

S EMIANNUAL

R EPORT

2003

February 1 to July 31, 2003



SEKISUI HOUSE

To Our Shareholders

In the housing market a number of positive factors were evident, including a flattening out of commercial property values in metropolitan Tokyo after a long period of decline, and revisions to inheritance and gift tax laws. The impact of these factors did not lead to a recovery in home rebuilding activity or other individual investor-driven demand. Performance in the rental market, on the other hand, remained relatively robust, benefiting from the attractive asset management options available in this area in the current environment of low interest rates and a revised inheritance tax law. Nonetheless, the operating environment during the period under review remained severe. In this environment, we positioned increasing orders as our main management target. We also focused on invigorating our sales staff and further improving product quality. Organizationally, we took steps to strengthen our lifestyle-tailored sales approach by establishing a *Heart-ful Living R&D Institute*, making full use of the experiential exhibition and learning facilities we have developed over the years, pursuing a more thorough consulting sales model, and other measures.

Among the new products we released during the six-month period under review were two new types of steel-framed houses: the *Centrage Urbina* and the *Centrage älver*, which we released in March. Based on the theme of 'nature', we incorporated wooden exterior walls and aspects from the *courtyard* project to meet a broad range of customers' needs. In the rental housing market, we introduced the *Dias Blanche-J* and the *Dias Palmo-S*. As well as meeting the diverse needs of tenants, these apartments are designed to support the value of our customers' assets. As part of our basic strategy of targeting the medium to high end of the market, we are focusing on providing safe, environmentally friendly homes. Measures taken include our industry-leading decision to standardize the Next-Generation Heat Insulation Specification Energy Saving Standard for all our detached dwellings, and controlled management of hazardous chemicals (VOCs).

In Real Estate Sales, we continued to contribute to the creation of high quality towns by selling built-for-sale homes across Japan, and focused in particular on the sale of long life, luxury condominiums in large metropolitan area.

In the real estate leasing market, where supply is increasing, we took steps to increase sales and better utilize Group capabilities by strengthening our relationship

with Sekiwa Real Estate group, which manage leased properties and handles block leasing.

In order to maintain a flexible capital policy in a changing business environment, we repurchased 13,236,000 shares for a total of ¥11.953 billion. In July we repaid from our own funds the ¥89.9 billion outstanding of the 14th and 16th convertible bond issues.

Consolidated net sales increased 1.3% from the year before to ¥657.921 billion (\$5,473,552 thousand). Efforts to reduce costs led to improved profitability and consolidated operating income rising 19.6% to ¥39.950 billion (\$332,363 thousand). Consolidated net income for the interim period rose 9.3% to ¥17.445 billion (\$145,133 thousand), in spite of appraisal losses of ¥1.097 billion (\$9,126 thousand) being booked on investment securities held.

The economy appears to be slowly recovering, and there are signs that the housing market is picking up. Based on this scenario, we intend to further boost our sales capabilities, continue to launch appealing, high quality products into the market, and exert every effort to increase sales of detached dwellings, our core strength.

In Real Estate Leasing we intend to strengthen the comprehensive rental business support system created through the tie up with Sekiwa Real Estate Group, and respond to the fierce competition within the industry. In Other Business we are actively expanding our remodeling and exterior operations by strengthening our service capabilities in those areas. Furthermore, in all sales locations, we are continuing to focus on improving customer satisfaction.

We will continue working to improve results, seeking to increase profitability through ongoing cost reductions, and to more efficiently utilize assets by, for example, speeding up the turnover of land held for sale.

The dividend for the interim period under review will be ¥9 (\$0.07) per share, unchanged from the previous interim period.

