ANNUAL REPORT 2002

For the year ended January 31, 2002

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
	2002	2001	2000	1999	1998	**2002**
For the year:						
Net sales....................	**¥ 1,305,469**	¥ 1,364,801	¥ 1,330,284	¥ 1,314,696	¥ 1,457,719	**$ 9,822,942**
Net income.................	**(90,331)**	25,167	(94,811)	22,855	39,706	**(679,691)**
At year-ended:						
Total assets.................	**1,303,821**	1,459,491	1,453,547	1,571,784	1,635,201	**9,810,542**
Shareholders' equity.........	**626,463**	741,216	723,860	826,033	815,315	**4,713,792**

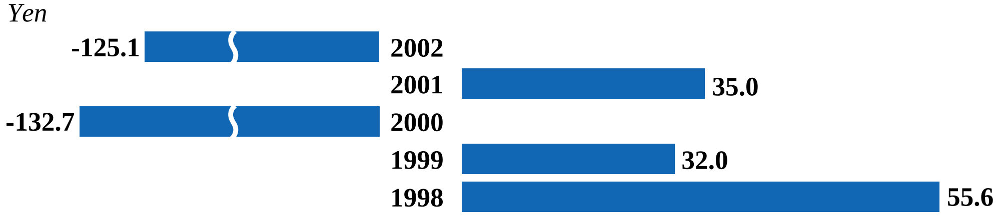
	Yen					U.S. dollars
	2002	2001	2000	1999	1998	**2002**
Per share:						
Net income.................	**¥ (125.11)**	¥ 35.03	¥ (132.65)	¥ 31.99	¥ 55.62	**$ (0.94)**
Cash dividends applicable to the year..............	**18.00**	20.00	18.00	18.00	18.00	**0.14**

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 ¥ 132.9 = U.S. $1, effective at January 31, 2002.

Net sales
Billions of yen

Net income
Billions of yen

Net income per share
Yen



A Message From The President

Japan's economy in our fiscal 2001, there were no signs of recovery in employment conditions, consumption trends, economic conditions deteriorated further due to enforcement of the structural reforms such as financial reorganization, companies executed further restructuring, personal consumption was sluggish, large-scale investment stayed in a wait and see mood; thus the domestic economy continued to be in an extremely severe condition.
Stock prices which discern trends of the overall economy declined (prices of financial stocks declined substantially) as foreign investors who became uncertain about the disposition of bad loans left Japan and dissolutions of cross-holdings by companies were executed; thus expectations for recovery due to improvements in the economic cycle receded.
In the housing market, in the first half of the term, although construction of condominiums, houses built for sale targeted for first-time home buyers was steady and construction of rental house increased compared to the previous term expecting an increase in demand due to low interest rates and deflation, housing starts during the calendar year were approximately 1,170 thousand (lower than 1,200 thousand which had been registered in each of the last three years in row) due to a substantial decrease of housing starts of owned houses. In such severe conditions, the housing industry is facing serious corporate selection and we are required to make our best efforts to further improve our management system.

Under such severe conditions, the Company adhered to the policy of maintaining its middle-and high-grade product line and realized high level customer satisfaction without taking part in low price competition, strengthened its management structure for securing profit and maintained the sales support system positively. At the beginning of the term, we merged four regional subsidiaries and established nationwide direct sales and a responsible construction structure.
Further, we continued to promote rationalization and labor-saving in each department such as merchandise development, procurement, manufacturing and construction by establishing cross-company project teams and made efforts to cut down costs and expenses. In addition, we increased the number of sales personnel and offices to strengthen our sales capacity, promoted closer ties between our sales and design personnel based on our "consulting housing" sales policy, and implemented various training to help our staff understand our superiority thoroughly and to improve customer satisfaction by offering useful suggestions to our customers.

With regard to our rental house, "Sha-Maison", we further promoted the high-grade line and made efforts to increase orders from owners by strengthening our closer ties with Sekiwa Real Estate Group, not only as tax relief measures but as profitable asset management measures for the owners in this age of low interest rates.
In the real estate business, we promoted development of attractive property by our greening plan for a town as a whole and laid emphasis on increasing sales of detached houses. With regard to condominiums built for sale, we marketed the "GRANDE MAISON" series, a series of high-grade condominiums located in urban areas such as Tokyo; and marketed condominiums with medicare (medical care) services in Rokko Island City for the first time in the country.

With regard to "Housing Performance Indication System", which was introduced two years ago, we applied it to all of our detached houses to be put on the market and made efforts to extend this system by positively applying it as a system to indicate the superiority of basic efficiency of our products.
In addition, to meet the demand for remodeling which is expected to increase in the future as housing becomes more durable and the social environment shifts to a society focused on saving rather than spending, we have increased sales personnel and offices to expand our remodeling proposals and to develop this business as a new business. Furthermore, as a part of our improvement of customer satisfaction after moving in, we have established "Net Owners-Club", a membership organization for customers utilizing the internet to offer information for living and proposals for remodeling efficiently.

Furthermore, in the exterior business, we have started a project named "Five Trees" which suggests various gardening plan taking the environment into account and extended this project; established three subsidiaries specializing in exteriors, "Greentechno Sekiwa", and improved planning, designing and construction capability and offered proposals for various exteriors integrated with housing and endeavored to strengthen our sales capacity in this business.
With regard to product strategy, we made another step forward to specializing in middle- and high-grade products and made efforts to introduce attractive high quality products to meet the diversified and individualized needs of customers.

New products which we have put on market during the business term under review include steel-frame detached houses such as "CENTRAGE CRESSE", a high-grade house that stresses hobbies and life style and "CENTRAGE J&K", a house with a bright and comfortable space which cut construction cost by rationalizing operations to the fullest extent and which may be accepted by a wider range of age-groups. With regard to "SHA-wood House", a wood-frame house, we have introduced to the market "M'Gravis Bellsa", a high-grade house with a newly developed ceramic exterior wall in the first half of the term, and "M'axio" a high-grade house for urban life which offers various types of space such as two stories, three stories including attic, three stories, etc. in the latter half of the term.

As the high-grade rental house market is expected to expand, with regard to "Sha-Maison", we have put on the market "βLABO", a high-grade terrace house in October 2001 to respond to demand for high-quality rental housing in the Metropolitan area.

