

## Notice regarding Issuance of Stock Compensation-Type Stock Options (Share Warrants) to Directors

**March 1, 2007** – Sekisui House, Ltd. (“Company”) hereby announces that at the meeting of the Board of Directors held on March 1, 2007 the Company resolved to seek the approval of the 56<sup>th</sup> annual general shareholders’ meeting of the Company concerning revision of the amount of remuneration, etc. to directors and the composition of said remuneration, etc. The details are as follows.

### 1. Reasons for the proposal

The Company will issue, free of charge, share warrants to directors and executive officers of the Company as stock compensation-type stock options, while the amount to be paid in upon exercise of each share warrant will be one yen per share. The purpose is to enhance the motivation and morale of directors and executive officers in terms of raising the stock price and improving business performance by strengthening the link between the compensation system for directors and executive officers and the Company’s stock price or business performance, and by having directors and executive officers share not only the merits of an increase in the stock price, but also the risks of a decline in the stock price with the shareholders.

For allotment of stock compensation-type stock options last year, prior to the enforcement of the Corporate Law (Law No. 86 of 2005), the Company passed a special resolution of its annual general shareholders’ meeting to approve the issuance of share warrants under particularly favorable conditions to parties other than its shareholders. Now that share warrants allotted to directors of the Company in the form of stock options have been recognized as a part of the remuneration, etc. to directors within the Corporate Law, the Company will seek approval concerning revision of the amount of remuneration, etc. to directors and the composition of said remuneration, etc.

Once this proposal has been approved, the Company plans to allot stock compensation-type stock options to its directors and executive officers every year upon resolution at its meeting of the Board of Directors pursuant to Articles 236, 238, and 240 of the Corporate Law, in the amount and composition provided in 2. (1) and 2. (2) below, respectively.

Upon approval of a proposal regarding the appointment of one director at the 56<sup>th</sup> annual general shareholders’ meeting of the Company to be held on April 26, 2007, the number of directors of the Company will be a total of thirteen people.

### 2. About the proposal

**(1)** At present, the amount of remuneration, etc. to directors of the Company is no more than 43 million yen per month, which was approved at the 43<sup>rd</sup> annual general shareholders’ meeting of the Company, held on April 27, 1994. The proposal seeks approval concerning the allotment of share warrants to directors of the Company in the form of stock compensation-type stock options, in addition to their current remuneration, etc. up to 90 million yen per year.

**(2)** The composition of share warrants to be issued to directors of the Company in the form of stock compensation-type stock options is as follows:

#### a. Total number of share warrants

No more than 90 units may be issued within a year after the day of the annual general shareholders’ meeting of the Company for each business year.

#### b. Type and number of shares to be issued upon exercise of share warrants

No more than 90,000 shares of common stock of the Company may be granted upon exercise of share



warrants to be issued within a year after the day of the annual general shareholders' meeting of the Company for each business year. In the event that the number of shares granted (as defined below) should be adjusted, the number of shares to be issued shall be no more than the number obtained by multiplying the number of shares granted after said adjustment by the upper limit of the share warrants described above.

The number of shares per share warrant (hereinafter, the "number of shares granted") shall be 1,000.

In cases where it is deemed to be appropriate for the Company to adjust the number of shares granted by such means as splitting its common stock up (including gratis distribution of shares) or down, the Company may make any adjustments that it deems necessary.

**c. Value of assets to be contributed upon the exercise of share warrants**

The value of assets to be contributed upon the exercise of each share warrant shall be the amount to be paid for each share that may be granted due to the exercise of share warrants, which shall be 1 yen, multiplied by the number of shares granted.

**d. Exercise period of share warrants**

The exercise period shall be within twenty years from the day following that in which share warrants are allotted.

**e. Restrictions on the acquisition of share warrants via transfer**

The acquisition of share warrants via transfer requires approval by a resolution at a meeting of the Board of Directors of the Company.

**f. Other conditions for exercise of share warrants**

Share warrant holders may, in principle, exercise share warrants from the day following the day in which they lose all of their positions as director (including executive officers, in the event that the Company should adopt a "Company with Committees" corporate governance system), statutory auditor, or executive officer of the Company or its subsidiaries. Other conditions for the exercise of share warrants shall be decided at the meeting of the Board of Directors of the Company that determines matters regarding an offer of share warrants.

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