

SEKISUI HOUSE, LTD.

TOWER EAST, UMEDA SKY BUILDING
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NON-CONSOLIDATED

SEMI-ANNUAL FINANCIAL STATEMENTS

February-July 2000



SEKISUI HOUSE

To Our Shareholders

The housing market was inactive as a whole in the first half of our fiscal 2000 (ending January 31, 2001). There was an increase in supply of condominiums and other for-sale housing thanks to continuing low interest rates and the tax reduction measures, but as a whole Japan's new housing starts shrunk in the period under review from the comparable period of fiscal 1999. The drop in housing starts can be attributed to the poor showing of both owner-occupied and rental houses, mirroring the uncertain outlook of economy with no recovery seen in the employment market.

To have a greater edge in the market we, at Sekisui House, continued to improve the quality of our houses while continuing our efforts to cut costs. Starting in our fiscal 2000, we have incorporated heat-insulating windows into all our detached houses as a standard item. In an attempt to give our homebuyers maximum satisfaction and prepare for forthcoming quality society we have extended our warranty period to 20 years for contracts signed after April 1, 2000, and extended and strengthened the network of both our customer service and remodeling centers. New models we marketed for the first half include "CENTRAGE GALLERY", a two-story, deluxe, next-generation energy-conservation type put on the market in March, "GRANVERIE G3", a three-story high-class rental house, and "DYNES VALUE", a two-story high-grade model and "SHELTEQ VALUE", a three-story high-grade model, both priced lower but maintaining good quality with limited availability offered in floor plans, construction methods and housing components, specially marketed in commemoration of the 40th anniversary of our founding, and "M' Natura Plus", a wooden-frame house featuring merits of wood put on the market in July.

Our efforts failed to see deserved fruits on the sluggish market that was continuing from last year. Orders we received in the period in question decreased 9.6% from the same period last year to ¥586,572million. Our net sales totaled to ¥613,230 million, up a slight 1.5%. Our operating income

increased 59.4% to ¥48,229 million thanks to cost cuts in construction and profits generated from the for-sale realty category that was in the red in the previous period. We incurred a loss of ¥6,326 million from devaluation of the stocks we had at the end of the first half. And we have made a change in the rate of reserve for retirement allowance starting in our current fiscal year and reckoned up a special loss of ¥16,428 million to make up for the past shortfall. Due chiefly to this, our interim net income decreased 8.3% to ¥13,660 million.

Now we can feel a faint sign of economic recovery, to be sure, but Japan is still suffering a lot from aftereffects of the burst of the bubble economy. The economy will still falter to and fro, and the housing market will continue to suffer a slow and harsh market. We, at Sekisui House, will, however, continue our effort to maximize our homebuyers' satisfaction, as this is one of the basics of business, and will do whatever else we can to be stronger.

At the July-25 board meeting we decided on absorbing Sekisui House Hokuriku, Ltd., Sekisui House Shikoku, Ltd., Sekisui House Yamanashi, Ltd., and Sekisui House Sanin, Ltd. effective February 1, 2001. These companies have been selling and constructing our houses in their territories. This merger will enable us, both in name and reality, to sell Sekisui houses directly to customers across the country except Okinawa. It could also enable us to allocate our managerial resources efficiently and effectively. We could increase our sales and market share in the regions we are taking over. Your continued support will be much appreciated.

An interim dividend of ¥9 per share will be paid for the first half under review, the same amount as for the corresponding term last year.