Capital investment during the term was made mainly in the production field for rationalizing operations and labor-saving as it was in the previous term. We also ardently carried out investment for protection of the environment under a plan to achieve our goal of zero emissions of industrial wastes from our production lines and in the construction field by promoting labor-saving and technological development for reduction of industrial wastes. We have continued to devote our energies to manage the unified basic operation system positively for total information management and labor-saving from sales to after-sale service fields utilizing IT (information technology) across the Company.
In the financial area, we have executed cancellation by purchase of 21,719,000 shares of the company (equivalent to 3% of the total number of shares issued) to improve capital efficiency and to increase shareholders' profits in the long-term.

Net sales were ¥1,305,469 million ($9,822,942 thousand), comprising ¥981,558 million ($7,385,688 thousand) of sales from construction contracts, and ¥323,911 million ($2,437,254 thousand) of sales from real estate business.
Operating income decreased 22.3% from the previous business term to ¥74,625 million ($561,512 thousand) due to the decline of profit rates as a result of a decrease of sales.
With regard to real estate for sale stated at the end of the business term with respect to which the difference of book value and market price was becoming large and recovery of such price seemed difficult under recent economic conditions, since we judged it expedient to dispose of at an early stage in order to strengthen our corporate structure, a total amount of ¥135,540 million ($1,019,865 thousand) was stated as loss from revaluation. Major property whose loss from revaluation was entered into includes real estate for rent which we decided to sell at an early stage and newly completed residential land appropriated as advance payments. We amortized in a lump-sum during the business term under review the difference of ¥56,888 million ($428,051 thousand) due to a change of accounting standards for retirement benefits which had been scheduled to be amortized by straight line method in five years, at the beginning of the business term. We appropriated ¥26,261 million ($197,600 thousand) as a loss from revaluation of stocks in possession due to a substantial decline of stock prices of financial institutions, etc.
As a result, we appropriated a total amount of ¥234,004 million ($1,760,752 thousand) as extraordinary losses and for the business term under review, we had to state net loss of ¥90,331 million ($679,691 thousand) .

When we look to the future, we predict that the tendency to own houses will be more restrained due to the delay of economic recovery, a renewed bout of deflation, concerns about employment prospects, etc. and there will be keener competition in the industry.
We will make every effort to strengthen our management structure by cost reduction and efficient asset management. We will strengthen our sales capacity and continue to supply the market with our attractive high-quality products. In addition, to respond to an increase in demand for rental houses, we will propose our original attractive products and develop new demands in collaboration with our realtor subsidiary/affiliate companies, Sekiwa Real Estate (respective region), Ltd.
Japanese houses today have a longer life span and this trend is getting more and more conspicuous. We understand that such a trend will give us good business opportunities in the field, among others, of remodeling and exterior work, and we will work with great zeal to stimulate demand. Furthermore, we will continue to make our best efforts to improve customer satisfaction, strengthen our financial structure and improve our business results to make Sekisui House, Ltd. a reliable company.

I. Wada

Isami Wada
President & Representative Director

Sekisui House Topics

Environmental Actions

In November 1999, adopting an environment charter and environment policy, we, Sekisui House, Ltd., announced our "Action Program for the Environment" and made public the scope of our responsibilities as a leading home builder and a global citizen. Based on this Action Program we deployed various approaches for environmental preservation across the board in fiscal 2001. The following are some of our major activities.

Accomplishment of Zero-emission in All Six Factories

As an industrialized home builder with a high rate of industrial production, we placed great importance on reduction of wastes in production facilities, and promoted a zero-emission project to eliminate landfill waste discharged from our factories as well as incineration in our factories. In 2001, landfill waste and incineration in our factories were reduced by 90% compared to the level before the start of this project, and in May 2002, zero-emission is scheduled to be accomplished. Zero-emission will be accomplished three years earlier than initially scheduled. We have promoted a reduction of packing materials and technological developments for recycling in all six factories throughout Japan, and made efforts to improve and expand facilities by establishing "recycling center" within kanto factory.

Environmental Consideration in Products

Our basic policy is to construct all houses with a high level of environmental consideration instead of making special model houses that take into account the environment, and to offer durable houses, as durability of houses in Japan tends to be lower than in Europe and the U.S.

In order to cut energy consumption for air-conditioning that accounts for about 30% of the total energy people consume at home, we improved housing heat insulation efficiency. We made efforts to promote sales of detached houses that conform to next-generation heat insulation specifications energy saving standard. Rate of adoption increased by 10 points from the previous year to 42% of the number of detached houses we have supplied. This rate exceeds the average rate of adoption in the industry. In addition, we are positively working to improve heat insulation efficiency of low-rise rental houses.

We have endeavored to reduce plasterboard waste that account for 33% of the waste of construction sites. We have made efforts to develop and diffuse methods of construction that reduce emissions to 1/10 of the previous amount by utilising a precutting method at factories as well as promoting efficiency of construction methods on site. Rate of adoption of this technology is scheduled to be increased to 70% of all construction sites by the following term.

In order to extend durability of the houses we built in the past, we have developed remodeling technology to improve customer satisfaction and endeavored to diffuse such technology and to arrange for the system to be tailored to such demand. In addition, we have introduced "Housing Diagnosis (technical support) System" that offers diagnoses of houses and appropriate proposals for maintenance of houses. 300 persons of after-sale service staff has acquired such in-house qualification.

Other Activities

We commenced the "[Bio] Garden" that is to promote revival of the natural environment, the base of the ecosystem for wild birds and insects, by utilising trees that conform to the climate of Japan in the proposals for landscaping that accompanies with housing. This is our new project for protection of the environment that is to be promoted with our customers throughout Japan. We were able to implement this unique and unprecedented project that takes into account living creatures in addition to tree planting as we are a company which markets approximately 60,000 houses annually. We completed several model gardens and adopted such ideas proactively in the landscaping plans for large-scale housing complexes and condominiums in addition to individual houses. Furthermore, we planted 550,000 trees during fiscal 2001 (a 49% increase from the previous year), equivalent to a reduction of 269 tons of CO_2.

Rokko Island City

In "Rokko Island City" in Kobe, a compound city we are developing, we put on the market "[East Court 11 Bangai], a large-scale condominium for the elderly offering safe and comfortable living. In the construction plan, we applied our know-how of abundant universal designs and our original advanced technology used in our housing construction. It is a condominium that offers medi-care services such as medical services, nursing and medical attendance via a tie-up with a medical corporation.

