

SEMIANNUAL

REPORT

2010

February 1 to July 31, 2010



SEKISUI HOUSE

To Our Shareholders

In the first six months of the fiscal year ending January 31, 2011, the housing market environment remained harsh due to continually falling land prices and a subdued recovery in individual consumption. However, the market for owner-occupied homes remained in a recovery trend, helped by government policies encouraging home-buying and remodeling, including tax measures such as historically high tax breaks on mortgages, continued subsidies promoting eco-friendly housing, the housing eco-point system and a higher exemption on the *inter vivos* gift tax when acquiring a house.

Under such an environment, Sekisui House has aggressively pursued business initiatives set forth in our mid-term management plan (announced January 2010), which include strengthening our core businesses, expanding our business portfolio and deploying our Green First Strategy as a driver of business growth in eco-friendly housing. Meanwhile, we strived to build a solid sales base by raising customer satisfaction with events for Sekisui House owners across the nation to commemorate our 50th anniversary. Additionally, new initiatives we implemented included targeting stimulating new demand by opening Dear One, a site where potential buyers can see first-hand how to live comfortably with a pet.

To expand our business portfolio, we participated in a joint acquisition of all shares in Joint REIT's asset management firm (Sekisui House acquired a 75% stake), and changed the name of investment corporation to Sekisui House SI Investment Corporation. This allowed us to make a full-fledged entry into the residential REIT business. Additionally, to expand business opportunities across all aspects of real estate, we have forged a business alliance with KOWA REAL ESTATE CO., LTD., with whom we will jointly pursue a wide variety of businesses, from development to leasing and more.

In the Built to Order Housing Business, we strengthened our sales force to actively implement our Green First Strategy to further drive sales of the Green First brand. In our Sha-Maison low-rise apartments business, we aggressively promoted our eco-friendly apartment product Sha-Maison Ecostyle and proposed Sha-Maison Gardens, which create new value in a townscape provided with five premium environmental features that harmonize with the landscape and minimize environmental load. Thanks to those efforts, we saw continued recovery in detached home sales. Meanwhile, low-rise rental apartment orders recovered moderately primarily in large cities despite an environment that remains harsh. In this segment, net sales totaled to ¥345,754 million and operating income to ¥33,835 million.

The Real Estate for Sale Business booked net sales of ¥120,882 million and operating loss of ¥1,019 million. In the Built for Sale Housing Business, the fall in land prices and other factors dampened orders. In our Condominium Business, orders in the Tokyo Metropolitan Area fared well thanks to recovering demand for condominiums mainly in Tokyo. Meanwhile, Phase 1 of condominiums at Wentworth Point in the suburb of Sydney, Australia, is progressing solidly with 90% of units under contract. We started selling Phase 2 in April, and sales are progressing ahead of our original schedule.

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. While occupancy rates stagnate nationwide, we were able to maintain high occupancy rates mainly in Tokyo, Osaka and other urban areas. As a result, the Real Estate for Leasing Business booked net sales of ¥188,298 million and operating income of ¥7,371 million.

In the Other Business, net sales amounted to ¥83,843 million and operating income to ¥3,806 million. Our Remodeling Business as part of our Green First Strategy fared well as we actively marketed remodeling proposals aimed at energy conservation with the installation of photovoltaic power generation systems and high-efficiency hot water supply systems. Aside from environmental features, we proposed remodeling ideas to support comfort in living tailored to diversifying lifestyles. Orders and inquiries for the *Sekiwa no Ki no Ie*, a second brand from the Sekiwa Construction Group, were strong due to housing designs tailored to regional characteristics and the trustworthiness of the Sekisui House Group.

Looking at management results, orders continued to recover steadily, due to our Green First Strategy coupled with government policies. Net sales in the first six months of the year ending January 31, 2011 amounted to ¥738,777 million (\$8,521,073 thousand). Operating income totaled to ¥26,383 million (\$304,302 thousand) and net income to ¥13,623 million (\$157,128 thousand).

