

SEMIANNUAL

REPORT

2004

February 1 to July 31, 2004



SEKISUI HOUSE

To Our Shareholders

During the first half of fiscal 2004 the Japanese economy finally showed signs of brightness after an extended period of recession, on the back of improvements in corporate profits. The stock market moved upwards after a prolonged downturn, and some improvement was seen in private capital expenditure and personal consumption.

The housing market was also comparatively firm, with signs of a flattening out of land prices in large cities—beginning with the Tokyo metropolitan area—after a long period of decline, supported by favorable sales of built-for-sale properties to such first time buyers as the children of the baby-boom generation. However, demand from owner-occupiers stayed weak, as middle-aged customers, who account for the majority of secondary acquisitions for rebuilding, remained concerned about high unemployment rate and uncertainty in the future. Some supply adjustments appeared in rental properties in areas other than the metropolitan area, and as a result the overall housing market continues to be mixed.

Our key management goal during this period was to increase sales, so we took steps to improve quality and realign our products with the needs of the market, along with introducing new products. At the same time, we have promoted sales of real estate in response to growth in demand from first time buyers, and made efforts to expand orders. We have also taken steps to add further depth to the consultative sales approach; for instance, we have been developing through the use of experiential exhibition sites and other methods.

In our core Build to Order Housing business, we have put our efforts into improving quality and the thorough implementation of environmentally friendly features. In terms of housing performance, in order to solidify our position in medium- to high-end products, in line with our basic strategy, we have continued to provide housing that is both safe and secure by adopting multi-layered glass that combines crime-prevention and airtight heat insulation qualities as a standardized fixture from June 2004.

In earthquake-proof housing, an area where we have been promoting sales since last year, we achieved orders for more than 100 units during the interim period under review. We also promoted our technology-based earthquake expertise through initiatives such as seminars and experiential activities for customers in our '*Sumai no Yume Kojo*' experimental exhibition sites.

Consequently, we have been able to make proposals backed up by our earthquake-resistant technological capabilities, including not only earthquake proofing but also basic earthquake resistance.

Attractive new products were introduced during the period under review, including a steel-framed house range '*Be free*' based on the reorganization of our core product range, the '*Centrage*' series.

In our Real Estate for Sales business we undertook a number of measures to strengthen our activities in building plots, for which there is vigorous demand from younger clients. We focused on improving the turnover ratio of our real estate for sale, actively purchasing land for sale throughout Japan, and engaged in overall proposals from exteriors to the creation of unique streetscapes with a high value-added quotient. We have also focused on the sale of up-market condominiums for long-term residents, mainly in the major cities.

In our Real Estate for Leasing business we strengthened our relationship with Sekiwa Real Estate Group. Resources were dedicated to strengthening the proposal capacity of our leasing business, including pushing ahead with further establishing and boosting the popularity of our brand, that is the *MAST*, aiming to secure stable tenants and strengthen our approach to potential clients.

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

As a result of active sales efforts, orders in the first half reached ¥563,641 million (\$5,027,122 thousand), an increase of 3.4% compared to the same period of the previous fiscal year. Net sales were ¥680,224 million (\$6,066,928 thousand +3.4% Y/Y). Operating income declined 1.3% to ¥39,417 million (\$351,561 thousand), due to higher sales costs as we looked to strengthen sales capacity. Net income increased significantly, rising 19.1% to ¥20,780 million (\$185,337 thousand).

A share buyback of 9,900,000 shares was implemented for a total sum of ¥11,998 million (\$107,010 thousand). Besides, we redeemed the No.10 unsecured notes and repaid long-term debts.

Based on the emergence of signs of economic recovery and the ongoing improvement in housing demand from individuals, setting our objective theme as 'Growth' we intend to expand housing sales through introducing high-quality attractive products. We intend to further strengthen our real estate for sales business, at the same time as promoting more efficient asset management.

The dividend for the interim period under review will be ¥9(\$0.08) per share, unchanged from the previous interim period.

