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05006309

**82- SUBMISSIONS FACING SHEET**

Follow-Up  
Materials

MICROFICHE CONTROL LABEL



REGISTRANT'S NAME

Sehimi House Aid

\*CURRENT ADDRESS

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

\*\*FORMER NAME

\_\_\_\_\_

\*\*NEW ADDRESS

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

PROCESSED

MAR 08 2005

J. HANSON  
FINANCIAL

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\* Complete for initial submissions only \*\* Please note name and address changes

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# SEKISUI HOUSE, LTD.

Tower East, Umeda Sky Building, 1-88,  
Oyodonaka 1-chome Kita-ku, Osaka JAPAN

Exemption No. 82-5129

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**Report of Foreign Private Issuer**  
Pursuant to Rule 12g3-2(b)  
the Securities Exchange Act of 1934

Report on Disclosure of Information of SEKISUI HOUSE, LTD.

SEKISUI HOUSE, LTD.  
(Translation of registrant's name into English)

Tower East Umeda Sky Building  
1-88 Oyodonaka 1-chome, Kita-ku, Osaka 531-0076, Japan  
(Address of principal executive offices)

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# SEKISUI HOUSE, LTD.

Tower East, Umeda Sky Building, 1-88,  
Oyodonaka 1-chome Kita-ku, Osaka JAPAN

## SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Sekisui House Ltd.

(Registrant)

March 1, 2005

By:

A handwritten signature in black ink, appearing to read "Kenichi Moriuchi", written over a horizontal line.

Kenichi Moriuchi

Managing Executive Officer &  
General Manager of Legal Department

March 1, 2005

**Sekisui House, Ltd.**

President & Representative Director

Isami Wada

**Notice of Resolution of the Meeting of the Board of Directors  
in regard to the 54<sup>th</sup> Ordinary General Meeting of Shareholders**

We are pleased to inform you that the following was resolved at the meeting of the Board of Directors held today in regard to Convocation of the 54th Ordinary General Meeting of Shareholders.

We will forward the notice of convocation of the said General Meeting to the shareholders in early April, 2005. And so please be informed as follows.

1. **Record Date:** January 31, 2005
2. **Date and Time of the Meeting:** 10:00 a.m., Wednesday, April 27, 2005
3. **Place of the Meeting:** Umeda Stella Hall  
3F, Tower West, Umeda Sky Building  
1-30, Oyodonaka 1-chome, Kita-ku, Osaka

**4. Agenda:**

**Items for reporting:**

1. Reports on the Business Report, Consolidated Balance Sheet and Statement of Income, and Non-consolidated Balance Sheet and Statement of Income for the 54th fiscal year ended January 31, 2005(February 1, 2004 - January 31, 2005)
2. Report on the results of an audit conducted by the accounting auditor and the board of corporate auditors with respect to the consolidated financial statements for the 54th fiscal year ended January 31, 2005

**Propositions to be tabled:**

- No.1** Proposal for appropriation of retained earnings for the fiscal year ended January 31, 2005  
(Contents -Summary) Dividend: 9 yen per share (in cash)
- No.2** Proposal for changes to the Articles of Incorporation  
(Contents -Summary) About the Method of Public Notice
- No.3** Proposal for election of a Corporate Auditor

# Sekisui House, Ltd.

## SUMMARY OF FINANCIAL STATEMENTS

February 1, 2004    January 31, 2005

*Note : This document contains forward-looking statements based on a number of assumptions and beliefs in light of the information currently available to management and is subject to significant risks and uncertainties. Actual financial results may differ materially depending on a number of factors including, adverse economic conditions, adverse legislative and regulatory developments, delay in new product launches, and pricing and product initiatives of competitors*

**SUMMARY OF FINANCIAL STATEMENTS (Consolidated)**

February 1, 2004 January 31, 2005

**Sekisui House, Ltd.**

**March 1, 2005**

Stock Code: 1928

Head office: Osaka, Japan

Listed exchanges: Tokyo, Osaka, Nagoya (First Section)

<http://www.sekisuihouse.co.jp>

Telephone: +816 6440 3111

President & Representative Director:

Isami Wada

Inquiries: PR Department

Date of the meeting of the board of directors: March 1, 2005

Associate Officer: Hidehiro Yamaguchi

U.S. GAAP Accounting Principles:

Not adopted

**1. Business Results**

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

**1) Consolidated Business Results**

	Millions of yen			
	Feb. 1, 2004	Jan. 31, 2005	Feb. 1, 2003	Jan. 31, 2004
		Change %		Change %
Net sales	1,372,243	3.5	1,326,039	2.0
Operating income	76,638	(4.6)	80,333	10.4
Recurring income	77,316	(2.2)	79,062	14.3
Net income	23,659	(37.3)	37,761	9.3
Net income per share (yen)	33.80		53.30	
Fully diluted net income per share (yen)	—		51.39	
Return on equity (%)	3.5%		5.7%	
Return on assets (%)	6.7%		6.5%	
Recurring income margin (%)	5.6%		6.0%	

(1) Gain (loss) from investments in subsidiaries and affiliates accounted for by the equity

Year ended January 31, 2005 (107) million yen Year ended January 31, 2004 (53) million yen

(2) Average number of outstanding shares (consolidated) during the period:

Year ended January 31, 2005 686,079,543 shares Year ended January 31, 2004 700,908,935 shares

(3) Changes to accounting principles: Yes

(4) Percentages for net sales, operating income, recurring income, and net income represent year-on-year changes.

**2) Consolidated Financial Position**

	Millions of yen			
	Feb. 1, 2004	Jan. 31, 2005	Feb. 1, 2003	Jan. 31, 2004
Total assets	1,140,231		1,181,012	
Shareholders equity	666,475		667,964	
Equity ratio (%)	58.5%		56.6%	
Shareholders equity per share (yen)	979.40		959.96	

(1) Outstanding shares (consolidated) at the end of January 31, 2005 680,010,723 shares

(2) Outstanding shares (consolidated) at the end of January 31, 2004 695,408,643 shares

**3) Consolidated Cash Flows**

	Millions of yen			
	Feb. 1, 2004	Jan. 31, 2005	Feb. 1, 2003	Jan. 31, 2004
Net cash provided by operating activities	50,992		98,460	
Net cash used in investing activities	(32,507)		51,721	
Net cash used in financing activities	(61,141)		(115,395)	
Cash and cash equivalents at end of period	179,712		222,275	

**4) Consolidated subsidiaries and affiliates accounted for by the equity method**

Number of consolidated subsidiaries 93

Number of non-consolidated subsidiaries accounted for by the equity method —

Number of affiliates accounted for by the equity method 4

**5) Changes in the scope of consolidation and companies accounted for by the equity method**

Consolidated subsidiaries (Newly included) 1 (Excluded) 5

Companies accounted for by the equity method (Newly included) 1 (Excluded) —

**2. Consolidated Results Forecast for the Year Ending January 31, 2006**

	Millions of yen			
	Net Sales	Recurring income	Net income	Net income per share (yen)
Interim	725,000	37,000	18,000	—
Full year	1,490,000	80,000	41,500	58.70

## Appendix 1: Results Summary

Full year results summary for the year ended January 31, 2005

Millions of yen

Consolidated	Results for year to Jan. 2004	Previous forecast for year to Jan. 2005	Results for year to Jan. 2005	YOY Change (%)	Forecast for year to Jan. 2006	YOY Change (%)
Net sales	1,326,039	1,370,000	1,372,243	103.5	1,490,000	108.6
Gross profit	270,050	274,000	273,723	101.4	294,000	107.4
SG&A expenses	189,716	196,000	197,085	103.9	214,000	108.6
Operating income	80,333	78,000	76,638	95.4	80,000	104.4
Recurring income	79,062	78,000	77,316	97.8	80,000	103.5
Extraordinary income (loss)	(4,089)	(20,372)	(25,111)	—	(1,200)	—
Net income	37,761	26,000	23,659	62.7	41,500	175.4
Total orders	*	*	1,341,370	—	1,516,000	113.0
Accumulated orders	604,830	—	573,957	94.9	599,956	104.5

Non-consolidated	Results for year to Jan. 2004	Previous forecast for year to Jan. 2005	Results for year to Jan. 2005	YOY Change (%)	Forecast for year to Jan. 2006	YOY Change (%)
Net sales	1,055,027	1,090,000	1,086,179	103.0	1,140,000	105.0
Gross profit	225,737	229,000	226,157	100.2	234,000	103.5
SG&A expenses	159,869	165,000	165,267	103.4	172,000	104.1
Operating income	65,868	64,000	60,889	92.4	62,000	101.8
Recurring income	65,554	65,000	62,439	95.2	63,000	100.9
Extraordinary income (loss)	(3,563)	(14,342)	(20,740)	—	(1,200)	—
Net income	33,580	23,500	19,492	58.0	33,500	171.9
Total orders	1,012,166	1,100,000	1,049,730	103.7	1,160,000	110.5
Accumulated orders	607,686	617,686	571,236	94.0	585,070	102.4

\* Orders were previously recorded only on a non-consolidated basis, but are now also recorded on a consolidated basis. Accordingly, the Company does not show any consolidated orders for the previous fiscal year.

## Key management indicators

Consolidated	Year to Jan. 2001	Year to Jan. 2002	Year to Jan. 2003	Year to Jan. 2004	Year to Jan. 2005
Net income per share (yen)	35.03	(125.11)	48.71	53.30	33.80
Shareholders equity per share (yen)	1,027.71	883.16	911.01	959.96	979.40
Operating profit margin (%)	7.04%	5.72%	5.59%	6.06%	5.58%
ROE (%)	3.44%	(13.21)%	5.43%	5.75%	3.55%
ROA (%) *1	6.90%	5.65%	5.90%	6.79%	6.84%

R & D expenditures (millions yen)	7,743	7,553	5,523	5,259	5,793
Investment in plant and equipment (Consolidated)	13,968	16,003	19,302	16,695	36,225
Investment in plant and equipment (Non-consolidated)	8,430	10,545	14,296	9,374	27,488
Depreciation expense (Consolidated) (millions yen)	13,693	13,085	11,882	11,298	11,553
Depreciation expense (Non-consolidated) (millions yen)	11,675	11,186	9,951	9,362	9,424
Housing construction share*2	5.0%	5.2%	5.0%	5.0%	4.7%
Referred order rate*3	59.3%	62.2%	63.4%	53.8%	49.4%
Average house price (1,000 yen)	30,620	30,724	29,605	29,697	29,336
Sekiwa Real Estate participation rate *4	59.9%	69.5%	72.8%	75.4%	76.5%
Occupancy rate of leasing units	96.2%	95.7%	95.6%	95.0%	94.9%
Display home locations (end of period)	632	653	602	561	551

\*1 ROA: Return on Assets = (Operating profit + interest received) / Total assets

\*2 Sekisui House housing starts / total nationwide housing starts (calendar year)

\*3 Referred orders / total orders

\*4 Percentage of *Sha Maison* (rental housing) projects in which leasing and administration is contracted to Sekiwa Real Estate group companies

## Appendix 2-1: Segment Breakdown

## Consolidated

Results for year ended Jan.2005	Orders		Sales				Accumulated orders	
	Millions of yen	%	Millions of yen	%	Gross profit ratio	Operating margin	Millions of yen	%
Built to Order Housing	675,571	50.4	708,539	51.6	25.4	11.6	412,502	71.9
Real Estate for Sales	260,718	19.4	273,455	19.9	15.8	4.5	80,015	13.9
Real Estate for Leasing	269,326	20.1	269,326	19.7	9.4	3.0	—	—
Other Business	135,755	10.1	120,923	8.8	21.4	2.9	81,439	14.2
Consolidated	1,341,370	100.0	1,372,243	100.0	19.9	5.6	573,957	100.0

Results for year ended Jan.2004	Orders		Sales				Accumulated orders	
	Millions of yen	%	Millions of yen	%	Gross profit ratio	Operating margin	Millions of yen	%
Built to Order Housing	*	—	743,219	56.0	26.0	12.3	445,470	73.7
Real Estate for Sales	*	—	202,531	15.3	14.0	3.1	92,752	15.3
Real Estate for Leasing	*	—	248,964	18.8	10.0	3.5	—	—
Other Business	*	—	131,323	9.9	19.4	2.0	66,607	11.0
Consolidated	*	—	1,326,039	100.0	20.4	6.1	604,830	100.0

\* The Company does not show any consolidated orders for the previous fiscal year.

Forecast for year ending Jan.2006	Orders		Sales				Accumulated orders	
	Millions of yen	%	Millions of yen	%	Gross profit ratio	Operating margin	Millions of yen	%
Built to Order Housing	746,000	49.2	738,000	49.5	24.8	10.6	420,502	70.1
Real Estate for Sales	336,000	22.2	326,000	21.9	17.0	5.3	90,015	15.0
Real Estate for Leasing	294,000	19.4	294,000	19.7	10.5	4.2	—	—
Other Business	140,000	9.2	132,000	8.9	21.4	3.5	89,439	14.9
Consolidated	1,516,000	100.0	1,490,000	100.0	19.7	5.4	599,956	100.0



## Appendix 2-2: Segment Breakdown

## Non-consolidated

Results for year ended Jan. 2005	Orders			Sales				GPR	OM	Accumulated orders		
	Value	%	Buildings	Value	%	Buildings	Units			Value	%	Units
<b>Built to Order Housing</b>	<b>672,623</b>	<b>64.1</b>	<b>21,240</b>	<b>704,770</b>	<b>64.9</b>	<b>22,412</b>	<b>48,287</b>	<b>24.1</b>	<b>10.9</b>	<b>413,682</b>	<b>72.4</b>	<b>12,508</b>
Steel frame	375,842		12,726	384,045		13,106	13,546	-	-	198,062		6,427
Wood frame	80,552		2,540	77,519		2,458	2,496	-	-	46,503		1,448
Low rise apartments	216,228		5,974	243,205		6,848	32,245	-	-	169,115		4,633
<b>Real Estate for Sales</b>	<b>247,102</b>	<b>23.5</b>	<b>4,334</b>	<b>260,784</b>	<b>24.0</b>	<b>4,229</b>	<b>5,951</b>	<b>16.0</b>	<b>4.4</b>	<b>74,862</b>	<b>13.1</b>	<b>1,298</b>
Steel frame	102,871		3,799	99,636		3,687	3,857	-	-	29,838		1,117
Wood frame	16,326		535	15,657		513	515	-	-	5,065		181
Condominiums	32,856		-	41,216		29	1,579	-	-	16,858		-
Land	95,047		-	104,273		-	-	-	-	23,101		-
<b>Real Estate for Leasing</b>	<b>9,320</b>	<b>0.9</b>	<b>-</b>	<b>9,320</b>	<b>0.9</b>	<b>-</b>	<b>-</b>	<b>1.1</b>	<b>(0.3)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Business</b>	<b>120,683</b>	<b>11.5</b>	<b>175</b>	<b>111,304</b>	<b>10.2</b>	<b>105</b>	<b>1,751</b>	<b>13.1</b>	<b>0.1</b>	<b>82,692</b>	<b>14.5</b>	<b>313</b>
RC contracts	31,999		175	27,379		105	1,751	-	-	47,548		313
Exteriors	48,600		-	44,417		-	-	-	-	28,549		-
Remodeling	40,084		-	39,507		-	-	-	-	6,595		-
<b>Total</b>	<b>1,049,730</b>	<b>100.0</b>	<b>25,749</b>	<b>1,086,179</b>	<b>100.0</b>	<b>26,746</b>	<b>55,989</b>	<b>20.8</b>	<b>5.6</b>	<b>571,236</b>	<b>100.0</b>	<b>14,119</b>

Results for year ended Jan. 2004	Orders			Sales				GPR	OM	Accumulated orders		
	Value	%	Buildings	Value	%	Buildings	Units			Value	%	Units
<b>Built to Order Housing</b>	<b>691,161</b>	<b>68.3</b>	<b>22,026</b>	<b>741,056</b>	<b>70.2</b>	<b>23,932</b>	<b>51,944</b>	<b>24.9</b>	<b>11.8</b>	<b>445,829</b>	<b>73.4</b>	<b>13,680</b>
Steel frame	368,678		12,674	392,990		13,435	13,905	-	-	206,265		6,807
Wood frame	74,159		2,357	81,429		2,605	2,630	-	-	43,470		1,366
Low rise apartments	248,323		6,995	266,635		7,892	35,409	-	-	196,092		5,507
<b>Real Estate for Sales</b>	<b>199,242</b>	<b>19.7</b>	<b>2,907</b>	<b>184,741</b>	<b>17.5</b>	<b>2,835</b>	<b>4,202</b>	<b>14.4</b>	<b>3.0</b>	<b>88,544</b>	<b>14.6</b>	<b>1,164</b>
Steel frame	71,616		2,540	69,506		2,476	2,671	-	-	26,603		1,005
Wood frame	11,263		367	10,373		339	339	-	-	4,396		159
Condominiums	33,827		-	28,398		20	1,192	-	-	25,218		-
Land	82,535		-	76,462		-	-	-	-	32,327		-
<b>Real Estate for Leasing</b>	<b>9,351</b>	<b>0.9</b>	<b>-</b>	<b>9,351</b>	<b>0.9</b>	<b>-</b>	<b>-</b>	<b>(4.4)</b>	<b>(5.9)</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Business</b>	<b>112,411</b>	<b>11.1</b>	<b>85</b>	<b>119,878</b>	<b>11.4</b>	<b>101</b>	<b>1,937</b>	<b>12.7</b>	<b>0.6</b>	<b>73,312</b>	<b>12.0</b>	<b>243</b>
RC contracts	32,482		85	36,502		101	1,937	-	-	42,928		243
Exteriors	39,192		-	42,704		-	-	-	-	24,366		-
Remodeling	40,737		-	40,671		-	-	-	-	6,018		-
<b>Total</b>	<b>1,012,166</b>	<b>100.0</b>	<b>25,018</b>	<b>1,055,027</b>	<b>100.0</b>	<b>26,868</b>	<b>58,083</b>	<b>21.4</b>	<b>6.2</b>	<b>607,686</b>	<b>100.0</b>	<b>15,087</b>

