(Securities Code: 1928)

Sekisui House, Ltd. **March 29, 2023**

Yoshihiro Nakai
Representative Director of the Board
Sekisui House, Ltd.
1-88, Oyodonaka 1-chome, Kita-ku, Osaka

NOTICE OF THE 72ND ORDINARY GENERAL MEETING OF SHAREHOLDERS

We express our deep appreciation to each of the shareholders for your extraordinary support.
The 72nd Ordinary General Meeting of Shareholders of Sekisui House, Ltd. (the "Company" or "Sekisui House") is to be held as stated below.
Instead of attending the meeting in person, you may also review the "Reference Documents for General Meeting of Shareholders" and exercise your voting rights in writing or via the Internet by 6:00 p.m. on Monday, April 24, 2023. (Unless otherwise noted, all the times shown in this Notice are in Japan Standard Time.)

1. Date and Time: 10:00 a.m., Tuesday, April 25, 2023

2. Place of the Meeting: The Westin Osaka, 2nd Floor, Rose Room, 1-20, Oyodonaka 1-chome, Kita-ku, Osaka, Japan

Note:
If the Rose Room exceeds its maximum occupancy, the Company will guide shareholders to a second venue or another location. We appreciate your understanding.

3. Agenda:

Items for reporting:

1. Reports on the Business Report, the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 72nd fiscal year (February 1, 2022 – January 31, 2023)
2. Report on the Results of Audit conducted by the Accounting Auditor and the Audit & Supervisory Board with respect to the Consolidated Financial Statements for the 72nd fiscal year (February 1, 2022 – January 31, 2023)

Proposals to be tabled:

Proposal No. 1 Appropriation of Surplus

Proposal No. 2 Election of Ten (10) Directors of the Board

4. Matters Subject to Measures for Electronic Provision:

When convening this Ordinary General Meeting of Shareholders, the Company takes measures for electronic provision and posts the matters subject to the measures for electronic provision on the Company's website.

< The Company's website >
URL: https://www.sekisuihouse.co.jp/company/financial/holders/shotsu/
https://www.sekisuihouse.co.jp/english/company/financial/holders/meeting/

The matters subject to the measures for electronic provision are also posted on the Tokyo Stock Exchange website (Tokyo Stock Exchange Listed Company Search). Please perform a search by entering the "Sekisui House" on the "Issue name (company name)" or "1928" on the "Code," select "Basic information" and "Documents for public inspection/PR information," and view the information.

< Tokyo Stock Exchange website >
URL: https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show

- In the event that it becomes necessary to revise any item in the matters subject to the measures for electronic provision, the revised items will be posted on each of the websites where such matters are posted.
- In accordance with the provisions of laws and regulations and Article 16 of the Articles of Incorporation of the Company, the paper copy sent to shareholders who have requested it does not include the "Outlines of Stock Acquisition Rights" and the "System to Ensure the Due Execution of Duties and the Status of Its Implementation" in the Business Report, the "Consolidated Statements of Changes in Net Assets" and the "Notes to Consolidated Financial Statements" in the Consolidated Financial Statements, and the "Non-Consolidated Statements of Changes in Net Assets" and the "Notes to Non-Consolidated Financial Statements" in the Non-Consolidated Financial Statements of the matters subject to the measures for electronic provision. Therefore, the paper copy is part of the documents audited by the Audit & Supervisory Board Members and the Accounting Auditor when preparing the audit report.
- "Reference Documents for General Meeting of Shareholders" are also sent to shareholders who have not requested the paper copy.

[**Translation**: Please note that this document purports to be a translation from the Japanese original Notice of the 72nd Ordinary General Meeting of Shareholders of Sekisui House, Ltd. prepared for the convenience of non-Japanese readers. In the case of any discrepancy between the translation and the Japanese original, the latter shall prevail. Please also be advised that certain statements regarding voting procedures for domestic shareholders are not applicable to the shareholders outside Japan.]

5. Guidelines of the Exercise of Voting Rights:

Please exercise your voting rights after reviewing the "Reference Documents for General Meeting of Shareholders."
In addition to attending the General Meeting of Shareholders in person, the following two methods are available for exercising your voting rights.
This year, in order to prevent the spread of COVID-19, we would like to ask you to exercise your voting rights in advance in writing or via the Internet as shown below.

In writing	Via the Internet
Exercise deadline: Votes must be received by 6:00 p.m. on Monday, April 24, 2023 Please indicate on the enclosed voting form whether you approve or disapprove the proposals listed, and return it so that your vote is received by the exercise deadline above. If there is no indication of approval or disapproval for the proposal on the voting form, your vote for the proposal shall be counted as approval.	Exercise deadline: The exercise of a voting right via the Internet, must be completed by 6:00 p.m. on Monday, April 24, 2023. Please see page 3 for details.

Handling of votes when voting rights are exercised more than once

(1) In case that a voting right is exercised both in writing and via the Internet, only the vote registered via the Internet will be recognized valid.
(2) In case that a voting right is exercised more than once via the Internet, only the last vote will be recognized valid.

* If attending the meeting in person, please submit the enclosed voting form to the receptionist at the meeting.
* The results of the resolution at the General Meeting of Shareholders will be posted on the Company's website.

Guidelines regarding the exercise of a voting right via the Internet:

The exercise of a voting right via the Internet, must be completed by 6:00 p.m. on Monday, April 24, 2023

(1) Access the website for exercising votes using QR code:

i) By scanning the QR code shown on the voting form, you can log in to the website for exercising votes without the log-in ID and temporary password shown on the form.

*The "QR code" is a registered trademark of DENSO WAVE INCORPORATED.

ii) Please indicate whether you approve or disapprove the items on the agenda by following the instructions on the display screen.

* Log-in using the QR code is available once only. If you wish to exercise your voting rights again, please follow the instructions below.

(2) Access the website for exercising votes using the log-in ID and temporary password:

i) Please access the website using the following URL.

https://evote.tr.mufg.jp/

ii) Log in using the log-in ID and temporary password which are shown on the voting form and press the login button.

iii) Please enter a new password and press the send button.

iv) Please indicate whether you approve or disapprove the items on the agenda by following the instructions on the display screen.

Depending on the Internet connection of your computer or smart phone, the website for exercising votes may not be available.

(3) Inquiries regarding the exercise of a voting right via the Internet:

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Service Support: 0120 (173) 027 *

Business Hours: from 9:00 a.m. to 9:00 p.m. (toll free; within Japan only)

(4) To institutional investors

Institutional investors are entitled to use the Electronic Voting Platform operated by ICJ to electronically exercise your voting rights for this General Meeting of Shareholders.

* The service is available in Japanese only.

Reference Documents for the General Meeting of Shareholders

Proposals and Reference Information

Proposal No. 1: Appropriation of Surplus

The Company proposes to appropriate surplus as stated below.

1. Matters related to year-end dividends:

In view of profit situation and dividend policy, the Company proposes that a year-end dividend of ¥58 per share be paid for the fiscal year under review. Since the Company paid an interim dividend of ¥52 per share on September 30, 2022, the annual dividend for the fiscal year under review totals ¥110 per share.

(1) Type of dividend property:

Cash

(2) Matters related to the appropriation of dividend property and total amount thereof:

¥58 per common share of the Company Total amount: ¥38,413,348,090

(3) Date on which dividends take effect:

April 26, 2023

2. Other matters related to the appropriation of surplus:

Pursuant to the resolution at the meeting of the Board of Directors held on March 9, 2023, the Company plans to cancel 22 million shares of treasury stock after the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, the Company proposes to transfer part of general reserve to retained earnings brought forward as follows to appropriate part of the funds for cancellation.

