ANNUAL REPORT 2003

For the year ended January 31, 2003

Sekisui House, Ltd.

Our Corporate Profile

Sekisui House, Ltd. is Japan's leading home builder, with profitability and dividends that well exceed the average for the industry. Our base of business is the construction, sale, purchase and administration of residential properties; the design, execution, contracting and supervision of construction projects; real estate brokerage and landscaping. Since our establishment in 1960, we at Sekisui House have achieved steady growth, becoming an ever-increasingly active participant in the Japanese construction industry.

Contents

Financial Highlights

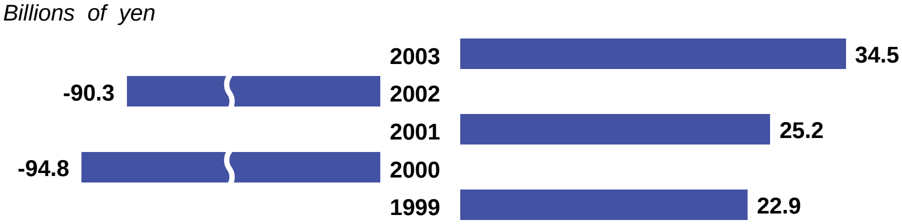
Sekisui House, Ltd. and Subsidiaries

	Millions of yen					Thousands of U.S. dollars
	2003	2002	2001	2000	1999	**2003**
For the year:						
Net sales	¥ **1,300,237**	¥ 1,305,469	¥ 1,364,801	¥ 1,330,284	¥ 1,314,696	$ **10,921,772**
Net income	**34,547**	(90,331)	25,167	(94,811)	22,855	**290,189**
At year ended						
Total assets	**1,258,980**	1,303,821	1,459,491	1,453,547	1,571,784	**10,575,220**
Shareholders' equity	**645,702**	626,463	741,216	723,860	826,033	**5,423,788**
	Yen					U.S. dollars
	2003	2002	2001	2000	1999	**2003**
Per share:						
Net income	¥ **48.71**	¥ (125.11)	¥ 35.03	¥ (132.65)	¥ 31.99	$ **0.41**
Cash dividends applicable to the year	**18.00**	18.00	20.00	18.00	18.00	**0.15**

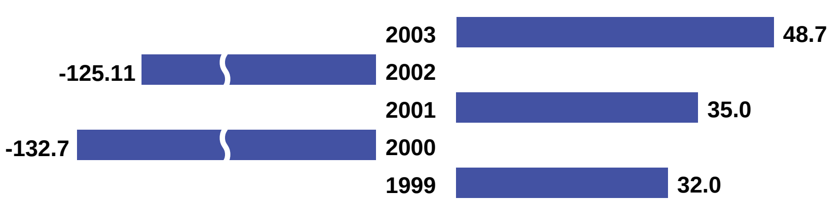
Note: U.S. dollar amounts above and elsewhere in this report represent translations of Japanese yen, for convenience only, at the approximate exchange rate of ¥119.05 = U.S. $1, effective at January 31, 2003.

Net sales
Billions of yen

Net income
Billions of yen



Net income per share
Yen



A Message From The President

The fiscal year ended January 31, 2003 was both profitable and challenging for Sekisui House and I am pleased to report that we maintained our status as Japan's leading provider of quality residential homes.

Total non-consolidated orders received by Sekisui House increased 10.2% for the financial year, even as total new housing starts in Japan fell for the second calendar year running amid rising unemployment and a weak economy.

The owner-occupier market was relatively strong in the Tokyo metropolitan area, driven by demand for condominiums and for construction at the high end of the market. However, overall demand remained weak as the uncertain economic outlook negatively affected demand for rebuilding or shifts up market by existing homeowners.

Construction in the rental market increased as ongoing low interest rates continued to drive demand, particularly in major metropolitan areas. Vacancy rates rose in the regions, however, and rent levels declined, and the increase in rental construction was not enough to offset the decline in owner-occupier demand or to lift the overall number of residential construction starts.

Under this challenging environment we worked to strengthen our sales capabilities: we revised our sales compensation system, increasing performance-based components, and we introduced `sales booster months` to stimulate sales activity during this period of low orders. These measures helped us to record two new monthly sales records during the year.

Our product strategy was to maintain our focus on the medium to high end of the market. We also pursued our consulting sales model to ensure high levels of customer satisfaction. To increase profitability we also took steps to increase 'cost-consciousness' and worked to improve the strength of our operational and management structure.

Turning to our key business strength, constructing detached dwelling, we further increased product quality and also focused on producing long life housing appropriate to this age of environmental concern. Another initiative, taken in support of our consulting sales model, was to establish proprietary universal design standards. This further rounded out the services we are able to offer customers, such as improving our ability to interface with architect designs.

Amid increasing concern about crime, we also standardized home security systems for all our detached homes as part of efforts to provide safe, appropriate dwellings that protect occupants and their assets from natural and social hazards.

In our *Sha-Maison* low-rise apartment rental business we promoted a range of back-up services, such as block leasing arrangements through our Sekiwa Real Estate offices. We aim to generate business from customers with real estate assets by offering them beneficial, tax-effective asset management services appropriate to this period of low interest rates.

In our real estate businesses we have been focusing on managing asset-holding costs in each business region, seeking to speed up asset turnover by selling land held for sale more rapidly. Condominium sales, especially in the Tokyo metropolitan area, were strong, and through projects such as *Grand Maison Ebisu no Mori* we aimed to meet demand from asset-rich households. In regional residential areas we worked to anticipate changing customer needs by introducing projects with advanced information systems, such as the IT Town and Town Security System.

Meanwhile, as part of our efforts to provide customers with ideal living environments over the long term, we put further resources into home remodeling, strengthening our sales department, and expanding the range of renovation options available, to boost sales. Furthermore, starting with our specialized subsidiary Greentechno Sekiwa Ltd., we also expanded our exteriors business so that we now offer a uniformly high standard of service that covers planning and design through to construction.

Through our product strategy we differentiated our business at the medium to high end of the market. Among the products we introduced during the year was *We's Dyne,* a brightly toned steel-framed Dyne wall home; *CENTRAGE PARESSO*, which uses designer tiles, and a new edition of our flagship product *IS STAGE*. We also introduced two new three-story homes: the *GiO-TRISTAGE II*, which makes maximum use of available land, and the *BEREO*, can be adapted for full apartment rental, joint retail and rental, or home and income. We introduced

M'Bellburn's to our wood-frame Sha-wood product range, utilizing original ceramic outer wall panels, and, with the release of *M'Gravis Stage*, a premium dwelling that creates a real presence in even the most exclusive neighborhoods, we are meeting customer needs in a polarizing market. In the growing high-end rental market, we have added a maisonette-style terrace house, *DIAS PALMO*, to our Sha Maison range.

Capital expenditure in the period under review continued to focus on increasing efficiencies and enhancing laborsaving in our manufacturing divisions. We also sought to increase operational efficiencies by investing in information systems. We have been reviewing display home sites, where efficiencies have been worsening recently, and we may, if appropriate, withdraw from some sites to reduce costs. Through a careful review of expenditure, including the allocation of advertising expenditure and such like, we were largely able to meet cost reduction targets for the year.

We reduced interest-bearing debt by repaying ¥62.1 billion outstanding from convertible bond issues 3 and 5.

Net sales for the year declined 0.4% to ¥1,300,237 million ($10,921,772 thousand). By segment, in Built to order housing, net sales fell 9.8% to ¥740,947 million ($6,223,831 thousand) due to a reduction in accumulated orders at the start of the period and weak orders in early spring. Net sales in Real estate for sales increased 2.6% to ¥190,096 million ($1,596,774 thousand), boosted by stronger sales of built-for-sale houses and revenue from office building sales. Net sales in Real estate for leasing increased 34.5% to ¥231,877 million ($1,947,728 thousand) as revenue grew at Sekiwa Real Estate businesses through an increase in *Sha-Maison* sub-lease projects. Revenue also grew at Sekiwa Real Estate Kansai, Ltd, which became a consolidated subsidiary from this period. In Other businesses, net sales increased 7.7% to ¥142,671 million ($1,198,412 thousand) following increased revenue from our condominium property management operations and growth in our strengthened remodeling businesses.

