

The Sekisui House Group Medium-term Management Plan

March 1, 2006 - Sekisui House, Ltd. ("Company") today announced a new medium-term management plan for the Company and its consolidated subsidiaries ("Sekisui House Group") with a view towards solidifying a business foundation that puts the Sekisui House Group on a path towards renewed growth for the fiftieth anniversary of the Company's incorporation coming up in 2010. As follow-up of the Sekisui House Group Medium-term Management Vision *S-Project* which was laid out in October 2004, the new medium-term management plan continues the traditional proactive approach set forth by its predecessor, while taking into account subsequent changes in market conditions and progress in organizational structure.

Aims and Objectives

At present, the housing and real estate business in Japan is standing at a critical crossroads, between major changes in market conditions such as economic performance and demographics, and the risk of losing integrity and credibility in the eyes of general consumers.

To maintain the high reputation for integrity and credibility we have earned over many years in the communities we serve, we have renewed our determination to achieve further growth hand in hand with society, guided by our philosophy of "love of humanity." To this end, we have chosen two key words: fulfilling "responsibility for future generations" in our business undertakings; and developing social infrastructures through "beauty that blooms with time."

Meanwhile, we will remain committed to CSR-driven management, in concert with our dedication to improving the three inter-related aspects of CS (Customer Satisfaction), SS (Shareholder Satisfaction), and ES (Employee Satisfaction), as we promised we would in the *S-Project*, thus fulfilling our corporate responsibilities to all stakeholders in the most sincere manner. Furthermore, in the spirit of the "Declaration of Environmental Conservation (2004)" and the "Declaration of Sustainability (2005)," the Sekisui House Group will remain continuously dedicated to furthering these initiatives and elevating its corporate stature.

While formulating this medium-term management plan, we decided to aim towards a relative and sustainable growth between 5% and 10% or more for all the business segments, despite any changes in the respective market sizes, and make aggressive investments in the real estate development business, among other things.

In order to conduct various kinds of businesses both promptly and efficiently amid the rapidly changing management environment, we will investigate and pursue many possibilities, without being preoccupied with conventional management practices.

Our management objective is to boost consolidated net sales to 1,800 billion yen by the end of January 2009, with consolidated recurring income of 125 billion yen and consolidate net income of 70 billion yen.



Detailed Performance Targets based on the Medium-term Management Plan

(consolidated)

	Year to Jan. 2006	Year to Jan. 2007 (target)	Year to Jan. 2009 (target)
Net sales (million yen)	1,501,857	1,610,000	1,800,000
Operating income (million yen)	79,980	94,000	124,000
Recurring income (million yen)	81,699	95,000	125,000
Net income (million yen)	43,029	52,000	70,000
R O A	7.34%	8.16%	9.25%
R O E	6.36%	7.05%	8.12%
E P S (yen)	62.94	74.02	98.71

Note: The figures for EPS for Year to 2007 and 2009 are calculated in consideration of planned disposition and sale of 43,000,000 shares of treasury stocks.

Prior to the announcement of this medium-term management plan, we realigned our sales office network on February 1, and we will reconsolidate our corporate organizations on April 1. By reorganizing segmented organizations by function for the purposes of strengthening these functions, increasing work efficiency, and developing human resources, we will increase management efficiency and reduce costs.

Realignment of sales offices

Changes in the sales structure (effective February 1, 2006)

We have closed our sales offices to concentrate management responsibility within each region into the hands of branch managers, while revitalizing and rejuvenating the workforce. The aims of closing our sales offices are: to put us closer to customers in order to increase the responsiveness of our sales staff, and to ensure flexibility with which to adjust our sales structure to the changing needs of the times in an ever specialized market. To better meet different demands in different regions, we have established administration headquarters in the metropolitan area and also West Japan, so that we can make our sales and product strategies more effective and efficient.

Realignment of corporate organizations

Administrative divisions will be restructured in such a way as to expedite consolidated management, and in this way reduce costs in anticipation of future possibilities, such as these divisions serving as a Group center or the outsourcing of their operations.

To realign the Technology divisions, we will establish a Design Headquarters, which will be responsible for marketing, product planning and office support, which are all closely related to business strategies, and a Technology Headquarters, which will be responsible for technology management, technological research and development, and system maintenance, all closely related to production strategies.

In order to improve organizational efficiency we will restructure our construction divisions. In more



concrete terms, we plan to “enhance the quality of construction work,” “improve the construction site environment,” and “strengthen construction capabilities.”