September, 2004



Isami Wada
President & Representative Director

CONSOLIDATED BALANCE SHEETS

As of July 31 and January 31, 2004 and July 31, 2003

Assets	Millions of yen			Thousands of U.S. dollars
	July 31 2004	January 31 2004	July 31 2003	July 31 2004
Current assets:				
Cash and cash equivalents.....	¥ 193,960	¥ 222,275	¥ 174,089	\$ 1,729,932
Short-term investments.....	2,524	2,428	610	22,512
Notes and accounts receivable:				
Trade.....	87,751	80,038	91,390	782,653
Other.....	15,853	14,472	15,961	141,393
Less allowance for doubtful accounts	(1,863)	(1,656)	(1,654)	(16,616)
	101,741	92,854	105,697	907,430
Inventories.....	310,386	288,432	300,708	2,768,337
Deferred income taxes (Note 2).....	61,070	74,804	87,471	544,684
Other current assets.....	9,279	9,770	10,399	82,760
Total current assets	678,960	690,563	678,974	6,055,655
 Property, plant and equipment:				
Land.....	124,469	124,555	124,138	1,110,141
Buildings and structures.....	201,829	200,470	194,651	1,800,116
Machinery and equipment.....	82,376	81,631	81,326	734,713
Construction in progress.....	4,747	1,099	3,966	42,338
	413,421	407,755	404,081	3,687,308
Less accumulated depreciation	(152,322)	(149,262)	(146,446)	(1,358,562)
Property, plant and equipment, net.....	261,099	258,493	257,635	2,328,746
 Investments and other assets:				
Long-term loans receivable.....	44,719	46,804	49,833	398,849
Less allowance for doubtful accounts	(1,538)	(1,644)	(1,624)	(13,717)
	43,181	45,160	48,209	385,132
Investments in securities.....	119,066	112,613	104,121	1,061,951
Investments in affiliates.....	456	606	642	4,067
Deferred income taxes (Note 2).....	24,230	26,604	31,342	216,108
Other assets	42,457	46,974	46,788	378,675
Total investments and other assets	229,390	231,957	231,102	2,045,933
	¥ 1,169,449	¥ 1,181,013	¥ 1,167,711	\$10,430,334

Liabilities and shareholders' equity	Millions of yen			Thousands of U.S. dollars
	July 31 2004	January 31 2004	July 31 2003	July 31 2004
Current liabilities:				
Current portion of long-term debt	¥ 30,001	¥ 30,001	¥ 30,002	\$ 267,579
Notes and accounts payable:				
Trade	154,880	145,704	150,868	1,381,377
Accrued income taxes	3,943	3,948	3,822	35,168
Advances received	81,951	75,038	87,569	730,922
Other current liabilities	63,263	62,070	50,651	564,244
Total current liabilities	334,038	316,761	322,912	2,979,290
Long-term debt,				
less current portion	9,551	39,675	39,878	85,185
Accrued retirement benefits for employees (Note 3)	70,529	72,056	73,235	629,049
Accrued retirement benefits for directors, corporate auditors and executive officers	1,336	1,586	1,405	11,916
Other liabilities	58,878	61,585	62,366	525,134
Total liabilities	474,332	491,663	499,796	4,230,574
Minority interests	21,959	21,386	20,440	195,853
Contingent liabilities (Note 4)				
Shareholders' equity :				
Common stock:				
Authorized -1,978,281,000 shares				
Issued: July and January, 2004 and July, 2003-709,385,078 shares..	186,554	186,554	186,554	1,663,878
Capital surplus	237,524	237,523	237,523	2,118,480
Retained earnings	263,063	248,961	234,903	2,346,263
Net unrealized holding gain on securities	10,861	7,640	1,091	96,869
Translation adjustment	(143)	(98)	(70)	(1,275)
Less treasury stock, at cost	(24,701)	(12,616)	(12,526)	(220,308)
Total shareholders' equity	673,158	667,964	647,475	6,003,907
	<u>¥ 1,169,449</u>	<u>¥ 1,181,013</u>	<u>¥ 1,167,711</u>	<u>\$ 10,430,334</u>