We made upward revisions to our consolidated results forecast for the fiscal year ending January 31, 2011 as follows: Net sales of ¥1,475 billion, Operating income of ¥55.5 billion, and Net income of ¥30 billion.

The dividend for the interim period under review will be ¥13.00 (\$0.15) per share, consisting of an ordinary dividend of ¥8.00 and a commemorative dividend of ¥5.00 per share.

September 2010



Isami Wada
Chairman & CEO



Toshinori Abe
President & COO

CONSOLIDATED BALANCE SHEETS

As of July 31 and January 31, 2010 and July 31, 2009

Assets	Millions of yen			Thousands of U.S. dollars
	July 31 2010	January 31 2010	July 31 2009	July 31 2010
Current assets:				
Cash and cash equivalents.....	¥ 246,902	¥ 148,630	¥ 102,869	\$ 2,847,774
Short-term investments.....	1,329	1,975	399	15,329
Notes and accounts receivable:				
Affiliates.....	162	76	134	1,868
Trade.....	31,603	11,391	8,862	364,510
Other.....	14,199	13,223	14,347	163,772
Less allowance for doubtful accounts..	(2,252)	(2,137)	(2,160)	(25,975)
	43,712	22,553	21,183	504,175
Inventories.....	543,017	597,444	727,864	6,263,172
Deferred income taxes	59,653	65,787	46,627	688,039
Other current assets.....	12,536	14,545	13,972	144,591
Total current assets	907,149	850,934	912,914	10,463,080
 Property, plant and equipment, at cost:				
Land.....	189,572	189,362	128,421	2,186,528
Buildings and structures.....	238,489	234,463	227,450	2,750,738
Machinery, equipment and other.....	85,498	87,702	88,177	986,136
Construction in progress.....	8,072	6,161	4,210	93,103
	521,631	517,688	448,258	6,016,505
Less accumulated depreciation.....	(177,172)	(175,455)	(170,934)	(2,043,506)
Property, plant and equipment, net	344,459	342,233	277,324	3,972,999
 Investments and other assets:				
Long-term loans receivable.....	31,781	32,792	32,964	366,563
Less allowance for doubtful accounts.....	(1,463)	(1,483)	(1,406)	(16,875)
	30,318	31,309	31,558	349,688
Investments in securities.....	65,532	63,757	67,372	755,848
Investments in affiliates.....	3,895	3,653	3,219	44,925
Deferred income taxes	18,701	17,274	14,084	215,698
Intangible assets	9,502	9,071	9,273	109,596
Other assets	36,260	35,715	37,600	418,224
Total investments and other assets	164,208	160,779	163,106	1,893,979
	¥ 1,415,816	¥ 1,353,946	¥ 1,353,344	\$ 16,330,058

