

The Sekisui House Group Medium-term Management Plan

(For fiscal year ended in January 31, 2009 to January 31, 2011)

March 3, 2008 – In March 2006, the Sekisui House Group announced its medium-term management plan and since then we have been striving to expand our operations and improve our performance. However, the rapid and drastic reduction in the housing market, which has been blamed in some quarters for the 0.6-point drop in the nominal GDP, has caused a significant deviation from the initial projections of the market environment and has ultimately forced the Group to bow under the effects of this drop and revise its projections.

In light of these circumstances, the Company has once again closely examined the surrounding market environment, commenced a review of its overall business activities, including the Company's sales structure, and has formulated the new medium-term management plan, which will culminate in January 31, 2011.

The global financial uncertainty, which first came to light last year as a result of the sub-prime mortgage loan crisis in the United States, not only precipitated a drastic plunge in the stock market but also caused the inflow of speculative money into the commodities markets for crude oil, nonferrous metals, grains, etc. Moreover, the flow of this new liquidity trickled down to the general consumer by placing extra burdens on household spending, which, in turn, seriously impacted the Japanese economy and decelerated economic growth.

In the housing market, the amendment to the Building Standards Law, which was enacted in June 2007, had the effect of seriously disrupting the building-confirmation application procedure and its repercussions were felt in diminished new housing starts, not only for large-scale construction projects such as condominiums but also for housing in general. Such circumstances, compounded with the lackluster economy, resulted in total nationwide housing starts for the previous year declining to 1.06 million units on a calendar-year basis, which represented a particularly steep drop of 17.8% compared to the same period in the previous year.

In formulating the new medium-term management plan, despite the anticipated increases in reaction to the confusion generated by last year's revision of the Building Standards Law, we predict that the economy will follow a moderate recovery trend over the medium to long term, rather than experience a swift recovery, since the economy, albeit temporarily, appears to be in a constricting rather than an expanding phase.



As for prices of raw materials, in terms of steel, our main material, pressure to raise prices continued to mount as the prices of iron ore and coke soared; while the continued, record-breaking rise in crude oil prices is expected to have an impact on all industrial products. In order to combat these rising costs, we intend, for the time being, to implement cost-cutting measures spanning the entire business, while considering the possibility of raising our housing sales prices.

We believe that the real estate market is currently in a temporary lull as it surveys the direction in which the economy is heading. In terms of trends in residential land prices, regional differences continue to widen and cautious management with a keen eye toward changes in the economy will be required.

The condominium market, reflecting the sharp rise in land prices in the Tokyo metropolitan area and the structural recession in regional towns and cities, is currently thought to be in an adjustment phase. However, demand for properties with high added value, supported by their convenience or regional characteristics, is expected to increase from the perspective of real estate investment.

In terms of urban redevelopment of metropolitan areas, the market for large-scale, blue-chip office buildings in prime locations is expected to remain strong as steady demand, reflecting the upturn in corporate earnings, is also expected to continue.

Given this market environment, the Sekisui House Group, with a view to fortifying its sales capabilities and implementing further cost reductions, as well as expanding its business domain, put together the new medium-term management plan.

Details are as follow:

Detailed Performance Targets based on the Medium-term Management Plan

(Millions of yen)

(Consolidated)	Fiscal 2008 (F)	Fiscal 2009 (F)	Fiscal 2010 (F)
Net Sales	1,660,000	1,700,000	1,850,000
Operating income	104,000	84,000	123,800
Recurring income	105,000	85,000	125,000
Net income	56,000	47,500	70,000
ROA (%)	7.44%	5.85%	8.09%
ROE (%)	6.91%	5.64%	7.82%
EPS (yen)	82.82	70.25	103.52



As indicated in the above plan, we are projecting decreased profits in the fiscal 2009. This will be due to decreased sales in the urban redevelopment segment of our Real Estate for Sale Business during the year. As each project tends to be extended in duration and requires anywhere from three to five years for completion, the urban redevelopment business is characterized by the fact that sales and profits are not necessarily recorded regularly at each fiscal year end.

The Company has multiple redevelopment projects lined up after completion of the current medium-term management plan and is determined to generate stable profits from the urban redevelopment business in the medium to long term.

Proactive Business Strategies

[Product development]

Since the establishment of Sekisui House, we have followed a product policy based on free design and upmarket properties. And, we will continue to adhere to this policy and remain faithful to our pursuit of the high-end market. In particular, for our upper-bracket buyers in the urban areas, with accumulated valuable know-how through years of experience, we intend to develop a premium product that goes beyond RC or anything built using existing, conventional construction methods in every aspect, including structure, design and performance, and are actively involved in its marketing.

