

S EMIANNUAL

R EPORT

2005

February 1 to July 31, 2005



SEKISUI HOUSE

To Our Shareholders

During the first half of fiscal 2005 the Japanese economy started to show some visible indications of recovery as corporate profits fared relatively strong and income of wage earners increased gradually. Active investing in blue-chip properties continued mainly in the Tokyo metropolitan area. Nevertheless, economic statistics experienced ups and downs on the back of the rise in oil and steel prices that started last year. Overall, the Japanese economy remained under a tough environment.

The housing market was also difficult overall. First time buyers' motivation was relatively strong as housing prices were close to bottoming out with the percentage land price decrease moderating, and interest rates remained low. However, demand from owner-occupiers stayed sluggish, as the motivation of middle-aged customers, who account for the majority of secondary acquisitions for rebuilding, failed to show a major turnaround.

Against this backdrop, we took a series of actions designed to reinforce the built to order housing business and peripheral businesses, including the enhancement of corporate resilience and marketing expertise, and consolidation of the product line in a way to meet the market needs.

Out of our sincere wish to be a leading creator of homes and environments, who contributes to the building of a sustainable society through the supply of housing that meets customer satisfaction, we published a "Declaration of Sustainability" this April, the first in the construction industry. Together with *S-Project*, the medium-term management vision we announced in October 2004, the sustainability vision expressed in the declaration will guide the course of management that we will pursue.

We have remained committed to the preservation of the environment. The waste management system, for which we became the first in the construction industry to be authorized by the Minister of the Environment to dispose of construction site waste across administrative boundaries, enabled us to achieve "zero" emissions (landfill and simple incineration) at construction sites of new houses in July 2005.

In our Built to Order Housing business, we have put continued efforts into driving a series of measures designed to enhance our marketing expertise, including the pursuit of a consulting sales model. We also launched a built-to-order line that gives customers an improved freedom in design and details of appearance, thus laying the foundation for our lifestyle solution business model. In the rental housing business, we put onto the market a "*Sakura Style*" line, specifically designed to meet the demands of single for comfort, fashionability and security.

In our Real Estate for Sales business we actively purchased land for sale, furthered the ongoing drive to boost sales to first time buyers, and started sales of quality housing complexes with enhanced security and disaster-prevention features.

In our Real Estate for Leasing business we acquired full ownership of the six Sekiwa Real Estate companies in February 2005, with a view to maximizing synergies with the Sekisui House Group. This move led to brisk performance of block leasing and management of leasing properties.

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

As a result of the above, net sales totaled 737,766 million yen (\$6,559,670 thousand) an increase of 8.5% compared to the same period of the previous fiscal year. However, operating income declined 3.0% to 38,231 million yen (\$339,922 thousand). Net income dropped 4.5% to 19,854 million yen (\$176,527 thousand).

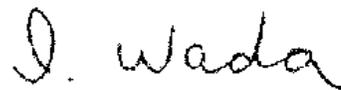
On the understanding that the economy has stalled but the worst has passed, we intend to push aggressive marketing programs in order to achieve the growth strategy laid out in the medium-term management vision the *S-Project*.

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 including exteriors.

To tap into growing opportunities the real estate for sales business has to offer, we intend to develop quality housing complexes that are safe, secure and comfortable, thereby boosting our earnings.