Liabilities and net assets	Millions of yen			Thousands of U.S. dollars
	July 31 2010	January 31 2010	July 31 2009	July 31 2010
Current liabilities:				
Notes and accounts payable:				
Affiliates.....	¥ 3,242	¥ 3,554	¥ 3,051	\$ 37,393
Trade.....	127,365	132,105	116,104	1,469,031
Current portion of long-term debt and lease obligations.....	175,767	173,013	510	2,027,301
Accrued income taxes.....	6,520	4,810	4,290	75,202
Advances received on construction projects in progress.....	74,487	90,426	86,779	859,135
Allowance for employees' bonuses.....	11,578	6,177	8,470	133,541
Other current liabilities.....	45,383	50,381	42,479	523,449
Total current liabilities	<u>444,342</u>	<u>460,466</u>	<u>261,683</u>	<u>5,125,052</u>
Long-term liabilities:				
Long-term debt and lease obligations...	154,080	90,190	259,893	1,777,163
Guarantee deposits received.....	54,097	54,439	54,922	623,956
Accrued retirement benefits for employees	32,545	29,347	22,795	375,375
Accrued retirement benefits for directors and corporate auditors.....	932	1,126	1,025	10,750
Other liabilities	2,004	2,082	2,220	23,114
Total long-term liabilities	<u>243,658</u>	<u>177,184</u>	<u>340,855</u>	<u>2,810,358</u>
Contingent liabilities (Note 2)				
Net assets:				
Shareholders' equity				
Common stock:				
Authorized:1,978,281,000 shares				
Issued:676,885,078 shares in July 2010 and 2009, and January 2010...	186,554	186,554	186,554	2,151,719
Capital surplus	237,523	237,523	237,523	2,739,596
Retained earnings.....	301,358	287,738	321,402	3,475,871
Less treasury stock, at cost.....	(1,406)	(1,386)	(1,368)	(16,217)
Total shareholders' equity	<u>724,029</u>	<u>710,429</u>	<u>744,111</u>	<u>8,350,969</u>
Valuation and translation adjustments:				
Net unrealized holding gain on securities.....	2,539	3,152	4,526	29,285
Deferred gain (loss) on hedges.....	10	5	(135)	115
Translation adjustments.....	444	2,152	1,435	5,121
Total valuation and translation adjustments	<u>2,993</u>	<u>5,309</u>	<u>5,826</u>	<u>34,521</u>
Stock subscription rights.....	268	232	196	3,091
Minority interests.....	526	326	673	6,067
Total net assets	<u>727,816</u>	<u>716,296</u>	<u>750,806</u>	<u>8,394,648</u>
	<u>¥ 1,415,816</u>	<u>¥ 1,353,946</u>	<u>¥ 1,353,344</u>	<u>\$ 16,330,058</u>

* See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF OPERATIONS

Six months ended July 31, 2010 and 2009, and year ended January 31, 2010

	Millions of yen			Thousands of U.S. dollars
	July 31 2010	July 31 2009	January 31 2010	July 31 2010
Net sales	¥ 738,777	¥ 668,012	¥ 1,353,186	\$ 8,521,073
Cost of sales.....	612,808	563,920	1,196,849	7,068,143
Gross profit.....	125,969	104,092	156,337	1,452,930
Selling, general and administrative expenses	99,586	101,096	195,092	1,148,628
Operating income (loss)	26,383	2,996	(38,755)	304,302
Other income (expenses):				
Interest and dividend income.....	1,173	1,026	1,934	13,529
Interest expense.....	(1,522)	(1,532)	(2,965)	(17,555)
Loss on revaluation of investments in securities.....	(715)	(743)	(874)	(8,247)
Loss on impairment of fixed assets (Note 3).....	(33)	-	-	(380)
Cost of business structure improvement (Note 4).....	-	(4,155)	(4,822)	-
Other, net.....	(978)	(738)	(940)	(11,280)
Income (loss) before income taxes and minority interests..	24,308	(3,146)	(46,422)	280,369
Income taxes:				
Current.....	6,182	3,744	8,699	71,303
Deferred.....	4,486	(4,521)	(25,870)	51,742
Income (loss) before minority interests.....	10,668	(777)	(17,171)	123,045
Income (loss) before minority interests.....	13,640	(2,369)	(29,251)	157,324
Minority interests in earnings of subsidiaries.....	(17)	(5)	(26)	(196)
Net income (loss)	¥ 13,623	¥ (2,374)	¥ (29,277)	\$ 157,128