"Common City Juo Shirono-oka", a housing complex in Juo-cho, Ibaraki Prefecture designed and developed by our company was awarded a "2001 Good Design Award" sponsored by Japan Industrial Design Promotion Organization. We proposed a landscape design making the most of the geographical features and offered a living environment not dependent on air-conditioning with themes such as "Living Together with Nature", "Living Together with People" and "Living Together with the Region" in the development of a large-scale town exceeding 60 ha; and we also took into consideration history, culture and the environment of the town by preserving the remains of a castle. The judging committee judged that "The project tackled various problems of large-scale development with sincerity and considered the global environment and life styles of people as a whole, with responsibility." In the housing industry, this was the first award for large-scale development of a housing complex given to a single company.

Sekisui House released its environment report "ECO WORKS 2002" that reports on its across-the-board environmental activities for fiscal 2001 represented by the above-mentioned approaches.

Management's Discussion and Analysis

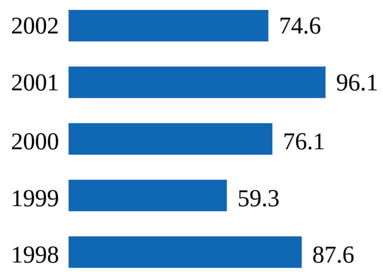
Results of Operations

For the year ended January 31

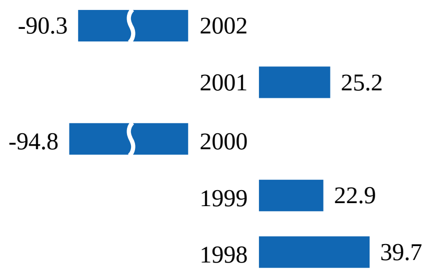
	Millions of yen (percentage change)				
	2002	2001	2000	1999	1998
Net sales	**¥ 1,305,469 (–4.3)**	1,364,801 (2.6)	1,330,284 (1.2)	1,314,696 (–9.8)	1,457,719 (1.9)
Cost of sales	**¥ 1,035,277 (–3.3)**	1,071,009 (–0.1)	1,072,196 (0.1)	1,071,408 (–8.8)	1,174,618 (2.9)
Operating income	**¥ 74,625 (–22.3)**	96,086 (26.2)	76,138 (28.5)	59,250 (–32.4)	87,635 (–7.8)
Net income	**¥ –90,331**	25,167	– 94,811	22,855 (–42.4)	39,706 (–6.8)
	Yen (percentage change)				
Net income per share	**¥ –125.11**	35.03	–132.65	31.99 (–42.5)	55.62 (–7.7)

Net Sales
billions of yen

Operating Income
billions of yen



Net Income
billions of yen

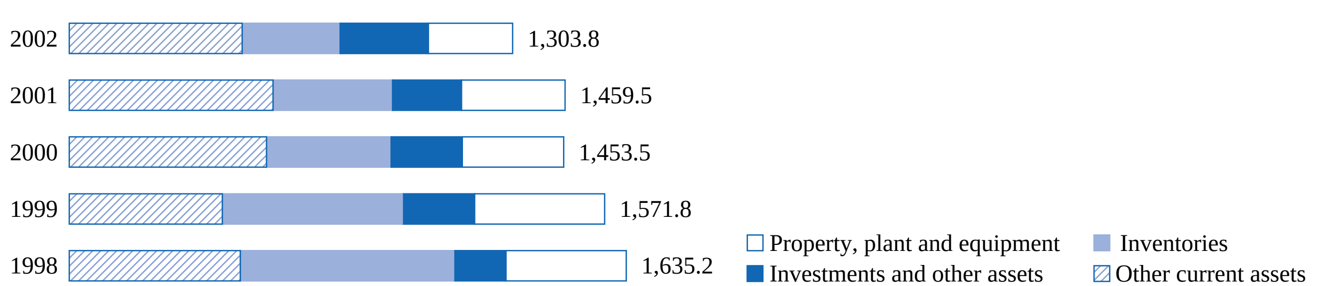


Financial Position

For the year ended January 31

	% of total assets				
	2002	2001	2000	1999	1998
Current assets	**61.1**	65.2	65.1	62.2	69.0
Inventories	**22.1**	24.1	25.2	33.6	38.3
Investments and other assets	**19.9**	13.9	14.4	13.5	9.4
Property, plant and equipment	**19.0**	20.9	20.5	24.3	21.6
Current liabilities	**29.1**	27.1	27.8	26.4	30.9
Short–term loans	**–**	–	2.6	2.3	2.4
Long–term liabilities	**22.3**	20.9	22.0	20.7	18.9
Long–term debt	**12.3**	15.6	19.2	18.2	16.5
Total shareholders' equity	**48.0**	50.8	49.8	52.6	49.9

Total Assets
billions of yen



Five-year Summary

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

	Millions of yen and Thousands of U.S. dollars					
	2002		2001	2000	1999	1998
Net sales	**¥ 1,305,469**	**$ 9,822,942**	1,364,801	1,330,284	1,314,696	1,457,719
Construction	**¥ 981,558**	**$ 7,385,688**	1,081,057	1,088,228	1,072,813	1,232,378
Real estate	**¥ 323,911**	**$ 2,437,254**	283,744	242,056	241,883	225,341
Operating income	**¥ 74,625**	**$ 561,512**	96,086	76,138	59,250	87,635
Net income	**¥ – 90,331**	**$ – 679,691**	25,167	– 94,811	22,855	39,706
Total assets	**¥ 1,303,821**	**$ 9,810,542**	1,459,491	1,453,547	1,571,784	1,635,201
Shareholders' equity	**¥ 626,463**	**$ 4,713,792**	741,216	723,860	826,033	815,315

	Yen and U.S. dollars					
	2002		2001	2000	1999	1998
Amounts per share:						
Net income Basic	**¥ – 125.11**	**$ – 0.94**	35.03	– 132.65	31.99	55.62
Diluted	**–**	**–**	31.07	–	27.96	47.49
Net assets	**¥ 883.16**	**$ 6.65**	1,027.71	1,012.78	1,155.74	1,141.97
Dividends	**¥ 18.00**	**$ 0.14**	20.00	18.00	18.00	18.00