Programs in Each Business Segment

Built to order housing business (target net sales: 830 billion yen)

We expect that each of the market segments – detached housing business and *Sha-Maison* rental housing business - under our core built to order housing business - may possibly shrink along with the declining population in Japan. That said, there is no reason for us to be so pessimistic about the market segment for high-function, high performance housing, because of several structural issues including a large number (11.5 million) of houses built before 1980 in accordance with earthquake standards under the former Building Standards Law, as well as a still low diffusion of energy-saving and other types of high performance housing.

While carefully analyzing market conditions such as the declining birthrate and aging population, and keeping a close eye on emerging, out-of-the-box housing style and lifestyle, we will take the lead in creating, fostering, and developing new markets, and act proactively to expand our market penetration.

Real estate for sale business (target net sales: 450 billion yen)

The real estate for sale business is divided into three sub-businesses, namely, 1) Detached housing sale (“built for sale houses” and “land for sale in lots with building conditions”), 2) Condominium sale, and 3) Development of real estate. Different strategies will be developed for each of the three.

1. Detached housing sale (target net sales: 310 billion yen)

To enhance the appeal of our detached housing sale business, we plan to organize large-scale sales promotional events, including the “*Machinami Sankan-bi*” (existing subdivisions visiting events) scheduled in April. We will also tap into our large stock of know-how on community development to sustain and improve a quality townscape for an extended period, distinguishing ourselves clearly from local homebuilders’ sales of small building lots, and from large housing-land development during the rapid economic growth period.

It seems that the demand for small detached housing for sale from first-time buyers, as well as condominiums among second generation baby boomers, who form the core customer group for these businesses, has run its courses. Aware of the rising buying motive for detached housing among prospective customers in higher age groups as the general economy recovers, we believe that our traditional product strategy of mid- to high-end housing is most promising for senior generations, whose priority is quality. Thus, we expect this market segment to grow at least 10%, a growth faster than that of this entire market.



2. Condominium sale (target net sales: 90 billion yen)

Like small detached housing for sale, it is worried that the demand for condominiums from first-time buyers has run its course. Nevertheless, our *Grand Maison* series enjoys a high reputation among second-time buyers for their focus on quality and eco-friendliness, complete with rich planting surrounding the buildings. We look for a stable growth of at least 10% per annum from this line.

3. Development of real estate (target net sales: 50 billion yen)

Recognizing the development of real estate business as a tool for expanding our business portfolio, we will make aggressive and continuous investments as we decide on specific methods based on their investment performance and potential risk.

The duration of each project is estimated to be between three and five years and, because of potential risk during the period, we will essentially stay away from long and super-long projects. Also, a return at sale of each item considered, the principle criteria for starting a real estate development business is a return on investment of 4%, thus avoiding potential risks due to sudden changes in market conditions and at the same time building up an extensive business portfolio.

In driving this business, we will not let ourselves be bound to the “flow” business from purchase of property, to re-development, and to reselling. However, we may link this with the fee business of the real estate renting business of our group companies, and employ various financial methods such as the securitization of real estate, so that we can generate continuous, stable earnings into the future. To push these businesses forward, we will gather information from many different sources and develop human resources in order to reinforce and expand the resources required.

Real estate for leasing business (target net sales: 330 billion yen)

Making Sekiwa Real Estate Group companies into wholly owned subsidiaries in February 2005 marked the first step in improving management efficiency. In this medium-term management plan, this business is expected to play a role in the business expansion of the Group. At present, our real estate for leasing business has a tendency to specialize in the rent guarantee business that covers master leasing to sub-leasing. Since this is a “stock” business without assets, its asset efficiency, including that of the management of deposit money, is very high. Going forward, the fee business based on leased property operations, primarily by the Sekiwa Real Estate Group, is expected to grow.

Other businesses (target net sales: 190 billion yen)

RC (reinforced concrete) buildings (target net sales: 60 billion yen)

Amid the economic recovery, we believe that this is the market where wealthy persons are increasingly inclined to invest in real estate for tax reduction or other reasons. We intend to offer an even broader range of solutions to customers to make this a comprehensive consulting business, with our Group companies adding services to it in order to sustain at least 30% of growth, while at the same time improving the competitiveness of medium-rise buildings to hone our edge in the market.



Remodeling business (target net sales: 70 billion yen)

This business is expected to play the most important role in living up to our Declaration of Sustainability announced last year. We aim to attain at least 20% of annual growth from this business by offering a wide-range of services, such as improved heat insulation and crime-prevention performance, to the large “stock” of our existing customers, and by increasing the number of “remodeling advisors,” who have begun to contribute to our business performance.

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