Operating income fell 2.5% to ¥72,737 million ($610,979 thousand). Cost reductions were achieved at Sekiwa Construction subsidiaries, and profitability improved in Real estate sales and Real estate leasing, though this was offset by lower profitability from the decline in sales in Prefabricated Housing Construction.

We expect conditions to remain harsh: competition is increasing, the economy is unlikely to recover anytime soon and there is concern about individuals` appetite for housing investment. Nevertheless there are some promising areas, including growing demand for high quality housing - such as two-generation homes - because of tax revisions in the New Year, and we have the sales infrastructure and product range to take advantage of these opportunities.

We are continuing to reduce costs and improve asset utilization. As well as reinforcing our management structure we are also seeking to strengthen our sales capabilities and introduce further attractive, high quality products. Furthermore, we expect that closer partnership with Group subsidiaries Sekiwa Real Estate and each Sekiwa Construction Company will improve synergies and business results.

We will also actively promote our related businesses such as remodeling and exteriors, and place more emphasis on customer satisfaction. Strict attention to corporate ethics and compliance will continue to underlie all our business activities.

Sekisui House has more than 40 year's history of growth and strong performance. In this era of technological progress, increasing environmental awareness, and persistent economic pressure we are working hard to create further value in Sekisui House. We look forward to your ongoing support.

I. Wada

Isami Wada
CEO / President

Sekisui House Topics

Environmental and Social Responsibility

In November 1999 Sekisui House, Ltd. announced an "Action Program for the Environment," which established an environmental philosophy and associated goals, and outlied our responsibilities both as the leading homebuilder in Japan and as a global citizen. Since then we have made steady progress on environmental issues including, as mentioned in last year's annual report, the conversion of each of our six factories to a zero-emission standard in May 2002. In the year to January 31, 2003 we deployed specific environmental conservation measures across the whole company, based on our action program. The main measures are mentioned below. Our basic approach is to adopt high environmental specifications across our entire housing range, rather than marketing specific environmentally friendly models. We are also focused on constructing longer-lasting homes.

Promoting energy efficient homes

Air conditioning accounts for about one third of home energy consumption, so at Sekisui House we have been working to improve home insulation. Sales of our detached houses that exceed the highest energy savings requirements of the government's Next-Generation Heat Insulation Specification Energy Saving Standard increased 10.3 points from the year before to 53%, higher than the industry average of 23%. We are also making every effort to improve heat insulation efficiency in our low-rise rental homes and condominiums.

Constructing homes with the highest standard for earthquake resistance and durability

All our homes are constructed according to the highest levels of the government Housing Performance Indication System for earthquake resistance, durability, and air quality, ensuring the safety and longevity of the building. Many individual homes have received `Performance Evaluation Reports`, which are awarded by third parties after checking the performance levels of each home, and which are being promoted by the government as a way to increase the resale value of second-hand homes. Applications for these reports for made-to-order houses rose 28 points from the year before to 48%, the highest in the industry.

Promoting customer-focused remodeling; increasing the working life of homes

Since its foundation Sekisui House has sold more than 1.62 million homes. To improve customer satisfaction as well as the lifespan of these homes, we have developed remodeling technology and allocated specialist sales teams to remodeling sales offices across Japan. Total orders for remodeling during the year ended January 31, 2003 were 40.821 billion yen, a 41% increase from the year before.

Developing home security systems for all new homes

Amid rising social concern about crime, Sekisui House has introduced home security systems to all its homes. Our system monitors the entire living space and, to help protect our customers and their possessions, we also offer professional consultations about safety and security.

The main feature of the service is to standardize the protection around all entrances and exits, including doors and windows of newly built homes, to improve basic home security. Sekisui House also provides a `protection-plus package`, which offers additional security equipment, secure double-glazing, and other features. We are also offering home security as part of our remodeling service. For town-wide activities we have introduced an advanced system that provides IT, round-the-clock and human surveillance of large scale, built-for-sale projects in *Refre Misaki* at Osaka Prefecture.

Announcement of the development of universal design for homes

In October 2002 we announced that we would begin applying the principle of universal design to every home that we made. Universal design for homes is part of our environmental activities because we believe that creating homes that our customers can live comfortably in for a long period of time will extend the life span of the building. Japanese customers are reluctant to accept housing mass-produced to unified technical standards, so applying this concept of universal design to our homes was not an easy process.

However by utilizing our experience as the leading homebuilder in Japan we have become the first company in the industry to make this possible. Since our founding we have always promoted research into `comfortable homes`. We have improved our system of universal design in homes by utilizing the achievements of our unique human life engineering research, and the experience that comes from building more than 1.6 million homes, including more than 1,500 buildings for challenged people. There are two stages to our universal design system: the first is known as *SH-UD Basic*, which focuses on ease-of-use, safety and security for all everyone. The second, the *SH-UD Challenging*, caters to individuals with special needs.

Promoting universal design - *creating things*

A unique training manual allows our nationwide planning staff to make home design proposals that are all based on the same universal design principles. The unique development standards we have created can be applied to everything in the home, from individual balustrades and door handles through to the entire structure.

Promoting universal design - *creating staff*

Sekisui House has set up training courses for a new company qualification called the *SH-UD Master Planner*. About 250 people in Sekisui House will receive this qualification and be made universal design promoters.

Promoting universal design - *creating places*

Unlike manufactured products, made-to-order homes cannot be checked by customers before they receive the finished product. This can be a source of great concern for new homeowners,and we have found that meeting these concerns has a direct bearing on overall customer satisfaction. We believe that actually experiencing their planned living space is the easiest way for customers to become comfortable with their purchase.

By 2002 we also created Home Amenities Experience Studios at five of our factories and a laboratory in Japan. As well as establishing these exhibition sites, we are expanding our Home Building consulting service to improve customer approval and satisfaction.

Promoting "Bio Gardens"; reducing carbon dioxide levels through reforestation

As part of our housing-related operations we are strengthening our exterior business. A feature of this is the promotion of our unique Bio Garden project. The aim of this project is to improve the environment by creating multiple small-scale natural habitats of trees and other vegetation that can support small bird and animal ecosystems. Our combined flora and fauna approach is unique in Japan, and together with our customers we are implementing this project across the nation. We have increased construction of model gardens and we are now applying our landscaping techniques developed for individual homes to larger-scale apartment blocks and housing complexes. Sekisui House planted 580,000 trees during the year, 5% more than the previous year, for a CO_2 reduction effect of 3,400 tons.

We are also taking measures to reduce air pollution, to limit and more carefully administer any harmful products used in our manufacturing processes, and to reduce waste and increase recycling during building construction and demolition. We have been making contribution to the community, and are engaged in ongoing employee training programs regarding compliance issues and human rights. Details of these and all our other environmental activities during 2002 were announced in Sekisui House`s `ECO WORKS 2003` Environmental Report.

Management's Discussion and Analysis

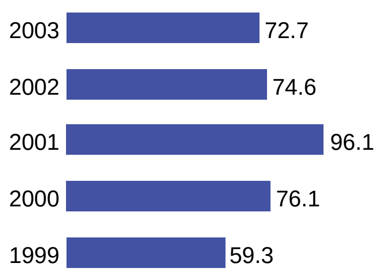
Results of Operations

For the year ended January 31

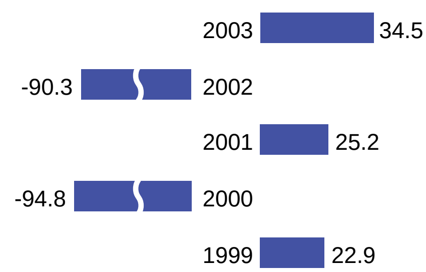
	Millions of yen (percentage change)				
	2003	2002	2001	2000	1999
Net sales..	**¥ 1,300,237 (-0.4)**	1,305,469 (-4.3)	1,364,801 (2.6)	1,330,284 (1.2)	1,314,696 (-9.8)
Cost of sales...................................	**¥ 1,035,976 (0.1)**	1,035,277 (-3.3)	1,071,009 (-0.1)	1,072,196 (0.1)	1,071,408 (-8.8)
Operating income..........................	**¥ 72,737 (-2.5)**	74,625 (-22.3)	96,086 (26.2)	76,138 (28.5)	59,250 (-32.4)
Net income.....................................	**¥ 34,547**	-90,331	25,167	-94,811	22,855 (-42.4)
	Yen (percentage change)				
Net income per share.....................	**¥ 48.71 (-)**	-125.11 (-)	35.03 (-)	-132.65 (-)	31.99 (-42.5)