Consolidated Balance Sheets

Sekisui House, Ltd. and Subsidiaries
January 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	**2002**
Assets			
Current assets:			
Cash and cash equivalents (Note 7)	**¥ 229,139**	¥ 311,022	**$ 1,724,146**
Short-term investments (Notes 3 and 7)	**14,323**	27,835	**107,773**
Notes and accounts receivable:			
Affiliates	**209**	2,491	**1,573**
Trade	**117,878**	124,527	**886,967**
Other	**17,025**	18,671	**128,104**
Less allowance for doubtful accounts	**(2,672)**	(2,995)	**(20,105)**
	132,440	142,694	**996,539**
Inventories (Note 4)	**287,555**	351,843	**2,163,694**
Deferred income taxes (Note 8)	**121,434**	75,266	**913,725**
Other current assets	**10,993**	43,171	**82,716**
Total current assets	**795,884**	951,831	**5,988,593**
Property, plant and equipment:			
Land (Note 7)	**112,671**	151,678	**847,788**
Buildings and structures (Note 7)	**188,627**	204,117	**1,419,315**
Machinery and equipment	**81,940**	80,557	**616,554**
Construction in progress	**500**	859	**3,762**
	383,738	437,211	**2,887,419**
Less accumulated depreciation	**(135,822)**	(132,500)	**(1,021,986)**
Property, plant and equipment, net	**247,916**	304,711	**1,865,433**
Investments and other assets:			
Long-term loans receivable	**65,467**	71,059	**492,604**
Less allowance for doubtful accounts	**(1,197)**	(1,067)	**(9,007)**
	64,270	69,992	**483,597**
Investments in securities (Notes 3 and 7)	**108,548**	67,187	**816,764**
Investments in affiliates (Note 5)	**6,885**	11,355	**51,806**
Deferred income taxes (Note 8)	**33,584**	9,584	**252,701**
Other assets	**46,734**	44,831	**351,648**
Total investments and other assets	**260,021**	202,949	**1,956,516**
	¥ 1,303,821	¥ 1,459,491	**$ 9,810,542**

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	**2002**
Liabilities and shareholders' equity			
Current liabilities:			
Current portion of long-term debt (Note 6)	**¥ 62,604**	¥ 51,206	**$ 471,061**
Notes and accounts payable:			
Affiliates	**–**	75	**–**
Trade	**189,003**	208,070	**1,422,144**
Accrued income taxes (Note 8)	**2,783**	2,767	**20,941**
Advances received	**79,507**	78,737	**598,247**
Other current liabilities (Note 7)	**45,357**	54,931	**341,287**
Total current liabilities	**379,254**	395,786	**2,853,680**
Long-term debt, less current portion (Note 6)	**160,373**	227,415	**1,206,720**
Accrued retirement benefits for employees (Note 11)	**78,856**	29,734	**593,348**
Accrued retirement benefits for directors and corporate auditors	**1,091**	916	**8,209**
Other liabilities (Note 7)	**50,342**	47,665	**378,796**
Total liabilities	**669,916**	701,516	**5,040,753**
Minority interests	**7,442**	16,759	**55,997**
Contingent liabilities (Note 12)			
Shareholders' equity (Note 9):			
Common stock:			
Authorized - 1,978,281,000 shares			
Issued: 2002 - 709,385,078 shares	**186,554**	–	**1,403,717**
2001 - 721,235,443 shares	**–**	186,058	**–**
Additional paid-in capital	**237,523**	241,145	**1,787,231**
Retained earnings (Note 18)	**202,616**	314,576	**1,524,575**
Net unrealized holding gain on securities	**83**	–	**624**
Translation adjustment	**(271)**	(561)	**(2,039)**
Less treasury stock, at cost	**(42)**	(2)	**(316)**
Total shareholders' equity	**626,463**	741,216	**4,713,792**
	¥ 1,303,821	¥ 1,459,491	**$ 9,810,542**

See notes to consolidated financial statements.

Consolidated Statements of Operations

Sekisui House, Ltd. and Subsidiaries
Years ended January 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	**2002**
Net sales (Note 17)	**¥ 1,305,469**	¥ 1,364,801	**$ 9,822,942**
Cost of sales	**1,035,277**	1,071,009	**7,789,895**
Gross profit	**270,192**	293,792	**2,033,047**
Selling, general and administrative expenses	**195,567**	197,706	**1,471,535**
Operating income (Note 17)	**74,625**	96,086	**561,512**
Other income (expenses):			
Interest and dividend income	**3,455**	4,445	**25,997**
Interest expense	**(3,404)**	(3,330)	**(25,613)**
Loss on revaluation of real estate held for sale (Note 13)	**(135,540)**	–	**(1,019,865)**
Loss on revaluation of securities	**(26,261)**	(8,756)	**(197,600)**
Amortization of net retirement benefit obligation at transition	**(56,888)**	–	**(428,051)**
Provision with respect to change in accounting for employees' severance indemnities	**–**	(17,078)	**–**
Special contributions to pension fund	**–**	(14,281)	**–**
Other, net	**(16,157)**	(8,064)	**(121,572)**
(Loss) income before income taxes and minority interests	**(160,170)**	49,022	**(1,205,192)**
Income taxes (Note 8):			
Current	**4,554**	8,530	**34,266**
Deferred	**(70,107)**	13,787	**(527,517)**
	(65,553)	22,317	**(493,251)**
(Loss) income before minority interests	**(94,617)**	26,705	**(711,941)**
Minority interests in losses (earnings) of subsidiaries	**4,286**	(1,538)	**32,250**
Net (loss) income	**¥ (90,331)**	¥ 25,167	**$ (679,691)**

See notes to consolidated financial statements.