September, 2003



Isami Wada
President & Representative Director

CONSOLIDATED BALANCE SHEETS

As of July 31 and January 31, 2003, and July 31, 2002

Assets	Millions of yen			Thousands of U.S. dollars
	July 31 2003	January 31 2003	July 31 2002	July 31 2003
Current assets:				
Cash and cash equivalents.....	¥ 174,089	¥ 187,381	¥ 182,009	\$ 1,448,328
Short-term investments.....	610	50,680	53,668	5,075
Notes and accounts receivable:				
Trade.....	91,390	95,181	89,266	760,316
Other.....	15,961	21,004	15,890	132,787
Less allowance for doubtful accounts.....	(1,654)	(1,715)	(1,657)	(13,760)
	<u>105,697</u>	<u>114,470</u>	<u>103,499</u>	<u>879,343</u>
Inventories.....	300,708	293,609	300,284	2,501,730
Deferred income taxes.....	87,471	99,049	111,530	727,712
Other current assets.....	10,399	9,722	9,489	86,514
Total current assets	<u>678,974</u>	<u>754,911</u>	<u>760,479</u>	<u>5,648,702</u>
Property, plant and equipment:				
Land.....	124,138	122,256	115,997	1,032,762
Buildings and structures.....	194,651	193,174	191,696	1,619,393
Machinery and equipment.....	81,326	81,263	82,140	676,589
Construction in progress.....	3,966	1,673	762	32,995
	<u>404,081</u>	<u>398,366</u>	<u>390,595</u>	<u>3,361,739</u>
Less accumulated depreciation.....	(146,446)	(142,933)	(140,181)	(1,218,353)
Property, plant and equipment, net.....	<u>257,635</u>	<u>255,433</u>	<u>250,414</u>	<u>2,143,386</u>
Investments and other assets:				
Long-term loans receivable.....	49,833	54,385	61,961	414,584
Less allowance for doubtful accounts.....	(1,624)	(1,640)	(1,471)	(13,511)
	<u>48,209</u>	<u>52,745</u>	<u>60,490</u>	<u>401,073</u>
Investments in securities.....	104,121	100,849	110,980	866,231
Investments in affiliates.....	642	160	151	5,341
Deferred income taxes.....	31,342	37,057	32,522	260,749
Other assets.....	46,788	57,825	55,840	389,252
Total investments and other assets	<u>231,102</u>	<u>248,636</u>	<u>259,983</u>	<u>1,922,646</u>
	<u>¥ 1,167,711</u>	<u>¥ 1,258,980</u>	<u>¥ 1,270,876</u>	<u>\$ 9,714,734</u>

Liabilities and shareholders' equity	Millions of yen			Thousands of U.S. dollars
	July 31 2003	January 31 2003	July 31 2002	July 31 2003
Current liabilities:				
Current portion of long-term debt	¥ 30,002	¥ 90,001	¥ 102,822	\$ 249,601
Notes and accounts payable:				
Trade	150,868	152,180	161,467	1,255,141
Accrued income taxes	3,822	4,903	4,063	31,797
Advances received	87,569	83,660	89,859	728,527
Other current liabilities	50,651	56,393	46,017	421,390
Total current liabilities	322,912	387,137	404,228	2,686,456
Long-term debt,				
less current portion	39,878	69,999	70,187	331,764
Accrued retirement benefits for employees	73,235	73,377	76,506	609,276
Accrued retirement benefits for directors, corporate auditors and executive officers	1,405	1,465	1,203	11,689
Other liabilities	62,366	61,757	60,104	518,852
Total liabilities	499,796	593,735	612,228	4,158,037
Minority interests	20,440	19,543	19,237	170,050
Contingent liabilities (Note 4)				
Shareholders' equity :				
Common stock:				
Authorized -1,978,281,000 shares				
Issued: July and January, 2003, and July, 2002-709,385,078 shares..	186,554	186,554	186,554	1,552,030
Additional paid-in capital	237,523	237,523	237,523	1,976,065
Retained earnings	234,903	224,230	212,023	1,954,268
Net unrealized holding gain(loss) on securities	1,091	(1,869)	3,677	9,076
Translation adjustment	(70)	(206)	(250)	(582)
Less treasury stock, at cost	(12,526)	(530)	(116)	(104,210)
Total shareholders' equity	647,475	645,702	639,411	5,386,647
	¥ 1,167,711	¥ 1,258,980	¥ 1,270,876	\$ 9,714,734