Net sales
Billions of yen

Operating Income
Billions of yen



Net Income
Billions of yen

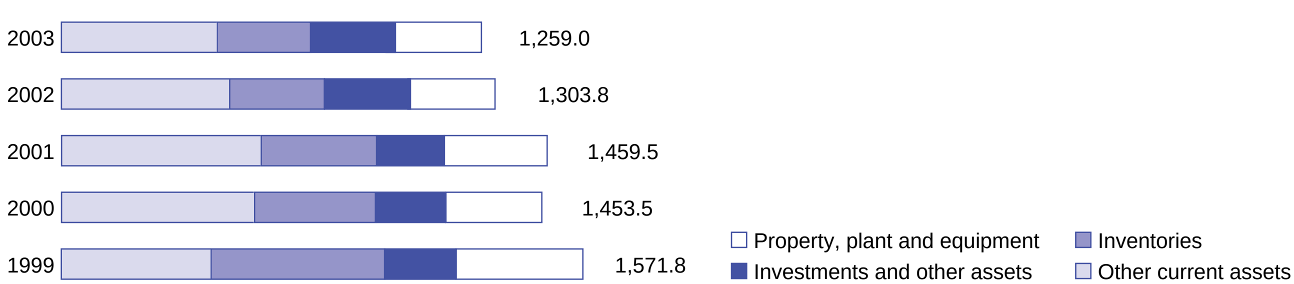


Financial Position

For the year ended January 31

	% of total assets				
	2003	2002	2001	2000	1999
Current assets................................	**60.0**	61.1	65.2	65.1	62.2
Inventories......................................	**23.3**	22.1	24.1	25.2	33.6
Investments and other assets.......	**19.7**	19.9	13.9	14.4	13.5
Property, plant and equipment.......	**20.3**	19.0	20.9	20.5	24.3
Current liabilities............................	**30.8**	29.1	27.1	27.8	26.4
Short-term loans............................	**—**	—	—	2.6	2.3
Long-term liabilities........................	**16.4**	22.3	20.9	22.0	20.7
Long-term debt...............................	**5.6**	12.3	15.6	19.2	18.2
Total shareholders' equity.............	**51.3**	48.0	50.8	49.8	52.6

Total Assets
Billions of yen



Five-year Summary

Sekisui House, Ltd. and Subsidiaries
For the Year ended January 31

	Millions of yen					Thousands of U.S. dollars
	2003	2002	2001	2000	1999	**2003**
Net sales	**¥ 1,300,237**	1,305,469	1,364,801	1,330,284	1,314,696	**$ 10,921,772**
Construction	**¥ 914,594**	981,558	1,081,057	1,088,228	1,072,813	**$ 7,682,436**
Real estate	**¥ 385,643**	323,911	283,744	242,056	241,883	**$ 3,239,336**
Opreationg income	**¥ 72,737**	74,625	96,086	76,138	59,250	**$ 610,979**
Net income	**¥ 34,547**	- 90,331	25,167	- 94,811	22,855	**$ 290,189**
Total assets	**¥ 1,258,980**	1,303,821	1,459,491	1,453,547	1,571,784	**$ 10,575,220**
Shareholders' equity	**¥ 645,702**	626,463	741,216	723,860	826,033	**$ 5,423,788**

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Segment information:			
Built to order housing	**¥ 740,947**	¥ 821,451	**$ 6,223,831**
Real estate for sales	**¥ 190,096**	¥ 185,273	**$ 1,596,774**
Real estate for leasing	**¥ 231,877**	¥ 172,459	**$ 1,947,728**
Other	**¥ 142,671**	¥ 132,432	**$ 1,198,412**

*Please note that from the year beginning February 1, 2002 the Company reclassified its business segments. For the convenience of investors, the Company has provided a reclassification of sales for the years to January 31, 2003 and 2002. For more detailed information on this reclassification, please see 'Segment Information', Note 17 on page 18 of this annual report.

	Yen					U.S. dollars
	2003	2002	2001	2000	1999	**2003**
Amounts per share:						
Net income per share	**¥ 48.71**	- 125.11	35.03	- 132.65	31.99	**$ 0.42**
Diluted	**44.42**	—	31.07	—	27.96	**0.37**
Net assets	**¥ 911.01**	883.16	1,027.71	1,012.78	1,155.74	**$ 7.65**
Dividends	**¥ 18.00**	18.00	20.00	18.00	18.00	**$ 0.15**

Consolidated Balance Sheets

Sekisui House, Ltd. and Subsidiaries
January 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
Assets			
Current assets:			
Cash and cash equivalents (Note 7)	**¥ 187,381**	¥ 229,139	**$ 1,573,969**
Short-term investments (Notes 3 and 7)	**50,680**	14,323	**425,703**
Notes and accounts receivable:			
Affiliates	**—**	209	**—**
Trade	**95,181**	117,878	**799,505**
Other	**21,004**	17,025	**176,430**
Less allowance for doubtful accounts	**(1,715)**	(2,672)	**(14,406)**
	114,470	132,440	**961,529**
Inventories (Note 4)	**293,609**	287,555	**2,466,266**
Deferred income taxes (Note 8)	**99,049**	121,434	**831,995**
Other current assets	**9,722**	10,993	**81,663**
Total current assets	**754,911**	795,884	**6,341,125**
Property, plant and equipment:			
Land (Note 7)	**122,256**	112,671	**1,026,930**
Buildings and structures (Note7)	**193,174**	188,627	**1,622,629**
Machinery and equipment	**81,263**	81,940	**682,595**
Construction in progress	**1,673**	500	**14,053**
	398,366	383,738	**3,346,207**
Less accumulated depreciation	**(142,933)**	(135,822)	**(1,200,613)**
Property, plant and equipment, net	**255,433**	247,916	**2,145,594**
Investments and other assets:			
Long-term loans receivable	**54,385**	65,467	**456,825**
Less allowance for doubtful accounts	**(1,640)**	(1,197)	**(13,776)**
	52,745	64,270	**443,049**
Investments in securities (Notes 3 and 7)	**100,849**	108,548	**847,115**
Investments in affiliates (Note 5)	**160**	6,885	**1,344**
Deferred income taxes (Note 8)	**37,057**	33,584	**311,273**
Other assets	**57,825**	46,734	**485,720**
Total investments and other assets	**248,636**	260,021	**2,088,501**
	¥ 1,258,980	¥ 1,303,821	**$10,575,220**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
Liabilities and shareholders' equity			
Current liabilities:			
Current portion of long-term debt (Note 6)	**¥ 90,001**	¥ 62,604	**$ 755,993**
Notes and accounts payable:			
Trade	**152,180**	189,003	**1,278,287**
Accrued income taxes (Note 8)	**4,903**	2,783	**41,184**
Advances received	**83,660**	79,507	**702,730**
Other current liabilities (Note 7)	**56,393**	45,357	**473,692**
Total current liabilities	**387,137**	379,254	**3,251,886**
Long-term debt, less current portion (Note 6)	**69,999**	160,373	**587,980**
Accrued retirement benefits for employees(Note 11)	**73,377**	78,856	**616,354**
Accrued retirement benefits for directors, corporate auditors and executive officers	**1,465**	1,091	**12,306**
Other liabilities (Note 7)	**61,757**	50,342	**518,748**
Total liabilities	**593,735**	669,916	**4,987,274**
Minority interests	**19,543**	7,442	**164,158**
Contingent liabilities (Note 12)			
Shareholders' equity (Note 9):			
Common stock:			
Authorized: 1,978,281,000 shares			
Issued: 2003 and 2002 - 709,385,078 shares	**186,554**	186,554	**1,567,022**
Additional paid-in capital	**237,523**	237,523	**1,995,153**
Retained earnings (Note 18)	**224,230**	202,616	**1,883,494**
Net unrealized holding (loss) gain on securities	**(1,869)**	83	**(15,699)**
Translation adjustments	**(206)**	(271)	**(1,730)**
Less treasury stock, at cost	**(530)**	(42)	**(4,452)**
Total shareholders' equity	**645,702**	626,463	**5,423,788**

See notes to consolidated financial statements.

