

**Sekisui House, Ltd.  
Sekiwa Real Estate, Ltd.  
Sekiwa Real Estate Kansai, Ltd.  
Sekiwa Real Estate Chubu, Ltd.  
Sekiwa Real Estate Chugoku, Ltd.  
Sekiwa Real Estate Kyushu, Ltd.  
Sekiwa Real Estate Tohoku, Ltd.**

## **Sekisui House to acquire all outstanding shares of six subsidiaries through share exchange**

At board meetings held on October 6, 2004, the boards of directors of Sekisui House, Ltd. ("Sekisui House"), and Sekiwa Real Estate, Ltd., Sekiwa Real Estate Kansai, Ltd., Sekiwa Real Estate Chubu, Ltd., Sekiwa Real Estate Chugoku, Ltd., Sekiwa Real Estate Kyushu, Ltd., and Sekiwa Real Estate Tohoku, Ltd. (collectively, the "Sekiwa Real Estate companies") resolved to make the six Sekiwa Real Estate companies wholly owned subsidiaries of Sekisui House through exchange of shares. The followings are the details of the share exchange contract signed today.

### **1. Aim of management integration through exchange of shares**

In making the six Sekiwa Real Estate companies into wholly owned Group subsidiaries, Sekisui House intends to maintain the regional characteristics and independence of each company while at the same time maximizing synergies available under a group structure and growing overall corporate value.

The revised structure is part of a comprehensive, growth-oriented management strategy that will amongst other things facilitate the appropriate allocation throughout the Group of time, personnel and other management resources.

The Sekiwa Real Estate companies have developed close regional ties through their respective operations to date without being subject to undue short-term performance pressure. The new structure will allow the companies to be managed from a longer-term perspective in terms of investment and the overall development of the Group. After this the companies will assume greater importance within the Group. The six companies should help create a more powerful framework for the growth of the Group, in addition to offering cost savings such as those resulting from delisting.

Furthermore, Sekisui House intends to make effective use of the information networks of each Sekiwa Real Estate company as assets for the entire Group. In particular, it will become easier to coordinate the various block lease guarantees for leasehold property and leased property management systems operated by each Sekiwa Real Estate company with apartments rental business – one of the core construction business of Sekisui House. This synergy is expected to contribute significantly to the growth of the business.

## 2. Outline of share exchange

### (1) Schedule

October 6, 2004	Board meetings of respective companies to approve share exchange contract
October 6, 2004	Signing of share exchange contract
Late December 2004 (As planned by each Sekiwa Real Estate company)	Shareholders' meetings to approve share exchange contract
February 1, 2005 (planned)	Effective date of share exchange

Note: Sekisui House shall perform the stock exchange with them without the approval of a shareholders meeting to approve the stock exchange agreement pursuant to the provisions of Paragraph 1 of Article 358 of the Commercial Code of Japan.

### (2) Share exchange ratio

The share exchange ratio was agreed as follows between Sekisui House and the Sekiwa Real Estate companies, with reference to assessments carried out for Sekisui House by Nomura Securities Co., Ltd. ("Nomura Securities") and for the Sekiwa Real Estate companies by Ernst & Young Corporate Advisory Co., Ltd. ("EYCA").

Company name	Share exchange ratio
Sekisui House	1
Sekiwa Real Estate	1.26
Sekiwa Real Estate Kansai	0.47
Sekiwa Real Estate Chubu	0.63
Sekiwa Real Estate Chugoku	0.69
Sekiwa Real Estate Kyushu	0.61
Sekiwa Real Estate Tohoku	620

#### Note 1. Allotment of Shares

1.26 ordinary shares of Sekisui House will be allocated for every share of Sekiwa Real Estate; 0.47 ordinary shares for every share of Sekiwa Real Estate Kansai; 0.63 ordinary shares for every share of Sekiwa Real Estate Chubu; 0.69 ordinary shares for every share of Sekiwa Real Estate Chugoku; 0.61 ordinary shares for every share of Sekiwa Real Estate Kyushu; and 620 ordinary shares for every share of Sekiwa Real Estate Tohoku.

#### 2. Basis for the calculation of the share exchange ratio

Nomura Securities assessed market price analysis and discounted cash flow (DCF) analysis for Sekisui House. Nomura Securities assessed market price analysis, comparable company analysis and DCF analysis in assessing the listed subsidiaries' corporate value. At the same time, Nomura Securities assessed unlisted subsidiary's value, primarily applying comparable company analysis and DCF analysis.

EYCA assessed market price analysis, the current net asset value method and DCF analysis for the listed companies. EYCA assessed the shares of the unlisted company based on analysis of comparable company analysis and DCF analysis.