Forecast for year ending Jan. 2006	Orders			Sales				GPR	OM	Accumulated orders		
	Value	%	Buildings	Value	%	Buildings	Units			Value	%	Units
<b>Built to Order Housing</b>	<b>741,000</b>	<b>63.9</b>	<b>23,500</b>	<b>734,000</b>	<b>64.4</b>	<b>23,100</b>	<b>50,100</b>	<b>23.4</b>	<b>10.0</b>	<b>420,681</b>	<b>71.9</b>	<b>12,908</b>
Steel frame	403,000		13,800	400,000		13,500	14,000	-	-	201,062		6,727
Wood frame	86,000		2,700	84,000		2,600	2,600	-	-	48,503		1,548
Low rise apartments	252,000		7,000	250,000		7,000	33,500	-	-	171,115		4,633
<b>Real Estate for Sales</b>	<b>319,000</b>	<b>27.5</b>	<b>5,180</b>	<b>311,000</b>	<b>27.3</b>	<b>4,985</b>	<b>6,750</b>	<b>17.5</b>	<b>5.6</b>	<b>82,862</b>	<b>14.2</b>	<b>1,528</b>
Steel frame	122,000		4,600	120,000		4,400	4,600	-	-	31,838		1,317
Wood frame	17,000		580	16,000		550	550	-	-	6,065		211
Condominiums	48,000		-	45,000		35	1,600	-	-	19,858		-
Land	132,000		-	130,000		-	-	-	-	25,101		-
<b>Real Estate for Leasing</b>	<b>10,000</b>	<b>0.9</b>	<b>-</b>	<b>10,000</b>	<b>0.9</b>	<b>-</b>	<b>-</b>	<b>2.0</b>	<b>0.2</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Other Business</b>	<b>90,000</b>	<b>7.7</b>	<b>160</b>	<b>85,000</b>	<b>7.4</b>	<b>150</b>	<b>1,500</b>	<b>9.0</b>	<b>0.1</b>	<b>81,527</b>	<b>13.9</b>	<b>323</b>
RC contracts	33,000		160	30,000		150	1,500	-	-	50,548		323
Exteriors	47,000		-	45,000		-	-	-	-	30,533		-
Other	10,000		-	10,000		-	-	-	-	446		-
<b>Total</b>	<b>1,160,000</b>	<b>100.0</b>	<b>28,840</b>	<b>1,140,000</b>	<b>100.0</b>	<b>28,235</b>	<b>58,350</b>	<b>20.5</b>	<b>5.4</b>	<b>585,070</b>	<b>100.0</b>	<b>14,759</b>

Appendix 3: Summary of Subsidiaries and Affiliates (FY2004)

(Upper) This term

(Lower) Previous term

Millions of yen

	Sales	GPM	SG&A	Operating income	Recurring income	Extraordinary income	Extraordinary loss	Net income	Total assets	Shareholders equity	*1 Interest-bearing debt
Sekisui House	1,086,179	226,157	165,267	60,889	62,439	42,373	63,113	19,492	988,821	625,390	30,000
	1,055,027	225,737	159,869	65,868	65,554	491	4,054	33,580	1,030,003	630,786	60,003
Sekaiwa Real Estate (Consolidated)	98,307	13,199	8,944	4,255	4,298	1,186	3,031	1,055	39,992	13,628	—
	89,659	12,338	8,272	4,065	4,104	—	0	2,261	38,322	12,946	—
Sekaiwa Real Estate Tohoku	17,776	1,829	1,306	523	535	242	0	452	8,753	1,879	—
	15,616	1,817	1,285	532	541	—	0	299	8,237	1,498	—
Sekaiwa Real Estate Chubu (Consolidated)	73,882	7,333	5,202	2,131	2,126	597	3,129	(259)	30,172	8,516	—
	70,715	6,344	4,793	1,550	1,555	—	10	833	33,290	8,977	—
Sekaiwa Real Estate Kansai (Consolidated)	51,167	7,029	5,155	1,873	1,926	984	2,277	284	34,068	20,502	—
	51,874	6,789	5,144	1,644	1,686	9	26	889	35,946	20,576	—
Sekaiwa Real Estate Chugoku	15,344	2,911	2,016	894	894	298	117	594	9,520	3,103	—
	14,077	2,834	1,991	843	847	—	2	476	8,894	2,649	—
Sekaiwa Real Estate Kyusyu	16,353	1,789	1,474	315	298	197	5	275	5,192	1,467	—
	14,705	1,853	1,364	489	473	—	10	255	4,824	1,266	—
Sekaiwa Real Estate Subtotal	272,832	34,094	24,099	9,994	10,079	3,507	8,561	2,404	127,699	49,097	—
	256,648	31,977	22,851	9,125	9,209	9	51	5,015	129,516	47,913	—
Sekaiwa Construction & 71 other companies	219,059	13,290	7,623	5,666	5,918	986	48	3,943	56,242	25,474	—
	209,764	11,619	7,185	4,434	4,802	43	57	2,737	51,617	22,483	—
Kobe Rokko Island	834	29	80	(50)	(50)	—	3,347	(3,398)	4,024	(20,317)	*2 9,426
	1,139	88	102	(14)	(25)	—	—	(25)	8,134	(16,919)	9,672
Nishinomiya Marina City	560	14	3	10	10	—	—	10	711	(13,519)	—
	964	29	3	25	26	—	—	25	1,254	(13,529)	—
SGM Operation	2,531	338	248	90	78	34	22	46	2,314	1,317	—
	2,369	375	238	136	124	38	0	89	2,269	1,271	—
Sekisui House Umeda Operation	7,880	1,869	1,477	392	391	29	6	245	2,909	589	—
	7,802	1,737	1,498	238	237	—	18	129	2,560	415	—
Sekoha	1,196	104	86	17	18	—	—	8	1,143	577	—
	1,214	100	82	17	16	—	1	7	1,176	569	—
6 Other Companies	11,795	1,532	1,062	470	445	12	50	232	7,337	2,707	—
	9,859	1,438	957	481	445	27	485	(1)	6,724	2,327	—
Gross	1,602,869	277,431	199,949	77,482	79,331	46,944	75,150	22,984	1,191,205	671,317	39,426
	1,544,789	273,105	192,790	80,314	80,391	609	4,667	41,560	1,233,256	675,317	69,675
Eliminations and others	(230,626)	(3,707)	(2,864)	(843)	*3 (2,015)	(337)	(3,432)	674	(50,973)	(4,842)	—
	(218,750)	(3,054)	(3,074)	19	(1,328)	(115)	(83)	(3,798)	(52,244)	(7,353)	—
Consolidated	1,372,243	273,723	197,085	76,638	77,316	46,606	71,718	23,659	1,140,231	666,475	39,426
	1,326,039	270,050	189,716	80,333	79,062	494	4,584	37,761	1,181,012	667,964	69,675
Consolidated/ Non-consolidated	1.26	1.21	1.19	1.26	1.24	1.10	1.14	1.21	1.15	1.07	1.31
	1.26	1.20	1.19	1.22	1.21	1.01	1.13	1.12	1.15	1.06	1.16

\*1 The amount of debt within the Group are excluded from that of interest-bearing debt.

\*2 Loans from a investment company for funds to purchase lands.

\*3 107 million yen, loss from investments in affiliates for by the equity method, is included.

**APPENDIX 4: BREAKDOWN OF SALES BY TYPE OF BUILDING**

	Feb.1, 2004	Jan.31, 2005	Feb.1, 2003	Jan.31, 2004	Difference (%)
<b>Housing Total</b>					
Units		55,989		58,083	(3.6)
Buildings		26,721		26,854	(0.5)
Square meters		4,587,563		4,665,320	(1.7)
Value (millions of yen)		968,780		961,445	0.8
<b>Detached Houses Total</b>					
Units		20,414		19,545	4.4
Buildings		19,764		18,855	4.8
Square meters		2,809,718		2,707,476	3.8
Value (millions of yen)		621,275		597,006	4.1
<b>Detached Houses Steel Frame</b>					
Units		17,403		16,576	5.0
Buildings		16,793		15,911	5.5
Square meters		2,374,144		2,271,950	4.5
Value (millions of yen)		528,098		505,202	4.5
<b>Detached Houses Wood Frame</b>					
Units		3,011		2,969	1.4
Buildings		2,971		2,944	0.9
Square meters		435,574		435,525	0.0
Value (millions of yen)		93,176		91,803	1.5
<b>Multiple Dwelling Houses Total</b>					
Units		35,575		38,538	(7.7)
Buildings		6,957		7,999	(13.0)
Square meters		1,777,844		1,957,843	(9.2)
Value (millions of yen)		307,996		323,767	(4.9)
<b>Multiple Dwelling Apartments</b>					
Units		32,245		35,409	(8.9)
Buildings		6,848		7,892	(13.2)
Square meters		1,528,640		1,699,298	(10.0)
Value (millions of yen)		243,205		266,635	(8.8)
<b>Multiple Dwelling Condominiums</b>					
Units		3,330		3,129	6.4
Buildings		109		107	1.9
Square meters		249,204		258,545	(3.6)
Value (millions of yen)		64,790		57,132	13.4
<b>Remodelling</b>					
Value (millions of yen)		39,507		40,671	(2.9)
<b>Non-Housing</b>					
Buildings		25		14	78.6
Square meters		23,807		47,407	(49.8)
Value (millions of yen)		3,805		7,768	(51.0)

### An Outline of The Sekisui House Group

The Sekisui House, Ltd. group consists of 93 subsidiaries, 4 affiliates and 1 related company. Sekisui House group companies are involved in the contract design, construction, and letting of prefabricated houses. They also buy and sell, act as agents for, lease and manage real estate. The position of each company within the group is illustrated below. The following four sections classify each business division as they are classified in the Segment Information section. Details about these changes are listed in the Segment Information section.

**(1) Built to Order Housing**

This division constructs steel, wooden, and concrete houses and condominiums. The main affiliated companies of this division are Sekiha, Ltd., Sekiwa Construction Saitama, Ltd., Sekiwa Construction Yokohama, Ltd., and Sekiwa Construction Osaka, Ltd.

**(2) Real Estate for Sales**

This division selling houses and real estate and designing and constructing housing on estate land.

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 Tohoku, Ltd., and Sekiwa Real Estate Kyushu, Ltd.

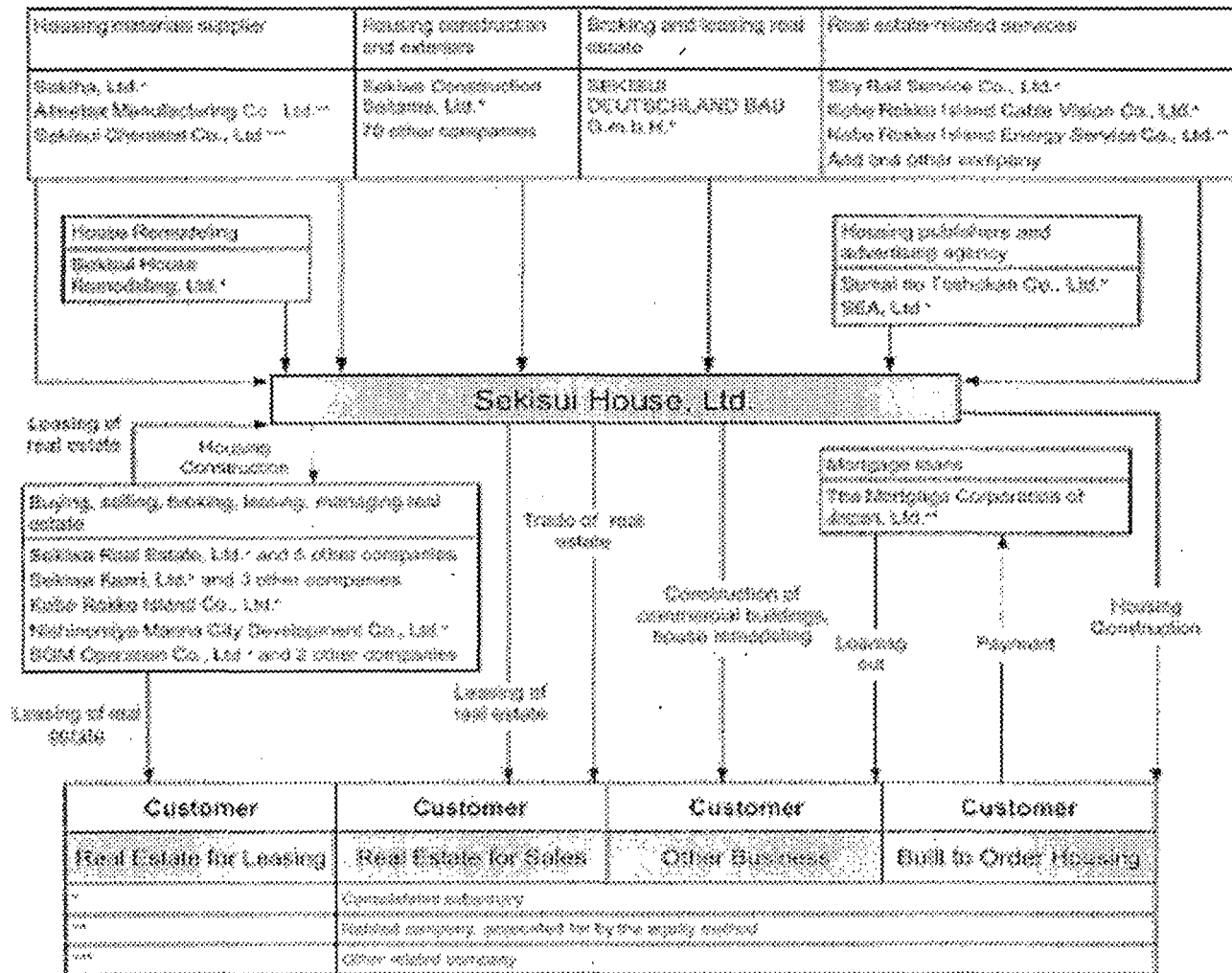
**(3) Real Estate for Leasing**

This division leases and manages detached houses, 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 Tohoku, Ltd., and Sekiwa Real Estate Kyushu, Ltd.†

**(4) Other Business**

This division is involved in the design of condominiums and commercial buildings, the construction and contract remodeling of houses, and the design and construction of landscape gardens. The main affiliated companies of this division are Landtech Sekiwa, Ltd., Landtech Sekiwa Chubu, Ltd., Greentechno Sekiwa, Ltd., and Greentechno Sekiwa Chubu, Ltd.