However, it is also a fact that the housing market, in certain respects, is an indigenous industry dependent on the economic strength of its regional communities. Therefore, in order to reach out and expand our sales channels to young home buyers/first-time buyers, who, unlike secondary buyers, are burdened by heavy land acquisition expenses and who do not have the luxury of ample funds into housing investments, we have decided to introduce a new line that is a compact, steel-framed house, priced in the middle range, in a number of select regional cities.

These houses are high-performance units that offer the same performance and basic specifications as our conventional models, together with high value for money, which is sure to appeal to potential "Sekisui House" fans; and, they rank among the highest levels in the major items of the Housing Performance Indication System. Moreover, marketing of these products has been assigned to young sales staff who have had a limited number of years of experience. In this way, the Company will be able to achieve expanded sales of its Sekisui House brand, through the 100 billion yen sales of this product, without draining its human resources.

The cultivation of new sales channels is also expected to have the added effects of improving the utilization rates of our factories and enhancing our profit ratios.

[Reinforcement of Sales Units]

Securing superior sales staff is an integral part of the housing business. Therefore, we will be hiring 280 sales staff this year and are scheduled to hire 200 in the following year; we will also be



hiring 200 technical staff this year and are scheduled to hire 150 in the following year.

[Sales Structure]

In the Built for Sale Housing Business, as well as the Condominiums and Urban Redevelopment businesses of our Real Estate for Sale Business, we intend to promote specialization of management/single business concentration, formulate wide-area strategies while keeping regional characteristics in mind as evidenced in the above-mentioned package deals with mid-price ranged housing, promote efficient and effective land policy, and improve the turnover rate of land for sales, while reinforcing our compliance.

Cost Reduction Strategies

[Display home policies]

We have completed setting up our nationwide network of *Sumai-no-Yume-Kojo* (large-scale experience-based facilities) at our major factories. We will abolish and consolidate three to four of our small-scale display home facilities, which, in turn, has enabled efficient as well as effective sales activities. Through this policy, we intend to narrow down the 548 display home facilities currently operating around the nation to approximately 480 during the current year and to cut down on upfront investments and expenses.

[Production System]

We intend to revise a portion of our regional integrated production system at our five major factories and cut costs by consolidating production lines and downsizing personnel establishments.

Moreover the rise in the factory utilization rate generated by sales of mid-price range products which we will be bringing to the market will immediately contribute to improvement of our profit ratios.

[Downsizing Back-office Personnel Establishment]

Although we will continue to actively hire sales personnel, we intend to set up a project team for the downsizing of personnel establishments in the back-office operations of head office and other offices, and to make efforts to improve the productivity of our back-office functions, while aggressively pursuing economic efficiency through such means as outsourcing and reinforcing the support structure for our sales units.

[Reorganization of Sales Network]

We intend to review the current sales network from the perspective of efficiency. Keeping in mind the characteristics of each region and our mission to cut costs, we will consolidate our operational bases around the nation and conduct reorganization of a series of onsite construction operations, from order placement to construction, as well as the so-called back-office operations.



[Group Reorganization]

We intend to improve our business efficiency by further consolidating our subsidiaries, including our housing construction subsidiaries, the Sekiwa Construction Group.

Business Targets by Segment

Built to Order Housing Business (Target sales in Fiscal 2010 - 820,000 million yen)

In the Built to Order Housing Business, the drastic plunge in the stock market, which was precipitated by last year's sub-prime mortgage loan crisis, has seriously impacted the financial assets of individuals and is believed to have put a damper on the housing investment drive of buyers of high-end residential housing and secondary buyers for rebuilding, who have relatively large amount of fund on hand.

Moreover, the price increases on basic necessity items and energy-related goods are expected to continue for some time and severe market conditions are predicted for the time being.

However, given the prevailing recognition that in medium- to long-term expanded housing investments, such as the anticipated tax breaks to help propel the government-sponsored "Long-term Prime Housing (200-year Housing Concept)," are indispensable to economic growth, well-balanced upfront investments are imperative.

(1) In our steel-framed detached housing segment, we are maintaining our traditional high-performance/high-end housing policy through reinforced sales of our highly competitive "IS ORDER" series and, for our upper-bracket buyers in urban areas, we are developing premium products that exceed RC or anything built using existing, conventional construction methods in every aspect, including structure, design and performance while, as stated earlier, introducing a mid-price range product line that is suited to the economic levels of regional communities, thereby strengthening our product line-up and improving the skills of our sales staff.

(2) In our wood-framed detached housing (*Sha-Wood*) segment, we are committed to enhancing our sales capacities in addition to reinforcing our high-end products, including "*M' Bellsa*" using the high-quality, ceramic exterior siding, *Bellburn*, in order to distinguish ourselves from general wood-framed housing businesses, and to aggressively expand our sales.