Consolidated Statements of Shareholders’ Equity

Sekisui House, Ltd. and Subsidiaries
Years ended January 31, 2002 and 2001

	Number of shares in issue	Millions of yen					
		Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gain on securities	Translation adjustment	Treasury stock
Balance at January 31, 2000	**714,736,667**	**¥182,905**	**¥237,999**	**¥302,966**	**–**	**–**	**¥ (10)**
Decrease in retained earnings resulting from addition of consolidated subsidiaries and affiliates accounted for by the equity method.	–	–	–	(195)	–	–	–
Net income for the year	–	–	–	25,167	–	–	–
Conversion of convertible bonds	6,498,776	3,153	3,146	–	–	–	–
Cash dividends	–	–	–	(12,924)	–	–	–
Bonuses to directors and corporate auditors	–	–	–	(386)	–	–	–
Due to shareholders of merged subsidiaries	–	–	–	(52)	–	–	–
Translation adjustment	–	–	–	–	–	¥(561)	–
Decrease in treasury stock	–	–	–	–	–	–	8
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 holdings gain on securities	–	–	–	–	¥ 83	–	–
Translation adjustment	–	–	–	–	–	290	–
Increase in treasury stock	–	–	–	–	–	–	(40)
Balance at January 31, 2002	**709,385,078**	**¥186,554**	**¥237,523**	**¥202,616**	**¥83**	**¥(271)**	**¥ (42)**

	Thousands of U.S. dollars (Note 1)					
	Common stock	Additional paid-in capital	Retained earnings	Net unrealized holding gain on securities	Translation adjustment	Treasury stock
Balance at January 31, 2001	**$1,399,985**	**$1,814,485**	**$2,367,013**	**–**	**$ (4,221)**	**$ (15)**
Decrease in retained earnings resulting from merger of consolidated subsidiaries and affiliates accounted for by the equity method.	–	–	(50,083)	–	–	–
Net loss for the year	–	–	(679,691)	–	–	–
Purchases and retirement of treasury stock	–	(161,738)	–	–	–	–
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	3,702	134,462	–	–	–	–
Conversion of convertible bonds	30	22	–	–	–	–
Cash dividends	–	–	(109,203)	–	–	–
Bonuses to directors and corporate auditors	–	–	(3,461)	–	–	–
Net unrealized holdings gain on securities	–	–	–	$624	–	–
Translation adjustment	–	–	–	–	2,182	–
Increase in treasury stock	–	–	–	–	–	(301)
Balance at January 31, 2002	**$1,403,717**	**$1,787,231**	**$1,524,575**	**$624**	**$ (2,039)**	**$ (316)**

See notes to consolidated financial statements.

Consolidated Statements of Cash Flows

Sekisui House, Ltd. and Subsidiaries
Years ended January 31, 2002 and 2001

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2002	2001	**2002**
Cash flows from operating activities			
(Loss) income before income taxes and minority interests	**¥(160,170)**	¥ 49,022	**$(1,205,192)**
Adjustments for:			
Depreciation and amortization	**13,085**	13,693	**98,457**
Provision for retirement benefits	**48,677**	18,125	**366,267**
Equity in earnings of affiliates	**(2)**	(401)	**(15)**
Interest and dividend income	**(3,455)**	(4,445)	**(25,997)**
Interest expense	**3,404**	3,330	**25,613**
Loss on revaluation of real estate held for sale	**135,540**	–	**1,019,865**
Loss on revaluation of securities	**26,261**	8,756	**197,600**
Decrease (increase) in notes and accounts receivable	**5,941**	(13,274)	**44,703**
Decrease in inventories and advance payments	**1,052**	18,899	**7,916**
(Decrease) increase in notes and accounts payable	**(21,869)**	2,688	**(164,552)**
Decrease in advances received	**(921)**	(3,792)	**(6,930)**
Other	**11,313**	1,169	**85,124**
Subtotal	**58,856**	93,770	**442,859**
Interest and dividends received	**3,382**	4,564	**25,448**
Interest paid	**(3,371)**	(3,323)	**(25,365)**
Income taxes paid	**(4,675)**	(28,160)	**(35,177)**
Net cash provided by operating activities	**54,192**	66,851	**407,765**
Cash flows from investing activities			
Proceeds from sales of short-term investments	**62,207**	42,244	**468,073**
Purchases of short-term investments	**(52,566)**	(34,047)	**(395,530)**
Proceeds from sales of property, plant and equipment	**2,107**	3,095	**15,854**
Purchases of property, plant and equipment	**(8,799)**	(11,105)	**(66,208)**
Proceeds from sales of investments in securities	**2,783**	1,179	**20,941**
Purchases of investments in securities	**(65,700)**	(527)	**(494,357)**
Decrease in loans receivable	**6,528**	5,200	**49,120**
Purchase of an insurance policy	**–**	(10,000)	**–**
Other	**(799)**	(1,047)	**(6,012)**
Net cash used in investing activities	**(54,239)**	(5,008)	**(408,119)**
Cash flows from financing activities			
Decrease in short-term loans	**–**	(37,300)	**–**
Repayment of long-term debt	**(55,637)**	(1,377)	**(418,638)**
Cash dividends paid	**(14,513)**	(12,924)	**(109,203)**
Purchases of treasury stock	**(21,495)**	–	**(161,738)**
Other	**(436)**	(253)	**(3,280)**
Net cash used in financing activities	**(92,081)**	(51,854)	**(692,859)**
Effect of exchange rate changes on cash and cash equivalents	**290**	36	**2,182**
Net (decrease) increase in cash and cash equivalents	**(91,838)**	10,025	**(691,031)**
Cash and cash equivalents at beginning of the year	**311,022**	283,840	**2,340,271**
Increase in cash and cash equivalents resulting from initial consolidation of subsidiaries	**–**	17,157	**–**
Increase in cash and cash equivalents resulting from merger of affiliates accounted for by the equity method	**9,955**	–	**74,906**
Cash and cash equivalents at end of the year	**¥ 229,139**	¥311,022	**$ 1,724,146**
Supplemental schedule of noncash financing activities			
Conversion of convertible bonds	**¥ 7**	¥ 6,299	**$ 52**

See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Sekisui House, Ltd. and Subsidiaries
January 31, 2002 and 2001

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 are prepared based on the consolidated financial statements of the Company and its subsidiaries (the “Group”) which were filed with the Director of the Kanto Local Finance Bureau as required by the Securities and Exchange Law.

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 the year ended January 31, 2001 to conform these to the 2002 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 at ¥132.9 = U.S.$1.00, the approximate rate of exchange in effect on January 31, 2002. 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. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and all its subsidiaries. Under a revised accounting standard for consolidated financial statements which became effective February 1, 2000, the Company was required to consolidated all entities which are effectively controlled by the Company unless such control is considered temporary. The effect of the application of this new accounting standard on the consolidated financial statements was immaterial.

All significant intercompany transactions and accounts have been eliminated.