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

September , 2005



Isami Wada
President & Representative Director

CONSOLIDATED BALANCE SHEETS

As of July 31 and January 31, 2005 and July 31, 2004

Assets	Millions of yen			Thousands of U.S. dollars
	July 31 2005	January 31 2005	July 31 2004	July 31 2005
Current assets:				
Cash and cash equivalents.....	¥ 95,458	¥ 179,712	¥ 193,960	\$ 848,742
Short-term investments.....	772	1,050	2,524	6,864
Notes and accounts receivable:				
Affiliate.....	163	124	-	1,449
Trade.....	87,025	82,571	87,751	773,762
Other.....	15,959	14,903	15,853	141,896
Less allowance for doubtful accounts	(1,568)	(1,636)	(1,863)	(13,941)
	<u>101,579</u>	<u>95,962</u>	<u>101,741</u>	<u>903,166</u>
Inventories.....	403,807	362,585	310,386	3,590,353
Deferred income taxes	71,754	85,052	61,070	637,983
Other current assets.....	11,215	10,089	9,279	99,715
Total current assets	<u>684,585</u>	<u>734,450</u>	<u>678,960</u>	<u>6,086,823</u>
Property, plant and equipment:				
Land.....	81,613	77,268	124,469	725,642
Buildings and structures.....	165,645	160,770	201,829	1,472,793
Machinery and equipment.....	82,593	81,692	82,376	734,356
Construction in progress.....	2,779	3,570	4,747	24,709
	<u>332,630</u>	<u>323,300</u>	<u>413,421</u>	<u>2,957,500</u>
Less accumulated depreciation.....	(142,023)	(139,079)	(152,322)	(1,262,764)
Property, plant and equipment, net.....	<u>190,607</u>	<u>184,221</u>	<u>261,099</u>	<u>1,694,736</u>
Investments and other assets:				
Long-term loans receivable.....	41,342	43,982	44,719	367,582
Less allowance for doubtful accounts	(1,311)	(1,427)	(1,538)	(11,656)
	<u>40,031</u>	<u>42,555</u>	<u>43,181</u>	<u>355,926</u>
Investments in securities.....	83,897	127,955	119,066	745,950
Investments in affiliates.....	831	896	456	7,389
Deferred income taxes	8,724	7,476	24,230	77,567
Other assets	41,802	42,678	42,457	371,673
Total investments and other assets	<u>175,285</u>	<u>221,560</u>	<u>229,390</u>	<u>1,558,505</u>
	<u>¥ 1,050,477</u>	<u>¥ 1,140,231</u>	<u>¥ 1,169,449</u>	<u>\$ 9,340,064</u>

Liabilities and shareholders' equity	Millions of yen			Thousands of U.S. dollars
	July 31 2005	January 31 2005	July 31 2004	July 31 2005
Current liabilities:				
Current portion of long-term debt	¥ -	¥ 30,000	¥ 30,001	\$ -
Notes and accounts payable:				
Affiliate.....	2,933	2,987	-	26,078
Trade.....	152,673	151,860	154,880	1,357,455
Accrued income taxes.....	5,695	19,485	3,943	50,636
Advances received.....	88,370	86,434	81,951	785,720
Other current liabilities.....	58,906	63,656	63,263	523,749
Total current liabilities	308,577	354,422	334,038	2,743,638
Long-term debt,				
less current portion.....	-	9,427	9,551	-
Accrued retirement benefits for employees	26,388	26,896	70,529	234,623
Accrued retirement benefits for directors, corporate auditors and executive officers	1,616	1,536	1,336	14,368
Other liabilities	57,140	60,033	58,878	508,047
Total liabilities	393,721	452,314	474,332	3,500,676
Minority interests.....	349	21,442	21,959	3,103
Contingent liabilities (Note 2)				
Shareholders' equity :				
Common stock:				
Authorized -1,978,281,000 shares				
Issued: July 2005 and 2004, and January 2005 -709,385,078 shares..	186,554	186,554	186,554	1,658,700
Capital surplus.....	237,523	237,525	237,524	2,111,879
Retained earnings.....	269,068	259,773	263,063	2,392,354
Net unrealized holding gain on securities.....	11,513	13,169	10,861	102,365
Translation adjustment.....	(112)	(5)	(143)	(995)
Less treasury stock, at cost.....	(48,139)	(30,541)	(24,701)	(428,016)
Total shareholders' equity	656,407	666,475	673,158	5,836,285
	¥ 1,050,477	¥ 1,140,231	¥ 1,169,449	\$ 9,340,064