(1) Item of surplus to be decreased and amount thereof:

General reserve: ¥15,000,000,000

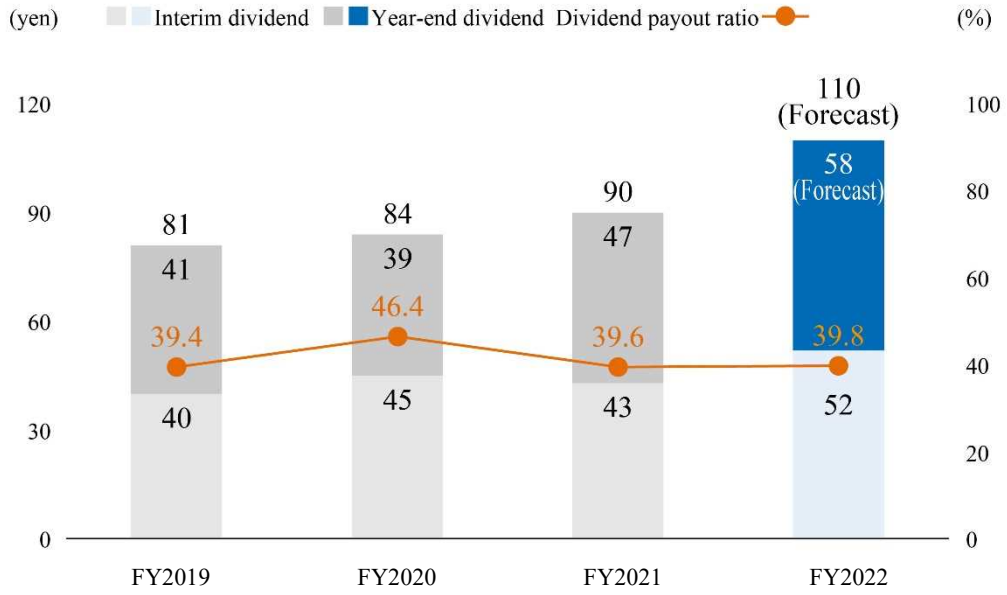
(2) Item of surplus to be increased and amount thereof:

Retained earnings brought forward: ¥15,000,000,000

(Reference) Basic Policy on Profit Distribution (Fiscal Year Ended January 31, 2023)

The Company recognizes the maximization of shareholder value as one of the most important management issues. Accordingly, the Company will not only increase earnings per share through sustainable business growth, but also promote growth investments and enhance shareholder returns, comprehensively taking into account the status of profits and cash flows in each fiscal year and future business development, among other factors. The Company will also make efforts to increase shareholder value by targeting at least a 40% average dividend payout ratio over the medium-term and by acquiring its treasury stock in a flexible manner.

Transition of dividends per share and dividend payout ratio (consolidated)



Net sales (Millions of yen)	2,415,186	2,446,904	2,589,579	2,928,835
Operating income (Millions of yen)	205,256	186,519	230,160	261,489
Ordinary income (Millions of yen)	213,905	184,697	230,094	257,272
Net income attributable to owners of parent (Millions of yen)	141,256	123,542	153,905	184,520
Net income per share (Yen)	205.79	181.18	227.37	276.58
Dividends (Yen)	81.00	84.00	90.00	110.00
Dividend payout ratio (%)	39.4	46.4	39.6	39.8

Proposal No. 2: Election of 10 Directors of the Board

The terms of office of all 10 current Directors of the Board will expire at the close of this Ordinary General Meeting of Shareholders.

The Company proposes to elect 10 Directors of the Board, including 5 Outside Directors of the Board.

The candidates for Director of the Board are as follows:

No.	Name		Gender	Current post in the Company	Number of years in office as Director of the Board (at the close of this Meeting)	Attendance at the meetings of the Board of Directors (72nd)
1	Reelection	Yoshihiro Nakai	Male	Representative Director of the Board President & Executive Officer, CEO	7 years	12/12 (100%)
2	Reelection	Yosuke Horiuchi	Male	Representative Director of the Board Vice Chairman & Executive Officer	7 years	12/12 (100%)
3	Reelection	Satoshi Tanaka	Male	Representative Director of the Board Executive Vice President & Executive Officer	3 years	12/12 (100%)
4	Reelection	Toru Ishii	Male	Director of the Board Senior Managing Officer	3 years	12/12 (100%)
5	New Election	Hiroshi Shinozaki	Male	Managing Officer (Note)	–	–
6	Reelection Outside Independent Director	Yukiko Yoshimaru	Female	Outside Director of the Board	5 years	12/12 (100%)
7	Reelection Outside Independent Director	Toshifumi Kitazawa	Male	Outside Director of the Board	3 years	12/12 (100%)
8	Reelection Outside Independent Director	Yoshimi Nakajima	Female	Outside Director of the Board	2 years	12/12 (100%)
9	Reelection Outside Independent Director	Keiko Takegawa	Female	Outside Director of the Board	2 years	12/12 (100%)
10	Reelection Outside Independent Director	Shinichi Abe	Male	Outside Director of the Board	1 year	9/9 (100%)

Reelection: candidate for Director of the Board to be reelected

New Election: candidate for Director of the Board to be newly elected

Outside: candidate for Outside Director of the Board

Independent Director: candidate for Independent Director stipulated by the Tokyo Stock Exchange, Inc.

(Note) He is scheduled to assume the position of Senior Managing Officer as of April 1, 2023.

No.	Name	Knowledge, experiences and abilities particularly expected of each Director of the Board					
		Corporate management Business strategy	International business Overseas insight	Finance strategy and accounting	Technology and environment Innovation	Improvement in sociability Human resources development Diversity	Governance Risk management Compliance
1	Yoshihiro Nakai	●		●		●	●
2	Yosuke Horiuchi	●		●	●	●	
3	Satoshi Tanaka	●	●		●	●	●
4	Toru Ishii	●	●			●	
5	Hiroshi Shinozaki	●			●		●
6	Yukiko Yoshimaru	●	●			●	●
7	Toshifumi Kitazawa	●	●	●			●
8	Yoshimi Nakajima	●	●	●		●	
9	Keiko Takegawa				●	●	●
10	Shinichi Abe	●	●		●	●	

* This chart indicates certain knowledge, experiences, and abilities which the Company particularly expects each candidate to have for his/her duties, not necessarily what each candidate currently has in fact.

Candidate No. 1	Number of years in office as Director of the Board (at the close of this Ordinary General Meeting of Shareholders)	Attendance at the meetings of the Board of Directors (FY2022)	Special interest with the Company
	7 years	12/12 (attendance at the meetings of the Board of Directors: 100%)	None

Yoshihiro Nakai

(April 30, 1965)

Reelection

Number of the Company's Shares owned

82,080 shares

Knowledge, experiences and abilities particularly expected of each Director of the Board	
Corporate management / Business strategy	●
International business / Overseas insight	
Finance strategy and accounting	●
Technology and environment / Innovation	
Improvement in sociability / Human resources development / Diversity	●
Governance / Risk management / Compliance	●

Career summary, post and responsibility in the Company

Apr. 1988: Joined the Company

Apr. 2014: Executive Officer of the Company, assigned to the post of Head of Corporate Management Planning Department

Apr. 2016: Managing Officer of the Company, in charge of Corporate Management Planning and Accounting & Finance

Apr. 2016: Director of the Board of the Company

Feb. 2018: President, Representative Director of the Board of the Company

Apr. 2021: Representative Director of the Board, President & Executive Officer, CEO of the Company
In charge of Business Strategy Division and Built-to-Order Business Division (current position)

Reason for election as Director of the Board

In the Corporate Management Planning Division, he exercised his outstanding conceptual ability and has realized many innovative sales strategies and management policies involving sales offices nationwide. He always played a central role in formulating and implementing the Group's management strategies and plans. In particular, since assuming the post of President, he has been focusing on demonstrating the comprehensive capabilities of the Group with the Corporate Philosophy as a compass and strengthening the corporate governance system and promoting ESG management aggressively.

In the Fifth Mid-Term Management Plan, which he formulated as top management, he strived to develop human resources with integrity and autonomy under the slogan of innovation and communication, and focused on aligning the vectors of the whole Group. As a result, the Group's performance exceeded the plan. To start the Sixth Mid-Term Management Plan for achieving sustainable growth and increasing the corporate value of the Sekisui House Group through new development and aggressive growth investment in the software and service fields under his strong leadership to contribute to the creation of high-quality housing stock, the Company proposes to reelect him as a Director of the Board.

Note:

The Company will enter into a directors and officers liability insurance contract with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act, and the contract is designed to cover damages that may arise from the insured directors and officers assuming responsibility for the execution of their duties or receiving claims related to the pursuit of such responsibility.

Mr. Yoshihiro Nakai will be included as the insured of the said insurance contract.