## Major Subsidiaries and Affiliates

Name	Capital	Main business	Percentage owned	Serving directors	Transactions
(Consolidated Subsidiary)	<i>Millions of yen</i>				
Kobe Rokko Island Co., Ltd.	1,000	Real Estate for Sales	61.8%	Director 1 Executives 2 Employee 1 Transfer 1	Co-development company for Rokko Island City project
Nishinomiya Marina City Development Co., Ltd.	400	Same as above	100.0%	Directors 3 Executives 2 Employee 1	Co-development company for Nishinomiya Marina City project
SGM Operation Co., Ltd.	418	Real Estate for Leasing	100.0%	Director 1 Executives 2 Transfer 3	Consignment of real estate management and sales of housing-related equipment
Sekiwa Real Estate, Ltd.	1,668	Real Estate for Leasing & Sales	59.8%	Directors 3 Transfer 11	Management and brokerage of real estate
Sekiwa Real Estate Tohoku, Ltd.	200	Same as above	55.1%	Directors 2 Executive 1 Transfer 6	Same as above
Sekiwa Real Estate Chubu, Ltd.	1,368	Same as above	42.8%	Directors 3 Transfer 9	Same as above
Sekiwa Real Estate Kansai, Ltd.	5,829	Same as above	42.7%	Directors 3 Transfer 11	Same as above
Sekiwa Real Estate Chugoku, Ltd.	379	Same as above	41.8%	Directors 2 Transfer 8	Same as above
Sekiwa Real Estate Kyushu, Ltd.	263	Same as above	42.7%	Directors 2 Transfer 8	Same as above
Sekisui House Remodeling, Ltd.	100	Other Business	100.0%	Directors 2 Executive 1 Employee 1	Contract remodeling
Sekisui House Umeda Operation Co., Ltd.	100	Real Estate for Leasing	100.0%	Directors 2 Employees 2	Consignment of real estate management
Sekiha, Ltd.	480	Built to Order Housing	100.0%	Directors 2 Executive 1 Employees 2	Buying and selling housing materials
Greentechno Sekiwa, Ltd.	100	Other Business	100.0%	Transfer 6 Employee 1	Exterior and gardening construction
Landtech Sekiwa Chubu, Ltd.	50	Same as above	100.0%	Executive 1 Employees 6	Foundation investigation and surveys
Sekiwa Construction Saitama, Ltd.	40	Built to Order Housing	100.0%	Executive 1 Employees 7 Transfer 4	Foundation and construction work

- The main business of each company is recorded in line with the revised business categories of Sekisui House.
- Percentage holdings in Sekiwa Real Estate Chubu, Ltd., Sekiwa Real Estate Kansai, Ltd., Sekiwa Real Estate Chugoku, Ltd., and Sekiwa Real Estate Kyushu, Ltd. are less than 50%, but as these businesses are essentially controlled by Sekisui House they are treated as subsidiaries.
- Sekiwa Real Estate, Ltd., Sekiwa Real Estate Chubu, Ltd., Sekiwa Real Estate Kansai, Ltd., Sekiwa Real Estate Chugoku, Ltd., and Sekiwa Real Estate Kyushu, Ltd. issue annual Financial Statements
- Effective February 1, 2005, the Company implemented an exchange of shares designed to make 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. wholly owned subsidiaries of the Company.

## Management Policy & Results

### 1. Management Policy

#### **Basic management policy**

Since the establishment of Sekisui House we have aimed to create homes and environments with individuality and warmth, as a leading producer of housing in Japan. Providing first class product quality and technical skills is essential, and we aim every day to reflect our philosophy of 'love of humanity' by creating houses that bring satisfaction to our customers. In the future, through rigorous quality control we aim to continue to raise customer satisfaction and to provide full after service to our customers. Housing is characterized by a very long product life and we believe that steadily pursuing these values in our business activities creates a powerful framework of trust that is the key to long-term growth and an essential element of our business. Further our basic stance is that true management of a company is borne out of three concepts: customer satisfaction, shareholder satisfaction and employee satisfaction and we must also fulfill our obligations as a corporate citizen while considering the stability and investment required to ensure continued long term growth while making determined efforts to expand our business.

#### **Profit distribution policy**

Since the year ended January 1988 we have continued a policy of paying a stable dividend of 18 yen per share to shareholders. We have also on occasion paid special and commemorative dividends, after taking into consideration the overall condition and profitability of the company, and capital requirements for expansion. In addition we have at times bought back and cancelled shares in the company in order to improve capital efficiency and raise long-term returns to shareholders.

For our future profit-sharing policy, we have decided to raise annual dividend payments by 2 yen, to 20 yen per share, from the fiscal year ending January 31, 2006 on, at which level we wish to continue our policy of paying a stable dividend to our shareholders.

We will also continue to compensate our shareholders aggressively in proportion to earnings growth. In this, we will take a cash-flow-conscious approach, while retaining the flexibility with which to respond swiftly to such requirements as front-loaded investment in marketing operations, R&D spending and capital expenditures.

#### **Policy on reduction of the share-trading unit**

While we recognize the importance of expanding our shareholder base by making it easier for individuals to participate as shareholders, we also recognize that Sekisui House shares maintain good liquidity. We intend to monitor factors such as trends among individual investors and the demands of the market, and will continue to weigh the cost and benefits of a reduction in our share-trading unit.

#### **Business targets**

In order to promote business efficiency we aim to take opportunities to strengthen our balance sheet and raise asset efficiency in each of our businesses. As a result we are targeting improvements in Return on Assets and ROA. In terms of numerical targets, while raising profitability we aim to reduce total assets and through also raising asset turnover we target a Return on Assets of 10%.

## Medium term business strategy

In October 2004, we announced a new medium-term management vision, the *S-Project*. Having completed a series of initiatives directed at strengthening the financial position of the Group, including early application of accounting entries for impairment of fixed assets by the fiscal 2004 year-end, we are now moving towards a management style that places renewed emphasis on growth.

As we aim for group sales of 2 trillion yen with operating income of 200 billion yen by the end of January 2009, we intend to improve the competitiveness of our products and expand our core businesses via front-loaded investment in marketing operations, through such measures as intensive allocation of personnel. We also plan to reorganize and augment our group structure, through measures that include making the six Sekiwa Real Estate companies wholly owned subsidiaries and the corporate separation of our remodeling business. In addition, we are entering what is for us a new business area with our *MAST* brand of small-scale, built-for-sale houses featuring completely new specifications.

## Corporate governance and related initiatives

### 1. Basic principles

Strong corporate governance is a management priority at the Sekisui House Group. In order to enhance our credibility in the eyes of every stakeholder, we strive to ensure fair and swift management that maximizes corporate value and boosts profitability.

In line with this, the afore-mentioned new medium-term management vision the *S-Project* is not merely a vision of sales and profit growth. It is a fundamental aspect of our management, driven by CSR (corporate social responsibility). Guided by the *S-Project*, we intend to fulfill our corporate responsibilities to all stakeholders, in concert with a commitment to improving the three inter-related aspects of CS (Customer Satisfaction), SS (Shareholder Satisfaction) and ES (Employee Satisfaction), in a manner that reflects our position as a leader in the housing industry.

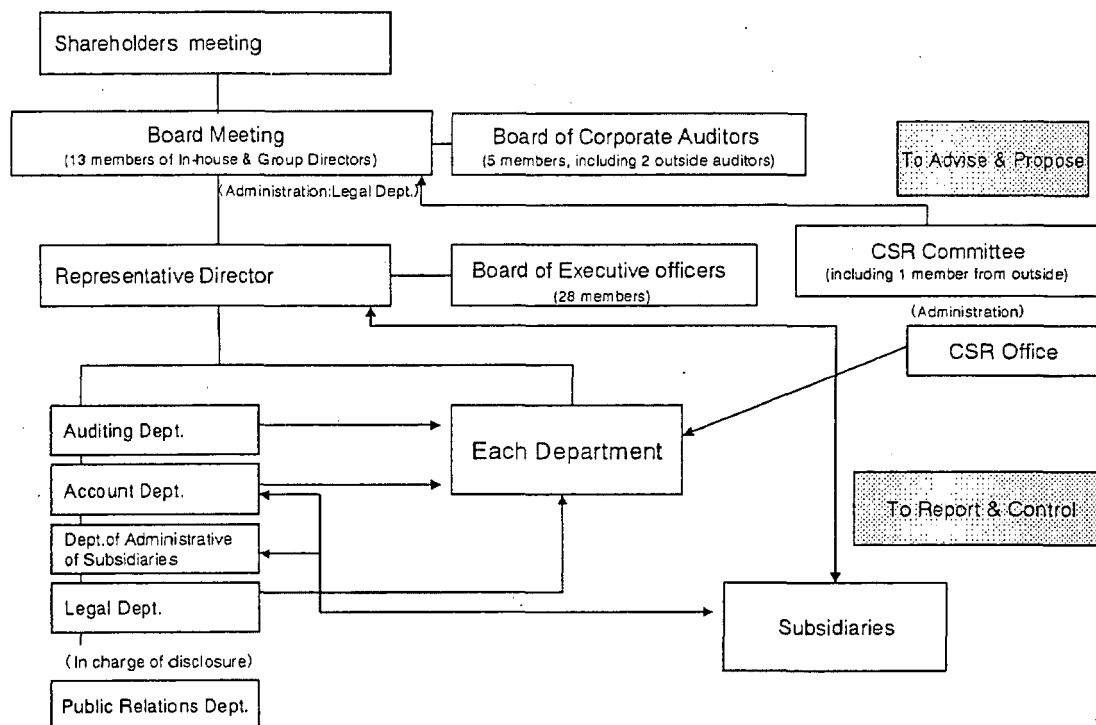
### 2. Related initiatives

Sekisui House has elected to implement a corporate auditor system comprising two outside auditors and three in-house auditors rather than a committee system. This will ensure accounting transparency and the timely, appropriate oversight of management.

In April 2002, we halved the number of directors and introduced an executive officer system, to deepen individual accountability and speed up decision-making. Our goal is an efficient, transparent management system.

Meanwhile, we ensure timely, fair disclosure that adds to the credibility of our management.

In February 2005, we reorganized our In-house Compliance Committee as a CSR Committee, incorporating into it such outside resources as legal professionals. At the same time, we established a CSR Office that handles the administrative tasks for the Committee independently and exclusively. In this manner, we are both reinforcing and broadening the oversight of corporate social responsibility.



## 2. Business Results

During Fiscal 2004, the Japanese economy was driven primarily by strong exports, recording an all-time high surplus in external payments. Domestic business conditions likewise fared reasonably well on the back of the pickup in capital expenditures in the export sector and aggressive investment in blue-chip properties in the Tokyo and other metropolitan areas as corporate earnings recovered. As the export environment weakened towards the fiscal second half, however, major indexes showed signs of a slowdown in economic growth, creating uncertainty over the future of the Japanese economy.

In the housing market, first time buyers continued to underpin brisk demand as land prices and interest rates remained low. New housing starts for calendar year 2004 grew 2.5% year-on-year, reaching 1,189 thousand units thanks primarily to a strong performance by small detached houses for sale. Demand from owner-occupiers stayed sluggish, owing to the absence of substantial improvement in rebuilding-led demand for secondary acquisitions.

Against this backdrop, we focused on selected priority issues, including the reinforcement of corporate staying power and marketing strength, the regrouping of our product line in response to market demand, the development of new products to buttress the Built-to-Order Housing Business, and the bolstering of our peripheral businesses.



As part of our continuing drive to provide housing that is both safe and secure, we adopted laminated glass as a standard fixture, in addition to, heat insulating qualities. Our engineering expertise and eco-friendly initiatives won a strong commendation from society in general with the Chairman's Award of the Fiscal 2004 Energy Conservation Grand Prize, sponsored by the Energy Conservation Center, Japan, for our *Energy-Saving, Disaster-Mitigating Housing*. We were also the first in the construction industry to be authorized by the Minister of the Environment to dispose of construction site waste across administrative boundaries.

In October 2004, we announced a medium-term management vision *the S Project* as part of our efforts to develop into a strong corporate group capable of responding to the acute changes in the economic and business environments.

Through the *S-Project*, the Sekisui House Group aims to further expand our mainstay Built-to-Order Housing and Real Estate for Sales businesses, and to shift to a new stage in our growth by restructuring the Group to make our operations more resilient and efficient. As part of this initiative, we have decided to make the six Sekiwa Real Estate companies wholly owned subsidiaries and separate our remodeling business in February 2005. The former move is designed to maximize Group synergies, while permitting them the autonomy they require to take full advantage of their unique positions in the regional markets they serve. The corporate separation of the remodeling business, on the other hand, is aimed at greater efficiency in marketing the remodeling business, which differs in nature from the marketing of our core businesses, and at filling gaps in the existing portfolio of our remodeling branch.

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

We have taken several measures in our core Built-to-Order Housing Business that are designed to boost our marketing reach, including a revamped approach to consultative sales, and have made aggressive changes to our product mix. To sweep away the deep-rooted misunderstanding that all prefabricated houses are built to standard specifications, we started by focusing on removing the barriers among different product categories and increasing our design and component choices across the board. In April, we reorganized our mainstay *Centrage* series and debuted a line of steel-frame homes we call *Be Free*. In September, we reorganized the higher-end *Dyne* series to introduce our *Be Dyne* range. These constitute our first steps in developing a basic assortment of products with a custom-built feeling – an extension of our flexible design concept – to respond to individual customer requirements.

November saw two new launches: the latest addition to the *Sha-Wood* wood-frame home line, *M Gravis Villa* features a new structure, the *Super MJ System*, to achieve wide-open spaces that will satisfy the demands of a variety of customers, while *Urban Collection* is a three-story steel-frame home that will fit on the confined lots of urban areas.

For our March theme-product release, we debuted *Cuby Cuby*, a compact design-oriented home with the ultimate in functionality. In May we launched *Seikatsu wo Asobu ie*, developed in collaboration with Actus Corporation, a leading interior shop in Japan. Both of these lines have been designed to cater to a broader range of customers.

In the rental property area, where competition is intensifying, we integrated and reorganized our two-story *Sha-Maison* rental housing line and re-launched it in August under a new label: *DIAS*. Projected to become one of the pillars of our rental housing business, *DIAS* uses standard materials and is capable of satisfying a variety of site restrictions and fulfilling the diverse needs of our tenants.

## Real Estate for Sales Business

In our Real Estate for Sales Business, we have made an aggressive approach in the first-time buyer market, which is expanding as land prices decline. Our specific focus has been on sales of value-added, up-market condominiums with eco-friendly features and improved security for urban dwellers. We have continued to increase the turnover ratio in our real estate sales.

## Real Estate for Leasing Business

The Sekiwa Real Estate Group's lease property management business, which includes block leasing, has performed comparatively well, thanks in part to streamlined operations.

Over and above this, we have pushed to boost the popularity of Sekiwa Real Estate's brand in order to secure a stable, high occupancy rate, as part of our ongoing efforts to provide better solutions through the combined strength of the Group.

## Other businesses

As part of our promotion of long-term CS (customer satisfaction) with the comfort of the residences we provide, we are putting a major effort into the peripheral businesses we operate that are involved in exterior and home remodeling. Our goal is to create an organization known for its comprehensive high-quality housing services.

The above strategies yielded non-consolidated orders totaling 1,049,730 million yen, up 3.7% year-on-year, and consolidated orders of 1,341,370 million yen. However, we experienced an offset situation where our Real Estate for Sales were obliged to make up for the failure to reach our start-of-year order target in the Built-to-Order Housing business, squeezing profitability.

Consolidated net sales grew 3.5% year-on-year to 1,372,243 million yen. Consolidated operating income came in at 76,638 million yen, down 4.6% year-on-year, and consolidated recurring income, 77,316 million yen, down 2.2% year-on-year. The sluggish profit performance is attributable to a sudden spike in materials costs during the year under review, and the shortage of both manpower and materials when these were directed to restoration due to the damage from the year's repeated natural disasters, which hindered us from taking orders and proceeding with construction.

Consolidated net income stood at 23,659 million yen, down 37.3% year-on-year. The decline owes to the decision to accelerate the application of accounting for impairment of fixed assets in the amount of 59,469 million yen by the Fiscal 2004 year-end, and occurred despite extraordinary gains on the return of the employee pension fund in the amount of 41,901 million yen, which was approved in September 2004.

### 3. Financial position

Operating cash flow declined substantially year-on-year. Its factor that affected the showing was the aggressive acquisition of land for sale to strengthen the Real Estate for Sales Business.

Cash flow from investment activities declined significantly, due primarily to aggressive acquisition of blue-chip properties in the metropolitan areas.

Cash flow from financing activities increased year-on-year. 15.41 million shares were repurchased for a sum of 17,947 million yen, but obligations to pay interest-bearing debt were smaller than in the previous year.

As a result, cash and cash equivalents at the end of the period decreased 42,563 million yen year-on-year. Nevertheless, the balance exceeds an ample 179.7 billion yen.

	Year to Jan. 2001	Year to Jan. 2002	Year to Jan. 2003	Year to Jan. 2004	Year to Jan. 2005
Equity ratio (%)	50.8	48.0	51.3	56.6	58.5
Equity ratio based on market price (%)*	49.6	50.1	48.4	61.2	71.6
Debt service coverage ratio (years)	4.2	4.2	3.1	0.7	0.8
Interest coverage ratio (times)**	20.1	16.1	20.0	61.8	70.9

\* Equity ratio based on market price = market capitalization / total assets

\*\* Interest coverage ratio = operating cash flow / interest paid

### 4. Outlook

On the understanding that the economy has stalled but the worst has passed, we intend to push aggressive marketing programs in order to achieve the growth strategy laid out in the medium-term management vision *the S-Project*.

Specifically, we plan to increase the number of sales people and help them sharpen their skills in order to boost sales of detached houses and *Sha-Maison* rental housing, our top priorities. We also intend to shift more resources to our peripheral businesses involved with exteriors.

The Real Estate for Sales Business appears poised to expand, and we will continue to promote Sekisui Houses existing businesses, including detached houses and condominiums for sale. We will also place a renewed focus on sales of *MAST* brand small homes, which are available through the Sekiwa Real Estate Group.

We intend to introduce major cost reduction programs, including structural reforms, in response to the expected rise in materials costs, in order to improve profitability without sacrificing our competitive edge in the market.