CONSOLIDATED STATEMENTS OF INCOME

Six months ended July 31, 2005 and 2004 and year ended January 31, 2005

	Millions of yen			Thousands of U.S. dollars
	July 31 2005	July 31 2004	January 31 2005	July 31 2005
Net sales	¥ 737,766	¥ 680,224	¥ 1,372,244	\$ 6,559,670
Cost of sales	595,955	543,063	1,098,520	5,298,791
Gross profit	141,811	137,161	273,724	1,260,879
Selling, general and administrative expenses	103,580	97,744	197,085	920,957
Operating income	38,231	39,417	76,639	339,922
Other income (expenses):				
Interest and dividend income.....	1,305	1,222	2,765	11,603
Interest expense	(115)	(316)	(535)	(1,022)
Loss on impairment of fixed assets	-	-	(59,470)	-
Gain on return of substitutional portion of Welfare Pension Fund Plans	-	-	41,901	-
Loss on revaluation of real estate held for sale (Note 3)	(4,188)	-	(4,069)	(37,237)
Loss on revaluation of securities.....	(9)	-	(1,579)	(80)
Other, net.....	(554)	(394)	(3,447)	(4,926)
Income before income taxes and minority interests.....	34,670	39,929	52,205	308,260
Income taxes :				
Current.....	4,596	3,713	22,347	40,864
Deferred.....	10,196	13,924	5,104	90,656
	14,792	17,637	27,451	131,520
Income before minority interests.....	19,878	22,292	24,754	176,740
Minority interests in earnings of subsidiaries.....	(24)	(1,512)	(1,095)	(213)
Net income	¥ 19,854	¥ 20,780	¥ 23,659	\$ 176,527

CONSOLIDATED STATEMENTS OF CASH FLOWS

Six months ended July 31, 2005 and 2004 and year ended January 31, 2005

	Millions of yen			Thousands of U.S. dollars
	July 31 2005	July 31 2004	January 31 2005	July 31 2005
Cash flows from operating activities				
Income before income taxes and minority interests.....	¥ 34,670	¥ 39,929	¥ 52,205	\$ 308,260
Adjustments for:				
Depreciation and amortization.....	5,180	5,542	11,554	46,057
Loss on impairment of fixed assets.....	-	-	59,470	-
Gain on return of substitutional portion of Welfare Pension Fund Plans.....	-	-	(41,901)	-
Provision for retirement benefits.....	(508)	(1,526)	(3,259)	(4,517)
Interest and dividend income.....	(1,305)	(1,222)	(2,765)	(11,603)
Interest expense.....	115	316	535	1,022
Loss on revaluation of real estate held for sale.....	4,188	-	4,069	37,237
Loss on revaluation of securities.....	9	-	1,579	80
Increase in notes and accounts receivable.....	(4,454)	(7,713)	(2,533)	(39,602)
Increase in inventories and advance payments.....	(44,514)	(21,691)	(45,225)	(395,785)
Increase in notes and accounts payable.....	613	10,152	11,794	5,450
Increase in advances received.....	1,936	6,914	11,396	17,214
Other.....	(9,568)	(2,759)	(1,471)	(85,072)
Subtotal.....	(13,638)	27,942	55,448	(121,259)
Interest and dividends received.....	1,439	1,373	3,074	12,795
Interest paid.....	(219)	(492)	(719)	(1,947)
Income taxes paid.....	(18,965)	(3,719)	(6,810)	(168,623)
Net cash provided by (used in) operating activities.....	(31,383)	25,104	50,993	(279,034)
Cash flows from investing activities				
Proceeds from sales of short-term investments.....	625	501	1,930	5,557
Purchases of short-term investments.....	(561)	(195)	(235)	(4,988)
Proceeds from sales of property, plant and equipment.....	100	1,021	1,220	889
Purchases of property, plant and equipment.....	(12,720)	(11,280)	(35,108)	(113,097)
Proceeds from sales of investments in securities.....	52,877	10,606	10,221	470,143
Purchases of investments in securities.....	(11,159)	(7,015)	(12,268)	(99,218)
Decrease in loans receivable.....	2,612	2,088	2,828	23,224
Proceeds from sales of an insurance policy.....				
Other.....	(124)	(211)	(1,096)	(1,102)
Net cash provided by (used in) investing activities.....	31,650	(4,485)	(32,508)	281,408
Cash flows from financing activities				
Repayment of long-term debt.....	(31,553)	(30,123)	(30,249)	(280,546)
Cash dividends paid.....	(6,120)	(6,259)	(12,428)	(54,414)
Purchases of treasury stock.....	(46,472)	(12,091)	(17,947)	(413,195)
Other.....	(269)	(416)	(517)	(2,392)
Net cash used in financing activities.....	(84,414)	(48,889)	(61,141)	(750,547)
Effect of exchange rate changes on cash and cash equivalents.....	(107)	(45)	93	(951)
Net decrease in cash and cash equivalents.....	(84,254)	(28,315)	(42,563)	(749,124)
Cash and cash equivalents at beginning of period.....	179,712	222,275	222,275	1,597,866
Cash and cash equivalents at end of period.....	¥ 95,458	¥ 193,960	¥ 179,712	\$ 848,742

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2005 and 2004

1. Basis of Consolidated Financial Statements

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

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the reader and was made at ¥112.47= U.S. \$1.00, the approximate rate of exchange in effect on July 31, 2005. This translation should not be construed as representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollar amounts at the above or any other rate.