September, 2000



Isami Wada

President & Representative Director

NON-CONSOLIDATED BALANCE SHEETS

as of July 31

ASSETS	Millions of yen		Thousands of U.S. dollars	LIABILITIES AND SHAREHOLDERS' EQUITY	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000		2000	1999	2000
Current assets:				Current liabilities:			
Cash and cash equivalents	¥ 261,680	¥ 275,945	\$ 2,378,909	Short-term loans.....	¥ 100	¥ 37,100	\$ 909
Short-term investments	24,856	16,470	225,964	Current portion of			
Notes and accounts receivable	141,405	123,452	1,285,500	long-term debt	40,206	49,043	365,509
Less allowance for doubtful				Notes and accounts payable	205,567	205,121	1,868,791
accounts	(2,979)	(4,093)	(27,082)	Accrued income taxes	8,119	16,588	73,809
Inventories	274,815	441,874	2,498,318	Advances received	66,071	76,855	600,645
Deferred income taxes	85,047	5,280	773,155	Other current liabilities	54,693	61,229	497,209
Other current assets	55,353	89,272	503,209	Total current liabilities	374,756	445,936	3,406,872
Total current assets	840,177	948,200	7,637,973				
Property, plant and equipment:				Long-term debt,			
Land	135,287	219,003	1,229,882	less current portion.....	223,814	264,027	2,034,673
Buildings and structures	184,898	183,816	1,680,891	Severance indemnities.....	28,518	11,376	259,255
Machinery and equipment	70,617	69,176	641,972	Other liabilities.....	11,953	12,141	108,664
Construction in progress	804	1,352	7,309	Total liabilities	639,041	733,480	5,809,464
	391,606	473,347	3,560,054	Shareholders' equity:			
Less accumulated depreciation	(116,931)	(107,960)	(1,063,009)	Common stock, par value ¥ 50 per share:			
Net property, plant and equipment :	274,675	365,387	2,497,045	Authorized - 2,000,000,000 shares			
				Issued: 2000 - 721,235,443 shares	186,058	—	1,691,436
				1999 - 714,735,636 shares	—	182,904	—
				Additional paid-in capital	241,145	237,999	2,192,227
				Legal reserve	21,004	19,703	190,946
				Retained earnings	256,543	369,132	2,332,209
				Total shareholders' equity	704,750	809,738	6,406,818
Investments and other assets	229,919	231,142	2,090,173				
Less allowance for doubtful							
accounts	(980)	(1,511)	(8,909)				
Total investments and other assets	228,939	229,631	2,081,264				
	<u>¥ 1,343,791</u>	<u>¥ 1,543,218</u>	<u>\$ 12,216,282</u>		<u>¥ 1,343,791</u>	<u>¥ 1,543,218</u>	<u>\$ 12,216,282</u>

NON-CONSOLIDATED STATEMENTS OF INCOME AND RETAINED EARNINGS

Six months ended July 31

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Net sales	¥ 613,230	¥ 604,392	\$ 5,574,818
Cost of sales	478,771	490,285	4,352,464
Gross profit	134,459	114,107	1,222,354
Selling, general and administrative expenses	86,230	83,858	783,909
Operating income	48,229	30,249	438,445
Other income (expenses):			
Interest and dividend income	3,096	3,645	28,145
Interest expense	(1,675)	(2,898)	(15,227)
Provision for severance indemnities with respect to change in accounting for employees' severance indemnities.....	(16,428)	—	(149,345)
Loss on revaluation of securities.....	(6,326)	(225)	(57,509)
Other, net.....	(2,986)	(1,354)	(27,145)
Income before income taxes.....	23,910	29,417	217,364
Income taxes:			
Current	8,234	16,460	74,855
Deferred	2,016	(1,935)	18,327
	10,250	14,525	93,182
Net income	13,660	14,892	124,182
Retained earnings at beginning of year	250,124	356,275	2,273,854
Prior year \$ adjustment for deferred income taxes	—	5,228	—
	263,784	376,395	2,398,036
Deduct:			
Cash dividends paid	6,433	6,433	58,482
Transfer to legal reserve	658	660	5,982
Bonuses to directors and corporate auditors	150	170	1,363
	7,241	7,263	65,827
Retained earnings at end of period	¥ 256,543	¥ 369,132	\$ 2,332,209
		Yen	U.S. Dollars
Net income per share	¥ 19.08	¥ 20.84	\$ 0.17

NON-CONSOLIDATED STATEMENTS OF CASH FLOWS

Six months ended July 31

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Cash flows from operating activities:			
Income before income taxes	¥ 23,910	¥ 29,417	\$ 217,364
Adjustments for :			
Depreciation and amortization	5,710	5,874	51,909
Reversal of doubtful accounts	(997)	(783)	(9,064)
Provision for severance indemnities	16,813	493	152,845
Interest and dividend income	(3,096)	(3,645)	(28,145)
Interest expenses	1,675	2,898	15,227
Decrease in notes and accounts receivable.....	756	15,081	6,873
Decrease in inventories and advance payments.....	28,233	30,921	256,664
Increase in notes and accounts payable	5,491	17,068	49,918
(Decrease) increase in advances received	(4,991)	8,798	(45,373)
Other.....	1,230	3,211	11,182
Sub total.....	74,734	109,333	679,400
Interest and dividend income received	3,178	3,680	28,891
Interest paid.....	(1,747)	(2,180)	(15,882)
Income taxes paid.....	(18,999)	(10,804)	(172,718)
Net cash provided by operating activities	57,166	100,029	519,691
Cash flows from investing activities :			
Proceeds from sales of short-term investments	8,949	3,192	81,355
Payments for purchase of short-term investments.....	(12,374)	(8,999)	(112,491)
Proceeds from sales of property, plant and equipment	910	112	8,273
Payments for purchase of property, plant and equipment	(4,246)	(3,821)	(38,600)
Proceeds from sales of investments in securities	110	3,241	1,000
Payments for purchase of investments in securities	(152)	(6,530)	(1,382)
Decrease of loans receivable	2,777	4,437	25,245
Other	(10,219)	(28)	(92,900)
Net cash used in investing activities	¥ (14,245)	¥ (8,396)	\$ (129,500)