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 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 a 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. Translation differences resulting from translating the financial statements of the foreign subsidiary are not included in the determination of net income, 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 the new 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 contracts are translated at the corresponding forward exchange contracts 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 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” which was 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, trade 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 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 related the taxes is not available for distribution as dividends or 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 ($28,796 thousand), 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 ($3,108 thousand) and by ¥60 million ($451 thousand), 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, except that 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 recognized 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 contributory plan, covers approximately 75% of the benefits under the retirement allowances plan for employees retiring after twenty or more years of service.
For the year ended January 31, 2001, the liability for retirement allowances was stated at the amount which would required to be paid if all employees covered by the plan voluntarily terminated their employment at the balance sheet date, less the amount covered by the pension plan.
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 have been 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 ($428,051 thousand) has been fully charged to income for the year ended January 31, 2002.
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 5years, which is within the estimated average remaining years service of the eligible employees.
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 ($359,586 thousand) and ¥27,861 million ($209,639 thousand), respectively.
Directors and corporate auditors 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 rules.
Change in method of accounting
Effective February 1, 2000, the Group changed their method of accounting for employees' accrued retirement benefits to recording the liability at 100% instead of 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, less the benefits to be covered by the pension plan. This change was made in order to provide a more accurate allocation of retirement benefit costs, to present a more accurate retirement benefit obligation, and to enhance the financial status of the Group. The change has been reflected as a provision with respect to a change in accounting for employees' accrued retirement benefits in the consolidated statements of operations. The effect of this change was to decrease operating income by ¥678 million, income before income taxes and minority interests by ¥17,755 million, and net income by ¥10,340 million for the year ended January 31, 2001 from the corresponding amounts which would have been recorded under the method applied in the previous year.

(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 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.
Effective February 1, 2000, the Group adopted "Accounting Standards for Research and Development Costs, etc." issued by the Business Accounting Deliberation Council.

(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 had no material effect on net (loss) income.

3. Short-Term Investments and Investments in Securities

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

	Millions of yen			
	2002			
	Held-to-maturity debt securities			
	Book value	Gross unrealized gain	Gross unrealized loss	Estimated fair value
Market value available				
Bonds	¥ 2,334	¥ 7	¥ (11)	¥ 2,330
	2,334	7	(11)	2,330
Market value not available				
Bonds	¥ 12,032	–	–	–
	12,032	–	–	–
Total	¥ 14,366	–	–	–

	Thousands of U.S. dollars			
	2002			
	Held-to-maturity debt securities			
	Book value	Gross unrealized gain	Gross unrealized loss	Estimated fair value
Market value available				
Bonds	$ 17,562	$ 53	$ (83)	$ 17,532
	17,562	53	(83)	17,532
Market value not available				
Bonds	$ 90,534	–	–	–
	90,534	–	–	–
Total	$108,096	–	–	–

	Millions of yen			
	2002			
	Other securities			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Market value available				
Equity securities	¥ 31,502	¥2,067	¥ (951)	¥ 32,618
Bonds	52,938	–	(1,028)	51,910
	84,440	2,067	(1,979)	84,528
Market value not available				
Equity securities	¥ 10,472	–	–	–
Other	13,505	–	–	–
	23,977	–	–	–
Total	¥108,417	–	–	–

	Thousands of U.S. dollars			
	2002			
	Other securities			
	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Book value (estimated fair value)
Market value available				
Equity securities	$237,035	$15,553	$(7,156)	$245,432
Bonds	398,330	–	(7,735)	390,595
	635,365	15,553	(14,891)	636,027
Market value not available				
Equity securities	$ 78,796	–	–	–
Other	101,618	–	–	–
	180,414	–	–	–
Total	$815,779	–	–	–

Short-term investments and investments in securities at January 31, 2001 were as follows:

	Millions of yen		
	2001		
	Carrying value	Market value	Difference
Short-term investments			
Market value available:			
Equity securities	¥ 3,819	¥ 6,550	¥ 2,731
Bonds and other	26	25	(1)
	3,845	6,575	2,730
Market value not available:	23,990		
Total	¥ 27,835		
Investments in securities			
Market value available:			
Equity securities	¥ 52,786	¥ 58,148	¥ 5,362
Bonds and other	615	621	6
	53,401	58,769	5,368
Market value not available:	13,786		
Total	¥ 67,187		

4. Inventories

Inventories at January 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Land held for sale, including land held for development	**¥ 189,807**	¥ 255,343	**$1,428,194**
Construction for sale, including projects under construction	**36,381**	34,328	**273,747**
Contracts in process	**57,512**	57,709	**432,746**
Other	**3,855**	4,463	**29,007**
	¥ 287,555	¥ 351,843	**$2,163,694**

5. Investments in Affiliates

Investments in affiliates at January 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Investments in capital stock, at cost	**¥ 2,111**	¥ 3,007	**$ 15,884**
Equity in undistributed earnings since acquisition, net	**4,774**	8,348	**35,922**
	¥ 6,885	¥ 11,355	**51,806**

6. Long-Term Debt

Long-term debt less current portion at January 31, 2002 and 2001 is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Manufacturing industries, insurance companies and others	**¥ 30,374**	¥ 35,316	**$ 228,547**
Notes	**40,000**	40,000	**300,980**
Convertible bonds	**89,999**	152,099	**677,193**
	¥ 160,373	¥ 227,415	**$1,206,720**

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, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
2.18% to 2.19% unsecured loans from insurance companies, due 2004	**¥ 20,000**	¥ 20,000	**$150,489**
1.4% unsecured loan from an agricultural financing institution, due 2002	**500**	500	**3,762**
0% to 6.0% unsecured loans from manufacturing industries and others, due 2002 –2007	**10,378**	14,822	**78,088**
	30,878	35,322	**232,339**
Less current portion	**(504)**	(6)	**(3,792)**
	¥ 30,374	¥ 35,316	**$228,547**

(2) Notes

Notes outstanding at January 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
2.4% yen unsecured notes, due 2005	**¥ 10,000**	¥ 10,000	**$ 75,245**
1.92% yen unsecured notes, due 2005	**10,000**	10,000	**75,245**
1.76% yen unsecured notes, due 2004	**10,000**	10,000	**75,245**
1.79% yen unsecured notes, due 2005	**10,000**	10,000	**75,245**
	¥ 40,000	¥ 40,000	**$300,980**