(3) In our rental housing (*Sha-Maison*) segment, sales have been brisk, thanks to the high quality of our products, which, like our detached housing, are highly regarded in the rental housing distribution market, and to the Sekiwa Real Estate Group's "block leasing system."

The rental housing market is expected to expand from both demand and supply sides as land prices bottom out, which, in turn, will heighten the need for inheritance tax measures and as the labor population experiences greater mobility as a result of improved corporate earnings. We will continue to aggressively take part in sales activities by offering detailed services to the property owners from the position of financial advisor for their real estate assets.



Real Estate for Sale Business (Target net sales in Fiscal 2010 - 450,000 million yen)

Built for Sale Housing for Sale Business (Target net sales in Fiscal 2010 – 276,500 million yen)

Despite Built for Sale Housing Business being in a temporary lull as it surveys the trends in fluctuation of land prices and prices in certain regional cities undergoing an adjustment phase, the Business is expected to get back on its recovery path in the future.

By promoting specialization in the Built for Sale Housing Business, we intend to conduct thorough market research, improve the turnover on our assets and strive for further business expansion.

The above-mentioned mid-price range products are expected to be most effective in the regional cities, where the economic foundations are relatively weak.

Condominiums Business (Target net sales in Fiscal 2010 – 88,000 million yen)

We have always basically limited our Condominiums Business to the large metropolitan areas and have consistently conducted thorough prior research into condominium locations.

Moreover, we have established a high-end image through our brand name, “Grand Maison.” Consequently, in order to further upgrade our brand image, we plan to incorporate into our condominiums exterior designs that add greater value and promote our business under an even wider-ranging concept, including improvement of the surrounding areas.

Urban Redevelopment Business (Target net sales in Fiscal 2010 - 85,500 million yen)

We intend to actively promote our Urban Redevelopment Business, but with a certain amount of caution.

As the development stage for urban redevelopment projects tend to be long-term, the resulting sales are not necessarily reflected in the closing of each period on a regular basis. In terms of the new medium-term management plan, the coming year, FY 2009 (year ending January 31, 2010), will be an in-between season; thus, sales and profits are expected to decrease. However, from FY 2010 onward, we are projecting a return to operating incomes of 30 billion yen or more.

In the Urban Redevelopment Business, the Company assumes that projects with high added value will basically be resold once they are completed.

By utilizing our urban redevelopment know-how, which has been accumulated in the twenty years since we first embarked on the Rokko Island City Development, we intend to incorporate into our activities new concepts such as that of a timeless sustainable society and those involving environmental issues, and to continue our efforts for business expansion.

Real Estate for Leasing Business (Target net sales in Fiscal 2010 - 400,000 million yen)

Thanks to the strong performance of our rental housing line (*Sha-Maison*) in our Built to Order Housing Business, our Real Estate for Leasing Business anticipates increases in the number of block leasing units for the Sekiwa Real Estate Group. By taking full advantage of the effects of added volume, continued steady growth is expected.



Other Businesses (Target net sales in Fiscal 2010 - 180,000 million yen)

In our house remodeling business, we were ahead of the government's policies in actively promoting home improvements to fit next-generation, energy-efficient specifications. As this is the year in which Japan will host the environment summit, the Company anticipates even greater budgetary measures from the government.

In light of the over 1.9 million units of existing stock constructed by the Company, we intend to actively shift more personnel to these peripheral businesses, which will also help to improve CS and contribute to greater efforts in the expansion of our operations.

Our RC Contracts business will continue to offer wide-ranging proposals to corporations and individuals who own idle land and, by maintaining close ties with the Built to Order Housing business, will endeavor to provide timely sales activities for all types of customers.

Our exterior business, based on our gardening concept, the "Gohon no ki Project," intends to contribute to customer education to the end of creating a bountiful living environment that allows for coexistence of man and nature, and to make greater efforts for expansion of our operations.

Enhanced awareness of the environment, as well as the increase in the number of orders received for built to order housing, are expected to drive the exterior business.

Regarding Expansion into New Businesses

The Company, in anticipation of its 50th Anniversary, is looking toward expanding all areas of its operations. In due course, we intend to look overseas market as well to generate next-generation profits.

Financial Strategies

Although it is our intention to continue to actively acquire real estate for sale in order to expand our operations, we will also focus on optimizing asset efficiency and improving inventory turnover, while maintaining leverage in our urban redevelopment business, and we will make further improvements to our planned targets in order to achieve 10% or above in both ROA and ROE.

Profit Distribution Policy

For this fiscal year, we have set 24 yen per share as a stable annual dividend to our shareholders. We will, however, take into consideration the overall condition and profitability of the Company, as well as the capital requirements for expansion and, in time, aim for increased dividend payments with an eventual dividend payout ratio target of 30% or higher.

The Company will implement measures to improve asset efficiency, including disposal of treasury stocks, and will make every effort to increase shareholder returns.

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