Now that, we anticipate even closer ties with the Sekiwa Real Estate Group. They are wholly-owned subsidiaries of Sekisui House, our strategy will be to maximize synergies not only in the real estate for leasing business but in every aspect of our business, to yield better performance. We also intend to boost the earnings of our successor remodeling company by streamlining management and hiring more contract workers to trim operating costs.

We forecast consolidated sales for Fiscal 2005 of net sales of 1,490 billion yen (up 8.6% year-on-year), operating income of 80 billion (up 4.4%), recurring income of 80 billion yen (up 3.5%), and net income of 41.5 billion yen (up 75.4%).

As we mentioned earlier, we plan to raise our annual dividend payments by 2 yen, to 20 yen per share (interim dividend: 10 yen), for the year ending January 31, 2006.

## CONSOLIDATED BALANCE SHEETS

*Millions of yen*

	Year to January, 2005	Year to January, 2004	Difference	
<b>Assets</b>	<b>1,140,231</b>	<b>1,181,012</b>	<b>(40,781)</b>	<b>(3.5)</b>
<b>Current assets</b>	<b>734,449</b>	<b>690,562</b>	<b>43,887</b>	<b>6.4</b>
Cash and deposits	179,512	222,275		
Notes and accounts receivable	82,570	80,037		
Marketable securities	1,250	2,428		
Inventories	362,585	288,432		
Deferred income taxes	85,051	74,803		
Other current assets	25,116	24,241		
Less allowance for doubtful accounts	(1,636)	(1,656)		
<b>Fixed assets</b>	<b>405,781</b>	<b>490,449</b>	<b>(84,668)</b>	<b>(17.3)</b>
<b>Tangible fixed assets</b>	<b>184,221</b>	<b>258,493</b>	<b>(74,272)</b>	<b>(28.7)</b>
Buildings and structures	86,480	115,782		
Machinery and vehicles	11,609	12,333		
Tools and equipment	5,294	4,723		
Land	77,268	124,554		
Construction in progress	3,569	1,099		
<b>Intangible fixed assets</b>	<b>6,004</b>	<b>10,371</b>	<b>(4,367)</b>	<b>(42.1)</b>
Lease rights	2,007	7,035		
Software	3,079	2,397		
Utility rights	28	55		
Telephone subscription rights	865	859		
Other intangible fixed assets	23	23		
<b>Investments and other assets</b>	<b>215,555</b>	<b>221,585</b>	<b>(6,030)</b>	<b>(2.7)</b>
Investment in securities	128,850	113,218		
Long-term loans receivable	43,981	46,804		
Deferred income taxes	7,475	26,604		
Other investments and other assets	36,674	36,603		
Less allowance for doubtful accounts	(1,426)	(1,644)		
<b>Total Assets</b>	<b>1,140,231</b>	<b>1,181,012</b>	<b>(40,781)</b>	<b>(3.5)</b>

Millions of yen

	Year to January, 2005	Year to January, 2004	Difference	
<b>Liabilities</b>	<b>452,314</b>	<b>491,662</b>	<b>(39,348)</b>	<b>(8.0)</b>
<b>Current liabilities</b>	<b>354,422</b>	<b>316,760</b>	<b>37,662</b>	<b>11.9</b>
Notes and accounts payable	154,847	145,704		
Current portion of long-term debt and notes	30,000	30,001		
Accrued income taxes	19,485	3,948		
Advances received	86,434	75,037		
Reserve for bonuses	17,391	18,304		
Reserve for warranty on completed works	1,896	1,243		
Other current liabilities	44,368	42,521		
<b>Long term liabilities</b>	<b>97,891</b>	<b>174,902</b>	<b>(77,011)</b>	<b>(44.0)</b>
Notes	—	30,000		
Long-term debt	9,426	9,674		
Accrued retirement benefits	26,896	72,055		
Reserve for retirement benefits for retiring directors, executive officers and corporate auditors	1,535	1,585		
Reserve for Japan Expo Expenses	175	105		
Deposits and guarantees	56,344	58,266		
Consolidated adjustment account	345	374		
Other long term liabilities	3,168	2,840		
<b>Minority interests</b>	<b>21,441</b>	<b>21,385</b>	<b>(56)</b>	<b>0.3</b>
<b>Shareholders equity</b>	<b>666,475</b>	<b>667,964</b>	<b>(1,489)</b>	<b>(0.2)</b>
Paid-in capital	186,554	186,554		
Capital surplus	237,524	237,523		
Retained earnings	259,773	248,960		
Net unrealized holding gain (loss) on securities	13,169	7,640		
Foreign currency translation adjustment	(5)	(98)		
Less treasury stock, at cost	(30,540)	(12,616)		
<b>Liabilities, Minority Interests, and Shareholders Equity</b>	<b>1,140,231</b>	<b>1,181,012</b>	<b>(40,781)</b>	<b>(3.5)</b>

## CONSOLIDATED STATEMENTS OF INCOME

	Feb. 1, 2004—Jan. 31, 2005		Feb. 1, 2003 Jan. 31, 2004		Difference	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
<b>Net sales</b>	<b>1,372,243</b>	<b>100.0</b>	<b>1,326,039</b>	<b>100.0</b>	<b>46,204</b>	<b>3.5</b>
Cost of sales	1,098,520	80.1	1,055,989	79.6	42,531	4.0
Gross profit	273,723	19.9	270,050	20.4	3,673	1.4
Selling, general and administrative expenses	197,085	14.3	189,716	14.3	7,369	3.9
<b>Operating income</b>	<b>76,638</b>	<b>5.6</b>	<b>80,333</b>	<b>6.1</b>	<b>(3,695)</b>	<b>(4.6)</b>
<b>Non-operating income</b>	<b>5,454</b>	<b>0.4</b>	<b>4,752</b>	<b>0.4</b>	<b>702</b>	<b>14.8</b>
Interest received	2,765		2,453			
Miscellaneous income	2,688		2,298			
<b>Non-operating loss</b>	<b>4,776</b>	<b>0.4</b>	<b>6,023</b>	<b>0.5</b>	<b>(1,247)</b>	<b>(20.7)</b>
Interest expense	535		1,648			
Equity in losses of affiliates	107		53			
Miscellaneous expense	4,133		4,322			
<b>Recurring income</b>	<b>77,316</b>	<b>5.6</b>	<b>79,062</b>	<b>6.0</b>	<b>(1,746)</b>	<b>(2.2)</b>
<b>Extraordinary income</b>	<b>46,606</b>	<b>3.4</b>	<b>494</b>	<b>0.0</b>	<b>46,112</b>	<b>—</b>
Gains on the return of employee pension fund	41,901		—			
Proceeds from sales of investments in securities	4,705		491			
Other	—		3			
<b>Extraordinary loss</b>	<b>71,718</b>	<b>5.2</b>	<b>4,584</b>	<b>0.3</b>	<b>67,134</b>	<b>—</b>
Losses on impairment of assets	59,469		—			
Loss on revaluation of land held for sale	4,069		2,988			
Loss on revaluation of investments in securities	1,579		14			
Loss on sales or disposal of property, plant and equipment	5,762		1,150			
Other	837		430			
<b>Income before income taxes and minority interests</b>	<b>52,204</b>	<b>3.8</b>	<b>74,972</b>	<b>5.7</b>	<b>(22,768)</b>	<b>(30.4)</b>
Current income taxes	22,346	1.6	6,709	0.5	15,637	233.1
Deferred income taxes	5,104	0.4	28,121	2.1	(23,017)	(81.8)
Minority interests in earnings of subsidiaries	1,094	0.1	2,380	0.2	(1,286)	(54.0)
<b>Net income</b>	<b>23,659</b>	<b>1.7</b>	<b>37,761</b>	<b>2.9</b>	<b>(14,102)</b>	<b>(37.3)</b>

## CONSOLIDATED STATEMENT OF RETAINED EARNINGS

*Millions of yen*

	Feb. 1, 2004 Jan. 31, 2005		Feb. 1, 2003 Jan. 31, 2004		Difference
<b>Capital surplus</b>					
1. Capital surplus at beginning of year		237,523		237,522	1
2. Increase in capital surplus					
Gain on sale of treasury stock	1	1	0	0	1
<b>3. Capital Surplus at end of year</b>		<b>237,524</b>		<b>237,523</b>	<b>1</b>
<b>Retained earnings</b>					
1. Retained earnings at beginning of year		248,960		224,229	24,731
2. Increase in retained earnings					
Net income	23,659	23,659	37,761	37,761	(14,102)
3. Decrease in retained earnings					
Cash dividends paid	12,427		12,638		
Bonuses to directors, executive officers and corporate auditors	419	12,846	392	13,030	(183)
<b>4. Retained Earnings at end of year</b>		<b>259,773</b>		<b>248,960</b>	<b>10,812</b>

## CONSOLIDATED STATEMENT OF CASH FLOW

Millions of yen

	Feb. 1, 2004	Jan. 31, 2005	Feb. 1, 2003	Jan. 31, 2004
<b>Cash flows from operating activities</b>				
Income before income taxes and minority interests		52,204		74,972
Depreciation and amortization		11,553		11,298
Losses on impairment of assets		59,469		—
Gains on the return of employee pension fund		(41,901)		—
Provision for retirement benefit		(3,258)		(1,321)
Interest and dividend income		(2,765)		(2,453)
Interest expense		535		1,648
Equity in losses of affiliates		107		53
Loss on revaluation of real estate held for sale		4,069		2,988
Loss on revaluation of securities		1,579		14
Increase (decrease) in note and accounts receivables		(2,532)		15,143
Increase (decrease) in inventories and advance payments		(45,225)		1,270
Increase (decrease) in notes and accounts payable		11,793		(7,261)
Increase (decrease) in advances received		11,396		(8,622)
Other		(1,578)		16,712
<b>Subtotal</b>		<b>55,448</b>		<b>104,442</b>
Interest and dividends received		3,073		3,276
Interest paid		(719)		(1,593)
Income taxes paid		(6,809)		(7,664)
<b>Net cash provided by operating activities</b>		<b>50,992</b>		<b>98,460</b>
<b>Cash flows from investing activities</b>				
Purchases of short-term investments		(235)		(529)
Proceeds from sales of marketable securities		1,929		50,670
Purchases of property, plant and equipment		(35,108)		(14,175)
Proceeds from sales of property, plant and equipment		1,219		237
Purchase of investments in securities		(12,267)		(1,201)
Proceeds from sales of investments in securities		10,221		3,781
Payment for loans receivable		(2,485)		(3,310)
Settlement of loans receivable		5,314		10,428
Proceeds from maturation of group insurance policies		—		10,000
Other		(1,095)		(4,180)
<b>Net cash used in investing activities</b>		<b>(32,507)</b>		<b>51,721</b>
<b>Cash flows from financing activities</b>				
Repayment of long-term debt		(20,249)		(325)
Repayment of notes		(10,000)		(89,999)
Cash dividend paid		(12,427)		(12,638)
Cash dividend paid for minority interests		(541)		(503)
Purchase of treasury stock		(17,947)		(12,102)
Other		23		174
<b>Net cash used in financing activities</b>		<b>(61,141)</b>		<b>(115,395)</b>
<b>Effect of exchange rate changes on cash and cash equivalents</b>		<b>93</b>		<b>107</b>
<b>Net increase (decrease) in cash and cash equivalents</b>		<b>(42,563)</b>		<b>34,894</b>
<b>Cash and cash equivalents at beginning of year</b>		<b>222,275</b>		<b>187,381</b>
<b>Cash and cash equivalents at end of year</b>		<b>179,712</b>		<b>222,275</b>



## Significant Consolidated Accounting Policies

### 1. Scope of Consolidation

Consolidated subsidiaries: 93, including Sekiwa Real Estate, Ltd., Sekiwa Real Estate Chubu, Ltd., Sekiwa Real Estate Kansai, Ltd., Sekiwa Real Estate Chugoku, Ltd., and Sekiwa Real Estate Kyushu, Ltd.

Changes in scope of consolidation

Added: Sekisui House Remodeling, Ltd.

Removed: 5 companies, including Landtech Sekiwa Joyo, Ltd.

All 93 subsidiaries are consolidated.

### 2. Application of equity method

Affiliated companies accounted for by the equity method

4 companies: Rokko Island Energy Services Co., Ltd., Shin Nishinomiya Yacht Harbor, Corp., The Mortgage Corp. of Japan, Ltd. and Almetax Manufacturing Co., Ltd.

Changes in scope of equity method

Added: Almetax Manufacturing Co., Ltd.

Investment in 4 related companies 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. In producing the consolidated financial statements, the Company provisionally settles the accounts of that subsidiary as of January 31 and utilizes these accounts. The year-end of SEKISUI DEUTSCHLAND BAU GmbH is December 31 and the Company uses these statements, adjusted as required for significant transactions up till January 31, in producing its consolidated financial statements.

### 4. Summary of significant accounting policies

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

##### (a) Marketable securities:

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

(ii) Other marketable 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

(b) Derivatives: Market value method

(c) Inventories:

(i) Expenditure on uncompleted construction, buildings for sale, land for sale, and uncompleted land held for sale: At cost based on individual cost method

(ii) Other inventories: At cost based on moving average method

#### (2) Depreciation and amortization methods used for main depreciable and amortizable 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 tangible fixed assets (but straight-line depreciation for overseas consolidated subsidiaries)

#### (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) Allowance for bonuses

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

- (c) Allowance 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.  
(Change of accounting method)  
Previously, guarantee reserves to cover post-completion losses and guarantee expenses were calculated for the consolidated fiscal year as 1/1000<sup>th</sup> of housing business sales in the preceding 12 months for which guarantees applied, and 1/1000<sup>th</sup> of the buildings portion of real estate sales. From the current fiscal year onwards, however, such reserves are being calculated on the basis of actual historical costs. This change is because, as the Company has strived to increase customer satisfaction with repair and inspection information, it has become possible to efficiently estimate repair service expenses, and in turn to record provisions in this manner for greater clarity in the financial statements.  
Consequently, Gross profit, Operating income, Recurring income and Income before tax has decreased by 924 million yen respectively.
- (d) Allowance for employee retirement  
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.  
**(Additional information)**  
Details of return of portion of employee pension plan  
Following implementation of the Defined Benefits Corporate Pension Law, Sekisui House and selected domestic consolidated subsidiaries received approval from the Minister of Health, Labor and Welfare for a waiver of past obligations with respect to the proxy portion of the Sekisui House Employee Pension Fund on September 1, 2004, and of the Employee Pension Fund of Sekisui Houses affiliated companies on December 1, 2004. For the proxy portion of the Sekisui House Employee Pension Fund, we paid an amount equivalent to the minimum reserve to the national government.  
This has led to the posting of an extraordinary income of 41,901 million yen during this consolidated fiscal year.
- (e) Allowance for retirement benefit to directors, executive officers and corporate auditors  
To allow for retirement bonus payments to directors, executive officers and corporate auditors, the Company provides the required amounts at the end of the fiscal year based on internal regulations.
- (f) Allowance for exhibition at Japan International Expo  
To allow for expenses to be incurred at the Japan International Expo, the Company has provided an appropriate amount in the consolidated fiscal year.

- (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. The assets, liabilities, revenues, and expenses of overseas subsidiaries are translated into yen at the rate of exchange in effect at the subsidiaries balance sheet dates, and translation differences are included in the foreign exchange translation adjustment account in shareholders equity.
- (5) Accounting for significant lease transactions  
Finance leases other than those deemed to transfer ownership of the leased assets to the lessee are accounted for by a method similar to that applicable to ordinary operating leases.
- (6) Main hedge accounting methods  
(a) Hedge accounting methods  
The Company uses deferred hedging, except where for foreign currency swap contracts allocation requirements are met in which case the allocation method is used.

- (b) Hedging instruments and targets
  - (i) The Company hedges bonds that fund operations using interest rate swaps.
  - (ii) The Company hedges foreign currency cash debts and forward transactions with exchange contracts.
- (c) Hedging policies
 

The Company uses derivatives transactions with the aim of avoiding losses from fluctuations in exchange and interest rates etc. The use of exchange contracts does not exceed the amount of import transactions. Furthermore, the notional principal of interest rate swap transactions is limited to the total of debt used to fund operations and interest-bearing debt.
- (d) Methods of assessing hedge effectiveness
 

The Company compares cumulative cash flow variations for hedge targets and hedge methods with market fluctuations and assesses the effectiveness of hedges based on the amounts of variation in both cases. However, for forward exchange contract transactions the Company 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.

(7) Basic of presentation of financial statements

Accounting for consumption taxes

The tax exclusion method is used to account for consumption taxes. Consumption taxes subject to deductions are expensed in the consolidated fiscal year in which they arise.

**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. Amortizing the consolidated adjustments account**

In principle, the Company amortizes consolidated adjustments evenly over 5 years from the fiscal year of occurrence. If the consolidation adjustment amount is small, the Company accounts for the whole amount in the fiscal year in which it arises.

**7. Treatment of profit appropriations**

The consolidated retained earnings statement is based on the appropriation of profit decided during the relevant fiscal year.