* See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

Six months ended July 31, 2010 and 2009, and year ended January 31, 2010

	Millions of yen			Thousands of U.S. dollars
	July 31 2010	July 31 2009	January 31 2010	July 31 2010
Cash flows from operating activities				
Income (loss) before income taxes and minority interests.....	¥ 24,308	¥ (3,146)	¥ (46,422)	\$ 280,369
Adjustments for:				
Depreciation and amortization.....	7,774	8,100	16,579	89,666
Increase in accrued retirement benefits.....	3,198	1,234	7,785	36,886
(Increase) decrease in prepaid pension cost.....	(3)	4,892	4,893	(35)
Interest and dividend income.....	(1,173)	(1,026)	(1,934)	(13,529)
Interest expense.....	1,522	1,532	2,965	17,555
Loss on revaluation of investment in securities.....	715	743	874	8,247
(Increase) decrease in notes and accounts receivable.....	(20,084)	4,326	1,797	(231,649)
Decrease in inventories.....	51,631	14,674	85,962	595,513
Decrease in notes and accounts payable.....	(7,220)	(30,801)	(13,331)	(83,276)
(Decrease) increase in advances received on construction projects in progress.....	(15,939)	2,052	5,699	(183,841)
Other.....	1,247	(11,075)	(905)	14,382
Subtotal.....	45,976	(8,495)	63,962	530,288
Interest and dividends received.....	1,100	1,081	1,989	12,687
Interest paid.....	(1,481)	(1,611)	(3,106)	(17,082)
Income taxes paid.....	(5,626)	(5,833)	(12,590)	(64,890)
Income taxes refunded.....	2,636	5,143	5,147	30,404
Net cash provided by (used in) operating activities.....	42,605	(9,715)	55,402	491,407
Cash flows from investing activities				
Proceeds from sales of short-term investments.....	150	2,000	2,050	1,730
Proceeds from sales of property, plant and equipment.....	701	96	174	8,085
Purchases of property, plant and equipment.....	(9,800)	(8,845)	(21,631)	(113,033)
Proceeds from sales of investments in securities.....	289	-	26	3,333
Purchases of investments in securities.....	(2,958)	(2,595)	(2,651)	(34,118)
Decrease (increase) in loans receivable.....	1,121	(485)	(37)	12,930
Other.....	(898)	(2,685)	(4,403)	(10,357)
Net cash used in investing activities.....	(11,395)	(12,514)	(26,472)	(131,430)
Cash flows from financing activities				
Proceeds from long-term debt.....	-	7,298	8,201	-
Repayment of long-term debt.....	(2,647)	-	(206)	(30,531)
Proceeds from issuance of bonds.....	70,000	-	-	807,382
Cash dividends paid.....	-	(8,112)	(14,871)	-
Increase in treasury stock.....	(27)	(32)	(54)	(311)
Other.....	(51)	(9)	(39)	(588)
Net cash provided by (used in) financing activities.....	67,275	(855)	(6,969)	775,952
Effect of exchange rate changes on cash and cash equivalents.....	(213)	1,435	2,151	(2,457)
Net increase (decrease) in cash and cash equivalents.....	98,272	(21,649)	24,112	1,133,472
Cash and cash equivalents at beginning of period.....	148,630	124,518	124,518	1,714,302
Cash and cash equivalents at end of period.....	¥ 246,902	¥ 102,869	¥ 148,630	\$ 2,847,774

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2010 and 2009

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 Corporation Law of Japan and the Financial Instruments and Exchange Law of Japan and in conformity with accounting principles generally accepted in Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards. The Company's overseas subsidiaries maintain their accounts and records in conformity with the accounting principles generally accepted and the practices prevailing in their countries of domicile. The accompanying consolidated financial statements have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Law of Japan.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader and has been made at ¥86.70= U.S. \$1.00, the approximate rate of exchange in effect on July 31, 2010. This translation should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollar amounts at the above or any other rate.

2. Contingent Liabilities

The Company and its subsidiaries had the following contingent liabilities at July 31, 2010.

	Millions of yen	Thousands of U.S. dollars
Guarantees of housing loans to customers.....	¥ 95,477	\$ 1,101,234
Guarantees of bank loans of a third party.....	707	8,155
	¥ 96,184	\$ 1,109,389

3. Loss on Impairment of Fixed Assets

One domestic consolidated subsidiary recognized loss on impairment of fixed assets for the six months ended July 31, 2010.

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

One domestic consolidated subsidiary wrote down certain fixed assets, which are planned to be sold or are determined to be available for sale rather than for lease due to the changes in the business plan, to their respective net recoverable values. Consequently, the Company and its subsidiaries recorded a loss on impairment of fixed assets of ¥33 million (\$380 thousand) as a component of other income (expenses) in the accompanying consolidated statements of operations for the six months ended July 31, 2010.