#### 3. Number of new Sekisui House shares to be issued with share exchange

Instead of issuing new shares, 29,284,101 treasury shares held by Sekisui House will be assigned.  
No assignment of shares will be made with respect to shares of Sekiwa Real Estate companies held by Sekisui House.

### (3) Monetary amounts payable for share exchange

There will be no monetary payments for this share exchange.

### 3. Outline of parties involved in share exchange (as of January 31, 2004)

	<b>Sekisui House, Ltd.</b> (Parent company)	<b>Sekiwa Real Estate, Ltd.</b> (Wholly owned subsidiary)	<b>Sekiwa Real Estate Kansai, Ltd.</b> (Wholly owned subsidiary)
Business activities	Design and construction of prefabricated housing; housing subdivisions; real estate sales, leasing, and brokerage; related activities	Construction, real estate and related activities	Construction, real estate and related activities
Date of establishment	August 1960	March 1976	February 1977
Head office	1-1-88 Oyodonaka, Kita-ku, Osaka	2-1-1 Yoyogi, Shibuya-ku, Tokyo	1-1-30 Oyodonaka, Kita-ku, Osaka
Representative	Isami Wada, President	Takaaki Yamabayashi, President	*1 Saburo Matsuyoshi, President
Paid-in capital	¥186,554 million	¥1,668 million	¥5,829 million
Total outstanding shares	709,385,078 shares	20,319,200 shares	26,257,440 shares
Shareholders' equity	¥630,786 million	¥11,991 million	¥20,582 million
Total assets	¥1,030,003 million	¥37,385 million	¥35,955 million
Fiscal year end	January 31	January 31	January 31
Number of employees	13,928	400	334
Major customers	General Customers	General Customers	General Customers
Major shareholders and shareholding ratios	Sekisui Chemical Co., Ltd. 21.43%	Sekisui House, Ltd. 57.47%	Sekisui House, Ltd. 40.48%
	Japan Trustee Services Bank, Ltd. 5.62%	Kanehide Yoneyama 2.47%	Sekiwa Real Estate Kansai Vendors' Stockholding 2.27%
	The Chase Manhattan Bank N.A. London 4.80%	Sekiwa Real Estate Employees' Stockholding 1.69%	Sekiwa Real Estate Kansai Employees' Stockholding 2.11%
	The Master Trust Bank of Japan, Ltd. 4.78%	The Master Trust Bank of Japan, Ltd. 1.59%	Nobuhiro Katsuta 1.95%
	Nomura Securities Co., Ltd. 4.73%	Yoshitaka Uchida 1.30%	Bank of Bermuda (Guernsey) Ltd For Atlantis Japan Growth Fund 1.36%
	Dai-ichi Mutual Life Insurance Company 2.26%	Bank of Bermuda (Guernsey) Ltd For Atlantis Japan Growth Fund 1.28%	Maruwa Co., Ltd. 1.10%
	BNP Paribas Securities (Japan) Limited 2.05%	UFJ Bank Limited 0.98%	Honda Motor Co., Ltd., North Mie sales branch 0.86%
	UFJ Bank Limited 1.95%	The Bank of Tokyo-Mitsubishi, Ltd. 0.81%	Toshimitsu Tanaka 0.77%
	Sumitomo Mitsui Banking Corporation 1.44%	The Chase Manhattan Bank N.A. London 0.79%	Goldman Sachs International 0.75%
	Sekisui House Employees' Stockholding 1.38%	UFJ Trust Bank Limited 0.76%	Ritsuo Matsumoto 0.67%
Number of treasury stock as August 31, 2004	23,959,043 shares	732,120 shares	839,576 shares
Main banks	UFJ Bank Limited Sumitomo Mitsui Banking Corporation, Resona Bank Limited	UFJ Bank Limited Bank of Tokyo-Mitsubishi, Ltd. Sumitomo Mitsui Banking Corporation,	UFJ Bank Limited, Sumitomo Mitsui Banking Corporation, Resona Bank Limited
Relationship with Sekisui House	Capital	Largest shareholder	Largest shareholder
	Personnel	Directors 3, Transfer 9 *2	Directors 3, Transfer 11 *2
	Trading	Management and brokerages of real estate	Management and brokerages of real estate