CONSOLIDATED STATEMENTS OF INCOME

Six months ended July 31, 2003 and 2002, and year ended January 31, 2003

	Millions of yen			Thousands of U.S. dollars
	July 31 2003	July 31 2002	January 31 2003	July 31 2003
Net sales	¥ 657,921	¥ 649,767	¥ 1,300,237	\$ 5,473,552
Cost of sales	522,196	519,443	1,035,976	4,344,392
Gross profit	135,725	130,324	264,261	1,129,160
Selling, general and administrative expenses	95,775	96,925	191,524	796,797
Operating income	39,950	33,399	72,737	332,363
Other income (expenses):				
Interest and dividend income	1,387	1,587	2,903	11,539
Interest expense	(1,104)	(1,498)	(2,431)	(9,185)
Loss on revaluation of real estate held for sale	-	-	(2,179)	-
Loss on revaluation of securities	(1,097)	(193)	(897)	(9,126)
Other, net	(1,688)	(2,088)	(4,868)	(14,044)
Income before income taxes and minority interests	37,448	31,207	65,265	311,547
Income taxes :				
Current	3,591	3,798	6,855	29,875
Deferred	15,197	10,084	22,027	126,431
	18,788	13,882	28,882	156,306
Income before minority interests	18,660	17,325	36,383	155,241
Minority interests in earnings of subsidiaries	(1,215)	(1,364)	(1,836)	(10,108)
Net income	¥ 17,445	¥ 15,961	¥ 34,547	\$ 145,133

CONSOLIDATED STATEMENTS OF CASH FLOWS

Six months ended July 31, 2003 and 2002, and year ended January 31, 2003

	Millions of yen			Thousands of U.S. dollars
	July 31 2003	July 31 2002	January 31 2003	July 31 2003
Cash flows from operating activities				
Income before income taxes and minority interests.....	¥ 37,448	¥ 31,207	¥ 65,265	\$ 311,547
Adjustments for:				
Depreciation and amortization.....	5,432	5,814	11,883	45,192
Provision for retirement benefits.....	(142)	(4,007)	(7,136)	(1,181)
Equity in loss (earnings) of affiliates.....	17	3	(7)	141
Interest and dividend income.....	(1,387)	(1,587)	(2,903)	(11,539)
Interest expense.....	1,103	1,498	2,431	9,176
Loss on revaluation of real estate held for sale.....	-	-	2,179	-
Loss on revaluation of securities.....	1,097	193	897	9,126
Decrease in notes and accounts receivable.....	3,791	28,889	22,975	31,539
Increase in inventories and advance payments.....	(7,498)	(9,229)	(12,717)	(62,379)
Decrease in notes and accounts payable.....	(465)	(26,341)	(34,012)	(3,869)
Increase in advances received.....	3,908	6,800	601	32,513
Other.....	(483)	1,437	6,061	(4,018)
Subtotal.....	42,821	34,677	55,517	356,248
Interest and dividends received.....	2,042	1,789	3,131	16,988
Interest paid.....	(994)	(1,597)	(2,560)	(8,269)
Income taxes paid.....	(4,672)	(2,595)	(4,813)	(38,869)
Net cash provided by operating activities.....	39,197	32,274	51,275	326,098
Cash flows from investing activities				
Proceeds from sales of short-term investments.....	51,053	1,746	13,264	424,734
Purchases of short-term investments.....	(499)	(53,110)	(62,155)	(4,151)
Proceeds from sales of property, plant and equipment.....	54	1,472	1,666	449
Purchases of property, plant and equipment.....	(7,806)	(5,193)	(7,973)	(64,942)
Proceeds from sales of investments in securities.....	1,068	7,113	12,296	8,885
Purchases of investments in securities.....	(994)	(3,600)	(9,080)	(8,270)
Decrease in loans receivable.....	4,493	4,529	11,963	37,379
Proceeds from sales of an insurance policy.....	10,000	-	-	83,195
Other.....	(1,268)	11,776	10,989	(10,549)
Net cash provided by (used in) investing activities.....	56,101	(35,267)	(29,030)	466,730
Cash flows from financing activities				
Repayment of long-term debt.....	(90,121)	(49,968)	(62,977)	(749,759)
Cash dividends paid.....	(6,379)	(6,384)	(12,767)	(53,070)
Purchases of treasury stock.....	(12,011)	-	-	(99,925)
Other.....	(214)	(452)	(969)	(1,780)
Net cash used in financing activities.....	(108,725)	(56,804)	(76,713)	(904,534)
Effect of exchange rate changes on cash and cash equivalents.....	135	21	64	1,124
Net decrease in cash and cash equivalents.....	(13,292)	(59,776)	(54,404)	(110,582)
Cash and cash equivalents at beginning of period.....	187,381	229,139	229,139	1,558,910
Increase in cash and cash equivalents resulting from initial consolidation of subsidiaries.....	-	12,646	12,646	-
Cash and cash equivalents at end of period.....	¥ 174,089	¥ 182,009	¥ 187,381	\$ 1,448,328