	Millions of yen		Thousands of U.S. dollars
	2000	1999	2000
Cash flows from financing activities:			
(Decrease) increase in short-term loans....	¥ (37,200)	¥ 200	\$ (338,182)
Proceeds from long-term debt	—	500	—
Repayment of long-term debt	(554)	(212)	(5,036)
Cash dividends paid	(6,433)	(6,433)	(58,482)
Net cash used in financing activities	(44,187)	(5,945)	(401,700)
Net(decrease) increase			
in cash and cash equivalents	(1,266)	85,688	(11,509)
Cash and cash equivalents			
at beginning of year	262,946	190,257	2,390,418
Cash and cash equivalents			
at end of period	¥ 261,680	¥ 275,945	\$ 2,378,909
Supplemental schedule of			
noncash financing activities:			
Conversion of convertible bonds	¥ 6,299	¥ 4	\$ 57,264

Notes

The financial statements of the Company are maintained in accordance with accounting principles and practices generally accepted in Japan. The accompanying non-consolidated financial statements have been compiled from the financial statements filed with the Ministry of Finance as required by the Securities and Exchange Law of Japan, which may differ in some material respects from accounting principles and practices generally accepted in countries and jurisdictions other than Japan.

Certain reclassifications of previously reported amounts have been made to the financial statements for the six months ended July 31, 1999 to conform these to the 2000 presentation. These reclassifications had no effect on non-consolidated net income or shareholders' equity.

The non-consolidated financial statements presented herein are expressed in yen and, solely for the convenience of readers outside Japan, have been translated into United States dollars at ¥110 = U.S.\$1, the approximate exchange rate in effect on July 31, 2000. This translation should not be construed as a representation that yen actually are, have been, or could be, converted into U.S. dollars at that or any other exchange rate.

Effective February 1, 2000, the Company changed its method of accounting for employees' severance indemnities from recording 40% of the amount which would be required to be paid if all employees covered by the retirement allowances plan voluntarily terminated their employment at the balance sheet date to recording 100% of such account, less the benefits to be covered by the pension plan.

CORPORATE DATA

DIRECTORS AND CORPORATE AUDITORS

(As of July 31, 2000)

Chairman & Representative Director

Isao Okui

President & Representative Director

Isami Wada

Senior Managing Directors

Kazutoshi Sugimura

Hideyuki Tonomura

Mikio Yamada

Managing Directors

Hiroyuki Ikeda

Shichiro Iwane

Isao Bando

Hiroshi Itawaki

Akira Morimoto

Directors

Hiroshi Watanabe

Kazuya Sunahara

Keiichi Oe

Takahiko Ashibe

Tadashi Iwasaki

Chojiro Yamamoto

Yasuaki Yamamoto

Yukio Fujisawa

Kazuji Yamazaki

Sumio Wada

Saburo Matsuyoshi

Yoshiro Kubota

Tetsuhiro Kamae

Kunitada Suzuki

Masanori Noritomi

Masahiko Watanabe

Yuzo Matsumoto

Kenichi Moriuchi

Standing Corporate Auditors

Hiroshi Tada

Yusei Kataoka

Corporate Auditors

Kazuhiko Mishina

Shigeru Muranaka

OUTLINE OF THE COMPANY

(As of July 31, 2000)

Established

August 1, 1960

Capital Stock Issued

¥ 186,057,624,714

Employees

14,822

Head Office

Tower East Umeda Sky Building

1-88, Oyodonaka 1-chome, Kita-ku, Osaka

531-0076, Japan

Phone: 81-6-6440-3111

Facsimile: 81-6-6440-3331

Telex: J63794 SEKIHAUS

Factories

Shiga, Ibaraki, Shizuoka, Yamaguchi,

Miyagi and Hyogo

Laboratory

Kyoto

Overseas Subsidiaries

Sekisui Deutschland Bau G.m.b.H.

Domestic Subsidiaries and Affiliates

Sekisui House Hokuriku, Ltd.

Sekisui House Shikoku, Ltd.

Sekisui House Yamanashi, Ltd.

Sekisui House Sanin, Ltd.

Sekiwa Real Estate, Ltd.

Sekiwa Real Estate Tohoku, 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.

RIC Operation Co., Ltd.

Sekisui House Umeda Operation Co., Ltd.

Nishinomiya Marina City Development

Co., Ltd.

Stock Listing

Tokyo Stock Exchange

Osaka Securities Exchange

Nagoya Stock Exchange

Amsterdam Stock Exchange

(Amsterdam Security Account System)

Frankfurt Stock Exchange

(Global Bearer Certificate)