4. Cost of Business Structure Improvement

The Company suspended production at the Shiga factory on March 31, 2009 in order to integrate its factories and improve productivity. As a result, the Company recorded ¥4,155 million of losses and ¥4,822 million on disposal, relocation and impairment of its facilities, and additional retirement benefit paid with regard to an early retirement scheme as cost of business structure improvement in the consolidated statements of operations for the six months ended July 31, 2009 for the year ended January 31, 2010.

5. Amounts per Share

	Yen		U.S. dollars	
	July 31 2010	July 31 2009	January 31 2010	July 31 2010
Net income (loss):				
Basic	¥ 20.16	¥ (3.51)	¥ (43.32)	\$ 0.23
Diluted	20.15	-	-	0.23
Net assets.....	1,075.92	1,109.75	1,059.18	12.41
Cash dividends.....	13.00	10.00	10.00	0.15

CORPORATE DATA

Corporate Officers

(As of July 31, 2010)

Chairman, Representative Director & CEO

Isami Wada

President, Representative Director & COO

Toshinori Abe

Directors

Katsuhiko Machida

Sumio Wada

Shiro Inagaki

Fumiaki Hirabayashi

Takashi Uchida

Junichi Terada

Tetsuo Iku

Daiji Kuroki

Kengo Yoshida

Standing Corporate Auditors

Tadashi Iwasaki

Yoshiro Kubota

Corporate Auditors

Takaharu Dohi

Teruyuki Saegusa

Eiji Mansho

Senior Managing Officers

Sumio Wada

Shiro Inagaki

Managing Officers

Fumiaki Hirabayashi

Takashi Uchida

Junichi Terada

Tetsuo Iku

Daiji Kuroki

Kengo Yoshida

Akihisa Terasaki

Executive Officers

Mitsugu Iijima

Hidehiro Yamaguchi

Yoshikazu Takatsuka

Tsutomu Motomura

Naoki Ishii

Takanobu Ishioka

Masaaki Oikawa

Atsuyuki Miyamoto

Fumiyasu Suguro

Michio Yoshizaki

Keigo Nakano

Kotaro Asano

Hisao Yamada

Yuichi Matsushima

Motohiko Fujiwara

Kazushi Mitani

Koji Nakata

Haruyuki Iwata

OUTLINE OF THE COMPANY

(As of July 31, 2010)

Established

August 1, 1960

Capital Stock Issued

¥ 186,554 million

Employees

15,374 (As of April 1, 2010)

Head Office

Tower East Umeda Sky Building

1-88 Oyodonaka 1-chome Kita-ku Osaka

531-0076 Japan

Phone: 81-6-6440-3111

Facsimile: 81-6-6440-3369

Factories

Ibaraki, Shizuoka, Yamaguchi, Miyagi and Hyogo

Laboratory

Kyoto

Subsidiaries and Affiliates

Sekiwa Real Estate Tohoku, Ltd.

Sekiwa Real Estate, Ltd.

Sekiwa Real Estate Chubu, Ltd.

Sekiwa Real Estate Kansai, Ltd.

Sekiwa Real Estate Chugoku, Ltd.

Sekiwa Real Estate Kyushu, Ltd.

Sekisui House Remodeling, Ltd.

Sekiwa Construction Higashi-Tokyo, Ltd.

Sekisui House SI Asset Management, Ltd.

Sekisui House Australia Holdings Pty Limited

All 82 subsidiaries and 8 affiliates

Stock Listing

Tokyo Stock Exchange

Osaka Securities Exchange

Nagoya Stock Exchange

American Depositary Receipts

Symbol: SKHSY

CUSIP: 816078307

Ratio: 1:1

Exchange: OTC (Over-the-Counter)

Depository: The Bank of New York Mellon

BNY Mellon Shareowner Services

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