**8. Scope of amounts in consolidated statements of cash flows**

The funds (cash and cash equivalents) in the consolidated statements of cash flows comprise cash and equivalents (except fixed term deposits exceeding three months) and short-term investments with redemption periods of less than 3 months that are easily convertible into cash, with insignificant risk of losses from price fluctuations.

**[Changes to accounting principles]**

**Accounting standards for impairment of fixed assets**

The Accounting standards for impairment of fixed assets ( Opinions on Accounting Standards for Impairment of Fixed Assets, Business Accounting Council, August 9, 2002) and Guidance for Impairment of Fixed Assets (Accounting Standards Board of Japan, October 31, 2003, Guidance for Business Accounting Standards No. 6) may be applied to consolidated financial statements beginning with the current consolidated fiscal year in progress. Therefore, we have applied the above cited accounting standards and guidance. This has led to the posting of an extraordinary loss of 59,469 million yen during this consolidated fiscal year. Note that the accumulated amount of impaired losses has been deducted directly from the corresponding assets in accordance with the revised rules of Consolidated Financial Statements and regulations on consolidated financial statements.

**[Notes]****1. Consolidated Statement of Balance sheet**

	<i>Millions of yen</i>	
	Year to January 31, 2005	Year to January 31, 2004
Accumulated depreciation of fixed assets	139,078	149,262
Collateralized assets	6,641	28,047
Liabilities guaranteed	68,326	59,575
Treasury stock	29,374,355 shares	13,976,435 shares
Shareholdings in related companies included in investment securities	896	605
Interest bearing liabilities	39,426	69,675

**Change in the purpose of fixed asset holdings**

35,279 million yen of investment real estate that appeared primarily under Buildings and Structures and Land at the end of the previous fiscal year has been reclassified as Inventories.

**2. Consolidated Statement of Income****Losses on impairment of assets**

During the fiscal year under review, the Company reported losses on impairment of the following assets:

Application	Type	Location
Investment property	Buildings, land, etc.	Higashinada-ku, Kobe, etc.

The Company grouped investment properties individually and other assets by business unit, which it believed would allow it a reasonable management of profits and losses. Nevertheless, between the steady decline in land prices and a sluggish rental market, the market value of certain investment properties has fallen sharply. The Company reduced the book value of those properties to recoverable amounts, and posted said reduction as a loss on impairment of assets (59,469 million yen).

**(Losses on impairment of assets)**

Type	<i>Millions of yen</i>
Buildings	18,661
Land	39,771
Lease	749
Other	286
Total	59,469

Note that the recoverable value of the aforementioned assets is the higher of either the net sale value or the value in use. The net sale value is the estimated value (calculated according to the Real Estate Appraisal Standard) minus the estimated cost of disposal. The value in use is calculated discounting estimated future cash flow at 3%-6%.

**3. Consolidated Statements of Cash Flows**

Cash and cash equivalents at year-end and relationship with amounts recorded in consolidated balance sheets

	<i>Millions of yen</i>	
	Year to January 31, 2005	Year to January 31, 2004
Cash and deposits	179,512	222,275
Fixed term deposits exceeding three months	(800)	(500)
Open-ended public and corporate bond investment trusts (marketable securities account)	999	499
<b>Cash and cash equivalents</b>	<b>179,712</b>	<b>222,275</b>

### 3. Segmental information

#### (1) Four sections classify each business

*Millions of yen*

Year to January 31, 2005	Built to order housing	Real estate for sale	Real estate for leasing	Other business	Total	Eliminations and back office	Consolidated
<b>Sales &amp; Operating Income</b>							
Sales							
Sales to third parties	708,539	273,455	269,326	120,923	1,372,243	—	1,372,243
Inter-group sales and transfers	1,293	—	1,438	7,878	10,610	(10,610)	—
Total sales	709,832	273,455	270,764	128,802	1,382,854	(10,610)	1,372,243
Operating expenses	627,692	261,176	262,641	125,029	1,276,539	19,065	1,295,605
Operating income	82,140	12,278	8,123	3,772	106,314	(29,675)	76,638
<b>Assets, Depreciation and amortization &amp; Capital expenditures</b>							
Assets	200,220	405,161	199,021	22,923	827,326	312,904	1,140,231
Depreciation and amortization	4,875	635	3,862	344	9,718	1,835	11,553
Losses on impairment of assets	—	—	59,469	—	59,469	—	59,469
Capital expenditures	8,817	126	25,572	217	34,734	1,491	36,225

*Millions of yen*

Year to January 31, 2004	Built to order housing	Real estate for sale	Real estate for leasing	Other business	Total	Eliminations and back office	Consolidated
<b>Sales &amp; Operating Income</b>							
Sales							
Sales to third parties	743,219	202,531	248,964	131,323	1,326,039	—	1,326,039
Inter-group sales and transfers	1,380	—	1,668	2,876	5,925	(5,925)	—
Total sales	744,599	202,531	250,633	134,199	1,331,964	(5,925)	1,326,039
Operating expenses	652,994	196,299	241,759	131,550	1,222,603	23,102	1,245,705
Operating income	91,605	6,232	8,873	2,649	109,360	(29,027)	80,333
<b>Assets, Depreciation and amortization &amp; Capital expenditures</b>							
Assets	199,562	305,880	281,751	21,368	808,562	372,449	1,181,012
Depreciation and amortization	5,075	501	3,514	358	9,451	1,847	11,298
Capital expenditures	6,289	67	9,167	107	15,631	1,063	16,695

[Notes]

#### 1. Business classification

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

#### 2. Main details of each business segment:

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

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

Year to January 31, 2005: 26,824 million yen Year to January 31, 2004: 25,882 million yen

4. The main whole company assets included in Eliminations and back office assets are parent company surplus operating funds (cash and negotiable securities), long term investment funds (investment securities), and assets of the administration division.

Year to January 31, 2005: 313,130 million yen    Year to January 31, 2004: 372,751 million yen

**(2) Geographical segment information**

In the years to January 2005 and 2004, Japanese operations accounted for more than 90% of sales in all segments, so the Company has not presented geographical segment information.

**(3) Overseas sales**

In the years to January 31, 2005 and 2004, overseas sales accounted for less than 10% of sales in all segments, so the Company has not presented geographical information.

#### 4. Lease transactions

##### 1. Finance leases other than those deemed to transfer ownership

##### (1) Equivalent acquisition cost, accumulated depreciation and balance at end of year

##### Year to January 31, 2005

	<i>Millions of yen</i>		
	Acquisition cost equivalent	Accumulated depreciation equivalent	At year end
Buildings and structures	35,668	21,945	13,722
Machinery and transportation equipment	166	66	99
Tools and fixtures	6,774	4,886	1,887
Software	1,808	1,223	585
<b>Total</b>	<b>44,417</b>	<b>28,122</b>	<b>16,294</b>

##### Year to January 31, 2004

	<i>Millions of yen</i>		
	Acquisition cost equivalent	Accumulated depreciation equivalent	At year end
Buildings and structures	35,332	20,861	14,471
Machinery and transportation equipment	178	75	102
Tools and fixtures	7,950	5,950	2,000
Software	3,189	2,299	889
<b>Total</b>	<b>46,651</b>	<b>29,186</b>	<b>17,464</b>

##### (2) Outstanding equivalent amounts under lease commitments at year-end

	<i>Millions of yen</i>	
	Year to January 31, 2005	Year to January 31, 2004
Within one year	6,344	6,783
More than one year	10,751	11,592
<b>Total</b>	<b>17,095</b>	<b>18,375</b>

##### (3) Lease fees, equivalent depreciation amounts and interest payments

	<i>Millions of yen</i>	
	Year to January 31, 2005	Year to January 31, 2004
Lease fees	7,346	8,374
Depreciation equivalent	7,198	7,912
Interest payments equivalent	333	385

##### (4) Method of calculating depreciation

Calculated by the straight-line method over the lease term of the lease asset assuming zero residual value

##### (5) Method of calculating interest payments

Calculated by the interest method, whereby the difference between total lease payment and acquisition cost equivalent is distributed in equal installments in each financial year.

##### 2. Operating leases

	<i>Millions of yen</i>	
	Year to January 31, 2005	Year to January 31, 2004
Within one year	13	9
More than one year	35	52
<b>Total</b>	<b>49</b>	<b>61</b>

## 5. Securities

### 1. Marketable debt securities expected to be held to maturity

*Millions of yen*

	Type	Year to January 31, 2005			Year to January 31, 2004		
		Consolidated balance sheet amount	Market value	Difference	Consolidated balance sheet amount	Market value	Difference
Where market value exceeds amount in consolidated balance sheets	(1) National and regional government bonds	2,148	2,149	1	1,550	1,553	3
	(2) Notes	299	300	0	199	201	1
	Subtotal	2,448	2,450	2	1,750	1,754	4
Where market value does not exceed amount in consolidated balance sheets	(1) National and regional government bonds	499	499	(0)	1,134	1,134	(0)
	(2) Notes	—	—	—	100	99	(0)
	Subtotal	499	499	(0)	1,234	1,233	(0)
<b>Total</b>		<b>2,948</b>	<b>2,950</b>	<b>2</b>	<b>2,984</b>	<b>2,988</b>	<b>3</b>

### 2. Other marketable securities

*Millions of yen*

	Type	Year to January 31, 2005			Year to January 31, 2004		
		Acquisition cost	Consolidated balance sheet amount	Difference	Acquisition cost	Consolidated balance sheet amount	Difference
Where market value exceeds amount in consolidated balance sheets	(1) Equities	21,357	42,537	21,180	24,707	36,985	12,277
	(2) Bonds						
	National and regional government bonds	51,921	53,570	1,648	52,245	53,455	1,209
	(3) Others	—	—	—	14	14	0
	Subtotal	73,278	96,107	22,829	76,967	90,455	13,487
Where market value does not exceed amount in consolidated balance sheets	(1) Equities	11,604	10,639	(965)	2,652	2,073	(578)
	(2) Others	—	—	—	5	4	(0)
	Subtotal	11,604	10,639	(965)	2,657	2,078	(578)
<b>Total</b>		<b>84,883</b>	<b>106,747</b>	<b>21,863</b>	<b>79,625</b>	<b>92,534</b>	<b>12,908</b>

### 3. Other marketable securities sold in year to 2005 and 2004

*Millions of yen*

Category	Year to January 31, 2005	Year to January 31, 2004
Amount sold	8,300	3,766
Total gain on sales	4,705	514
Total loss on sales	—	22

### 4. Breakdown of other marketable securities where market valuation is not used and amounts on consolidated balance sheets

*Millions of yen*

	Consolidated balance sheet amount as of January 31, 2005	Consolidated balance sheet amount as of January 31, 2004
(1) Bonds held to maturity		
Unlisted foreign government bonds	2,000	2,000
(2) Other marketable securities		
Unlisted equities (excluding over-the-counter issues)	11,509	11,521
Preferred securities	5,999	5,999



## 5. Scheduled redemption amounts for other marketable securities with maturities and for bonds expected to be held to maturity.

Millions of yen

	Year to January 31, 2005			
	Within one year	More than one year and less than five years	More than five years and less than 10 years	More than 10 years
<b>Bonds</b>				
(1) National and regional government bonds	1,155	1,495	50,010	—
(2) Notes	100	200	—	—
(3) Others	—	—	—	2,000
<b>Total</b>	<b>1,255</b>	<b>1,695</b>	<b>50,010</b>	<b>2,000</b>

Millions of yen

	Year to January 31, 2004			
	Within one year	More than one year and less than five years	More than five years and less than 10 years	More than 10 years
<b>Bonds</b>				
(1) National and regional government bonds	2,430	247	50,010	—
(2) Notes	—	300	—	—
(3) Others	—	—	2,000	—
<b>Total</b>	<b>2,430</b>	<b>547</b>	<b>52,010</b>	<b>—</b>

## 6. Contract amounts, market values, and unrealized gains and losses on derivatives transactions

## Interest rate related

Millions of yen

Transaction type	Year to January 31, 2005				Year to January 31, 2004			
	National amount	Portion exceeding one year	Market value	Unrealized gain (loss)	National amount	Portion exceeding one year	Market value	Unrealized gain (loss)
Swaps								
Fixed-rate into variable-rate obligations	7,500	—	28	28	15,000	15,000	159	159
Variable-rate into fixed-rate obligations	7,500	—	22	22	15,000	15,000	69	69
<b>Total</b>	<b>15,000</b>	<b>—</b>	<b>51</b>	<b>51</b>	<b>30,000</b>	<b>30,000</b>	<b>229</b>	<b>229</b>

## Notes

1. Derivatives transactions for which hedge accounting is applied are excluded.
2. The market values of interest rate swaps are calculated based on prices disclosed by financial institutions.

## 7. Accounting treatment of retirement allowances

### (1) Overview of Retirement allowance system

The Company and its domestic subsidiaries maintain a confirmed payment framework comprising the employee pension fund system, the approved retirement annuity system, and lump-sum retirement payments.

Following implementation of the Defined Benefits Corporate Pension Law, Sekisui House and selected domestic consolidated subsidiaries received approval from the Minister of Health, Labor and Welfare for a waiver of past obligations with respect to the proxy portion of the Sekisui House Employee Pension Fund on September 1, 2004, and of the Employee Pension Fund of Sekisui House's affiliated companies on December 1, 2004. For the proxy portion of the Sekisui House Employee Pension Fund, we paid an amount equivalent to the minimum reserve to the national government on December 24, 2004.

### (2) Retirement payment obligations

	<i>Millions of yen</i>	
	Year to January 31, 2005	Year to January 31, 2004
1. Retirement payment obligations	(181,761)	(234,012)
2. Pension fund assets	141,625	170,484
3. Unfunded pension obligations (1) + (2)	(40,135)	(63,528)
4. Unrecognized actuarial difference	22,771	32,217
5. Unrecognized past service liabilities	(9,529)	(40,744)
6. Net amounts on consolidated balance sheets (3) + (4) + (5)	(26,894)	(72,055)
7. Prepaid pension expenses	1	0
8. Allowance for retirement payments (6) -(7)	(26,896)	(72,055)

Year to January 31, 2005	Year to January 31, 2004
Notes: Some subsidiaries are using simple method to calculate retirement payment obligations.	Notes:
	1. Disclosure includes substitute portions of employee pension fund.
	2. The monetary equivalent of the proxy of the employees public pension fund recorded at the end of the current fiscal accounting year would be 44,827 million yen, if calculated along Accounting Treatment of Retirement Allowances Guidelines (as outlined by the JICPA committee Report, #13, 44-2). Assuming the entire amount had been returned at the end of the current fiscal consolidated accounting year, an estimated profit of 39,809 million yen would have resulted.
	3. Some subsidiaries are using simple method to calculate retirement payment obligations.

### (3) Retirement payment expenses

	<i>Millions of yen</i>	
	Year to January 31, 2005	Year to January 31, 2004
1. Service expense	10,055	10,883
2. Interest expense	5,511	5,857
3. Anticipated investment returns	(6,644)	(4,311)
4. Amount charged in line with actuarial calculation differences	7,396	7,581
5. Charged for past service liabilities	(7,221)	(8,785)
6. Retirement payment expenses (1) + (2) + (3) + (4) + (5)	9,098	11,225
7. Gains on the return of employee pension fund	(41,901)	-
Total	(32,802)	11,225

Year to January 31, 2005	Year to January 31, 2004
Notes:	Notes:
1. Employee contributions to pension fund scheme deducted from service expenses.	1. Employee contributions to pension fund scheme deducted from service expenses.
2. Retirement payment expenses for consolidated subsidiaries using simple method appropriated as service expense.	2. Retirement payment expenses for consolidated subsidiaries using simple method appropriated as service expense.

