Stock Exchange

American Depositary Receipts

Depositary:

The Bank of New York

SEKISUI HOUSE, LTD.

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KITA-KU, OSAKA 531-0076, JAPAN

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