	¥ 1,258,980	¥ 1,303,821	**$10,575,220**

Consolidated Statements of Operations

Sekisui House, Ltd. and Subsidiaries
Years ended January 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
Net sales (Note 17)	**¥ 1,300,237**	¥ 1,305,469	**$10,921,772**
Cost of sales	**1,035,976**	1,035,277	**8,702,024**
Gross profit	**264,261**	270,192	**2,219,748**
Selling, general and administrative expenses	**191,524**	195,567	**1,608,769**
Operating income (Note 17)	**72,737**	74,625	**610,979**
Other income (expenses):			
Interest and dividend income	**2,903**	3,455	**24,385**
Interest expense	**(2,431)**	(3,404)	**(20,420)**
Loss on revaluation of real estate held for sale (Note 13)	**(2,179)**	(135,540)	**(18,303)**
Loss on revaluation of securities	**(897)**	(26,261)	**(7,535)**
Amortization of net retirement benefit obligation at transition	**—**	(56,888)	**—**
Other, net	**(4,868)**	(16,157)	**(40,891)**
Income (loss) before income taxes and minority interests	**65,265**	(160,170)	**548,215**
Income taxes (Note 8):			
Current	**6,855**	4,554	**57,581**
Deferred	**22,027**	(70,107)	**185,023**
	28,882	(65,553)	**242,604**
Income (loss) before minority interests	**36,383**	(94,617)	**305,611**
Minority interests in (earnings) losses of subsidiaries	**(1,836)**	4,286	**(15,422)**
Net income (loss)	**¥ 34,547**	¥ (90,331)	**$ 290,189**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders' Equity

Sekisui House, Ltd. and Subsidiaries
Years ended January 31, 2003 and 2002

		Millions of yen					
	Number of shares in issue	Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding (loss) gain on securities	Translation adjustments	Treasury stock
Balance at January 31, 2001	**721,235,443**	**¥186,058**	**¥241,145**	**¥314,576**	**—**	**¥(561)**	**¥(2)**
Decrease in retained earnings resulting from merger of consolidated subsidiaries and affiliates accounted for by the equity method	—	—	—	(6,656)	—	—	—
Net loss for the year	—	—	—	(90,331)	—	—	—
Purchases and retirement of treasury stock	(21,719,000)	—	(21,495)	—	—	—	—
New issue of common stock and increase in additional paid-in capital resulting from merger of consolidated subsidiaries and affiliates accounted for by the equity method	9,861,416	492	17,870	—	—	—	—
Conversion of convertible bonds	7,219	4	3	—	—	—	—
Cash dividends	—	—	—	(14,513)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(460)	—	—	—
Net unrealized holding gain on securities	—	—	—	—	¥83	—	—
Translation adjustments	—	—	—	—	—	290	—
Increase in treasury stock	—	—	—	—	—	—	(40)
Balance at January 31, 2002	**709,385,078**	**¥186,554**	**¥237,523**	**¥202,616**	**¥83**	**¥(271)**	**¥(42)**
Increase in retained earnings resulting from exclusion of subsidiaries	—	—	—	10	—	—	—
Net income for the year	—	—	—	34,547	—	—	—
Cash dividends	—	—	—	(12,767)	—	—	—
Bonuses to directors and corporate auditors	—	—	—	(176)	—	—	—
Net unrealized holding loss on securities	—	—	—	—	(1,952)	—	—
Translation adjustments	—	—	—	—	—	65	—
Increase in treasury stock	—	—	—	—	—	—	(488)
Balance at January 31, 2003	**709,385,078**	**¥186,554**	**¥237,523**	**¥224,230**	**¥(1,869)**	**¥(206)**	**¥(530)**

	Thousands of U.S. dollars (Note 1)					
	Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding (loss) gain on securities	Translation adjustments	Treasury stock
Balance at January 31, 2002	**$1,567,022**	**$1,995,153**	**$1,701,940**	**$ 697**	**$ (2,276)**	**$ (353)**
Increase in retained earnings resulting from exclusion of subsidiaries	—	—	84	—	—	—
Net income for the year	—	—	290,189	—	—	—
Cash dividends	—	—	(107,241)	—	—	—
Bonuses to directors and corporate auditors	—	—	(1,478)	—	—	—
Net unrealized holding loss on securities	—	—	—	(16,396)	—	—
Translation adjustments	—	—	—	—	546	—
Increase in treasury stock	—	—	—	—	—	(4,099)
Balance at January 31, 2003	**$1,567,022**	**$1,995,153**	**$1,883,494**	**$(15,699)**	**$ (1,730)**	**$(4,452)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Sekisui House, Ltd. and Subsidiaries
Years ended January 31, 2003 and 2002

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2003	2002	**2003**
Cash flows from operating activities			
Income (loss) before income taxes and minority interests	**¥ 65,265**	¥(160,170)	**$ 548,215**
Adjustments for:			
Depreciation and amortization	**11,883**	13,085	**99,815**
Provision for retirement benefits	**(7,136)**	48,677	**(59,941)**
Interest and dividend income	**(2,903)**	(3,455)	**(24,385)**
Interest expense	**2,431**	3,404	**20,420**
Loss on revaluation of real estate held for sale	**2,179**	135,540	**18,303**
Loss on revaluation of securities	**897**	26,261	**7,535**
Decrease in notes and accounts receivable	**22,975**	5,941	**192,986**
(Increase) decrease in inventories and advance payments	**(12,717)**	1,052	**(106,821)**
Decrease in notes and accounts payable	**(34,012)**	(21,869)	**(285,695)**
Increase (decrease) in advances received	**601**	(921)	**5,048**
Other	**6,054**	11,311	**50,853**
Subtotal	**55,517**	58,856	**466,333**
Interest and dividends received	**3,131**	3,382	**26,300**
Interest paid	**(2,560)**	(3,371)	**(21,504)**
Income taxes paid	**(4,813)**	(4,675)	**(40,428)**
Net cash provided by operating activities	**51,275**	54,192	**430,701**
Cash flows from investing activities			
Proceeds from sales of short-term investments	**13,264**	62,207	**111,415**
Purchases of short-term investments	**(62,155)**	(52,566)	**(522,091)**
Proceeds from sales of property, plant and equipment	**1,666**	2,107	**13,994**
Purchases of property, plant and equipment	**(7,973)**	(8,799)	**(66,972)**
Proceeds from sales of investments in securities	**12,296**	2,783	**103,284**
Purchases of investments in securities	**(9,080)**	(65,700)	**(76,270)**
Decrease in loans receivable	**11,963**	6,528	**100,487**
Other	**10,989**	(799)	**92,306**
Net cash used in investing activities	**(29,030)**	(54,239)	**(243,847)**
Cash flows from financing activities			
Repayment of long-term debt	**(62,977)**	(55,637)	**(528,996)**
Cash dividends paid	**(12,767)**	(14,513)	**(107,241)**
Purchases of treasury stock	**—**	(21,495)	**—**
Other	**(969)**	(436)	**(8,139)**
Net cash used in financing activities	**(76,713)**	(92,081)	**(644,376)**
Effect of exchange rate changes on cash and cash equivalents	**65**	290	**546**
Net decrease in cash and cash equivalents	**(54,403)**	(91,838)	**(456,976)**
Cash and cash equivalents at beginning of the year	**229,139**	311,022	**1,924,729**
Increase in cash and cash equivalents resulting from initial consolidation of subsidiaries	**12,645**	—	**106,216**
Increase in cash and cash equivalents resulting from merger of affiliates accounted for by the equity method	**—**	9,955	**—**
Cash and cash equivalents at end of the year	**¥ 187,381**	¥ 229,139	**$ 1,573,969**
Supplemental schedule of noncash financing activities			
Conversion of convertible bonds	**—**	¥ 7	**—**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Sekisui House, Ltd. and Subsidiaries
January 31, 2003 and 2002

1. Basis of Presentation of Consolidated Financial Statements

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

The accompanying consolidated financial statements have been prepared by the Company as required by the Securities and Exchange Law of Japan.