(3) Convertible bonds

Convertible bonds outstanding at January 31, 2002 and 2001 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
1.7% unsecured bonds of ¥50,000,000,000, due 2002	**¥ 49,280**	¥ 49,280	**$370,805**
1.6% unsecured bonds of ¥30,000,000,000, due 2003	**12,820**	12,820	**96,464**
2.5% unsecured bonds of ¥20,000,000,000, due 2002	**–**	11,200	**–**
0.9% unsecured bonds of ¥50,000,000,000, due 2003	**39,999**	39,999	**300,971**
0.8% unsecured bonds of ¥50,000,000,000, due 2001	**–**	40,000	**–**
0.3% unsecured bonds of ¥50,000,000,000, due 2003	**50,000**	50,000	**376,222**
	152,099	203,299	**1,144,462**
Less current portion	**(62,100)**	(51,200)	**(467,269)**
	¥ 89,999	¥ 152,099	**677,193**

The conversion prices and periods of the convertible bonds at January 31, 2002 were as follows:

	Conversion price per share	Conversion period up to
1.7% unsecured bonds of ¥50,000,000,000, due 2002	¥2,124.20	July 30, 2002
1.6% unsecured bonds of ¥30,000,000,000, due 2003	1,729.60	January 30, 2003
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, 2002 was 95,263,332 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, 2002 are summarized as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2003	¥ 62,604	$ 471,061
2004	90,001	677,209
2005	30,002	225,749
2006	30,001	225,741
2007	10,369	78,021
2008 and thereafter	0	0
	¥222,977	$1,677,781

7. Mortgaged and Pledged Assets

The following assets, shown at net book value at January 31, 2002 and 2001, were either mortgaged or pledged for guarantees of bank loans of third parties and long-term deposits received and other, and totaled ¥8,686 million ($65,357 thousand) and ¥9,146 million, respectively:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Cash equivalents	**¥ 2,600**	¥ 2,450	**$ 19,564**
Land	**27,516**	28,274	**207,042**
Buildings	**866**	1,338	**6,516**
Short-term investments and investments in securities	**280**	230	**2,107**
	¥ 31,262	¥32,292	**$ 235,229**

8. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income which, in the aggregate, resulted in statutory tax rate of approximately 41.7% for the years ended January 31, 2002 and 2001. The foreign subsidiary is subject to the income taxes of the country in which it operates.

The difference between income tax expense for the years ended January 31, 2002 and 2001 and the amounts calculated by applying the statutory income tax rate to the loss or income before income taxes is summarized as follows:

	2002	2001
Statutory tax rate	**41.7%**	41.7%
Entertainment expenses not deductible	**(2.2)**	3.2
Dividend income not taxable	**0.8**	(1.4)
Inhabitants' per capita taxes	**(0.3)**	1.0
Other	**0.9**	1.0
	40.9%	45.5%

The significant components of the Groups' deferred tax assets at January 31, 2002 and 2001 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2002	2001	**2002**
Loss on revaluation of real estate held for sale	**¥ 100,455**	¥ 71,834	**$755,869**
Tax loss carryforwards	**16,623**	–	**125,079**
Accrued enterprise tax	**201**	195	**1,512**
Retirement benefits	**29,242**	8,283	**220,030**
Allowance for doubtful accounts	**1,227**	1,149	**9,233**
Accrued bonuses	**371**	2,126	**2,792**
Other	**6,899**	1,263	**51,911**
	¥ 155,018	¥84,850	**$1,166,426**

9. Shareholders' Equity

The Commercial Code of Japan 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. Retained earnings include the legal reserve provided in accordance with the provisions of the Commercial Code of Japan. The Company's legal reserve included in retained earnings at January 31, 2002 and 2001 amounted to ¥23,129 million ($174,033 thousand) and ¥21,653 million, respectively.

Under the Commercial Code of Japan, 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 ($0.07) per share totaling ¥6,580 million ($49,511 thousand) was paid on September 28, 2001.

In October 2001, the Company repurchased 21,719 thousand shares of its own common stock for ¥21,495 million ($161,738 thousand) 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 ¥7,553 million ($56,832 thousand) and ¥7,743 million for the years ended January 31, 2002 and 2001, 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 sheet as of January 31, 2002 for the Groups' defined benefit plans:

	Millions of yen	Thousands of U.S. dollars
Retirement benefit obligation at end of year	¥ (239,600)	$(1,802,859)
Fair value of plan assets at end of year	141,864	1,067,449
Unfunded retirement benefit obligation	(97,736)	(735,410)
Unrecognized actuarial loss	18,884	142,092
Net retirement benefit obligation	(78,852)	(593,318)
Prepaid pension cost	4	30
Accrued retirement benefits	¥ (78,856)	$ (593,348)

The components of net retirement benefit expenses for the year ended January 31, 2002 were as follows:

	Millions of yen	Thousands of U.S. dollars
Service cost	¥ 11,680	$ 87,886
Interest cost	6,140	46,200
Expected return on plan assets	(5,316)	(40,000)
Amortization of net retirement benefit obligation at transition	56,888	428,051
Retirement benefit expenses	¥ 69,392	$ 522,137

The assumption used in the accounting for the defined benefit plans for the year ended January 31, 2002 were as follows:

Discount rate	2.8%
Expected rate of return on plan assets	4.0%

12. Contingent Liabilities

The Group had the following contingent liabilities at January 31, 2002:

	Millions of yen	Thousands of U.S. dollars
Guarantees of housing loans to customers	¥ 78,226	$588,608
Guarantees of bank loans of third parties and other	2,856	21,490
	¥ 81,082	$610,098

13. Loss on Revaluation of Real Estate Held for Sale

Real estate held for sale at January 31, 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, 2002 and 2001, 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					
	2002			2001		
	Acquisition costs	Accumulated depreciation	Net leased property	Acquisition costs	Accumulated depreciation	Net leased property
Buildings and structures	**¥ 40,107**	**¥ 20,144**	**¥ 19,963**	¥ 40,840	¥ 22,845	¥ 17,995
Machinery and equipment	**9,643**	**6,024**	**3,619**	9,833	5,575	4,258
Other	**3,797**	**2,007**	**1,790**	3,135	1,423	1,712
	¥ 53,547	**¥ 28,175**	**¥ 25,372**	¥ 53,808	¥ 29,843	¥ 23,965

Certain adjustments of previous reported pro forma amounts have been made to conform the 2001 amounts to the 2002 presentation.