Candidate No. 2	Number of years in office as Director of the Board (at the close of this Ordinary General Meeting of Shareholders)	Attendance at the meetings of the Board of Directors (FY2022)	Special interest with the Company
	7 years	12/12 (attendance at the meetings of the Board of Directors: 100%)	None

Yosuke Horiuchi

(September 25, 1956)

Reelection

Number of the Company's Shares owned

50,600 shares

Knowledge, experiences and abilities particularly expected of each Director of the Board	
Corporate management / Business strategy	●
International business / Overseas insight	
Finance strategy and accounting	●
Technology and environment / Innovation	●
Improvement in sociability / Human resources development / Diversity	●
Governance / Risk management / Compliance	

Career summary, post and responsibility in the Company

Apr. 1980: Joined the Company

Apr. 2012: Executive Officer of the Company, assigned to the post of Head of Tokyo Sha Maison Sales Administration Headquarters

Apr. 2014: Managing Officer of the Company, in charge of Sha Maison Sales (East Japan)

Apr. 2016: Director of the Board of the Company

Dec. 2017: Assigned to the post of Head of Tokyo Sha Maison Sales Administration Headquarters and Head of Condominium Headquarters

Apr. 2018: Senior Managing Officer of the Company
In charge of Transaction Promotion Division, assigned to the post of Head of East Japan Building Sales Administration Headquarters

Aug. 2018: In charge of Transaction Promotion Division and East Japan Building Sales Administration

Feb. 2020: In charge of Investor Relations Division and Transaction Promotion Division

Jun. 2020: In charge of ESG Management Promotion Division, Accounting & Finance Division and Transaction Promotion Division

Feb. 2021: In charge of Finance & ESG Division and TKC Project

Apr. 2021: Representative Director of the Board, Vice Chairman & Executive Officer of the Company (current position)

Feb. 2022: Assigned to the post of Head of ESG Management Promotion Headquarters

Feb. 2023: In charge of Finance & ESG Division (current position)

Significant concurrent post of other companies

President & Representative Director of the Board of Sekisui House Financial Services Co., Ltd.

Vice Chairman of Japan Federation of Housing Organizations

Reason for election as Director of the Board

In the business field based on "Sha-Maison" rental housing, he has contributed to the development of the three- and four-story rental housing market by leading the area marketing strategy that is dedicated to responding to the local tenant market. He has also promoted the expansion of the customer base through means such as strengthening the corporate real estate (CRE) and public real estate (PRE) businesses with a focus on corporate customers. He has been in charge of the Finance and ESG Division since 2020 and is working to enhance the Group's social value through collaboration with diverse stakeholders as the Chairperson of the ESG Promotion Committee, which includes outside members. He also has received a high evaluation from outside the company for proactive disclosure of information including ESG-related information. In addition, since assuming the post of Representative Director of the Board in 2021, he has served in a key position at the industry group and contributed to realizing a more comfortable housing life.

To achieve sustainable growth and increase the corporate value of the Sekisui House Group, in strongly promoting the realization of ESG management, the strengthening of financial base and the enhancement of information disclosure, the Company proposes to reelect him as a Director of the Board.

Note:

The Company will enter into a directors and officers liability insurance contract with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act, and the contract is designed to cover damages that may arise from the insured directors and officers assuming responsibility for the execution of their duties or receiving claims related to the pursuit of such responsibility.

Mr. Yosuke Horiuchi will be included as the insured of the said insurance contract.

Candidate No. 3	Number of years in office as Director of the Board (at the close of this Ordinary General Meeting of Shareholders)	Attendance at the meetings of the Board of Directors (FY2022)	Special interest with the Company
	3 years	12/12 (attendance at the meetings of the Board of Directors: 100%)	None

Satoshi Tanaka

(February 27, 1958)

Reelection

Number of the Company's Shares owned

25,700 shares

Knowledge, experiences and abilities particularly expected of each Director of the Board	
Corporate management / Business strategy	●
International business / Overseas insight	●
Finance strategy and accounting	
Technology and environment / Innovation	●
Improvement in sociability / Human resources development / Diversity	●
Governance / Risk management / Compliance	●

Career summary, post and responsibility in the Company

Apr. 1981: Joined MITSUI & CO., LTD.

Apr. 2004: General Manager of Investor Relations Division of MITSUI & CO., LTD.

Apr. 2007: General Manager of Corporate Planning & Strategy Division of MITSUI & CO., LTD.

July 2010: Deputy General Manager of Consumer Service Business Unit of MITSUI & CO., LTD.

Apr. 2011: Executive Officer; General Manager of Consumer Service Business Unit of MITSUI & CO., LTD.

Apr. 2013: Managing Officer; General Manager of Consumer Service Business Unit of MITSUI & CO., LTD.

Apr. 2015: Senior Managing Officer; President of Asia Pacific Business Unit of MITSUI & CO., LTD. and President of MITSUI & CO. (ASIA PACIFIC) PTE. LTD.

Apr. 2017: Vice President & Executive Officer; CAO (Chief Administrative Officer); CIO (Chief Information Officer); CPO (Chief Privacy Officer) of MITSUI & CO., LTD.

June 2017: Representative Director; Vice President and Executive Officer of MITSUI & CO., LTD.

June 2019: Counselor of MITSUI & CO., LTD.

Mar. 2020: Outside Director of Kuraray Co., Ltd. (current position)

Apr. 2020: Outside Director of the Board of the Company

Jan. 2021: Outside Director of IHH Healthcare Berhad (current position)

Apr. 2021: Representative Director of the Board, Executive Vice President & Executive Officer of the Company
In charge of Administration and Personnel Division (current position)

Significant concurrent post of other companies

Outside Director of Kuraray Co., Ltd.

Outside Director of IHH Healthcare Berhad

Reason for election as Director of the Board

Having held key positions in a major general trading company, he has domestic and international management experience, as well as knowledge and experience in the energy and consumer service sectors. He served as the Representative Director of the Board, Vice President & Executive Officer of the trading company from 2017 to 2019, where he was the officer responsible for the corporate staff divisions, including the positions of CAO, CIO, and CPO.

Since assuming the position of Outside Director of the Board of the Company in 2020, he has continued to serve as a member of the Personnel Affairs and Remuneration Committee. Since assuming the position of Representative Director of the Board, Executive Vice President & Executive Officer in 2021, he has been promoting human resource strategies such as supporting employees' self-directed career development as the person in charge of Administration and Personnel Division, and making various efforts to strengthen the effectiveness of the risk management system as the Chairperson of the Risk Management Committee.

To achieve sustainable growth and increase the corporate value of the Sekisui House Group based on his extensive knowledge as a manager and his activities and contributions as an Outside Director of the Board of the Company, especially in further enhancing the value of human resources in the Group and strengthening the effectiveness of corporate governance and risk management system, the Company proposes to reelect him as a Director of the Board.

Note:

The Company will enter into a directors and officers liability insurance contract with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act, and the contract is designed to cover damages that may arise from the insured directors and officers assuming responsibility for the execution of their duties or receiving claims related to the pursuit of such responsibility.

Mr. Satoshi Tanaka will be included as the insured of the said insurance contract.

Candidate No. 4	Number of years in office as Director of the Board (at the close of this Ordinary General Meeting of Shareholders)	Attendance at the meetings of the Board of Directors (FY2022)	Special interest with the Company
	3 years	12/12 (attendance at the meetings of the Board of Directors: 100%)	None

Toru Ishii

(November 3, 1966)

Reelection

Number of the Company's Shares owned

27,766 shares

Knowledge, experiences and abilities particularly expected of each Director of the Board	
Corporate management / Business strategy	●
International business / Overseas insight	●
Finance strategy and accounting	
Technology and environment / Innovation	
Improvement in sociability / Human resources development / Diversity	●
Governance / Risk management / Compliance	

Career summary, post and responsibility in the Company

Apr. 1990: Joined the Company

May 2012: Head of Development Department of the Company

Apr. 2014: Executive Officer of the Company, assigned to the post of Head of Development Department

Apr. 2016: Managing Officer of the Company

Feb. 2019: In charge of Development Business and assigned to the post of Head of International Business Department

Feb. 2020: In charge of Development and Condominiums Businesses and assigned to the post of Head of International Business Department

Apr. 2020: Senior Managing Officer of the Company (current position)
In charge of Development, Condominiums, and International Businesses

Apr. 2020: Director of the Board of the Company (current position)

Feb. 2021: In charge of Development Business Division (current position)

Reason for election as Director of the Board

Since joining the Company, he has experienced sales planning work in the urban development business and engaged in developing new markets such as the hotel development business and the office development business. Since 2012, he has been in charge of the development business, focusing on human resources development and demonstrating the comprehensive capabilities of the Group. In the international business in particular, he has focused on achieving a balance between investment and return, while realizing M&As mainly in the U.S., which greatly contributed to the achievement of the Fifth Mid-Term Management Plan. He has been steadily promoting enhancement of the business foundation in new markets and development of the organizational structure.