CONSOLIDATED STATEMENTS OF INCOME

Six months ended July 31, 2004 and 2003 and year ended January 31, 2004

	Millions of yen			Thousands of U.S. dollars
	July 31 2004	July 31 2003	January 31 2004	July 31 2004
Net sales	¥ 680,224	¥ 657,921	¥ 1,326,039	\$ 6,066,928
Cost of sales	543,063	522,196	1,055,989	4,843,587
Gross profit	137,161	135,725	270,050	1,223,341
Selling, general and administrative expenses	97,744	95,775	189,716	871,780
Operating income	39,417	39,950	80,334	351,561
Other income (expenses):				
Interest and dividend income	1,222	1,387	2,454	10,899
Interest expense	(316)	(1,104)	(1,648)	(2,819)
Loss on revaluation of real estate held for sale	—	—	(2,989)	—
Loss on revaluation of securities	—	(1,097)	(14)	—
Other, net	(394)	(1,688)	(3,164)	(3,514)
Income before income taxes and minority interests	39,929	37,448	74,973	356,127
Income taxes (Note 2) :				
Current	3,713	3,591	6,710	33,116
Deferred	13,924	15,197	28,121	124,188
	17,637	18,788	34,831	157,304
Income before minority interests	22,292	18,660	40,142	198,823
Minority interests in earnings of subsidiaries	(1,512)	(1,215)	(2,380)	(13,486)
Net income	¥ 20,780	¥ 17,445	¥ 37,762	\$ 185,337

CONSOLIDATED STATEMENTS OF CASH FLOWS

Six months ended July 31, 2004 and 2003 and year ended January 31, 2004

	Millions of yen			Thousands of U.S. dollars
	July 31 2004	July 31 2004	July 31 2003	January 31 2004
Cash flows from operating activities				
Income before income taxes and minority interests.....	¥ 39,929	¥ 37,448	¥ 74,973	\$ 356,127
Adjustments for:				
Depreciation and amortization	5,542	5,432	11,299	49,429
Provision for retirement benefits	(191)	(142)	(1,321)	(1,704)
Equity in loss of affiliates	49	17	53	437
Interest and dividend income	(1,222)	(1,387)	(2,454)	(10,899)
Interest expense.....	316	1,103	1,648	2,818
Loss on revaluation of real estate held for sale.....	—	—	2,989	—
Loss on revaluation of securities.....	—	1,097	14	—
(Increase) decrease in notes and accounts receivable.....	(7,713)	3,791	15,143	(68,792)
(Increase) decrease in inventories and advance payments.....	(21,691)	(7,498)	1,271	(193,462)
Increase (decrease) in notes and accounts payable.....	10,152	(465)	(7,261)	90,546
Increase (decrease) in advances received.....	6,914	3,908	(8,623)	61,666
Other.....	(4,143)	(483)	16,712	(36,951)
Subtotal.....	27,942	42,821	104,443	249,215
Interest and dividends received	1,373	2,042	3,276	12,246
Interest paid	(492)	(994)	(1,594)	(4,388)
Income taxes paid	(3,719)	(4,672)	(7,664)	(33,170)
Net cash provided by operating activities.....	25,104	39,197	98,461	223,903
Cash flows from investing activities				
Proceeds from sales of short-term investments.....	501	51,053	50,670	4,468
Purchases of short-term investments	(195)	(499)	(530)	(1,739)
Proceeds from sales of property, plant and equipment.....	1,021	54	238	9,106
Purchases of property, plant and equipment	(11,280)	(7,806)	(14,175)	(100,606)
Proceeds from sales of investments in securities	10,606	1,068	3,782	94,595
Purchases of investments in securities	(7,015)	(994)	(1,201)	(62,567)
Decrease in loans receivable.....	2,088	4,493	7,118	18,623
Proceeds from sales of an insurance policy.....	—	10,000	10,000	—
Other.....	(211)	(1,268)	(4,181)	(1,882)
Net cash used in (provided by) investing activities.....	(4,485)	56,101	51,721	(40,002)
Cash flows from financing activities				
Repayment of long-term debt.....	(30,123)	(90,121)	(90,325)	(268,668)
Cash dividends paid.....	(6,259)	(6,379)	(12,638)	(55,824)
Purchases of treasury stock.....	(12,091)	(12,011)	(12,103)	(107,840)
Other.....	(416)	(214)	(330)	(3,710)
Net cash used in financing activities	(48,889)	(108,725)	(115,396)	(436,042)
Effect of exchange rate changes on cash and cash equivalents	(45)	135	108	(401)
Net decrease in cash and cash equivalents.....	(28,315)	(13,292)	34,894	(252,542)
Cash and cash equivalents at beginning of period	222,275	187,381	187,381	1,982,474
Cash and cash equivalents at end of period	¥ 193,960	¥ 174,089	¥ 222,275	\$ 1,729,932