	Thousands of U.S. dollars		
	2002		
	Acquisition costs	Accumulated depreciation	Net leased property
Buildings and structures	**$301,784**	**$151,573**	**$150,211**
Machinery and equipment	**72,558**	**45,327**	**27,231**
Other	**28,570**	**15,102**	**13,468**
	$402,912	**$212,002**	**$190,910**

Lease payments relating to finance leases other than those which transfer the ownership of the leased property amounted to ¥9,103 million ($68,495 thousand) and ¥10,242 million for the years ended January 31, 2002 and 2001, respectively.
Future minimum lease payments (including the interest position thereon) subsequent to January 31, 2002 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
2003	¥ 7,355	$ 55,342
2004 and thereafter	19,738	148,518
	¥27,093	$203,860

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 speculate in derivatives for 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; however, the Company does not anticipate nonperformance 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,derivative 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 on asset or a liability.
At January 31, 2001, the forward foreign exchange contracts outstanding were as follows:

	Millions of yen		
	2001		
	Notional amount	Market value	Unrealized gain
Forward foreign exchange:			
Contracts to buy U.S. dollars	¥ 371	¥ 369	¥ (2)

At January 31, 2002, there were no forward foreign exchange contracts which were reguired to be disclosed in accordance with accounting principles and practices generally accepted in Japan.

At January 31, 2002 and 2001, the outstanding interest rate swap positions were as follows:

	Millions of yen				Thousands of U.S. dollars	
	2002		2001		**2002**	
	Notional amount	Unrealized gain	Notional amount	Unrealized gain	Notional amount	Unrealized gain
Interest-rate swap agreements:						
Fixed-rate into variable-rate obligations	**¥ 15,000**	**¥ 550**	¥15,000	¥ 564	**$112,867**	**$ 4,138**
Variable-rate into fixed-rate obligations	**¥ 15,000**	**¥ 410**	¥15,000	¥ 354	**$112,867**	**$ 3,085**

16. Amounts per Share

	yen		U.S. dollars
	2002	2001	**2002**
Net (loss) income:			
Basic	**¥ (125.11)**	¥35.03	**$(0.94)**
Diluted	–	31.07	–
Net assets	**883.16**	1,027.71	**6.65**
Cash dividends	**18.00**	20.00	**0.14**

The computation of basic net (loss) income 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 722,037 thousand and 718,524 thousand for the years ended January 31 2002 and 2001, 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 Company and its consolidated subsidiaries 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.
The business segment information of the Company and its consolidated subsidiaries for the years ended January 31, 2002 and 2001 is outlined as follows:

	Millions of yen				
	2002				
	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

	Millions of yen				
	2001				
	Construction	Real estate	Total	Eliminations and other	Consolidated
Sales to third parties	¥1,081,057	¥ 283,744	¥1,364,801	–	¥1,364,801
Inter-group sales and transfers	518	–	518	¥ (518)	–
Total sales	1,081,575	283,744	1,365,319	(518)	1,364,801
Operating expenses	953,912	287,440	1,241,352	27,363	1,268,715
Operating income (loss)	¥ 127,663	¥ (3,696)	¥ 123,967	¥ (27,881)	¥96,086
Assets	¥ 318,554	¥ 677,731	¥ 996,285	¥ 463,206	¥1,459,491
Depreciation and amortization	¥ 7,031	¥ 4,742	¥ 11,773	¥ 1,920	¥13,693
Capital expenditures	¥ 8,318	¥ 2,687	¥ 11,005	¥ 2,963	¥13,968

	Thousands of U.S. dollars				
	2002				
	Construction	Real estate	Total	Eliminations and other	Consolidated
Sales to third parties	$7,385,688	$2,437,254	$9,822,942	–	$9,822,942
Inter-group sales and transfers	7,073	–	7,073	$ (7,073)	–
Total sales	7,392,761	2,437,254	9,830,015	(7,073)	9,822,942
Operating expenses	6,628,653	2,444,869	9,073,522	187,908	9,261,430
Operating income (loss)	$ 764,108	$ (7,615)	$ 756,493	$ (194,981)	$ 561,512
Assets	$2,170,083	$4,285,004	$6,455,087	$3,355,455	$9,810,542
Depreciation and amortization	$ 50,135	$ 33,220	$ 83,355	$ 15,102	$ 98,457
Capital expenditures	$ 78,157	$ 25,628	$ 103,785	$ 16,629	$ 120,414

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 ($6,178 thousand) and to decrease operating expenses in the real estate segment by ¥19 million ($143 thousand) 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 consolidated net sales for the years ended January 31, 2002 and 2001 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, 2002, were approved at a shareholders' meeting held on April 26, 2002:

	Millions of yen	Thousands of U.S. dollars
Year-end cash dividends of ¥9.0 ($0.07) per share	¥ 6,384	$ 48,036

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, 2002 and 2001, 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, 2002 and 2001, 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 accounting for employees' accrued retirement benefits as described in Note 2 (j).

As described in Note 2, Sekisui House, Ltd. and subsidiaries have adopted new accounting standards for foreign currency translation, financial instruments, and employees' retirement benefits effective February 1, 2001, and for consolidation, effective February 1, 2000 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.

Osaka, Japan
April 26, 2002

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

DIRECTORS AND CORPORATE AUDITORS

(As of April 30, 2002)

Chairman & Representative Director
Isao Okui

President & Representative Director
Isami Wada

Executive Vice President & Director
Executive Vice President & Officer
Hideyuki Tonomura

Director · Senior Managing Executive Officer
Mikio Yamada
Shichiro Iwane
Hiroshi Itawaki

Director · Managing Executive Officer
Isao Bando
Akira Morimoto
Tadashi Iwasaki
Chojiro Yamamoto
Yasuaki Yamamoto
Kazuji Yamazaki
Sumio Wada
Saburo Matsuyoshi

Standing Corporate Auditors
Hiroshi Tada
Yusei Kataoka

Corporate Auditors
Takaharu Dohi
Kazuhiko Mishina
Shigeru Muranaka

EXECUTIVE OFFICER

Senior Managing Executive Officer
Yoshiro Kubota
Tetsuhiro Kamae
Kunitada Suzuki
Masanori Noritomi
Masahiko Watanabe
Yuzo Matsumoto
Kenichi Moriuchi

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

OUTLINE OF THE COMPANY

(As of April 30, 2002)

Established
August 1, 1960

Capital Stock Issued
¥186,554,196,729

Employees
15,607
(As of April 1, 2002)

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 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 92 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

ANNUAL REPORT 2002

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