To achieve sustainable growth and increase the corporate value of the Sekisui House Group, especially in strengthening our development business including international business, as well as in enhancing the diversity of our overseas subsidiaries and further strengthening the governance system through the integration process, the Company proposes to reelect him as a Director of the Board.

Note:

The Company will enter into a directors and officers liability insurance contract with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act, and the contract is designed to cover damages that may arise from the insured directors and officers assuming responsibility for the execution of their duties or receiving claims related to the pursuit of such responsibility.

Mr. Toru Ishii will be included as the insured of the said insurance contract.

Candidate No. 5	Number of years in office as Director of the Board (at the close of this Ordinary General Meeting of Shareholders)	Attendance at the meetings of the Board of Directors (FY2022)	Special interest with the Company
	–	– (attendance at the meetings of the Board of Directors: –)	None

Hiroshi Shinozaki

(April 12, 1963)

New Election

Number of the Company's Shares owned

7,863 shares

Knowledge, experiences and abilities particularly expected of each Director of the Board	
Corporate management / Business strategy	●
International business / Overseas insight	
Finance strategy and accounting	
Technology and environment / Innovation	●
Improvement in sociability / Human resources development / Diversity	
Governance / Risk management / Compliance	●

Career summary, post and responsibility in the Company

Apr. 1987: Joined the Company

Feb. 2010: Head of Tokyo-Tokken Building Projects Branch of the Company

Aug. 2018: Head of East Japan Building Sales Administration Headquarters

Apr. 2020: Executive Officer of the Company, assigned to the post of Head of East Japan Building Sales Administration Headquarters

Feb. 2021: In charge of Building Sales Administration

Apr. 2021: Managing Officer of the Company (current position)

Feb. 2023: In charge of Building Sales Administration and TKC Project (current position)

Significant concurrent post of other companies

Executive Vice President, Director of the Board of Sekisui House Real Estate Holdings, Ltd.

Reason for election as Director of the Board

In the building business field based on "Sha-Maison" rental housing, he has served as a sales staff, Head of the branch, and Head of Administration Headquarters. As a Managing Officer in charge of Building Sales Administration since 2021, he has been promoting the area marketing strategy that is dedicated to responding to the local tenant market, and proactive initiatives for increasing orders of the three- and four-story rental houses, as well as the improvement of sales of "Sha-Maison ZEH," zero-energy rental housing that contributes to decarbonization while increasing profitability. In addition, he is strongly leading the growth of this business field by utilizing his leadership and strategic thinking ability such as building a stronger collaborative relationship between the Company and Sekisui House Real Estate Group.

To achieve sustainable growth and increase the corporate value of the Sekisui House Group, especially in strengthening the effectiveness of corporate governance and risk management system involving Sekisui House Real Estate Group and further developing the building business field by promoting sales of "Sha-Maison ZEH," which contributes to a decarbonized society, and expanding the business field, the Company proposes to newly elect him as a Director of the Board.

Notes:

1. Mr. Hiroshi Shinozaki is scheduled to assume the position of Senior Managing Officer as of April 1, 2023.
2. The Company will enter into a directors and officers liability insurance contract with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act, and the contract is designed to cover damages that may arise from the insured directors and officers assuming responsibility for the execution of their duties or receiving claims related to the pursuit of such responsibility.
   Mr. Hiroshi Shinozaki will be included as the insured of the said insurance contract.

Candidate No. 6	Number of years in office as Outside Director of the Board (at the close of this Ordinary General Meeting of Shareholders)	Attendance at the meetings of the Board of Directors (FY2022)	Special interest with the Company
	5 years	12/12 (attendance at the meetings of the Board of Directors: 100%)	None

Yukiko Yoshimaru

(February 1, 1960)
Reelection
Outside
Independent Director
Number of the Company's Shares owned
7,500 shares

Knowledge, experiences and abilities particularly expected of each Director of the Board	
Corporate management / Business strategy	●
International business / Overseas insight	●
Finance strategy and accounting	
Technology and environment / Innovation	
Improvement in sociability / Human resources development / Diversity	●
Governance / Risk management / Compliance	●

Career summary, post and responsibility in the Company

Apr. 1982: Joined Oki Electric Industry Co., Ltd.
Apr. 1998: Director of Oki America Inc.
Head of New York Office of Oki Electric Industry Co., Ltd.
Oct. 2004: Chief Manager of Diversity Development Office of NISSAN MOTOR CO., LTD.
Apr. 2008: Joined Nifco Inc.
June 2011: Executive Officer of Nifco Inc.
Apr. 2018: Outside Director of the Board of the Company (current position)
June 2019: Outside Director of Mitsui Chemicals, Inc. (current position)
June 2021: Outside Director of Daiwabo Holdings Co., Ltd. (current position)

Significant concurrent post of other companies

Outside Director of Mitsui Chemicals, Inc.
Outside Director of Daiwabo Holdings Co., Ltd.

Reason for election as Outside Director of the Board and summary of expected roles, etc.

She has a wide range of global experience including management experience as a director of domestic and overseas companies and M&A experience at a U.S. subsidiary of the major Japanese company. In particular, she has greatly contributed to constructive discussions and strengthening of the effectiveness of the Board of Directors meetings by providing her opinions based on a wealth of knowledge and experience in human resources management, diversity and corporate governance. In addition, since becoming the Chairperson of the Personnel Affairs and Remuneration Committee in May 2020, she has been taking a leadership in clarifying the process of selecting and dismissing Directors of the Board, facilitating the succession planning, and strengthening remuneration governance. She has been leading the revision of officer remuneration related to the Sixth Mid-Term Management Plan.

To achieve sustainable growth and increase the corporate value of the Sekisui House Group, especially in the formulation of growth strategies from the perspectives of global business and diversity promotion, and in strengthening the management supervision function in areas including personnel affairs and remuneration, the Company proposes to reelect her as an Outside Director of the Board.

Notes:

1. The Company designated Ms. Yukiko Yoshimaru as an "Independent Director" and submitted notification to that effect to the Tokyo Stock Exchange, Inc.
2. The Company entered into an agreement with Ms. Yukiko Yoshimaru that if she causes damages to the Company by neglect of the duty as an Outside Director of the Board, where her conduct is deemed to be made in good faith without gross negligence, her liability under the agreement is without fail limited to the sum of the amount provided by Article 425, Paragraph 1 of the Companies Act. In case the proposal is approved, the Company will continue the agreement with her.
3. The Company will enter into a directors and officers liability insurance contract with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act, and the contract is designed to cover damages that may arise from the insured directors and officers assuming responsibility for the execution of their duties or receiving claims related to the pursuit of such responsibility.
   Ms. Yukiko Yoshimaru will be included as the insured of the said insurance contract.

Candidate No. 7	Number of years in office as Outside Director of the Board (at the close of this Ordinary General Meeting of Shareholders)	Attendance at the meetings of the Board of Directors (FY2022)	Special interest with the Company
	3 years	12/12 (attendance at the meetings of the Board of Directors: 100%)	None

Toshifumi Kitazawa

(November 18, 1953)

Reelection

Outside

Independent Director

Number of the Company's Shares owned

900 shares

Knowledge, experiences and abilities particularly expected of each Director of the Board	
Corporate management / Business strategy	●
International business / Overseas insight	●
Finance strategy and accounting	●
Technology and environment / Innovation	
Improvement in sociability / Human resources development / Diversity	
Governance / Risk management / Compliance	●

Career summary, post and responsibility in the Company

Apr. 1977: Joined Tokio Marine & Fire Insurance Co., Ltd.
June 2008: Managing Director of Tokio Marine & Nichido Anshin Life Insurance Co., Ltd.
June 2009: Senior Managing Director of Tokio Marine & Nichido Anshin Life Insurance Co., Ltd.
June 2010: President & Director of Tokio Marine & Nichido Anshin Life Insurance Co., Ltd.
June 2010: Director of Tokio Marine Holdings, Inc.
Apr. 2014: Vice President & Director of Tokio Marine & Nichido Fire Insurance Co., Ltd.
June 2014: Vice President Executive Officer of Tokio Marine Holdings, Inc.
Apr. 2016: President & Chief Executive Officer of Tokio Marine & Nichido Fire Insurance Co., Ltd.
June 2016: Director of Tokio Marine Holdings, Inc.
Apr. 2019: Vice Chairman & Director of Tokio Marine & Nichido Fire Insurance Co., Ltd.
June 2019: Member of the Board of Directors (Outside) (Member of the Audit & Supervisory Committee) of MUFG Bank, Ltd. (current position)
June 2019: Outside Director of Mitsubishi Logistics Corporation (current position)
Apr. 2020: Outside Director of the Board of the Company (current position)
Apr. 2022: Advisor of Tokio Marine & Nichido Fire Insurance Co., Ltd. (current position; See Note 1 below.)