## (4) Bases for calculating retirement payment obligations

	Year to January 31, 2005	Year to January 31, 2004
1. Periodical allocation of projected retirement payments	Fixed standard over period	Fixed standard over period
2. Discount rate	2.5%	2.5%
3. Anticipated rate of return on plan assets	4.0%	3.0%
4. Years over which past service obligations amortized	5 years Actuarial calculations allocated charge form the subsequent consolidated fiscal year	5 years Actuarial calculations allocated charge form the subsequent consolidated fiscal year
5. Years over which actuarial calculation differences amortized	5 years Same as above	5 years Same as above

## 8. Tax effect accounting

## (1) Main breakdowns of deferred tax assets and liabilities

*Millions of yen*

	Year to January 31, 2005	Year to January 31, 2004
<b>Current portion</b>		
Deferred tax assets		
Appraisal losses on real estate held for sale	73,648	52,322
Amounts in excess of allowed limit on expenses chargeable to bonus payment reserve	7,041	6,494
Unpaid enterprise tax	1,740	291
Amounts in excess of allowed limit on expenses chargeable to bad debt reserve	463	488
Unrealized gain on inventory	314	293
Losses carried forward for tax purposes	2	13,257
Other	1,840	1,668
<b>Total deferred tax assets</b>	<b>85,051</b>	<b>74,816</b>
Deferred tax liabilities		
Other	—	12
<b>Total deferred tax liabilities</b>	<b>—</b>	<b>12</b>
<b>Net deferred tax assets</b>	<b>85,051</b>	<b>74,803</b>
<b>Non-current portion</b>		
Deferred tax assets		
Amounts in excess of allowed limit on expenses chargeable to retirement benefits allowance	9,501	27,223
Cumulative losses on impairment of assets	7,684	—
Unrealized gains on fixed assets	791	465
Reserve for directors retirement bonuses	622	585
Amount in excess of allowed limit on expenses chargeable to bad debt reserve	403	447
Other	974	3,099
<b>Subtotal deferred tax assets</b>	<b>19,978</b>	<b>31,822</b>
Valuation allowance	(3,510)	—
<b>Total deferred tax assets</b>	<b>16,468</b>	<b>31,822</b>
Deferred tax liabilities		
Difference in appraisal value of other marketable securities	(8,990)	(5,213)
Adjustment of bad debt allowance after eliminating debts and credits	(2)	(4)
<b>Total deferred tax liabilities</b>	<b>(8,992)</b>	<b>(5,217)</b>
<b>Total net deferred tax assets</b>	<b>7,475</b>	<b>26,604</b>

## 9. Consolidated per share information

Year to January 31, 2005 (Feb. 1, 2004 - Jan. 31, 2005)	Year to January 31, 2004 (Feb. 1, 2003 - Jan. 31, 2004)
Shareholders' equity per share 979.40 yen	Shareholders' equity per share 959.96 yen
Net income per share 33.80 yen	Net income per share 53.30 yen
As no share options exist, no figure is recorded for fully diluted net income per share.	Fully diluted net income per share 51.39 yen

Note: Net income per share and diluted net income per share for the current fiscal year was calculated on the following basis.

Millions of yen, except where noted	Year to January 31, 2005	Year to January 31, 2004
Net income	23,659	37,761
Amount not attributable to ordinary shareholders	469	399
Net income attributable to ordinary shares	23,189	37,361
Average number of shares outstanding during period [1,000 shares]	686,079	700,908
Main components of adjustment to net income used in calculating dilution in income per share		
Interest expenses [after deduction of tax equivalents]	—	306
Adjustment to net income	—	306
Main components of increase in ordinary shares used in calculating dilution in net income per share [1,000 shares]		
Convertible bonds	—	32,060
Increase in ordinary shares [1,000 shares]	—	32,060

## 10. Transactions with related parties

No relevant transactions.

## 11. Important events occurring after the settlement of the balance sheet

(Exchange of shares)

Effective February 1, 2005, the company implemented an exchange of shares designed to make 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. wholly owned subsidiaries of the company.

(1) Aim of management integration through exchange of shares

The six Sekiwa Real Estate companies into wholly owned Group subsidiaries, Sekisui House intends to maintain the regional characteristics and independence of each company while at the same time maximizing synergies available under a group structure and growing overall corporate value.

(2) Effective February 1, 2005, we implemented the simplified exchange of shares provided for in Article 358-1 of the Commercial Code.

Sekisui House is now completely the parent company of 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.

### 1. Share exchange ratio

Company name	Share exchange ratio
Sekisui House (Parent company)	1
Sekiwa Real Estate (Wholly owned subsidiary)	1.26
Sekiwa Real Estate Kansai (Wholly owned subsidiary)	0.47
Sekiwa Real Estate Chubu (Wholly owned subsidiary)	0.63
Sekiwa Real Estate Chugoku (Wholly owned subsidiary)	0.69
Sekiwa Real Estate Kyushu (Wholly owned subsidiary)	0.61
Sekiwa Real Estate Tohoku (Wholly owned subsidiary)	620

(Note) Allotment of Shares

1.26 ordinary shares of Sekisui House will be allocated for every share of Sekiwa Real Estate; 0.47 ordinary shares for every share of Sekiwa Real Estate Kansai; 0.63 ordinary shares for every share of Sekiwa Real Estate Chubu; 0.69 ordinary shares for every share of Sekiwa Real Estate Chugoku; 0.61 ordinary shares for every share of Sekiwa Real Estate Kyushu; and 620 ordinary shares for every share of Sekiwa Real Estate Tohoku.

### 2. Number of new Sekisui House shares to be issued with share exchange

Instead of issuing new shares, 29,284,101 treasury shares held by Sekisui House will be assigned.

No assignment of shares will be made with respect to shares of Sekiwa Real Estate companies held by Sekisui House.

### 3. Monetary amounts payable for share exchange

There will be no monetary payments for this share exchange.

## 12. Main affiliated companies financial statements

## (1) Sekiwa Real Estate, Ltd.

Consolidated Balance Sheet			
<i>Millions of yen</i>			
As of January 31, 2005			
(Assets)		(Liabilities)	
<b>Current assets</b>	<b>22,895</b>	<b>Current liabilities</b>	<b>10,271</b>
Cash and deposit	15,662	Accounts payable	630
Notes and accounts receivable	927	Advance received	6,682
Marketable securities	1,235	Tax payable	1,048
Inventories	3,833	Other current liabilities	1,910
Deferred tax assets	723	<b>Fixed liabilities</b>	<b>16,092</b>
Other current assets	637	Accrued retirement benefits	586
Less allowance for doubtful accounts	(125)	Custody deposit and guarantee	15,369
<b>Fixed assets</b>	<b>17,097</b>	Other fixed liabilities	136
<b>Tangible fixed assets</b>	<b>8,170</b>	<b>Total liabilities</b>	<b>26,364</b>
Buildings and structures	3,563		
Land	2,169		
Other	2,437		
<b>Intangible fixed assets</b>	<b>1,140</b>	<b>Shareholders' equity</b>	
<b>Investments and other assets</b>	<b>7,785</b>	Paid-in capital	1,668
Investment in securities	441	Additional paid-in capital	817
Long-term loans receivable	876	Retained earnings	11,538
Deposit and guarantee	5,052	Unrealized holding on securities	27
Deferred tax assets	1,328	Treasury stock	(425)
Other investments	296	<b>Total shareholders' equity</b>	<b>13,628</b>
Less allowance for doubtful accounts	(210)	<b>Total liabilities and shareholders' equity</b>	<b>39,992</b>
<b>Total assets</b>	<b>39,992</b>		

Consolidated Statement of Income	
<i>Millions of yen</i>	
February 1, 2004	January 31, 2005
Net earnings	98,307
Cost of earnings	94,052
<b>Operating income</b>	<b>4,255</b>
Non-operating income	74
Other expenses	31
<b>Recurring income</b>	<b>4,298</b>
Extraordinary income	1,186
Extraordinary loss	3,031
<b>Income before taxes</b>	<b>2,453</b>
Current income taxes	1,865
Deferred income taxes	(467)
<b>Net income</b>	<b>1,055</b>

Consolidated Statement of Cash Flow	
February 1, 2004 January 31, 2005	
	<i>Millions of yen</i>
<b>1. Cash flows from operating activities</b>	
Income before income taxes	2,453
Depreciation and amortization	363
Losses on impairment of assets	3,004
Gains on the return of employee pension fund	(1,128)
Increase in accounts received	(110)
Increase in advance receivable	503
Increase in deposit and guarantee	1,316
Other	(1,905)
Subtotal	4,497
Interest and dividends received	35
Income taxes paid	(1,555)
<b>Net cash provided by operating activities</b>	<b>2,977</b>
<b>2. Cash flows from investing activities</b>	
Purchase of property, plant and equipment	(3,671)
Purchase of intangible fixed assets	(205)
Other	(43)
<b>Net cash used in investing activities</b>	<b>(3,920)</b>
<b>3. Cash flows from financing activities</b>	
Cash dividends paid	(336)
Purchase of treasury stock	(11)
<b>Net cash used in financing activities</b>	<b>(347)</b>
<b>4. Net decrease in cash and cash equivalents</b>	<b>(1,291)</b>
<b>5. Cash and cash equivalents at beginning of year</b>	<b>17,154</b>
<b>6. Cash and cash equivalents at end of year</b>	<b>15,862</b>

## (2) Sekiwa Real Estate Chubu, Ltd.

Consolidated Balance Sheet			
Millions of yen			
As of January 31, 2005			
(Assets)		(Liabilities)	
Current assets	15,653	Current liabilities	8,180
Cash and deposit	9,253	Accounts payable	487
Accounts receivable	884	Advances received	5,121
Inventories	4,033	Tax payable	538
Deferred tax assets	1,472	Other current liabilities	2,032
Other current assets	130	Fixed liabilities	13,475
Less allowance for doubtful accounts	(119)	Accrued retirement benefits	220
Fixed assets	14,519	Custody deposit and guarantee	13,173
Tangible fixed assets	12,164	Other fixed liabilities	82
Buildings and structures	8,214	Total liabilities	21,656
Land	3,661	Shareholders equity	
Other	287	Paid-in capital	1,368
Intangible fixed assets	308	Additional paid-in capital	1,679
Investments and other assets	2,045	Retained earnings	5,357
Investment in securities	438	Unrealized holdings loss on securities	135
Long-term loans receivable	179	Treasury stock	(24)
Deposit and guarantee	688	Total shareholders equity	8,516
Deferred tax assets	91	Total liabilities and shareholders equity	30,172
Other investments	647		
Total assets	30,172		

Consolidated Statements of Income	
Millions of yen	
February 1, 2004	January 31, 2005
Net earnings	73,882
Cost of earnings	71,750
Operating income	2,131
Non-operating income	36
Other expenses	41
Recurring income	2,126
Extraordinary income	597
Extraordinary loss	3,129
Loss before taxes	405
Current income taxes	879
Deferred income taxes	(1,025)
Net loss	259

Consolidated Statement of Cash Flow	
February 1, 2004 January 31, 2005	
Millions of yen	
1. Cash flows from operating activities	
Loss before income taxes	(405)
Depreciation and amortization	538
Losses on impairment assets	3,014
Increase in accounts receivable	(491)
Increase in advance received	250
Increase in deposit and guarantee	(3,290)
Other	(1,991)
Subtotal	(2,375)
Interests and dividends received	6
Income taxes paid	(765)
Other	(11)
Net cash provided by operating activities	(3,146)
2. Cash flows from investing activities	
Purchase of property, plant and equipment	(1,588)
Purchase of intangible fixed assets	(2)
Other	83
Net cash used in investing activities	(1,507)
3. Cash flows from financing activities	
Cash dividends paid	(218)
Purchase of treasury stock	(12)
Net cash used in financing activities	(231)
4. Net increase in cash equivalents	(4,885)
5. Cash and cash equivalents at beginning of year	14,138
6. Cash and cash equivalents at end of year	9,253

## (3) Sekiwa Real Estate Kansai, Ltd.

Consolidated Balance Sheet			
<i>Millions of yen</i>			
As of January 31, 2005			
(Assets)		(Liabilities)	
Current assets	19,323	Current liabilities	5,867
Cash and deposit	11,486	Accounts payable	94
Notes and accounts receivable	560	Advances received	3,965
Inventories	5,598	Tax payable	506
Deferred tax assets	1,209	Other current liabilities	1,300
Other current assets	575	Fixed liabilities	7,698
Less allowance for doubtful accounts	(107)	Accrued retirement benefits	487
Fixed assets	14,744	Custody deposits	7,047
Tangible fixed assets	3,922	Other fixed liabilities	162
Buildings and structures	1,744	Total liabilities	13,565
Land	2,034		
Other	143		
Intangible fixed assets	246		
Investments and other assets	10,576	Shareholders equity	5,829
Investment in securities	9	Paid-in capital	7,017
Long-term loans receivable	699	Additional paid-in capital	8,008
Deposit and guarantee	9,227	Treasury stock	(353)
Deferred tax assets	290	Total shareholders equity	20,502
Other investments	349	Total liabilities and shareholders equity	34,068
Total assets	34,068		

Consolidated Statement of Income	
<i>Millions of yen</i>	
February 1, 2004	January 31, 2005
Net earnings	51,167
Cost of earnings	49,293
Operating income	1,873
Non-operating income	69
Other expenses	16
Recurring income	1,926
Extraordinary income	984
Extraordinary loss	2,277
Income before income taxes	633
Current income taxes	752
Deferred income taxes	(403)
Net income	284

Consolidated Statement of Cash Flow	
February 1, 2004 January 31, 2005	
	<i>Millions of yen</i>
1. Cash flows from operating activities	
Income before income taxes	633
Depreciation and amortization	139
Losses on impairment of assets	2,189
Gains on the return of employee pension fund	(971)
Increase in accounts receivable	(205)
Increase in advances received	54
Losses on custody deposit	(605)
Other	(2,537)
Subtotal	(1,302)
Interest and dividends received	24
Income taxes paid	(506)
Net cash provided by operating activities	(1,783)
2. Cash flows from investing activities	
Purchase of property, plant and equipment	(101)
Purchase of intangible fixed assets	(154)
Other	196
Net cash used in investing activities	(59)
3. Cash flows from financing activities	
Cash dividend paid	(255)
Purchase of treasury stock	(67)
Net cash used in financing activities	(322)
4. Net increase in cash and cash equivalents	(2,165)
5. Cash and cash equivalents at beginning of year	13,652
6. Cash and cash equivalents at end of year	11,486



## (4) Sekiwa Real Estate Chugoku, Ltd.

Balance Sheet			
<i>Millions of yen</i>			
As of January 31, 2005			
(Assets)		(Liabilities)	
Current assets	7,938	Current liabilities	2,129
Cash and deposit	7,415	Accounts payable	9
Notes and accounts receivable	95	Advance received	1,062
Inventories	298	Tax payable	191
Deferred tax assets	87	Other current liabilities	865
Other current assets	49	Fixed liabilities	4,286
Less allowance for doubtful accounts	(9)	Accrued retirement benefit	147
Fixed assets	1,581	Custody deposit and guarantee	4,044
Tangible fixed assets	1,102	Other fixed liabilities	94
Buildings and structures	576	Total liabilities	6,416
Land	339	Shareholders equity	
Other	186	Paid-in capital	379
Intangible fixed assets	68	Additional paid-in capital	177
Investments and other assets	410	Retained earnings	2,560
Investment in securities	79	Unrealized holdings loss on securities	6
Long-term loans receivable	84	Treasury stock	(19)
Deposit and guarantee	131	Total shareholders equity	3,103
Deferred tax assets	106	Total liabilities and shareholders equity	9,520
Other investments	9		
Total assets	9,520		

Income Statement	
<i>Millions of yen</i>	
February 1, 2004	January 31, 2005
Net earnings	15,344
Cost of earnings	14,449
Operating income	894
Non-operating income	11
Other expenses	12
Recurring income	894
Extraordinary income	298
Extraordinary loss	117
Income before income taxes	1,075
Current income taxes	386
Deferred income taxes	94
Net income	594
Retained earnings brought forward from the preceding business term	6
Unappropriated retained earnings	501

Consolidated Statement of Cash Flow	
February 1, 2004 January 31, 2005	
<i>Millions of yen</i>	
1. Cash flows from operating activities	
Income before income taxes	1,075
Depreciation and amortization	74
Increase in accounts receivable	15
Increase in advance received	104
Increase in deposit and guarantee	383
Other	(125)
Subtotal	1,529
Interests and dividends received	5
Income taxes paid	(413)
Net cash provided by operating activities	1,121
2. Cash flows from investing activities	
Purchase of property, plant and equipment	(181)
Purchase of intangible fix assets	(56)
Other	(26)
Net cash used in investing activities	(265)
3. Cash flows from financing activities	
Cash dividends paid	(108)
Purchase of treasury stock	(10)
Net cash used in financing activities	(118)
4. Net increase in cash and cash equivalents	737
5. Cash and cash equivalents at beginning of year	6,678
6. Cash and cash equivalents at end of year	7,415

## (5) Sekiwa Real Estate Kyushu, Ltd.

Balance Sheet			
<i>Millions of yen</i>			
As of January 31, 2005			
(Assets)		(Liabilities)	
Current assets	2,611	Current liabilities	1,648
Cash and deposits	972	Accounts payable	237
Notes and accounts receivable	175	Advance received	1,165
Inventories	1,332	Tax payable	70
Deferred tax assets	47	Other current liabilities	174
Other current assets	117	Fixed liabilities	2,077
Less allowance for doubtful accounts	(33)	Accrued retirement benefits	50
Fixed assets	2,580	Custody deposit and guarantee	1,977
Tangible fixed assets	2,135	Other fixed liabilities	49
Buildings and structures	1,801	Total liabilities	3,725
Land	292		
Other	40		
Intangible fixed assets	9		
Investments and other assets	435	Shareholders equity	
Long-term loans receivable	5	Paid-in capital	263
Deposit and guarantee	320	Additional paid-in capital	94
Deferred tax assets	97	Retained earnings	1,109
Other investments	11	Total shareholders equity	1,467
Total assets	5,192	Total liabilities and shareholders equity	5,192

Income Statement	
<i>Millions of yen</i>	
February 1, 2004	January 31, 2005
Net earnings	16,353
Cost of earnings	16,038
Operating income	315
Non-operating income	0
Other expenses	17
Recurring income	298
Extraordinary income	197
Extraordinary loss	5
Income before taxes	490
Current income taxes	175
Deferred income taxes	39
Net income	275
Retained earnings brought forward from the preceding business term	12
Unappropriated retained earnings	288