In addition, the notes to the consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Certain reclassifications of previously reported amounts have been made to the financial statements for year ended January 31, 2002 to conform these to the 2003 presentation. These reclassifications had no effect on consolidated net income or shareholders' equity.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader and was made at ¥119.05 = U.S.$1.00, the approximate rate of exchange in effect on January 31, 2003. This translation should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollar amounts at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all its subsidiaries (the 'Group') based on the control or influence concept.

All significant intercompany transactions and accounts have been eliminated in consolidation.

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

The difference between the cost of investments in subsidiaries and affiliates and the Company's equity in their net assets at their respective dates of acquisition is being amortized over a period of five years.

(b) Foreign currency translation

Monetary assets and liabilities denominated in foreign currencies are translated into yen at the rate of exchange in effect at the balance sheet date. Revenues and expenses are translated at the rates of exchange prevailing when such transactions are recorded.

The financial statements of the foreign subsidiary are translated into yen at the rate of exchange in effect at the balance sheet date except that the components of shareholders' equity are translated at their historical exchange rates. Differences resulting from translating the financial statements of the foreign subsidiary have not been included in the determination of net income (loss), but are presented as translation adjustments in the consolidated balance sheets.

Effective February 1, 2001, the Group adopted "Accounting Standard for Foreign Currency Translation" which was issued by the Business Accounting Deliberation Council of Japan. Under this method, all monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except that receivables and payables hedged by qualified forward foreign exchange contract are translated at the corresponding forward exchange contract rates. Gain or loss on each translation is credited or charged to income.

The effect of the adoption of this standard on the consolidated financial statements for the year ended January 31, 2002 was immaterial.

(c) Cash and cash equivalents

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

(d) Short-term investments and investments in securities

Through January 31, 2001, marketable securities, which included short-term investments and investments in securities, were stated at the lower of cost or market. Other investments, except for those accounted for by the equity method, were carried at cost determined by the moving average method.

Effective February 1, 2001, the Group adopted "Accounting Standard for Financial Instruments" issued by the Business Accounting Deliberation Council of Japan. The new standard requires that securities be classified into three categories: trading securities, held-to-maturity debt securities and other securities.

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

Under the Commercial Code of Japan, unrealized holding gain on other securities, net of the related the taxes is not available for distribution as dividends or as bonuses to directors and corporate auditors.

As of February 1, 2001, the Group assessed their intent in holding marketable securities and investments in securities, classified their securities as "held-to-maturity debt securities" and "other securities," and accounted for the securities at January 31, 2002 in accordance with the standard referred to above. As a result, marketable securities of ¥3,827 million, which had been included in marketable securities at January 31, 2001, were reclassified to investments in securities. The effect of the adoption of the new standard was to increase loss before income taxes and minority interests, and net loss for the year ended January 31, 2002 by ¥413 million and by ¥60 million, respectively.

(e) Inventories
The individual cost method is applied to land held for sale, construction for sale and contracts in process.
Other inventories are stated at cost determined by the moving average method.

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

(g) Leases
Finance leases other than those that are 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.

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

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

(j) Accrued retirement benefits
Employees of the Company and certain of its subsidiaries are covered by an employees' retirement allowances plan and an employees' pension plan. The employees' retirement allowances plan provides for a lump-sum payment determined by reference to the rate of pay, length of service and conditions under which the termination occurs. The employees' pension plan, which is a funded defined plan, covers approximately 75% of the benefits under the retirement allowances plan for employees retiring after twenty or more years of service.
Effective February 1, 2001, the Company and the domestic subsidiaries adopted "Accounting Standard for Retirement Benefits" issued by the Business Accounting Deliberation Council of Japan. In accordance with the new standard, accrued retirement benefits was provided based on the amount of the projected benefit obligation reduced by the pension plan assets at fair value at the end of the year. The net retirement benefit obligation at transition of ¥56,888 million was fully charged to income for the year ended January 31, 2002.
The effect of the adoption of this standard for retirement benefits was to increase loss before income taxes and minority interests, and net loss for the year ended January 31, 2002 by ¥47,789 million and by ¥27,861 million,respectively.
Actuarial gain and loss are amortized in the year following the year in which the gain or loss is recognized, principally by the straight-line method over 5 years, which is within the estimated average remaining years of service of the eligible employees.
Prior service cost is amortized by the straight-line method over 5 years, which is within the estimated average remaining years of service of the eligible employees.
For the year ended January 31, 2003, prior service cost has been incurred since the pension plan of the Company and certain subsidiaries was amended in accordance with an amendment to the Employees' Pension Insurance Law.
Directors, corporate auditors and executive officers are customarily entitled to lump-sum payments under an unfunded retirement allowances plan. The provision for retirement allowances for these officers has been made at an estimated amount based on the Company's internal regulations.

(k) Research and development expenditures and computer software
Research and development expenditures are charged to income as incurred.
Expenditures relating to computer software developed for internal use are charged to income when incurred, except if it has been determined that the software will contribute to the future generation of income or cost savings. Such expenditures are capitalized as assets and amortized by the straight-line method over 5 years.

(l) Accounting for warranty expenses
The Company provides after sales service for twenty years against structural defects on detached houses and low-rise apartment buildings as well as a ten-year warranty under the "Housing Quality Assurance Act" except for buildings other than houses.
Expenses in connection with repair services or warranties are charged to manufacturing overhead as incurred and have no material effect on net income (loss).

3. Short -Term Investments and Investments in Securities

Held-to-maturity debt securities and other securities at January 31, 2003 and 2002 were as follows:

	Millions of yen							
	Held-to-maturity debt securities							
	2003				2002			
	Book value	Gross unrealized gain	Gross unrealized loss	Estimated fair value	Book value	Gross unrealized gain	Gross unrealized loss	Estimated fair value
Market value determinable:								
Bonds	**¥52,046**	**¥10**	**¥(10)**	**¥52,046**	¥2,334	¥7	¥(11)	¥2,330
	¥52,046	**¥10**	**¥(10)**	**¥52,046**	¥2,334	¥7	¥(11)	¥2,330
Market value not determinable:								
Bonds	**¥ 2,500**	–	–	–	¥12,032	–	–	–
	¥ 2,500	–	–	–	¥12,032	–	–	–
Total	**¥54,546**	–	–	–	¥14,366	–	–	–

	Thousands of U.S. dollars			
	Held-to-maturity debt securities			
	2003			
	Book value	Gross unrealized gain	Gross unrealized loss	Estimated fair value
Market value determinable:				
Bonds	**$437,178**	**$84**	**$(84)**	**$437,178**
	$437,178	**$84**	**$(84)**	**$437,178**
Market value not determinable:				
Bonds	**$ 20,999**	–	–	–
	$ 20,999	–	–	–
Total	**$458,177**	–	–	–

	Millions of yen							
	Other securities							
	2003				2002			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value [estimated fair value]	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value [estimated fair value]
Market value determinable:								
Equity securities	**¥30,609**	**¥1,124**	**¥(6,877)**	**¥24,856**	¥31,502	¥2,067	¥ (951)	¥32,618
Bonds	**52,596**	**2,485**	**(0)**	**55,081**	52,938	—	(1,028)	51,910
	¥83,205	**¥3,609**	**¥(6,877)**	**¥79,937**	¥84,440	¥2,067	¥(1,979)	¥84,528
Market value not determinable:								
Equity securities	**¥11,025**	—	—	—	¥10,472	—	—	—
Other	**6,000**	—	—	—	13,505	—	—	—
	¥17,025	—	—	—	¥23,977	—	—	—
Total	**¥100,230**	—	—	—	¥108,417	—	—	—

	Thousands of U.S. dollars			
	Other securities			
	2003			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Market value determinable:				
Equity securities	**$257,110**	**$ 9,442**	**$(57,766)**	**$208,786**
Bonds	**441,798**	**20,873**	**(0)**	**462,671**
	$698,908	**$30,315**	**$(57,766)**	**$671,457**
Market value not determinable:				
Equity securities	**$ 92,608**	—	—	—
Other	**50,399**	—	—	—
	$143,007	—	—	—
Total	**$841,915**	—	—	—