Significant concurrent post of other companies

Advisor of Tokio Marine & Nichido Fire Insurance Co., Ltd.
Member of the Board of Directors (Outside) (Member of the Audit & Supervisory Committee) of MUFG Bank, Ltd.
Outside Director of Mitsubishi Logistics Corporation

Reason for election as Outside Director of the Board and summary of expected roles, etc.

Having held key positions at a major insurance company, he has extensive knowledge and experience in areas including global business, M&A, risk management and compliance, as well as abundant achievements and experience as a manager. Since becoming Chairman of the Board of Directors in May 2021, he has been leading constructive discussions to strengthen the effectiveness of the Board of Directors meetings by steering proceedings flexibly to further activate deliberations on medium- and long-term management issues. He has also been contributing to the enhancement of deliberations as a member of the Personnel Affairs and Remuneration Committee of the Company.

To achieve sustainable growth and increase the corporate value of the Sekisui House Group, especially in the formulation of growth strategies from the perspective of global business, and in strengthening the management supervision function in areas including M&A and other financial strategies, risk management and compliance, the Company proposes to reelect him as an Outside Director of the Board.

Notes:

1. The Company has business relationships as a policyholder and nonlife insurance agent with Tokio Marine & Nichido Fire Insurance Co., Ltd. where Mr. Toshifumi Kitazawa serves as an Advisor, but the annual amount of business transactions between the companies is less than 1% of the ordinary income of Tokio Marine Holdings, Inc., which is the holding company of Tokio Marine & Nichido Fire Insurance Co., Ltd, and the consolidated net sales of the Company.
2. MUFG Bank, Ltd., where Mr. Toshifumi Kitazawa serves as a Member of the Board of Directors (Outside) (Member of the Audit & Supervisory Committee), is a major shareholder of the Company and also a major lender to the Company. However, because Mr. Kitazawa is not an executive of MUFG Bank, Ltd. or a former employee of MUFG Bank, Ltd., the Company deems that there is no risk of conflict of interest with general shareholders.
3. The Company designated Mr. Toshifumi Kitazawa as an "Independent Director" and submitted notification to that effect to the Tokyo Stock Exchange, Inc.
4. The Company entered into an agreement with Mr. Toshifumi Kitazawa that if he causes damages to the Company by neglect of the duty as an Outside Director of the Board, where his conduct is deemed to be made in good faith without gross negligence, his liability under the agreement

is without fail limited to the sum of the amount provided by Article 425, Paragraph 1 of the Companies Act. In case the proposal is approved, the Company will continue the agreement with him.

5. The Company will enter into a directors and officers liability insurance contract with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act, and the contract is designed to cover damages that may arise from the insured directors and officers assuming responsibility for the execution of their duties or receiving claims related to the pursuit of such responsibility.
   Mr. Toshifumi Kitazawa will be included as the insured of the said insurance contract.

Candidate No. 8	Number of years in office as Outside Director of the Board (at the close of this Ordinary General Meeting of Shareholders)	Attendance at the meetings of the Board of Directors (FY2022)	Special interest with the Company
	2 years	12/12 (attendance at the meetings of the Board of Directors: 100%)	None

Yoshimi Nakajima

(December 16, 1956)

Reelection

Outside

Independent Director

Number of the Company's Shares owned

800 shares

Knowledge, experiences and abilities particularly expected of each Director of the Board	
Corporate management / Business strategy	●
International business / Overseas insight	●
Finance strategy and accounting	●
Technology and environment / Innovation	
Improvement in sociability / Human resources development / Diversity	●
Governance / Risk management / Compliance	

Career summary, post and responsibility in the Company

Apr. 1980: Joined The Yasuda Trust & Banking Co., Ltd. (currently Mizuho Trust & Banking Co., Ltd.)

Feb. 1982: Joined AVON Products Co., LTD. (currently FMG & MISSION CO., LTD.)

May 1997: Vice President of Citibank, N.A.

June 2000: Senior General Manager of Societe Generale Securities Ltd.

Apr. 2002: Vice President of American Express International, Inc. (Japan)

Aug. 2011: Country Manager (President) of American Express International, Inc. (Singapore)

Feb. 2014: Senior Vice President of American Express International, Inc. (Japan)

Apr. 2014: President and Representative Director of American Express Japan Co., Ltd.

June 2017: Outside Director of Yamaha Corporation

June 2017: Outside Director of AEON Financial Service Co., Ltd. (current position)

June 2018: Outside Director of Japan Freight Railway Company (current position)

Sep. 2018: External Director of ULVAC, Inc. (current position)

Apr. 2021: Specially Appointed Professor of The Graduate School of Project Design (current position)

Outside Director of the Board of the Company (current position)

Significant concurrent post of other companies

Outside Director of AEON Financial Service Co., Ltd.

Outside Director of Japan Freight Railway Company

External Director of ULVAC, Inc.

Specially Appointed Professor of The Graduate School of Project Design

Reason for election as Outside Director of the Board and summary of expected roles, etc.

Having held key positions in domestic and overseas companies, she has extensive experience in financial strategy, M&A, and other areas by serving as the head of Asian and Japanese subsidiaries of global financial institutions. She has embodied diversity in corporate management in an environment where diversity in senior management is considered to be natural.

Since April 2021, she has been serving as Outside Director of the Board of the Company and has greatly contributed to constructive discussions and strengthening of the effectiveness of the Board of Directors meetings by actively expressing frank opinions that promote appropriate risk-taking and management reform.

To achieve sustainable growth and increase the corporate value of the Sekisui House Group, especially in the formulation of growth strategies from the perspectives of global business and diversity promotion, and in strengthening the management supervision function in areas including M&A and other financial strategies, the Company proposes to reelect her as an Outside Director of the Board.

Notes:

1. The Company designated Ms. Yoshimi Nakajima as an "Independent Director" and submitted notification to that effect to the Tokyo Stock Exchange, Inc.
2. The Company entered into a limited liability agreement with Ms. Yoshimi Nakajima, that if she causes damages to the Company by neglect of the duty as an Outside Director of the Board, where her conduct is deemed to be made in good faith without gross negligence, her liability is without fail limited to the minimum liability amount specified in Article 425, Paragraph 1 of the Companies Act. If her reelection is approved, the Company will continue the above-mentioned limited liability agreement with her.
3. The Company will enter into a directors and officers liability insurance contract with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act, and the contract is designed to cover damages that may arise from the insured directors and officers assuming responsibility for the execution of their duties or receiving claims related to the pursuit of such responsibility.
   Ms. Yoshimi Nakajima will be included as the insured of the said insurance contract.

Candidate No. 9	Number of years in office as Outside Director of the Board (at the close of this Ordinary General Meeting of Shareholders)	Attendance at the meetings of the Board of Directors (FY2022)	Special interest with the Company
	2 years	12/12 (attendance at the meetings of the Board of Directors: 100%)	None

Keiko Takegawa

(April 23, 1958)
Reelection
Outside
Independent Director
Number of the Company's Shares owned
2,500 shares

Knowledge, experiences and abilities particularly expected of each Director of the Board	
Corporate management / Business strategy	
International business / Overseas insight	
Finance strategy and accounting	
Technology and environment / Innovation	●
Improvement in sociability / Human resources development / Diversity	●
Governance / Risk management / Compliance	●

Career summary, post and responsibility in the Company

Apr. 1981: Joined the Prime Minister's Office (currently Cabinet Office)
July 2006: Director of Policy Division for Universal Design, Policy Bureau, Ministry of Land, Infrastructure, Transport and Tourism
July 2008: Director-General for Policies on Cohesive Society and Minister's Secretariat of Cabinet Office
July 2009: Director-General for Gender Equality Bureau of Cabinet Office
Dec. 2012: Director-General of the Public Relations Office of Cabinet Office
July 2014: Director of the Gender Equality Bureau of Cabinet Office
Apr. 2019: Professor (currently Specially Appointed Professor) of Showa Women's University (current position)
June 2019: Outside Member of the Board of NIPPON TELEGRAPH AND TELEPHONE CORPORATION
June 2019: Outside Auditor of MITSUI MINING & SMELTING CO., LTD.
Apr. 2020: Dean of Faculty of Global Business of Showa Women's University
Apr. 2021: Outside Director of the Board of the Company (current position)
June 2021: Outside Director of MITSUI MINING & SMELTING CO., LTD. (current position)

Significant concurrent post of other companies

Outside Director of MITSUI MINING & SMELTING CO., LTD.
Specially Appointed Professor of Faculty of Global Business of Showa Women's University

Reason for election as Outside Director of the Board and summary of expected roles, etc.