\*1 Inauguration at April 23, 2004

\*2 As of April 30, 2004



Name	<b>Sekiwa Real Estate Chubu, Ltd.</b> (Wholly owned subsidiary)	<b>Sekiwa Real Estate Chugoku, Ltd.</b> (Wholly owned subsidiary)
Business activities	Construction, real estate and related activities	Construction, real estate and related activities
Date of establishment	February 1981	August 1982
Head office	* <sub>3</sub> 4-5-28 Meieki, Nakamura-ku, Nagoya	1-25 Komachi, Naka-ku, Hiroshima
Representative	Yasuaki Yamamoto, President	Kyoji Koyama, President
Paid-in capital	¥1,368 million	¥379 million
Total outstanding shares	14,566,093 shares	7,284,200 shares
Shareholders' equity	¥9,014 million	¥2,649 million
Total assets	¥33,219 million	¥8,894 million
Fiscal year end	January 31	January 31
Number of employees	241	150
Major customers	General Customers	General Customers
Major shareholders and shareholding ratios	Sekisui House, Ltd. 42.08%	Sekisui House, Ltd. 40.75%
	Sekiwa Real Estate Chubu Employees' Stockholding 3.93%	Sekiwa Real Estate Chugoku Employees' Stockholding 7.16%
	UFJ Bank Limited 3.47%	Bank of Bermuda (Guernsey) Ltd For Atlantis Japan Growth Fund 2.03%
	The Chase Manhattan Bank N.A. London 3.17%	Hiroshima Bank Ltd. 1.82%
	Kyoei Fire & Marine Insurance Co., Ltd. 2.31%	Tottori Bank, Ltd. 1.51%
	Bank of Bermuda (Guernsey) Ltd For Atlantis Japan Growth Fund 2.01%	Nichido Fire and Marine Insurance Co., Ltd. 1.46%
	Shizuoka Bank, Limited 1.36%	Kyoji Koyama 1.30%
	Pictet & Cie 1.12%	Sekiwa Real Estate Chugoku Vendors' Stockholding 1.26%
	Kenichi Sakamoto 1.02%	Yoshihiro Tanabe 1.04%
	Katsura Chujo 1.00%	Isao Okui 1.03%
	Kenichi Sakamoto 1.03%	
Number of treasury stock at end of August 31, 2004	31,220 shares	29,309 shares
Main banks	UFJ Bank Limited Sumitomo Mitsui Banking Corporation, Resona Bank, Limited	Hiroshima Bank Ltd., Tottori Bank, Ltd., Momiji Bank, Ltd., The Chugoku Bank, Ltd.
Relationship with Sekisui House	Largest shareholder	Largest shareholder
	Directors 3, Transfer 9 * <sub>2</sub>	Directors 2, Transfer 8 * <sub>2</sub>
	Management and brokerages of real estate	Management and brokerages of real estate

\*<sub>3</sub> Moved on March 18, 2004

Name	Sekiwa Real Estate Kyushu, Ltd. (Wholly owned subsidiary)	Sekiwa Real Estate Tohoku, Ltd. (Wholly owned subsidiary)
Business activities	Construction, real estate and related activities	Construction, real estate and related activities
Date of establishment	February 1980	August 1983
Head office	3-25-21 Hakata Eki-mae Business Center, Hakata-ku, Fukuoka	2-16-10 Honmachi, Aoba-ku, Sendai
Representative	Takuya Kanemasu, President	Nobuhiro Matsumura, President
Paid-in capital	¥263 million	¥200 million
Total outstanding shares	4,700,000 shares	4,000 shares
Shareholders' equity	¥1,266 million	¥1,498 million
Total assets	¥4,824 million	¥8,237 million
Fiscal year end	January 31	January 31
Number of employees	81	83
Major customers	General customers	General customers
Major shareholders and shareholding ratios	Sekisui House, Ltd. 42.70%	Sekisui House, Ltd. 55.10%
	Sekiwa Real Estate Kyushu Employees' Stockholding 8.70%	Sekiwa Real Estate Tohoku Employees' Stockholding 13.40%
	The Bank of Fukuoka, Ltd. 2.57%	Isao Okui 1.38%
	Isao Okui 2.13%	Isami Wada 1.38%
	Isami Wada 2.13%	Takaaki Yamabayashi 1.30%
	Takuya Kanemasu 2.13%	Nobuhiro Matsumura 1.15%
	Mikio Watanabe 1.28%	Daiwa Sugawara 1.13%
	Shigeharu Asagami 1.26%	Shogo Kawasaki 0.90%
	Tatsumi Miyake 1.06%	Sachiko Ohashi 0.90%
	Iwami Pediatrics, Medical Corporation 0.96%	Yoshihiro Tanabe 0.90%
Number of treasury stock as August 31, 2004		
Main banks	The Bank of Fukuoka, Ltd. UFJ Bank Limited Sumitomo Mitsui Banking Corporation	The 77 Bank, Ltd. The Bank of Iwate, Ltd. The Akita Bank, Ltd.
Relationship with Sekisui House	Largest shareholder	Largest shareholder
	Directors 2, Transfer 8 *2	Directors 2, Temporary transfer 1 Transfer 5 *2
	Management and brokerages of real estate	Management and brokerages of real estate