4. Inventories

Inventories at January 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Land held for sale, including land held for development	**¥198,066**	¥189,807	**$1,663,721**
Construction for sale, including projects under construction	**32,685**	36,381	**274,548**
Contracts in process	**58,757**	57,512	**493,549**
Other	**4,101**	3,855	**34,448**
	¥293,609	¥287,555	**$2,466,266**

5. Investments in Affiliates

Investments in affiliates at January 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Investments in capital stock, at cost	**¥ 119**	¥ 2,111	**$ 1,000**
Equity in undistributed earnings since acquisition, net	**41**	4,774	**344**
	¥ 160	¥ 6,885	**$ 1,344**

6. Long-Term Debt

Long-term debt less the current portion at January 31, 2003 and 2002 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Manufacturing industries, insurance companies and others	**¥ 29,999**	¥ 30,374	**$ 251,988**
Notes	**40,000**	40,000	**335,992**
Convertible bonds	—	89,999	—
	¥ 69,999	¥160,373	**$ 587,980**

A breakdown of selected items from the above table of long-term debt is as follows:

(1) Loans from manufacturing industries, insurance companies and others at January 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
2.18% to 2.19% unsecured loans from insurance companies, due 2004	**¥ 20,000**	¥ 20,000	**$ 167,997**
1.4% unsecured loan from an agricultural financing institution, due 2002	—	500	—
0% to 6.0% unsecured loans from manufacturing industries and others, due 2003 - 2007	**10,001**	10,378	**84,007**
	30,001	30,878	**252,004**
Less current portion	**(2)**	(504)	**(16)**
	¥ 29,999	¥ 30,374	**$ 251,988**

(2) Notes

Notes outstanding at January 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
2.4% yen unsecured notes, due 2005	**¥ 10,000**	¥ 10,000	**$ 83,998**
1.92% yen unsecured notes, due 2005	**10,000**	10,000	**83,998**
1.76% yen unsecured notes, due 2004	**10,000**	10,000	**83,998**
1.79% yen unsecured notes, due 2005	**10,000**	10,000	**83,998**
	¥ 40,000	¥ 40,000	**$ 335,992**

(3) Convertible bonds

Convertible bonds outstanding at January 31, 2003 and 2002 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
1.7% unsecured bonds of ¥50,000,000,000, due 2002	—	¥ 49,280	—
1.6% unsecured bonds of ¥30,000,000,000, due 2003	—	12,820	—
0.9% unsecured bonds of ¥50,000,000,000, due 2003	**¥ 39,999**	39,999	**$ 335,985**
0.3% unsecured bonds of ¥50,000,000,000, due 2003	**50,000**	50,000	**419,992**
	89,999	152,099	**755,977**
Less current portion	**(89,999)**	(62,100)	**(755,977)**
	—	¥ 89,999	—

The conversion prices and periods of the convertible bonds at January 31, 2003 were as follows:

	Conversion price per share	Conversion period up to
0.9% unsecured bonds of ¥50,000,000,000, due 2003	¥1,507.00	July 30, 2003
0.3% unsecured bonds of ¥50,000,000,000, due 2003	1,312.00	July 30, 2003

The total number of shares issuable upon conversion of all outstanding convertible bonds as of January 31, 2003 was 64,651,892 shares.
The conversion prices are subject to adjustment under certain circumstances including stock splits.

The aggregate annual maturities of long-term debt subsequent to January 31, 2003 are summarized as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2004	¥ 90,001	$ 755,993
2005	30,001	252,003
2006	30,001	252,003
2007	9,997	83,974
2008	0	0
	¥160,000	$1,343,973

7. Mortgaged and Pledged Assets

The following assets, shown at net book value at January 31, 2003 and 2002, were either mortgaged or pledged for guarantees of bank loans of third parties and long-term deposits received and other, and totaled ¥5,663 million ($47,568 thousand) and ¥8,686 million, respectively.

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Cash equivalents	—	¥ 2,600	—
Land	¥ 27,468	27,516	$ 230,727
Buildings	768	866	6,451
Short-term investments and investments in securities	—	280	—
	¥ 28,236	¥ 31,262	$ 237,178

8. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income which, in the aggregate, resulted in a statutory tax rate of approximately 41.7% for the years ended January 31, 2003 and 2002. The foreign subsidiary is subject to the income taxes of the country in which it operates.
The effective tax rates reflected in the consolidated statements of operations for the years ended January 31, 2003 and 2002 differ from the above statutory tax rate for the following reasons:

	2003	2002
Statutory tax rate	41.7%	41.7%
Entertainment expenses not deductible	2.0	(2.2)
Dividend income not taxable	(0.7)	0.8
Inhabitants' per capita taxes	0.8	(0.3)
Other	0.5	0.9
Effective tax rates	44.3%	40.9%

The significant components of the Group's deferred tax assets at January 31, 2003 and 2002 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Loss on revaluation of real estate held for sale	¥ 78,708	¥100,455	$661,134
Tax loss carryforwards	12,538	16,623	105,317
Accrued enterprise tax	377	201	3,167
Retirement benefits	27,049	29,242	227,207
Allowance for doubtful accounts	874	1,227	7,341
Accrued bonuses	5,550	371	46,619
Other	11,010	6,899	92,483
	¥ 136,106	¥155,018	$1,143,268

On March 31, 2003, Cabinet Order No.9 entitled "Reform of a Portion of Local Tax Law" was issued and this reform will apply to fiscal years beginning after April 1, 2004. As a result of this reform, the statutory income tax rate to be used for the calculation of deferred income taxes concerning temporary differences which are expected to be realized or settled after February 1, 2005 will be changed. The effect of this change in rate would have been to decrease income before minority interests and net income by ¥2,234 million ($18,765 thousand) and ¥2,174 million ($18,261 thousand), respectively, for the year ended January 31, 2003 if deferred income taxes had been recalculated based on the revised statutory income tax rate. However, these effects have not been reflected in the consolidated balance sheet or statement of operations for the year ended January 31, 2003 since adoption of this tax reform will not take effect until after January 31, 2003, the most recent consolidated balance sheet date. The actual results will differ from the effects calculated above, since deferred income taxes will be calculated based on the temporary differences outstanding at January 31, 2004.

9. Shareholders' Equity

The commercial Code of Japan (the 'Code') provides that an amount equivalent to at least 10% of all cash appropriations of retained earnings be appropriated to the legal reserve until the sum of the legal reserve and additional paid-in capital equals 25% of common stock. The legal reserve is not available for dividends but may be used to eliminate or reduce a deficit by approval of the shareholders or may be transferred to common stock by resolution of the Board of Directors. The Code also stipulates that, to the extent that the sum of the additional paid - in capital and the legal reserve exceeds 25% of the common stock account, the amount of any such excess is available for appropriation by resolution of the shareholders. Retained earnings include the legal reserve provided in accordance with the provisions of the Code.
The Company's legal reserve included in retained earnings at January 31, 2003 and 2002 amounted to ¥23,129 million ($194,280 thousand) and ¥23,129 million, respectively.
Under the Code, upon the issuance and sale of new shares of common stock, the entire amount of the issue price is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the issue price of the new shares as additional paid-in capital.
Interim cash dividends may be declared and paid subject to a resolution of the Board of Directors. The Commercial Code imposes a limit on the amount which may be paid as interim dividends. An interim dividend of ¥9.0 ($0.08) per share totaling ¥6,383 million ($53,616 thousand) was paid on September 30, 2002.
In October 2001, the Company repurchased 21,719 thousand shares of its own common stock for ¥21,495 million and retired these shares. As a result, the number of authorized shares decreased by 21,719 thousand.

10. Research and Development Costs

Research and development costs charged to income amounted to ¥5,523 million ($46,392 thousand) and ¥7,553 million for the years ended January 31, 2003 and 2002, respectively.