Having held key positions in the Cabinet Office, she worked hard to realize policies related to gender equality, and has extensive knowledge and experience in the fields of diversity and compliance. During her tenure at the Ministry of Land, Infrastructure, Transport and Tourism, she worked tirelessly across ministries and agencies to develop safe and secure infrastructure for the elderly and disabled.
Since April 2021, she has been serving as Outside Director of the Board of the Company and has greatly contributed to constructive discussions and strengthening of the effectiveness of the Board of Directors meetings by providing useful advice from the perspective of an ordinary citizen and actively expressing frank opinions related to matters including environmental issues, diversity and human capital. She has also been contributing to enhancing deliberations as a member of the Personnel Affairs and Remuneration Committee of the Company since May 2021.
To achieve sustainable growth and increase the corporate value of the Sekisui House Group, especially in the formulation of growth strategies from the perspective of diversity promotion, and in strengthening the management supervision function in areas including quality control, compliance and personnel affairs and remuneration, the Company proposes to reelect her as an Outside Director of the Board.
Ms. Keiko Takegawa has not engaged in managing a company other than serving as an Outside Director of the Board and Outside Audit & Supervisory Board Member, but the Company expects that she will properly perform her duties as an Outside Director of the Board because of the reason described above.

Notes:
1. The Company designated Ms. Keiko Takegawa as an "Independent Director" and submitted notification to that effect to the Tokyo Stock Exchange, Inc.
2. The Company entered into a limited liability agreement with Ms. Keiko Takegawa, that if she causes damages to the Company by neglect of the duty as an Outside Director of the Board, where her conduct is deemed to be made in good faith without gross negligence, her liability is without fail limited to the minimum liability amount specified in Article 425, Paragraph 1 of the Companies Act. If her reelection is approved, the Company will continue the above-mentioned limited liability agreement with her.
3. The Company will enter into a directors and officers liability insurance contract with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act, and the contract is designed to cover damages that may arise from the insured directors and officers assuming

responsibility for the execution of their duties or receiving claims related to the pursuit of such responsibility.
Ms. Keiko Takegawa will be included as the insured of the said insurance contract.

Candidate No. 10	Number of years in office as Outside Director of the Board (at the close of this Ordinary General Meeting of Shareholders)	Attendance at the meetings of the Board of Directors (FY2022)	Special interest with the Company
	1 year	9/9 (attendance at the meetings of the Board of Directors: 100%)	None

Shinichi Abe

(August 7, 1968)
Reelection
Outside
Independent Director
Number of the Company's Shares owned
300 shares

Knowledge, experiences and abilities particularly expected of each Director of the Board	
Corporate management / Business strategy	●
International business / Overseas insight	●
Finance strategy and accounting	
Technology and environment / Innovation	●
Improvement in sociability / Human resources development / Diversity	●
Governance / Risk management / Compliance	

Career summary, post and responsibility in the Company

May 1993: Joined Axiomatics Corporation
Nov. 1995: Joined Asahi Audit Corporation
Jan. 1998: Joined J.D. Edwards Japan K.K.
Nov. 2003: Joined PeopleSoft Japan K.K.
Apr. 2005: Director, International Business, Availvs Corporation
Dec. 2005: Director, Applications Business Group, Oracle Information Systems Japan K.K.
Aug. 2006: Vice President in charge of Applications Business Headquarters and General Manager of Global Strategic Accounts of Oracle Corporation Japan
Feb. 2011: Managing Director, Enterprise Business, Google Japan, G.K.
Jan. 2017: Managing Director of Google Cloud Japan, G.K.
Apr. 2020: Representative Director, President and CEO of MNES Inc. (current position)
Apr. 2022: Outside Director of the Board of the Company (current position)

Significant concurrent post of other companies

Representative Director, President and CEO of MNES Inc.

Reason for election as Outside Director of the Board and summary of expected roles, etc.

Having worked for an overseas consulting firm and software vendors, he was involved in the launch of Google's cloud business. At that business, he supervised its Asia-Pacific operations. As such, he has extensive experience in the global business environment in the IT and digital fields.
In particular, when Google launched cloud services business for Japanese companies, he gained the deep trust of many client companies and promoted digital innovation together. Currently, he serves as Representative Director of the Board, President and CEO of a venture company providing teleradiology (remote medical image diagnosis) services, a firm that he has had contact with since its foundation.
Since April 2022, he has been serving as Outside Director of the Board of the Company and has greatly contributed to constructive discussions and strengthening of the effectiveness of the Board of Directors meetings by actively expressing frank opinions from the perspective of global operations and digitally-driven business model transformation and disseminating information to promote innovation.
To achieve sustainable growth and increase the corporate value of the Sekisui House Group, especially in the formulation of alliances and growth strategies in new service business fields, and in strengthening the management supervision function, including supervision of the area of human resources development, the Company proposes to reelect him as an Outside Director of the Board.

Notes:
1. The Company designated Mr. Shinichi Abe as an "Independent Director" and submitted notification to that effect to the Tokyo Stock Exchange, Inc.
2. The Company entered into a limited liability agreement with Mr. Shinichi Abe, that if he causes damages to the Company by neglect of the duty as an Outside Director of the Board, where his conduct is deemed to be made in good faith without gross negligence, his liability is without fail limited to the minimum liability amount specified in Article 425, Paragraph 1 of the Companies Act. If his reelection is approved, the Company will continue the above-mentioned limited liability agreement with him.
3. The Company will enter into a directors and officers liability insurance contract with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act, and the contract is designed to cover damages that may arise from the insured directors and officers assuming responsibility for the execution of their duties or receiving claims related to the pursuit of such responsibility.
Mr. Shinichi Abe will be included as the insured of the said insurance contract.

(Reference) Composition of the Board of Directors and Policy and Procedures for Candidates for Director of the Board

1. Composition of the Board of Directors

a. The Board of Directors shall have the number of members that is considered appropriate to substantial deliberations.

b. Independent Outside Directors of the Board shall be appointed so that the ratio of Independent Outside Directors of the Board in the Board of Directors shall be one-third or more.

c. The Board of Directors shall be joined by well-balanced members selected through the development of a skill matrix based on the business strategies and management plans, such as experts specializing in finance, accounting, laws, compliance and other relevant areas, with consideration for knowledge, experiences, and ability, the number of years in office, and gender, ensuring both the compatibility with diversity and proper headcount.

2. Stance on and Procedures for Selection of Prospective Directors of the Board

The Company shall select prospective Directors of the Board from among those of high integrity (as a sincere and high-minded morality, and earnestness) and having high management ability, having nature suited to practicing the Group's Corporate Philosophy, interested in the Group's business and with a deep insight etc., and having high awareness for contributing to creating corporate value and improving company performance. The stance on the selection of prospective Directors of the Board shall be discussed at the Personnel Affairs and Remuneration Committee, an advisory body to the Board of Directors which shall be chaired by an Independent Outside Director of the Board and a majority of whose members shall be Independent Outside Directors of the Board, and determined by the Board of Directors based on the recommendations of the Committee. A proposal on specific prospective Directors of the Board shall be discussed at the Personnel Affairs and Remuneration Committee and determined by the Board of Directors based on the recommendations of the Committee.

The selection of prospective internal Directors of the Board shall be performed with consideration for the specified qualification requirements (i.e., embodying the Corporate Philosophy and having a panoramic vision) and competence requirements (i.e., having a vision to resolve external problems, innovativeness for creating new markets, being able to cooperate with various stakeholders, and the capability to develop organizations that enhance the Group's comprehensive power), and shall be discussed at the Personnel Affairs and Remuneration Committee based on requirements for human resources and an evaluation of performance.

3. Process for Selection of New Candidates for Outside Director of the Board

In consideration of the objectivity and transparency of the selection of new candidates for Outside Director of the Board, the candidates shall be nominated through the following process by the Personnel Affairs and Remuneration Committee.