Consolidated Statement of Cash Flow	
February 1, 2004 January 31, 2005	
<i>Millions of yen</i>	
1. Cash flows from operating activities	
Income before income taxes	490
Depreciation and amortization	18
Increase in accounts receivable	(24)
Increase in advance received	139
Increase in deposit and guarantee	112
Other	(279)
Subtotal	456
Interest received	0
Income tax paid	(203)
Net cash provided by operating activities	253
2. Cash flows from investing activities	
Purchase of property, plant and equipment	(1,301)
Purchase of intangible fix assets	(2)
Other	(2)
Net cash used in investing activities	(1,305)
3. Cash flows from financing activities	
Cash dividends paid	(61)
Net cash used in financing activities	(61)
4. Net increase (decrease) in cash and cash equivalents	(1,114)
5. Cash and cash equivalents at beginning of year	2,086
6. Cash and cash equivalents at end of year	972

## (6) Sekiwa Real Estate Tohoku, Ltd.

Balance Sheet			
Millions of yen			
As of January 31, 2005			
(Assets)		(Liabilities)	
Current assets	8,006	Current liabilities	2,424
Cash and deposit	7,570	Account payable	74
Notes and accounts receivable	136	Advance received	1,320
Inventories	245	Tax payable	131
Deferred tax assets	52	Other current liabilities	897
Other current assets	34	Fixed liabilities	4,450
Less allowance for doubtful accounts	(34)	Accrued retirement benefits	93
Fixed assets	747	Custody deposit and guarantee	4,325
Tangible fixed assets	538	Other fixed liabilities	31
Buildings and structures	8	Total liabilities	6,874
Land	205		
Other	325		
Intangible fixed assets	57		
Investments and other assets	151		
Long-term loans receivable	2	Shareholders equity	
Deposit and guarantee	37	Paid-in capital	200
Deferred tax assets	107	Additional paid-in capital	—
Other investments	148	Retained earnings	1,679
Less allowance for doubtful accounts	(145)	Total shareholders equity	1,879
Total assets	8,753	Total liabilities and shareholders equity	8,753

Income Statement	
Millions of yen	
February 1, 2004 January 31, 2005	
Net earnings	17,776
Cost of earnings	17,253
Operating income	523
Non-operating income	16
Other expenses	4
Recurring income	535
Extraordinary income	242
Extraordinary loss	0
Income before taxes	776
Current income taxes	222
Deferred income taxes	102
Net income	452
Retained earnings brought forward from the preceding business term	8
Unappropriated retained earnings	461

Since Sekiwa Real Estate Tohoku, Ltd. is not a listed company; cash flow statements are not made public.

## SUMMARY OF FINANCIAL STATEMENTS (Non-consolidated)

February 1, 2004 January 31, 2005

## Sekisui House, Ltd.

March 1, 2005

Stock code: 1928

Head office: Osaka, Japan Listed exchange: Tokyo, Osaka, Nogyo (First Section)

<http://www.sekisuihouse.co.jp>

Telephone: +816 6440 3111

President &amp; Representative Director:

Isami Wada

Inquiries: PR Department

Date of the meeting of the board of directors: March 1, 2005

Associate Officer: Hidehiro Yamaguchi

Date of the annual shareholders meeting: April 27, 2005

Interim dividend system: Adopted

Stock trading unit adopted: 1,000 shares per unit

## 1. Business Results

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

## 1) Non-consolidated Business Results

Millions of yen

	Feb. 1, 2004	Jan. 31, 2005	Feb. 1, 2003	Jan. 31, 2004
	Change %		Change %	
Net sales	1,086,179	3.0	1,055,027	0.2
Operating income	60,889	(7.6)	65,868	12.5
Recurring income	62,439	(4.8)	65,554	18.0
Net income	19,492	(42.0)	33,580	11.2
Net income per share (yen)	28.19		47.69	
Fully diluted net income per share (yen)			46.02	
Return on equity (%)	3.1%		5.4%	
Return on assets (%)	6.2%		6.1%	
Recurring income margin (%)	5.7%		6.2%	

(1) Average number of outstanding shares during the period:

Year ended January 31, 2005 686,079,543 shares

Year ended January 31, 2004 700,908,935 shares

(2) Changes to accounting principles Yes

(3) Percentages for net sales, operating income, recurring income, and net income represent year-on-year changes.

## 2) Dividends

	Dividend per share (yen)			Total dividend payments (Millions of yen)	Payout ratio	Total dividend / shareholders equity
	Full-year	First-half	Second-half			
Year to Jan. 31, 2005	18.00	9.00	9.00	12,289	63.9%	2.0%
Year to Jan. 31, 2004	18.00	9.00	9.00	12,518	37.7%	2.0%

## 3) Non-consolidated financial position

Millions of yen

	Feb. 1, 2004	Jan. 31, 2005	Feb. 1, 2003	Jan. 31, 2004
	Total assets	988,821		1,030,003
Shareholders equity	625,390		630,786	
Equity ratio (%)	63.2%		61.2%	
Shareholders equity per share (yen)	919.45		906.85	
Outstanding shares at end of January 31, 2005	680,010,723 shares		At end of January 31, 2004	695,408,643 shares
Number of treasury stocks at end of January 31, 2005	29,374,355 shares		At end of January 31, 2004	13,976,435 shares

## 2. Non-consolidated Results Forecast for the Year Ending January 31, 2006

Millions of yen

	Net sales	Recurring income	Net income	Dividend per share (yen)		
				First-half	Second-half	Full-year
Interim	555,000	30,000	15,000	10.00	—	—
Full year	1,140,000	63,000	33,500	—	10.00	20.00

Net income per share 47.38 yen

## NON-CONSOLIDATED BALANCE SHEETS

Millions of yen

	Year to January 31, 2005	Year to January 31, 2004	Difference	
<b>Assets</b>	<b>988,821</b>	<b>1,030,003</b>	<b>(41,182)</b>	<b>(4.0)</b>
<b>Current assets</b>	<b>622,669</b>	<b>583,345</b>	<b>39,324</b>	<b>6.7</b>
Cash and deposits	110,650	146,998		
Notes receivable-trade	628	557		
Accounts receivable-construction	75,385	72,677		
Accounts receivable-real estate	3,331	4,496		
Marketable securities	-	1,398		
Prepaid expenses for construction in progress	46,077	48,500		
Buildings for sale	53,152	37,795		
Land for sale	196,067	169,186		
Land for sale in process	43,696	17,844		
Other inventories	4,537	3,720		
Advance payments	1,987	1,076		
Prepaid expenses	4,135	4,960		
Accounts receivable-other	14,813	13,621		
Deferred income taxes	66,477	58,758		
Other current assets	2,830	2,962		
Less allowance for doubtful accounts	(1,103)	(1,207)		
<b>Fixed Assets</b>	<b>366,151</b>	<b>446,657</b>	<b>(80,506)</b>	<b>(18.0)</b>
<b>Tangible fixed assets</b>	<b>142,867</b>	<b>211,689</b>	<b>(68,822)</b>	<b>(32.5)</b>
Buildings	60,646	91,789		
Structures	4,273	4,680		
Machinery and equipment	10,201	10,952		
Vehicles and delivery equipment	162	151		
Tools and equipment	3,925	3,638		
Land	61,559	99,886		
Constructions in progress	2,096	590		
<b>Intangible fixed assets</b>	<b>3,925</b>	<b>8,203</b>	<b>(4,278)</b>	<b>(52.2)</b>
Lease rights	1,605	5,883		
Software	1,599	1,599		
Utility rights	24	30		
Telephone subscription rights	696	690		
<b>Investments</b>	<b>219,359</b>	<b>226,764</b>	<b>(7,405)</b>	<b>(3.3)</b>
Investment in securities	112,793	102,337		
Investment in subsidiaries and partnership	26,563	20,815		
Long-term loans receivable	74,479	78,578		
Long-term prepaid expenses	740	781		
Deposit and guaranty	12,400	12,650		
Deferred income taxes	14,330	33,190		
Other investments and other assets	5,408	5,428		
Reserve for losses from investments in subsidiaries	(682)	(682)		
Less allowance for doubtful accounts	(26,675)	(26,336)		
<b>Total</b>	<b>988,821</b>	<b>1,030,003</b>	<b>(41,182)</b>	<b>(4.0)</b>

Millions of yen

	Year to January 31, 2005	Year to January 31, 2004	Difference	
<b>Liabilities</b>	<b>363,431</b>	<b>399,216</b>	<b>(35,785)</b>	<b>(9.0)</b>
<b>Current Liabilities</b>	<b>328,183</b>	<b>293,349</b>	<b>34,834</b>	<b>11.9</b>
Notes payable-trade	59,736	62,844		
Accounts payable-trade	39,144	33,700		
Accounts payable-construction	52,085	45,542		
Current portion of notes	30,000	10,000		
Current portion of long-term loans	—	20,001		
Accounts payable-other	6,792	4,373		
Accrued expenses	12,094	12,155		
Corporate tax payable	14,719	665		
Consumption tax payable	6,422	6,473		
Advances received-construction	62,059	54,361		
Advance received-other	4,901	6,327		
Reserve for bonuses	14,262	15,552		
Reserve for warranty on completed works	1,896	968		
Other current liabilities	24,067	20,386		
<b>Long term liabilities</b>	<b>35,248</b>	<b>105,866</b>	<b>(70,618)</b>	<b>(66.7)</b>
Notes	—	30,000		
Long term debt	—	2		
Accrued retirement benefits	24,090	64,812		
Reserve for retirement benefits for retiring directors, executive officers and corporate auditors	708	877		
Reserve for Japan Expo expenses	175	105		
Deposits and guaranty received	9,131	9,242		
Other long term liabilities	1,142	826		
<b>Shareholders Equity</b>	<b>625,390</b>	<b>630,786</b>	<b>(5,396)</b>	<b>(0.9)</b>
<b>Paid-in capital</b>	<b>186,554</b>	<b>186,554</b>	<b>—</b>	<b>—</b>
<b>Capital surplus</b>	<b>237,524</b>	<b>237,523</b>	<b>1</b>	<b>0.0</b>
Capital reserve	237,522	237,522		
Other capital surplus	2	0		
<b>Retained earnings</b>	<b>218,634</b>	<b>211,725</b>	<b>6,909</b>	<b>3.3</b>
Legal reserve	23,128	23,128		
Reserve for dividends	13,000	13,000		
General reserve	162,300	141,300		
Unappropriated retained earnings	20,205	34,296		
<b>Net income</b>	<b>19,492</b>	<b>33,580</b>		
<b>Net unrealized holding gain (loss) on securities</b>	<b>13,217</b>	<b>7,600</b>	<b>5,617</b>	<b>73.9</b>
<b>Less treasury stock, at cost</b>	<b>(30,540)</b>	<b>(12,616)</b>	<b>(17,924)</b>	<b>—</b>
<b>Total</b>	<b>988,821</b>	<b>1,030,003</b>	<b>(41,182)</b>	<b>(4.0)</b>

## NON-CONSOLIDATED STATEMENTS OF INCOME

	Feb. 1, 2004	Jan. 31, 2005	Feb. 1, 2003	Jan. 31, 2004	Difference	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
<b>Net sales</b>	1,086,179	100.0	1,055,027	100.0	31,152	3.0
Construction	900,368	82.9	916,355	86.9		
Real estate	185,810	17.1	138,671	13.1		
<b>Cost of sales</b>	860,022	79.2	829,289	78.6	30,733	3.7
Construction	695,148	77.2	702,880	76.7		
Real estate	164,873	88.7	126,409	91.2		
<b>Gross profit on sales</b>	226,157	20.8	225,737	21.4	420	0.2
Total gross profit from construction	205,220	22.8	213,475	23.3		
Total gross profit from sales of real estate	20,937	11.3	12,262	8.8		
<b>Selling, general and administrative expenses</b>	165,267	15.2	159,869	15.2	5,398	3.4
<b>Operating income</b>	60,889	5.6	65,868	6.2	(4,979)	(7.6)
<b>Non-operating income</b>	5,942	0.5	5,389	0.5	553	10.3
Interest received	4,101		3,791			
Other income	1,841		1,597			
<b>Non-operating expense</b>	4,393	0.4	5,702	0.5	(1,309)	(23.0)
Interest paid	66		316			
Interest on bonds	468		1,330			
Other expenses	3,858		4,055			
<b>Recurring income</b>	62,439	5.7	65,554	6.2	(3,115)	(4.8)
<b>Extraordinary income</b>	42,373	3.9	491	0.0	41,882	—
Gains on the return of employee pension fund	37,668		—			
Gain on sales of investment securities	4,705		491			
<b>Extraordinary loss</b>	63,113	5.8	4,054	0.3	59,059	—
Losses on impairment of assets	51,144		—			
Loss from sales or disposal of fixed assets	5,566		1,051			
Loss on revaluation of land held for sale	3,569		2,988			
Loss from devaluation of investment in securities	1,579		14			
Other	1,254		—			
<b>Income before taxes</b>	41,699	3.8	61,991	5.9	(20,292)	(32.7)
Income taxes (except enterprise tax)	14,873	1.3	434	0.0	14,439	—
Deferred income taxes	7,334	0.7	27,977	2.7	(20,643)	(73.8)
<b>Net income (loss)</b>	19,492	1.8	33,580	3.2	(14,088)	(42.0)
Retained earning brought forward from the preceding business term	6,881		6,975			
Interim dividends	6,168		6,259			
<b>Unappropriated retained earnings</b>	20,205		34,296			

## 3. Planned appropriation of earnings

Millions of yen

	Feb. 1, 2004	Jan. 31, 2005	Feb. 1, 2003	Jan. 31, 2004
Unappropriated earnings (losses) for the period		20,205		34,296
<b>Total</b>		<b>20,205</b>		<b>34,296</b>
<b>Planned utilization is as follows:</b>				
Dividend to shareholders		6,120 Ordinary dividend = 9 yen		6,258 Ordinary dividend = 9 yen
Directors bonus		154 Directors portion = 136 Auditors portion = 18		156 Directors portion = 142 Auditors portion = 14
Accumulated dividend reserve		2,000		—
Contingency reserve				21,000
<b>Total appropriations</b>		<b>8,274</b>		<b>27,414</b>
<b>Retained earnings for the period</b>		<b>11,931</b>		<b>6,881</b>



## Summary of Significant Accounting Policies

### 1. Basis and method of valuation of marketable 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 marketable 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. Basis and method of valuation of derivatives: Market value method

### 3. Basis and method of valuation of inventories:

- (i) Expenditure on uncompleted construction, buildings for sale, land for sale, and uncompleted land held for sale: At cost based on individual cost method
- (ii) Other inventory: At cost based on moving average method.

### 4. Depreciation of fixed assets:

- (i) Tangible fixed assets: The Company applies the straight-line method to buildings (excluding attached structures), and to other tangible assets applies the declining balance method. Expected life of assets is calculated to standards in accordance with corporate tax regulations.
- (ii) Intangible fixed assets: The Company applies the straight-line method to intangible fixed 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 five years.

### 5. 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 included in the statements of income.

### 6. Basis for accounting for allowances:

- (i) 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.
- (ii) Allowance for appraisal losses on investment in related companies:
  - Potential losses on investment in related companies are prepared for by recording their value after taking into consideration the composition of the assets.
- (iii) Allowance for bonuses:
  - To prepare for bonus payments to employees, the Company provides for the estimated appropriate amount in that financial period.
- (iv) Allowance 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.
  - (Change of accounting method)
  - Previously, guarantee reserves to cover post-completion losses and guarantee expenses were calculated for the fiscal year as 1/1000<sup>th</sup> of housing business sales in the preceding 12 months for which guarantees applied, and 1/1000<sup>th</sup> of the buildings portion of real estate sales. From the current fiscal year onwards, however, such reserves are being calculated on the basis of actual historical costs. This change is because, as the Company has strived to increase customer satisfaction with repair and inspection information, it has become possible to efficiently estimate repair service expenses, and in turn to record provisions in this manner for greater clarity in the financial statements.
  - Consequently, Gross profit, Operating income, Recurring income and Income before tax has decreased by 924 million yen respectively.

- (v) Allowance for employee retirement:  
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.
- (Additional information)**  
Details of return of portion of employee pension plan  
Following implementation of the Defined Benefits Corporate Pension Law, Sekisui House and selected domestic consolidated subsidiaries received approval from the Minister of Health, Labor and Welfare for a waiver of past obligations with respect to the proxy portion of the Sekisui House Employee Pension Fund on September 1, 2004, and of the Employee Pension Fund of Sekisui House's affiliated companies on December 1, 2004. For the proxy portion of the Sekisui House Employee Pension Fund, we paid an amount equivalent to the minimum reserve to the national government.  
This has led to the posting of an extraordinary income of 37,668 million yen during this consolidated fiscal year.
- (vi) Allowance for retirement benefit to directors, executive officers and corporate auditors:  
To allow for retirement bonus payments to directors, executive officers and corporate auditors, the Company provides the required amounts at the end of the fiscal based on internal regulations.
- (f) Allowance for exhibition at Japan International Expo:  
To allow for expenses to be incurred at the Japan International Expo, the Company has provided an appropriate amount in the fiscal year.