11. Accrued Retirement Benefits

The following table sets forth the funded and accrued status of the plans, and the amounts recognized in the consolidated balance sheets at January 31, 2003 and 2002 for the Group's defined benefit plans:

	Millions of yen		Thousands of U.S. dollars
	2003	2002	2003
Retirement benefit obligation at end of year	¥(249,090)	¥(239,600)	$(2,092,314)
Fair value of plan assets at end of year	148,148	141,864	1,244,418
Unfunded retirement benefit obligation	(100,942)	(97,736)	(847,896)
Unrecognized actuarial loss	34,058	18,884	286,081
Unrecognized past service cost	(6,487)	—	(54,489)
Net retirement benefit obligation	(73,371)	(78,852)	(616,304)
Prepaid pension cost	6	4	50
Accrued retirement benefits	¥ (73,377)	¥ (78,856)	$ (616,354)

The components of net retirement benefit expenses for the years ended January 31, 2003 and 2002 were as follows:.

	Millions of yen		Thousands of U.S. dollars
	2003	2002	**2003**
Service cost	**¥ 11,527**	¥ 11,680	**$ 96,825**
Interest cost	**6,490**	6,140	**54,515**
Expected return on plan assets	**(5,641)**	(5,316)	**(47,383)**
Amortization:			
Actuarial loss	**3,849**	–	**32,331**
Past service cost	**(1,622)**	–	**(13,625)**
Net retirement benefit obligation at transition	**–**	56,888	**–**
Retirement benefit expenses	**¥ 14,603**	¥ 69,392	**$ 122,663**

The assumptions used in accounting for the defined benefit plans for the years ended January 31, 2003 and 2002 were as follows:

	2003	2002
Discount rate	**2.8%**	2.8%
Expected rate of return on plan assets	**4.0%**	4.0%

12. Contingent Liabilities

The Group had the following contingent liabilities at January 31, 2003:

	Millions of yen	Thousands of U.S. dollars
Guarantees of housing loans to customers	**¥61,498**	**$516,573**
Guarantees of bank loans of third parties and other	**2,529**	**21,243**
	¥64,027	**$537,816**

13. Loss on Revaluation of Real Estate Held for Sale

Real estate held for sale at January 31, 2003 and 2002, the market value of which has declined significantly from its carrying value, has been written down to its fair market value.

14. Leases

The following pro forma amounts present the acquisition costs and accumulated depreciation of property leased to the Group at January 31, 2003 and 2002, which would have been reflected in the consolidated balance sheets if finance leases other than those which transfer the ownership of the leased property (currently accounted for as operating leases) were capitalized.

	Millions of yen					
	2003			2002		
	Acquisition costs	Accumulated depreciation	Net leased property	Acquisition costs	Accumulated depreciation	Net leased property
Buildings and structures	**¥ 36,681**	**¥ 19,422**	**¥ 17,259**	¥ 40,107	¥ 20,144	¥ 19,963
Machinery and equipment	**8,646**	**6,080**	**2,566**	9,643	6,024	3,619
Other	**3,422**	**2,075**	**1,347**	3,797	2,007	1,790
	¥ 48,749	**¥ 27,577**	**¥ 21,172**	¥ 53,547	¥ 28,175	¥ 25,372

	Thousands of U.S. dollars		
	2003		
	Acquisition costs	Accumulated depreciation	Net leased property
Buildings and structures	**$308,114**	**$163,141**	**$144,973**
Machinery and equipment	**72,625**	**51,071**	**21,554**
Other	**28,744**	**17,430**	**11,314**
	$409,483	**$231,642**	**$177,841**

Lease payments relating to finance leases other than those which transfer the ownership of the leased property amounted to ¥9,561 million ($80,311 thousand) and ¥ 9,103 million for the years ended January 31, 2003 and 2002, respectively.

Future minimum lease payments (including the interest portion thereon) subsequent to January 31, 2003 for finance leases other than those which transfer the ownership of the leased property were as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2004	¥ 7,876	$ 66,157
2005 and thereafter	14,767	124,040
	¥ 22,643	$ 190,197

15. Derivatives and Hedging Activities

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

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

In accordance with the new accounting standard for financial instruments which became effective February 1, 2001, derivatives positions are carried at fair value with any changes in unrealized gain or loss charged or credited to operations, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability.

At January 31, 2003 and 2002, the outstanding interest rate swap positions were as follows:

	Millions of yen			
	2003		2002	
	Notional amount	Unrealized gain	Notional amount	Unrealized gain
Interest-rate swap agreements:				
Fixed-rate into variable-rate obligations	**¥ 15,000**	**¥ 383**	¥ 15,000	¥ 550
Variable-rate into fixed-rate obligations	**¥ 15,000**	**¥ (5)**	¥ 15,000	¥ 410

	Thousands of U.S. dollars	
	2003	
	Notional amount	Unrealized gain
Interest-rate swap agreements:		
Fixed-rate into variable-rate obligations	**$125,997**	**$3,217**
Variable-rate into fixed-rate obligations	**$125,997**	**$ (42)**

16. Amounts per Share

	yen		U.S. dollars
	2003	2002	**2003**
Net income(loss):			
Basic	**¥ 48.71**	¥ (125.11)	**$ 0.41**
Diluted	**44.42**	—	**0.37**
Net assets	**911.01**	883.16	**7.65**
Cash dividends	**18.00**	18.00	**0.15**

The computation of basic net income (loss) per share is based on the weighted average number of shares of common stock outstanding during each year. The average number of shares used in the computation was 709,184 thousand and 722,037 thousand for the years ended January 31 2003 and 2002, respectively. Diluted net income per share is computed based on the weighted average number of shares of common stock outstanding each year after giving effect to the dilutive potential of the common stock to be issued upon the conversion of convertible bonds. No diluted net loss per share for the year ended January 31, 2002 has been presented because a net loss was recorded. Net assets per share are based on the number of shares of common stock outstanding at the year end.

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

17. Segment Information

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

Change in method of business classification

Through January 31, 2002, the Group classified its business segments into "Construction" and "Real estate" based on the standard industry classification in Japan. Effective February 1, 2002, the Group reclassified its business segments into "Built to order housing," "Real estate for sale," "Real estate for leasing" and "Other" considering the nature of each business, their similarity in nature and their relationship to the corporate business model. In addition, certain of the housing contracts on the land were sold on the assumption that the construction classified as built to order housing (formerly known as Construction) would subsequently be changed to real estate for sale.

This change was made in order to identify the profit units more precisely, and to present the business situation of the Group more appropriately. The effect of this change was to decrease sales of built to order housing by ¥36,954 million ($310,407 thousand) and operating income by ¥5,164 million ($43,377 thousand), and to increase sales and operating income of real estate for sale by the same amount which would have been recorded under the method applied in the previous year.

These segments are primarily engaged in the following business. In the built to order housing segment, the Company prefabricates, builds to order and sells steel frame, wood frame, and concrete houses and low-rise apartment buildings on land owned by the customers. The real estate for sale segment includes sales of land, built-for-sale houses, and also the portion of built to order sales where Sekisui House also sold the land, and sales of condominiums. In the real estate for leasing segment, the Company leases, subleases and manages detached houses, low-rise apartment buildings,condominiums, commercial buildings, shops, and so forth. Other business is involved in contracts for the design of condominiums and commercial buildings, the construction and remodeling of houses, and landscape and garden design and construction.