(i) Confirm and review as necessary the reasons for selecting skill items (skill matrix)

(ii) Determine targets for selecting new candidates for Outside Director of the Board based on the skill matrix

(iii) Scrutinize the candidate profiles based on the selection targets and narrow down candidates

(iv) Have each member of the Committee interview new candidates for Outside Director of the Board and share the results among the Committee members

[Reasons for selecting each item in the skill matrix]

Skill items	Reasons for selection
Corporate management Business strategy	The Company is a leading company in the housing industry with the cumulative number of homes built exceeding 2.50 million. In order to formulate a sustainable growth strategy amidst a drastically changing business environment, Directors of the Board with management experience and a proven track record in the housing, construction, and urban development fields are needed. In addition, in order to realize and promote the global vision of "Propose happiness through the integration of technologies, lifestyle design and services," the Company needs Directors of the Board with experience in different industries, especially management experience and a proven track in the field of consumer services such as health, connection, and learning as well as knowledge and experience that contribute to the transformation of business models through the use of digital technology.
International business Overseas insight	In order to formulate growth strategies and supervise the management of the international business, which is a growth area, it is necessary to have Directors of the Board who have experience in overseas business management and extensive knowledge and experience in overseas cultural life and business environment.
Finance strategy and accounting	Directors of the Board with solid knowledge and experience in the fields of finance and accounting are needed to formulate financial strategies that will not only ensure accurate financial reporting, but also build a solid financial foundation, promote growth investments (including M&A) for sustainable enhancement of corporate value, and enhance shareholder returns.
Technology and environment Innovation	In order to realize the supply of high-quality housing that combines safety, security, and comfort with advanced technology, and to further advance and develop our advanced environmental technology and solid construction capabilities, the Company needs Directors of the Board who have a track record of various innovations along with the knowledge and experience to enable proactive efforts to address global environmental issues from a corporate management perspective.
Improvement in sociability Human resources development Diversity	In order to provide homes that make our customers feel more content and address various social challenges through its business activities, the Company needs to develop human resource strategies that enable each employee to maximize their potential, and the Company needs Directors of the Board with solid knowledge and experience in the field of human resources development, including the promotion of diversity, equity and inclusion.
Governance Risk management Compliance	The establishment of an appropriate governance system is the foundation for sustainable enhancement of corporate value, and in order to improve the effectiveness of management supervision by the Board of Directors, Directors of the Board with solid knowledge and experience in the fields of corporate governance, risk management, and compliance are needed.

The Business Report for the 72nd fiscal year

(February 1, 2022 – January 31, 2023)

1. Business Conditions of the Corporate Group

(1) Progress and Results of Sekisui House Group

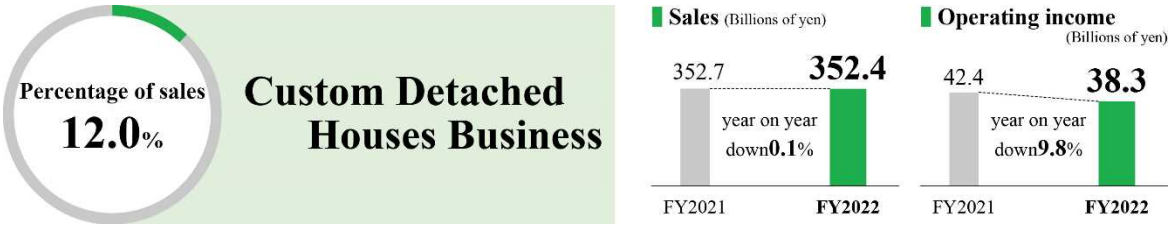
The global economy remained on a recovery track, with socio-economic activities normalizing through coexistence with COVID-19. However, the impact of global inflation, tight monetary policies in various countries and foreign exchange fluctuations as well as geopolitical risks on raw materials and material prices and supply chains continued to require close observation.

Domestically, in the housing market, the number of new housing starts remained firm. On the other hand, the persistence of cautious spending by consumers due to the rapid rise in prices during the second half of the year, in addition to an increase in spending on travel and eating out due to restrictions on activities being lifted in March last year, led to a decline in ordering. In the United States, the number of new housing starts and housing sales declined due to persistently high housing prices and rising mortgage rates, despite strong potential demand for housing.

In this business climate, while pursuing the Sekisui House Global Vision of "making home the happiest place in the world," the Sekisui House Group has put great effort into various business strategies including high added value proposals that integrate technologies, lifestyle design and services. As a result, each of its business made steady progress, and orders that contribute to the performances of the next fiscal year and beyond were also strong.

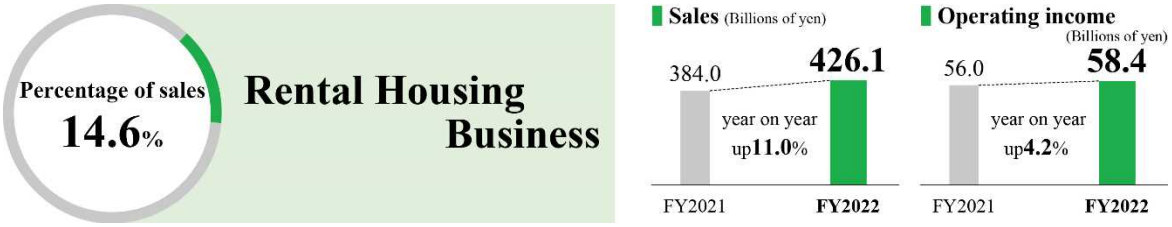
In this final year of the Fifth Mid-Term Management Plan (FY2020-FY2022), the Group recorded net sales of ¥2,928,835 million (up 13.1% year on year), operating income of ¥261,489 million (up 13.6% year on year), ordinary income of ¥257,272 million (up 11.8% year on year), and net income attributable to owners of parent of ¥184,520 million (up 19.9% year on year), achieving its highest ever net sales and income.

The business results for the three years of the Fifth Mid-Term Management Plan also significantly exceeded the targets set when the plan was established.



The Custom Detached Houses Business recorded net sales of ¥352,463 million, down 0.1% year on year, and operating income of ¥38,309 million, down 9.8% year on year, during the fiscal year under review.

Great effort has been put into the promotion of medium- to high-end products by means of high added-value proposals that integrate technologies and lifestyle design. The Custom Detached Housing Business sustained a stable order driven by proposals for lifestyles through the large living spaces in the Family Suite, Green First Zero for net zero energy housing (ZEH), and the next-generation indoor environment control system SMART-ECS, as well as the popularity of PLATFORM HOUSE touch connectivity service that operates in tandem with home layout.

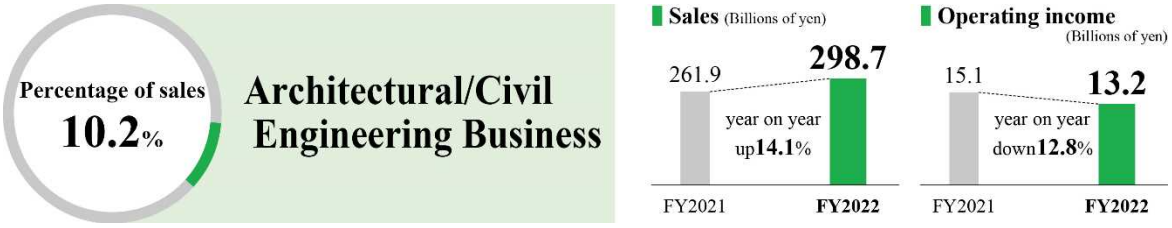


Stable construction progress contributed to increased income in the Rental Housing Business, which recorded net sales of ¥426,116 million, up 11.0% year on year, and operating income of ¥58,407 million, up 4.2% year on year for the fiscal year under review.

The Rental Housing Business engaged in a full-scale marketing strategy in specific areas focused on urban districts while concentrating on the promotion of three- and four-story rental houses built using an original Sekisui House construction method to achieve both a resilient structure and design flexibility.

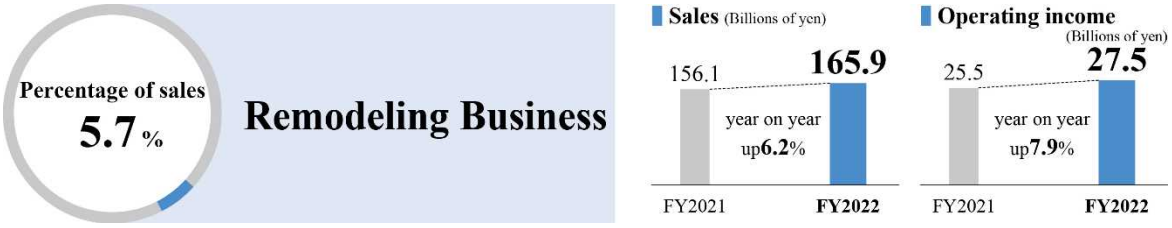
The Business also promoted the zero-energy rental housing Sha Maison ZEH, which boosts profitability and contributes to decarbonization. Distributing electricity generated by solar power generation systems to each house has allowed tenants to use and store electricity, which proved a popular and ethical option allowing them to feel the benefits of ZEH. ZEH housing comprised 65% (15,064, a cumulative total of 27,371) of the number of orders for rental housing.