#### 7. Accounting for lease transaction:

Finance leases other than those deemed to transfer ownership of the leased assets to the lessee are accounted for by a method similar to that applicable to ordinary operating leases.

#### 8. Main hedge accounting methods:

- (i) Hedge accounting methods:  
The Company uses deferred hedging, except where for foreign currency swap contracts allocation requirements are met in which case the allocation method is used.
- (ii) Hedging instruments and targets:  
The Company hedges bonds that fund operations using interest rate swaps.  
The Company hedges foreign currency cash debts and forward transactions with exchange contracts.
- (iii) Hedging policies:  
The Company uses derivatives transactions with the aim of avoiding losses from fluctuations in exchange and interest rates etc. The use of exchange contracts does not exceed the amount of import transactions. Furthermore, the notional principal of interest rate swap transactions is limited to the total of debt used to fund operations and interest-bearing debt.
- (iv) Methods of assessing hedge effectiveness:  
The Company compares cumulative cash flow variations for hedge targets and hedge methods with market fluctuations and assesses the effectiveness of hedges based on the amounts of variation in both cases. However, for forward exchange contract transactions the Company 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.

#### 9. Basic of presentation of financial statements

Accounting for consumption taxes

The tax exclusion method is used to account for consumption taxes. Consumption taxes subject to deductions are expensed in the consolidated fiscal year in which they arise.

[Changes to accounting principles]

**Accounting standards for impairment of fixed assets**

The Accounting standards for impairment of fixed assets ( Opinions on Accounting Standards for Impairment of Fixed Assets, Business Accounting Council, August 9, 2002) and Guidance for Impairment of Fixed Assets (Accounting Standards Board of Japan, October 31, 2003, Guidance for Business Accounting Standards No. 6) may be applied to consolidated financial statements beginning with the current consolidated fiscal year in progress. Therefore, we have applied the above cited accounting standards and guidance. This has led to the posting of an extraordinary loss of 51,144 million yen during this non-consolidated fiscal year. Note that the accumulated amount of impaired losses has been deducted directly from the corresponding assets in accordance with the revised rules of Financial Statements and regulations on non-consolidated financial statements.

## Notes to Balance Sheet and Income Statement (Non-consolidated)

## 1. Notes to non-consolidated balance sheet

	<i>Millions of yen</i>	
	Year to January 31, 2005	Year to January 31, 2004
Accumulated depreciation of fixed assets	123,199	133,981
Collateralized assets	6,449	27,855
Liabilities guaranteed	66,748	57,897
Interest bearing liabilities	30,000	60,003
Treasury stock	29,374,355 shares	13,976,435 shares

Change in the purpose of fixed asset holdings

31,750 million yen of investment real estate that appeared under Buildings, Structures, and Land at the end of the previous fiscal year has been reclassified as Buildings for Sale and Land for Sale.

## 2. Notes to non-consolidated income statement

	<i>Millions of yen</i>	
	Year to January 31, 2005	Year to January 31, 2004
(1) Depreciation	9,424	9,362

## (2) Losses on impairment of assets

During the fiscal year under review, the Company reported losses on impairment of the following assets.

Application	Type	Location
Investment property	Buildings, land, etc.	Higashinada-ku, Kobe, etc.

The Company grouped investment properties individually and other assets by business unit, which it believed would allow it a reasonable management of profits and losses. Nevertheless, between the steady decline in land prices and a sluggish rental market, the market value of certain investment properties has fallen sharply. The Company reduced the book value of those properties to recoverable amounts, and posted said reduction as a loss on impairment of assets (51,144 million yen).

## (Losses on impairment of assets)

Type	<i>Millions of yen</i>
Buildings	17,685
Land	33,173
Other	285
Total	51,144

Note that the recoverable value of the aforementioned assets is the higher of either the net sale value or the value in use. The net sale value is the estimated value (calculated according to the Real Estate Appraisal Standard) minus the estimated cost of disposal. The value in use is calculated discounting estimated future cash flow at 5%-6%.

## 3. Lease transactions

## (1) Finance leases other than those deemed to transfer ownership

## (i) Lease acquisition cost equivalent, accumulated depreciation equivalent &amp; end of period equivalent value

Year to January 31, 2005	<i>Millions of yen</i>		
	Acquisition cost equivalent	Accumulated depreciation equivalent	At year end
Buildings	35,659	21,945	13,713
Vehicles & transport equipment	55	25	30
Machinery & equipment	6,184	4,587	1,596
Software	1,125	752	373
Total	43,024	27,310	15,714

*Millions of yen*

Year to January 31, 2004	Acquisition cost equivalent	Accumulated depreciation equivalent	At year end
Buildings	35,327	20,857	14,469
Vehicles & transport equipment	55	14	40
Machinery & equipment	7,127	5,476	1,651
Software	1,957	1,479	478
<b>Total</b>	<b>44,468</b>	<b>27,827</b>	<b>16,640</b>

(ii) Outstanding amounts under lease commitments at end of period

*Millions of yen*

	Year to January 31, 2005	Year to January 31, 2004
Within one year	6,087	6,449
More than one year	10,395	11,075
<b>Total</b>	<b>16,482</b>	<b>17,525</b>

(iii) Lease payments, depreciation equivalents and interest payment equivalents

*Millions of yen*

	Year to January 31, 2005	Year to January 31, 2004
Lease fees	6,956	7,960
Depreciation equivalent	6,840	7,523
Interest payments equivalent	309	365

(iv) Method of calculating depreciation

Calculated by the straight-line method over the lease term of the lease asset assuming zero residual value.

(v) Method of calculating interest payments

Calculated by the interest method, whereby the difference between total lease payment and acquisition cost equivalent is distributed in equal installments each financial year.

(2) Operating leases

*Millions of yen*

Outstanding lease commitments:	Year to January 31, 2005	Year to January 31, 2004
Within one year	9	9
More than one year	19	52
<b>Total</b>	<b>29</b>	<b>61</b>

**4. Marketable securities**

Shares of subsidiaries and affiliates where a market price is available

*Millions of yen*

	Year to January 31, 2005			Year to January 31, 2004		
	Balance sheet amount	Market value	Difference	Balance sheet amount	Market value	Difference
Subsidiaries	—	—	—	3,973	20,076	16,102
Affiliates	708	853	144	—	—	—

## 5. Deferred income taxes

(1) Significant components of deferred tax assets and liabilities

	<i>Millions of yen</i>	
	Year to January 31, 2005	Year to January 31, 2004
<b>Current portion</b>		
Deferred tax assets		
Appraisal losses on real estate for sale	57,475	38,248
Tax losses carried forward	—	13,175
Amounts in excess of allowed limit on expenses chargeable to bonus payment reserve	5,762	5,556
Unpaid enterprise tax	1,320	—
Accrued warranty on completed works	765	340
Unpaid social premium	645	713
Other	507	725
<b>Total deferred tax liabilities</b>	<b>66,477</b>	<b>58,758</b>
<b>Long-term portion</b>		
Amounts in excess of allowed limit on expenses chargeable to allowance for bad debts	10,714	10,539
Amounts in excess of allowed limit on expenses chargeable to retirement allowance reserve	8,430	24,441
Cumulative losses on impairment of assets	6,387	—
Special retirement allowance reserve for directors	223	357
Other	974	3,005
<b>Subtotal deferred tax assets</b>	<b>26,730</b>	<b>38,343</b>
Valuation allowance	(3,439)	—
<b>Total deferred tax assets</b>	<b>23,290</b>	<b>38,343</b>
Deferred tax liabilities		
Net appraisal gains on other marketable securities	(8,959)	(5,152)
<b>Total deferred tax liabilities</b>	<b>(8,959)</b>	<b>(5,152)</b>
<b>Net deferred tax assets</b>	<b>14,330</b>	<b>33,190</b>

## 6. Non-consolidated per share information

Year to January 31, 2005 (Feb. 1, 2004 – Jan. 31, 2005)		Year to January 31, 2004 (Feb. 1, 2003 – Jan. 31, 2004)	
Shareholder's equity per share	919.45 yen	Shareholder's equity per share	906.85 yen
Net income per share	28.19 yen	Net income per share	47.69 yen
As no share options exist, no figure is recorded for fully diluted net income per share.		Fully diluted net income per share	46.02 yen

Note: Net income per share and diluted net income per share for the current fiscal year was calculated on the following basis.

<i>Millions of yen, except where noted</i>	Year to January 31, 2005	Year to January 31, 2004
Net income recorded on statements of income	19,492	33,580
Amount not attributable to ordinary shareholders	154	156
Net income attributable to ordinary shares	19,338	33,424
Average number of shares outstanding during period [1,000 shares]	686,079	700,908
Main components of adjustment to net income used in calculating dilution in income per share		
Interest expenses (after deduction of tax equivalents)	—	306
Adjustment to net income	—	306
Main components of increase in ordinary shares used in calculating dilution in net income per share [1,000 shares]		
Convertible bonds	—	32,060
Increase in ordinary shares [1,000 shares]	—	32,060

## 7. Important events occurring after the settlement of the balance sheet

### [Exchange of shares]

Effective February 1, 2005, the company implemented an exchange of shares designed to make 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. wholly owned subsidiaries of the company.

With this, the company will allocate 29,284,101 shares of its treasury stock, and treasury stock declined by 30,446 million yen, retained earnings decreased by 8,826 and capital reserves have increased by 4,785 million yen.

#### (1) Aim of management integration through exchange of shares

The six Sekiwa Real Estate companies into wholly owned Group subsidiaries, Sekisui House intends to maintain the regional characteristics and independence of each company while at the same time maximizing synergies available under a group structure and growing overall corporate value.

#### (2) Effective February 1, 2005, we implemented the simplified exchange of shares provided for in Article 358-1 of the Commercial Code.

Sekisui House is now completely the parent company of 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.

#### 1. Share exchange ratio

Company name	Share exchange ratio
Sekisui House (Parent company)	1
Sekiwa Real Estate (Wholly owned subsidiary)	1.26
Sekiwa Real Estate Kansai (Wholly owned subsidiary)	0.47
Sekiwa Real Estate Chubu (Wholly owned subsidiary)	0.63
Sekiwa Real Estate Chugoku (Wholly owned subsidiary)	0.69
Sekiwa Real Estate Kyushu (Wholly owned subsidiary)	0.61
Sekiwa Real Estate Tohoku (Wholly owned subsidiary)	620

#### (Note) Allotment of Shares

1.26 ordinary shares of Sekisui House will be allocated for every share of Sekiwa Real Estate; 0.47 ordinary shares for every share of Sekiwa Real Estate Kansai; 0.63 ordinary shares for every share of Sekiwa Real Estate Chubu; 0.69 ordinary shares for every share of Sekiwa Real Estate Chugoku; 0.61 ordinary shares for every share of Sekiwa Real Estate Kyushu; and 620 ordinary shares for every share of Sekiwa Real Estate Tohoku.

#### 2. Number of new Sekisui House shares to be issued with share exchange

Instead of issuing new shares, 29,284,101 treasury shares held by Sekisui House will be assigned.

No assignment of shares will be made with respect to shares of Sekiwa Real Estate companies held by Sekisui House.

#### 3. Monetary amounts payable for share exchange

There will be no monetary payments for this share exchange.



[Sekisui House to separate remodeling operations]

Effective February 1, 2005, the Company split off its remodeling operations, passing them to Sekisui House Remodeling, Ltd., a wholly owned subsidiary of the Company.

(1) Purpose of separation

Sekisui House has been expanding its sales bases and increasing personnel as part of measures to strengthen its remodeling operations. However, in order to promote future expansion and reinforcement of this business area, management believes it is necessary to take steps such as clarify responsibilities, improving speed on decision-making, and developing a personal system more closely aligned with the business structure.

(2) Schedule

Date of separation February 1, 2005  
Registration of separation February 1, 2005

(3) Separation method

Sekisui House will effect a simple corporation separation, and Sekisui House Remodeling will be the company that succeeds business by separation.

(4) Outline of succeeding business

	Sekisui House Remodeling, Ltd.
Business activities	Operation related to the contract, design and construction of housing remodeling
Date of establishment	September 17, 2004
Head office	1-1-90 Oyodonaka Kita-ku, Osaka
Representative	Tetsuhiro Kamae, President
Paid-in capital	100 million yen
Total outstanding shares	2,000 shares
Fiscal year end	January 31

(5) Status of assets and liabilities acquired, etc.

	Millions of yen		Millions of yen
(Assets)		(Liabilities)	
1 Current Asset	3,914	1 Current Liabilities	3,170
2 Fixed Asset	210	2 Long term Liabilities	4
		Total Liabilities	3,175
		Balance of net assets	949
Total Assets	4,124		



News Release

## Introduction of Shareholder Special Benefit Program

**Osaka, March 1, 2005** - At a board meeting held today, Sekisui House, Ltd. decided to introduce a shareholder special benefit program. As part of measures to improve shareholder satisfaction based on the medium-term management vision of the Sekisui House Group, the program is aimed at making the Company's shares sufficiently attractive to motivate shareholders to retain them over longer periods.

Under the program, the Company's shareholders can accumulate special benefit points relative to the shareholding period, and can use their point's totals to qualify for proportionate discounts on transactions with Sekisui House Group companies. The details are as follows:

### 1. Objective

The objective of this program is to increase the attractiveness of the Company's shares by awarding its shareholders special benefit points according to the number of shares held and the shareholding period. Accumulated points can be used to obtain discounts on transactions with Sekisui House Group companies.

### 2. Target shareholders

Shareholders listed or registered in the list of shareholders, etc. as of January 31 (fiscal year-end) and as of July 31 (1<sup>st</sup> half year-end), every year

### 3. Implementation schedule

Shareholders listed or registered in the list of shareholders, etc. as of January 31, 2005 and thereafter are eligible for the program, and points can be applied from the date on which they are awarded.

Points will be awarded on April 30, 2005 to shareholders who were entered or registered in the list of shareholders, etc. as of January 31, 2005. Those entered or registered as of July 31, 2005 will receive their initial points allocation on September 30, 2005. Subsequently, points will be awarded every six months based on the same rule.

### 4. Conditions for allocation of points

#### 1. Content

Stockholders holding 100 or more shares will receive one point per 100 shares in each half-year period.

However, a ceiling has been set of 100 points per half-year period for those holding 10,000 or more shares.

#### 2. Validity period

Points become effective as of the date on which they are awarded to the shareholder, and will remain in effect until the day before the 5<sup>th</sup> anniversary date of allocation.



## 5. How to use points

If the shareholder makes an application to use his/her points in advance of the closing of a contract for the transaction for which the points will be used, and the contract is closed at a discount price, points used will be deducted from the shareholder's total accumulated points. Shareholders can take advantage of this benefit as many times as they wish, as long as they have sufficient applicable points.

## 6. Transactions to which special benefit points are applicable

Special benefit points can be used to obtain a discount on a building construction contract or on any other transaction with the Company, or with any of the companies specified under corporate bylaws as a member of the Sekisui House Group. However, there are some restrictions, including limitations on the types of transactions to which points are applicable, and ceilings on discount rates.

[Terms and conditions for applying points to a building construction contract]

Type of transaction	Maximum discount	Conversion per point
Construction of a new-detached house or condominium built of materials shipped from the Company's factories, including exterior and demolition work specified in the contract package.	5% off the regular contract price (excluding consumption tax)	20,000 yen
Construction of a new building other than the above, e.g. RC building. Remodeling work to the contract value of 500,000 yen or more (including exterior and demolition work, etc.) *Orders for remodeling work can only be accepted on buildings constructed and/or sold by a member company of the Sekisui House Group.	3% off the regular contract price (excluding consumption tax)	

[Terms and conditions for applying points to a real estate sales contract]

Type of transaction	Maximum discount	Conversion per point
Real estate sale contract for a condominium or built-for-sale house*	3% off the selling price of the building portion (excluding consumption tax)	20,000 yen

\*Points are not applicable to any land sale contract.

[Terms and conditions for applying points to a real estate intermediary contract]

Type of transaction	Maximum discount	Conversion per point
Commission on a real estate sale or replacement intermediary (or agency) contract*	30% off the intermediary commission (excluding consumption tax)	5,000 yen

\*Points are not applicable to any real estate rental intermediary or agency contract.



(Terms and conditions for applying points to a building rental contract)

Type of transaction	Maximum discount	Conversion per point
Initial rent for a building rental contract*	Amount equivalent to the first month's rent	2,000 yen

\*In order to utilize his/her points, the shareholder must sign a contract directly with the company that is leasing the building.

#### 7. Restrictions, etc. on using points

- Points cannot be used in combination with any other discount programs, and are only valid if the contract is made under the name of the shareholder.
- Points may not be inherited, transferred, lent or pledged.

\* \* \*

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