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

July 31, 2004 and 2003

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 ¥112.12= U.S.\$1.00, the approximate rate of exchange in effect on July 31, 2004. 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 by ¥ 2,185 million for the six months ended July 31, 2003.

3. Accrued retirement benefits

On April 28, 2003, the Company and certain subsidiaries 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 ("WPFP"). However, the Company decided not to apply the transitional provision stipulated in "Practical Guidelines for Accounting 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 WPFP 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 WPFP as the date of the actual transfer to the Japanese government of the substitutional portion of the benefit obligation and related pension plan assets.

If the Company had applied the transitional provision stipulated in "Practical Guidelines for Accounting for Retirement Benefits," gain on return of the substitutional portion of the WPFP would have been approximately ¥ 41,459 million (\$ 369,773 thousand).

4. Contingent Liabilities

The Company and its subsidiaries had the contingent liabilities at July 31, 2004:

	Millions of yen	Thousands of U.S. dollars
Guarantees of housing loans to customers	¥ 75,145	\$ 670,219
Guarantees of bank loans of third parties and other.....	2,064	18,409
	¥ 77,209	\$ 688,628

5. Amounts per Share

	yen			U.S. dollars
	July 31 2004	July 31 2003	January 31 2004	July 31 2004
Net income per share:				
Basic	¥ 30.13	¥ 24.72	¥ 53.30	\$ 0.27
Diluted	—	23.05	51.39	—
Net assets	982.09	930.96	959.96	8.76
Dividends	9.00	9.00	18.00	0.08

CORPORATE DATA

(As of July 31, 2004)

Corporate Officers

President & Representative Director

Isami Wada

Executive Vice President & Director

Hideyuki Tonomura

Shichiro Iwane

Directors

Hiroshi Itawaki

Akira Morimoto

Tadashi Iwasaki

Sumio Wada

Yasuaki Yamamoto

Saburo Matsuyoshi

Kunitada Suzuki

Yuzo Matsumoto

Kazuo Yoshimitsu

Shiro Inagaki

Standing Corporate Auditors

Mikio Yamada

Kenji Kondo

Kenichi Kawauchi

Corporate Auditors

Takaharu Dohi

Yoshiharu Takahashi

Executive Vice President & Officer

Hideyuki Tonomura

Shichiro Iwane

Senior Managing Executive Officers

Hiroshi Itawaki

Akira Morimoto

Tadashi Iwasaki

Managing Executive Officers

Sumio Wada

Kunitada Suzuki

Yuzo Matsumoto

Kazuo Yoshimitsu

Shiro Inagaki

Yoshiro Kubota

Tetsuhiro Kamae

Masanori Noritomi

Kenichi Moriuchi

Junichi Terada

Fumiaki Hirabayashi

Yoshimasa Konishi

Toshiharu Arakawa

Executive Officers

Kazuhisa Ami

Kiyohide Hirabayashi

Satoru Shima

Mikio Ishikawa

Takeo Terashima

Hisashi Murao

Tetsuo Iku

Daiji Kuroki

Takashi Uchida

Toshinori Abe

OUTLINE OF THE COMPANY

Established

August 1, 1960

Capital Stock Issued

¥186,554,196,729

Employees

15,145 (As of April 30, 2004)

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)

Laboratory

Kyoto

Overseas Subsidiaries

SEKISUI DEUTSCHLAND BAU GmbH

Domestic Subsidiaries and Affiliates

Sekiwa Real Estate Tohhoku, 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.

SGM Operation Co., Ltd

and 86 other subsidiaries.

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

SEKISUI HOUSE, LTD.

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

<http://www.sekisuihouse.co.jp/english/index.html>