2. Contingent Liabilities

The Company and its subsidiaries had the contingent liabilities at July 31, 2005:

	Millions of yen	Thousands of U.S. dollars
Guarantees of housing loans to customers	¥ 85,092	\$ 756,575
Guarantees of bank loans of third parties and other.....	1,341	11,923
	¥ 86,433	\$ 768,498

3. Loss on Revaluation of Real Estate Held for Sale

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

4. Amounts per Share

	yen			U.S. dollars
	July 31 2005	July 31 2004	January 31 2005	July 31 2005
Net income per share:				
Basic	¥ 29.21	¥ 30.13	¥ 33.80	\$ 0.26
Net assets	985.09	982.09	979.40	8.76
Dividends	10.00	9.00	18.00	0.09

Basic net income per share has been computed based on the net income available for distribution to shareholders of common stock and the weighted average number of shares of common stock outstanding during the year.

No diluted net income per share has been presented because no potentially dilutive securities have been issued.

Amounts per share of net assets have been computed based on net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end.

Cash dividends per share of the Company at January 31, 2005, represent the cash dividends declared together with the interim cash dividends paid.

CORPORATE DATA

(As of July 31, 2005)

Corporate Officers

President & Representative Director

Isami Wada

Executive Vice President & Director

Hideyuki Tonomura

Shichiro Iwane

Hiroshi Itawaki

Director

Akira Morimoto

Tadashi Iwasaki

Sumio Wada

Yasuaki Yamamoto

Saburo Matsuyoshi

Kunitada Suzuki

Yuzo Matsumoto

Kazuo Yoshimitsu

Shiro Inagaki

Standing Corporate Auditors

Mikio Yamada

Kenichi Kawauchi

Corporate Auditors

Takaharu Dohi

Yoshiharu Takahashi

Executive Vice President & Officer

Hideyuki Tonomura

Shichiro Iwane

Hiroshi Itawaki

Senior Managing Executive Officer

Akira Morimoto

Tadashi Iwasaki

Managing Executive Officer

Sumio Wada

Kunitada Suzuki

Yuzo Matsumoto

Kazuo Yoshimitsu

Shiro Inagaki

Yoshiro Kubota

Tetsuhiro Kamae

Kenichi Moriuchi

Junichi Terada

Fumiaki Hirabayashi

Yoshimasa Konishi

Toshiharu Arakawa

Kiyohide Hirabayashi

Toshinori Abe

Executive Officer

Kazuhisa Ami

Satoru Shima

Mikio Ishikawa

Hisashi Murao

Tetsuo Iku

Daiji Kuroki

Takashi Uchida

OUTLINE OF THE COMPANY

(As of July 31, 2005)

Established

August 1, 1960

Capital Stock Issued

¥186,554,196,729

Employees

15,646 (As of April 30, 2005)

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

Factories

Shiga, Ibaraki, Shizuoka, Yamaguchi,

Miyagi and Hyogo

Laboratory

Kyoto

Overseas Subsidiaries

SEKISUI DEUTSCHLAND BAU G.m.b.H.

Domestic Subsidiaries and Affiliates

Sekiwa Real Estate, Ltd.

Sekiwa Real Estate, Kansai, Ltd.

Sekiwa Real Estate, Chubu, Ltd.

Sekiwa Real Estate, Chugoku, Ltd.

Sekiwa Real Estate, Kyushu, Ltd.

Sekiwa Real Estate Tohoku, Ltd.

Sekiwa Real Estate Sapporo, Ltd.

Kobe Rokko Island Co., Ltd.

Nishinomiya Marina City Development Co., Ltd.

Sekisui House Umeda Operation Co., Ltd.

SGM Operation Co., Ltd and 82 other

subsidiaries and 5 affiliates.

Stock Listing

Tokyo Stock Exchange

Osaka Securities Exchange

Nogoya Stock Exchange

American Depositary Receipts

Depositary:

The Bank of New York

SEKISUI HOUSE, LTD.

TOWER EAST, UMEDA SKY BUILDING
1-88, OYODONAKA 1-CHOME,
KITA-KU, OSAKA 531-0076, JAPAN

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Facsimile: 81-6-6440-3331

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