The business segment information of the Company and its consolidated subsidiaries for the years ended January 31, 2003 and 2002 is outlined as follows:

	Millions of yen						
	2003						
	Built to order housing	Real estate for sale	Real estate for leasing	Other	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 739,685	¥ 189,800	¥ 230,456	¥ 140,296	¥1,300,237	—	¥1,300,237
Inter-group sales and transfers	1,262	296	1,421	2,375	5,354	¥ (5,354)	—
Total sales	740,947	190,096	231,877	142,671	1,305,591	(5,354)	1,300,237
Operating expenses	655,926	184,830	222,109	140,975	1,203,840	23,660	1,227,500
Operating income	¥ 85,021	¥ 5,266	¥ 9,768	¥ 1,696	¥ 101,751	¥ (29,014)	¥ 72,737
Assets	¥ 228,590	¥ 328,482	¥ 267,758	¥ 31,083	¥ 855,913	¥ 403,067	¥1,258,980
Depreciation and amortization	¥ 5,456	¥ 455	¥ 3,611	¥ 381	¥ 9,903	¥ 1,980	¥ 11,883
Capital expenditures	¥ 5,114	¥ 54	¥ 13,279	¥ 193	¥ 18,640	¥ 662	¥ 19,302

	Millions of yen						
	2002						
	Built to order housing	Real estate for sale	Real estate for leasing	Other	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 820,726	¥ 185,273	¥ 171,013	¥ 128,457	¥1,305,469	—	¥1,305,469
Inter-group sales and transfers	725	—	1,446	3,975	6,146	¥ (6,146)	—
Total sales	821,451	185,273	172,459	132,432	1,311,615	(6,146)	1,305,469
Operating expenses	725,495	185,190	166,233	130,587	1,207,505	23,339	1,230,844
Operating income	¥ 95,956	¥ 83	¥ 6,226	¥ 1,845	¥ 104,110	¥ (29,485)	¥ 74,625
Assets	¥ 236,346	¥ 350,515	¥ 233,523	¥ 37,498	¥ 857,882	¥ 445,939	¥1,303,821
Depreciation and amortization	¥ 6,025	¥ 502	¥ 4,209	¥ 342	¥ 11,078	¥ 2,007	¥ 13,085
Capital expenditures	¥ 10,204	¥ 102	¥ 3,355	¥ 132	¥ 13,793	¥ 2,210	¥ 16,003

Certain adjustments to the previously reported pro forma amounts have been made to conform the 2002 amounts to the 2003 presentation.

	Thousands of U.S. dollars						
	2003						
	Built to order housing	Real estate for sale	Real estate for leasing	Other	Total	Eliminations and other	Consolidated
Sales to third parties	$ 6,213,230	$ 1,594,288	$ 1,935,792	$ 1,178,462	$10,921,772	—	$10,921,772
Inter-group sales and transfers	10,601	2,486	11,936	19,950	44,973	$ (44,973)	—
Total sales	6,223,831	1,596,774	1,947,728	1,198,412	10,966,745	(44,973)	10,921,772
Operating expenses	5,509,668	1,552,541	1,865,678	1,184,166	10,112,053	198,740	10,310,793
Operating income	$ 714,163	$ 44,233	$ 82,050	$ 14,246	$ 854,692	$ (243,713)	$ 610,979
Assets	$ 1,920,117	$ 2,759,194	$ 2,249,122	$ 261,092	$ 7,189,525	$ 3,385,695	$10,575,220
Depreciation and amortization	$ 45,829	$ 3,822	$ 30,332	$ 3,200	$ 83,183	$ 16,632	$ 99,815
Capital expenditures	$ 42,957	$ 454	$ 111,541	$ 1,621	$ 156,573	$ 5,561	$ 162,134

The following is the segment information for the year ended January 31,2002 based on the previous business segmentation.

	Millions of yen				
	2003				
	Construction	Real estate	Total	Eliminations and other	Consolidated
Sales to third parties	¥ 981,558	¥ 323,911	¥ 1,305,469	—	¥ 1,305,469
Inter-group sales and transfers	940	—	940	¥ (940)	—
Total sales	982,498	323,911	1,306,409	(940)	1,305,469
Operating expenses	880,948	324,923	1,205,871	24,973	1,230,844
Operating income (loss)	¥ 101,550	¥ (1,012)	¥ 100,538	¥ (25,913)	¥ 74,625
Assets	¥ 288,404	¥ 569,477	¥ 857,881	¥ 445,940	¥ 1,303,821
Depreciation and amortization	¥ 6,663	¥ 4,415	¥ 11,078	¥ 2,007	¥ 13,085
Capital expenditures	¥ 10,387	¥ 3,406	¥ 13,793	¥ 2,210	¥ 16,003

As mentioned in Note 2(j), the Group adopted "Accounting Standard for Retirement Benefits" issued by the Business Accounting Deliberation Council of Japan. The effect of this adoption was to increase operating expenses in the construction segment by ¥821 million and to decrease operating expenses in the real estate segment by ¥19 million for the year ended January 31, 2002 compared with the amounts which would have been recorded under the method applied in the previous year.
As more than 90% of the consolidated net sales for the years ended January 31, 2003 and 2002 were made in Japan, the disclosure of geographical segment information and overseas sales information has been omitted.

18. Subsequent Event

The following appropriations of retained earnings of the Company, which have not been reflected in the accompanying consolidated financial statements for the year ended January 31, 2003, were approved at a shareholders' meeting held on April 25, 2003:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends of ¥9.0 ($0.08) per share	¥6,379	$53,583

Report of Independent Certified Public Accountants

The Board of Directors
Sekisui House, Ltd.

We have audited the consolidated balance sheets of Sekisui House, Ltd. and subsidiaries as of January 31, 2003 and 2002, and the related consolidated statements of operations, shareholders' equity, and cash flows for the years then ended, all expressed in yen. Our audits were made in accordance with auditing standards, procedures and practices generally accepted and applied in Japan and, accordingly, included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the accompanying consolidated financial statements, expressed in yen, present fairly the financial position of Sekisui House, Ltd. and subsidiaries at January 31, 2003 and 2002, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles and practices generally accepted in Japan consistently applied during the period except for the change, with which we concur, in the method of presentation of segment information as described in Note 17.

As described in Note 2, Sekisui House, Ltd. and subsidiaries adopted new accounting standards for foreign currency translation, financial instruments, and employees' retirement benefits effective February 1, 2001 in the preparation of their consolidated financial statements.

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

April 25, 2003

Shin Nihon & Co.

Shin Nihon & Co
Certified Public Accountants

See Note 1 which explains the basis of preparation of the consolidated financial statements of Sekisui House, Ltd. under Japanese accounting principles and practices.

Corporate Data (As of April 30, 2003)

Corporate Officers

Chairman & Representative Director
Isao Okui

President & Representative Director
Isami Wada

Executive Vice President & Director
Hideyuki Tonomura

Directors
Shichiro Iwane
Hiroshi Itawaki
Akira Morimoto
Tadashi Iwasaki
Chojiro Yamamoto
Yasuaki Yamamoto
Sumio Wada
Saburo Matsuyoshi

Standing Corporate Auditors
Mikio Yamada
Kenji Kondo

Corporate Auditors
Takaharu Dohi
Yoshiharu Takahashi

Executive Vice President & Officer
Hideyuki Tonomura

Senior Managing Executive Officers
Shichiro Iwane
Hiroshi Itawaki

Managing Executive Officers
Akira Morimoto
Tadashi Iwasaki
Chojiro Yamamoto
Sumio Wada
Saburo Matsuyoshi
Yoshiro Kubota
Tetsuhiro Kamae
Kunitada Suzuki
Masanori Noritomi
Masahiko Watanabe
Yuzo Matsumoto
Kenichi Moriuchi

Executive Officers
Kazuo Yoshimitsu
Kazuhisa Ami
Kenji Shimotsu
Yoshinori Takaoka
Junichi Terada
Fumiaki Hirabayashi
Yoshimasa Konishi
Toshiharu Arakawa
Shiro Inagaki

OUTLINE OF THE COMPANY

Established
August 1, 1960

Capital Stock Issued
¥186,554,196,729

Employees
15,222

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Facsimile: 81-6-6440-3331

Factories
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Laboratory
Kyoto

Overseas Subsidiaries
SEKISUI DEUTSCHLAND BAU GmbH

Domestic Subsidiaries and Affiliates
Sekiwa Real Estate Tohoku, Ltd.
Sekiwa Real Estate, Ltd.
Sekiwa Real Estate, Chubu, Ltd.
Sekiwa Real Estate, Kansai, Ltd.
Sekiwa Real Estate, Chugoku, Ltd.
Sekiwa Real Estate, Kyushu, Ltd.
Kobe Rokko Island Co., Ltd.
Nishinomiya Marina City Development Co., Ltd.
Sekisui House Umeda Operation Co., Ltd.
SGM Operation Co., Ltd and 86 other subsidiaries and 2 affiliates.

Stock Listing
Tokyo Stock Exchange
Osaka Securities Exchange
Nagoya Stock Exchange
Frankfurt Stock Exchange
(Global Bearer Certificate)
Euronext Amsterdam

American Depositary Receipts
Depositary:
The Bank of New York

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