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2003 and 2002

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 ¥120.20= U.S.\$1.00, the approximate rate of exchange in effect on July 31, 2003. 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. Income Taxes

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 net income ¥2,185 million (\$18,178 thousand) for the six months ended July 31, 2003.

3. Accrued retirement benefits

On April 28, 2003, the Company obtained approval from the Minister of Health, Labor and Welfare with respect to its application for an exemption from the obligation for benefits related to future employee services under the substitutional portion of the Welfare Pension Fund Plan.

The Company decided not to apply the transitional provision stipulated in "Practical Guidelines for Accounting for Retirement Benefits," which allows a company to account for the separation of the substitutional portion of the benefit obligation from the corporate portion of the benefit obligation under its Welfare Pension Fund Plan as the date of approval of exemption, assuming that the transfer to the Japanese government of the substitutional portion of the benefit obligation and related pension plan assets had been completed as of that date.

Accordingly, the Company expects to account for the return of the substitutional portion of Welfare Pension Fund Plan as the date of the actual transfer to the Japanese government of the substitutional portion of the benefit obligation and related pension plan assets.

The monetary equivalent of the substitutional portion of the Welfare Pension Fund Plan recorded for the six months ended July 31, 2003 by ¥44,766 million (\$372,429 thousand). Assuming the entire amount had been returned, the Company would have recognized a gain of ¥37,573 million (\$312,587 thousand) for the six months ended July 31, 2003.

4. Contingent Liabilities

The Company and its subsidiaries had the contingent liabilities at July 31, 2003:

	Millions of yen	Thousands of U.S. dollars
Guarantees of housing loans to customers	¥ 63,821	\$ 530,957
Guarantees of bank loans of third parties and other	2,425	20,175
	¥ 66,246	\$ 551,132

5. Amounts per Share

	yen			U.S. dollars
	July 31 2003	July 31 2002	January 31 2003	July 31 2003
Net income per share:				
Basic	¥ 24.72	¥ 22.50	¥ 48.71	\$ 0.21
Diluted	23.05	20.40	44.42	0.19
Net assets	930.96	901.52	911.01	7.75
Dividends	9.00	9.00	18.00	0.07

CORPORATE DATA

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

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

Tohoku(Miyagi),Kanto(Ibaraki),Shizuoka,
Shiga,Hyogo,Yamaguchi and Azai(Shiga)
factories

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 87 other subsidiaries and 3 affiliates.

Stock Listing

Tokyo Stock Exchange

Osaka Securities Exchange

Nagoya Stock Exchange

Frankfurt Stock Exchange

(Global Bearer Certificate)

Euronext Amsterdam

American Depositary Receipts

Depository:

The Bank of New York

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