### Three-year summary of business performance

Millions of yen	Sekisui House, Ltd. (Parent company)			
	Fiscal year ended:	January 31, 2002	January 31, 2003	January 31, 2004
Net sales		1,118,898	1,052,558	1,055,027
Operating income		66,106	58,564	65,868
Recurring income		65,244	55,564	65,554
Net income		(91,918)	30,196	33,580
Net income per share		(¥127.30)	¥42.58	¥47.69
Full-year dividend per share		¥18.00	¥18.00	¥18.00
Shareholders' equity per share		¥842.51	¥864.37	¥906.85

Millions of yen	Sekiwa Real Estate, Ltd. (Wholly owned subsidiary)			
	Fiscal year ended:	January 31, 2002	January 31, 2003	January 31, 2004
Net sales		69,680	76,660	83,717
Operating income		2,574	3,333	3,838
Recurring income		2,594	3,394	3,918
Net income		447	1,022	2,172
Net income per share		¥22.01	¥51.43	¥108.45
Full-year dividend per share		¥12.00	¥15.00	¥17.00
Shareholders' equity per share		¥483.39	¥518.18	¥609.62

Millions of yen	Sekiwa Real Estate Kansai, Ltd. (Wholly owned subsidiary)			
	Fiscal year ended:	January 31, 2002	January 31, 2003	January 31, 2004
Net sales		43,473	46,218	51,874
Operating income		1,530	1,822	1,650
Recurring income		1,559	1,856	1,692
Net income		(21)	916	895
Net income per share		(¥0.83)	¥34.93	¥33.33
Full-year dividend per share		¥10.00	¥10.00	¥10.00
Shareholders' equity per share		¥748.15	¥772.67	¥805.18

Millions of yen	Sekiwa Real Estate Chubu, Ltd. (Wholly owned subsidiary)			
	Fiscal year ended:	January 31, 2002	January 31, 2003	January 31, 2004
Net sales		59,697	65,584	70,520
Operating income		1,499	1,336	1,586
Recurring income		1,533	1,312	1,591
Net income		71	735	871
Net income per share		¥4.76	¥50.27	¥57.98
Full-year dividend per share		¥15.00	¥15.00	¥15.00
Shareholders' equity per share		¥534.34	¥568.01	¥618.06

Millions of yen	Sekiwa Real Estate Chugoku, Ltd. (Wholly owned subsidiary)			
	Fiscal year ended:	January 31, 2002	January 31, 2003	January 31, 2004
Net sales		10,971	12,356	14,077
Operating income		571	673	843
Recurring income		589	678	847
Net income		53	380	476
Net income per share		¥8.23	¥57.50	¥61.77
Full-year dividend per share		¥11.00	¥13.00	¥15.00
Shareholders' equity per share		¥302.48	¥345.79	¥361.01



Millions of yen	Sekiwa Real Estate Kyushu, Ltd. (Wholly owned subsidiary)			
	Fiscal year ended:	January 31, 2002	January 31, 2003	January 31, 2004
Net sales		11,014	12,628	14,705
Operating income		398	491	489
Recurring income		398	455	473
Net income		49	254	255
Net income per share		¥12.34	¥63.73	¥51.54
Full-year dividend per share		¥10.00	¥11.00	¥13.00
Shareholders' equity per share		¥177.64	¥227.90	¥266.43

Note: Net income per share and dividend per share for Sekiwa Real Estate Kyushu for the fiscal year ended January 31, 2002 have been adjusted to reflect the share split carried out on April 23, 2002.

Millions of yen	Sekiwa Real Estate Tohoku, Ltd. (Wholly owned subsidiary)			
	Fiscal year ended:	January 31, 2002	January 31, 2003	January 31, 2004
Net sales		10,676	13,586	15,616
Operating income		597	570	532
Recurring income		612	579	541
Net income		33	323	299
Net income per share		¥8,974.98	¥80,915.33	¥71,776.34
Full-year dividend per share		¥10,000.00	¥10,000.00	¥15,000.00
Shareholders' equity per share		¥247,816.16	¥312,573.99	¥374,575.33

#### 4. Outline of business situation after completion of the share exchange

- (1) Company name, business activities, head office and representative  
There will be no change in the company names, business activities, head offices or representatives of the parties to this agreement.
- (2) Capital stock  
The capital of Sekisui House will not be increased after completion of the share exchange; the amount of capital reserve has yet to be determined.
- (3) Effect on Sekisui House consolidated results  
The Sekiwa Real Estate companies are already consolidated subsidiaries of Sekisui House, and the share exchange is not expected to have a material impact on the consolidated performance of Sekisui House.

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