

Notice of Issuance of Share Warrants as Stock Compensation-Type Stock Options

March 1, 2006 - Based on the provisions of Articles 280-20 and 280-21 of the Commercial Code, Sekisui House, Ltd. (“Company”) passed a resolution at the meeting of the Board of Directors held on March 1, 2006, to submit a proposal to the 55th annual general shareholders’ meeting of the Company, scheduled for April 27, 2006, for approval of issuance of share warrants with particularly favorable conditions for individuals other than the shareholders’, with the aim of granting stock compensation-type stock options to directors and executive officers of the Company. Details are as follows.

1. Reasons for issuing share warrants with particularly favorable conditions

As described in the following section 2, 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.

As part of recent revisions to the compensation system for executives, the Company has determined to abolish the retirement benefit system for executives, which is strongly seniority-based, by the end of the annual general shareholders’ meeting. As part of compensation for directors and executive officers that will replace retirement benefits, the Company aims to introduce stock compensation-type stock options, which are linked to business performance and shareholders value. The Company plans from now on to allocate share warrants to directors and executive officers of the Company as stock compensation-type stock options on the condition that a general shareholders’ meeting of the Company passes a resolution for approval in each fiscal year in which the directors and executive officers hold office.

2. Outline of issuance of share warrants

(1) Type and number of shares to be issued upon exercise of share warrants

Up to 72,000 common shares of the Company

(2) Number of share warrants

Up to 72

Meanwhile, the number of shares to be issued upon exercise of one share warrant (the “number of shares for allocation”) is 1,000.

However, if the Company splits or reverse-splits its common stock on or after the date on which share warrants are issued (the “issuance date”), the number of shares for allocation will be adjusted in proportion to the ratio of stock split or reverse stock split, with any resulting fractional figure less than one share rounded down.

In addition, if there are reasons compelling the Company to adjust the number of shares for allocation on or after the issuance date, such as a reduction in capital and a merger or demerger, the number of shares for allocation will be adjusted within a reasonable range by taking into account the terms and conditions of the reduction of capital and the merger or demerger and other factors.

(3) Issuance price of share warrants

Free of charge

(4) Amount to be paid in upon exercise of each share warrant

The amount to be paid in upon exercise of each share warrant is obtained by multiplying the amount to be paid in for each of the shares for issue or transfer upon exercise of each share warrant, which is one yen, by the number of shares for allocation.



(5) Exercise period of share warrants

The period in which share warrants are exercisable will be determined by the Board of Directors of the Company within the period between April 28, 2006 and April 27, 2026.

(6) Other conditions for exercise of share warrants

(i) Holders of share warrants can exercise their share warrants from the day following the day on which they lose their positions as directors of the Company or its consolidated subsidiaries (including corporate officers in a case where the Company turns into a “company with committees” in the future); auditors, or executive officers (the “start date of exercise of share warrants”).

(ii) Regardless of the description in the above item (i), if either of the following two cases (a) or (b) occurs, holders of share warrants can exercise their share warrants within the periods specified.

(a) Holders of share warrants do not allow the start date of exercise of share warrants to commence before April 27, 2025

Between April 28, 2025 and April 27, 2026

(b) A general shareholders’ meeting of the Company approves a resolution for a merger contract in which the Company is dissolved and there are no provisions for having the Company becoming the surviving entity take over responsibilities related to the share warrants concerned and a resolution for an exchange or transfer of shares in which the Company becomes a wholly-owned subsidiary and there are no provisions for having the Company becoming the parent company with 100% ownership of the Company take over responsibilities related to the share warrants concerned.

For 15 days from the date following the date on which the approval is granted

(iii) No partial exercise of a single share warrant is allowed.

(7) Causes and conditions for cancellation of share warrants

The Company can at any time cancel share warrants that have been obtained and held by the Company, without charge.

(8) Limitations on transfer of share warrants

To transfer share warrants, it is necessary to obtain approval from the board of directors of the Company.

(Note) On the condition that the issuance of the above-mentioned share warrants is approved at the 55th annual general shareholders’ meeting of the Company, scheduled for April 27, 2006, the details of the issuance and allotment of the share warrants are determined by resolutions at the meetings of the Board of Directors, to be held after the annual general shareholders’ meeting.

*** **

For further information, please contact:

Mr. Hidehiro Yamaguchi

Head of Public Relations Department

Sekisui House, Ltd.

Tel: 06-6440-3021 Fax: 06-6440-3331

Email: info-ir@qz.sekisuihouse.co.jp