In addition to the high added-value proposals above, the Sekisui House Real Estate Group companies succeeded in providing property management which achieved a high occupancy rate and rent prices. These accomplishments sustained a favorable trend in orders, including those in B-to-B rental businesses.



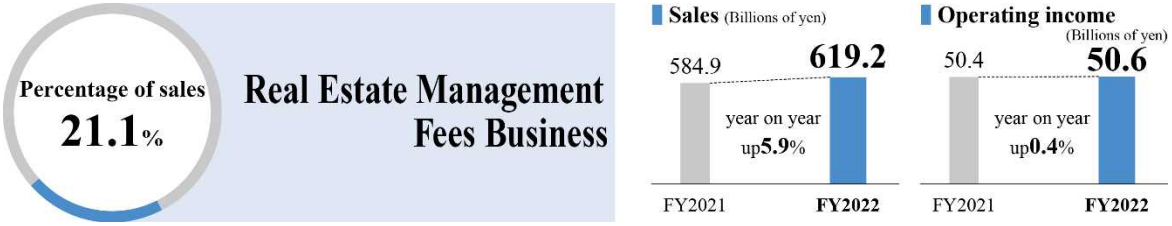
The Architectural/Civil Engineering Business recorded net sales of ¥298,777 million, up 14.1% year on year, and operating income of ¥13,214 million, down 12.8% year on year, during the fiscal year under review.

Income increased as sales from several large projects were recorded in the architectural business. On the other hand, orders decreased due to the decline in demand for large-scale constructions, impact of rising material prices, and a reactionary decline after receiving several large projects in the previous fiscal year.



Favorable orders received and stable construction progress in the previous fiscal year contributed to increased income in the Remodeling Business, which recorded net sales of ¥165,910 million, up 6.2% year on year, and operating income of ¥27,561 million, up 7.9% year on year for the fiscal year under review.

In detached homes, there was an increase in the ratio of orders for large-scale remodeling, due to favorable trends for proposal-type remodeling including Family Suite Renovation, and environment-based remodeling including Idocoro Dan-netsu (location-based insulation upgrades) and renovations for energy generation. In rental housing, the Business is focusing on remodeling proposals that will enhance property value while achieving high occupancy rate and high rental prices. As a result of such initiatives, there was a favorable upward trend in orders.

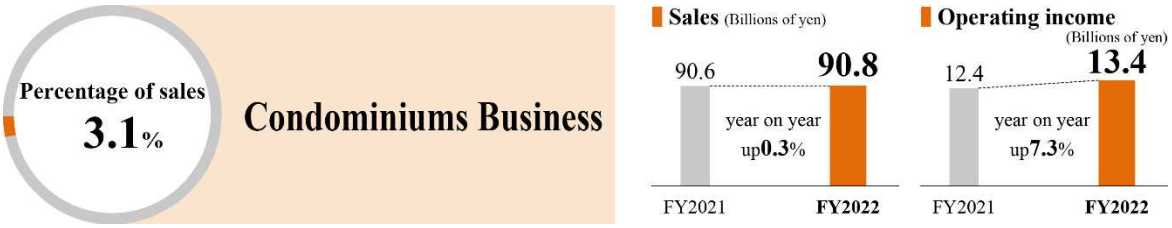


The Real Estate Management Fees Business recorded net sales of ¥619,271 million, up 5.9% year on year, and operating income of ¥50,659 million, up 0.4% year on year, during the fiscal year under review.

The Real Estate Management Fees Business showed a steady increase in the number of housing units under management through the supply of Sha Maison high-quality and high-performance rental homes built in prime locations. Since Sekisui House Real Estate Holdings, Ltd. advanced the business towards further sustainable growth and the maximization of corporate value for the Sekisui House Real Estate Group and provided high-quality building management services to support long-term management stability and services enhancing the lives of residents, high occupancy rates and rental prices were maintained, which in turn contributed to higher income.

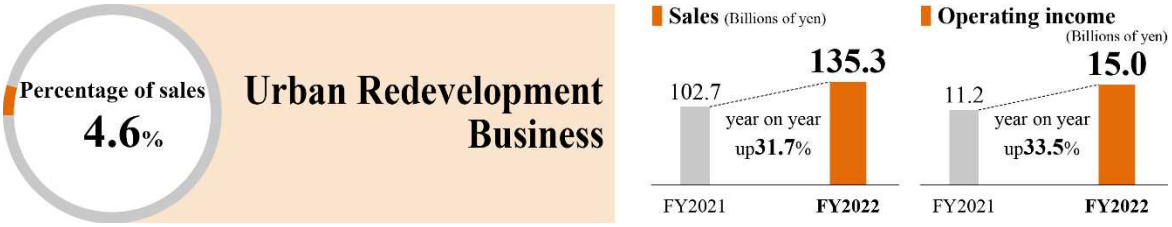
Favorable orders received and stable construction progress in the previous fiscal year contributed to increased income in the Houses for Sale Business, which recorded net sales of ¥238,252 million, up 24.4% year on year, and operating income of ¥20,777 million, up 42.8% year on year, during the fiscal year under review.

As a result of efforts toward sales promotions for customers considering the purchase of land to develop properties by actively acquiring prime land and creating an appealing city scape in line with area-specific marketing, the Business experienced a favorable upward trend in orders.



The Condominiums Business recorded net sales of ¥90,883 million, up 0.3% year on year, and operating income of ¥13,403 million, up 7.3% year on year, for the fiscal year under review. The Business delivered properties on schedule, successfully completing the delivery of Grande Maison Shin-Umeda Tower THE CLUB RESIDENCE (Kita-ku, Osaka City), with the delivery of Grande Maison Uemachi 1-Chome Tower (Chuo-ku, Osaka City), a super high-rise tower residence, which conforms to ZEH standards while also offering convenience and comfort, progressing smoothly.

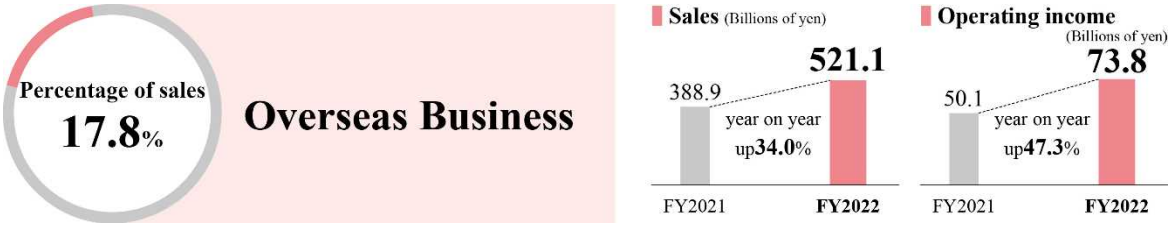
Sekisui House also has set ZEH specifications for every Grande Maison condominium for sale from 2023, with the aim of contributing to decarbonization in the household sector. The Business received acclaim for its environmental efforts, in addition to the high-added value condominium development in particularly prime land centering on Tokyo, Nagoya, Osaka, and Fukuoka. Accordingly, sales remained strong with the sellout of Grande Maison Shirokane Takanawa Park Front (Minato-ku, Tokyo) and Grande Maison Ohori Koen The Tower (Chuo-ku, Fukuoka City).



The Urban Redevelopment Business reported net sales of ¥135,320 million, up 31.7% year on year, and operating income of ¥15,051 million, up 33.5% year on year, during the fiscal year under review.

Plans for selling properties including the sale of properties such as Prime Maison Egota no Mori (Nakano-ku, Tokyo) and Prime Maison Waseda Dori (Shinjuku-ku, Tokyo) to Sekisui House Reit, Inc. and the sale of equity in Akasaka Garden City (Minato-ku, Tokyo) progressed on course. Income increased due to the strong occupancy rate of Group properties such as the Sekisui House Prime Maison rental housing.

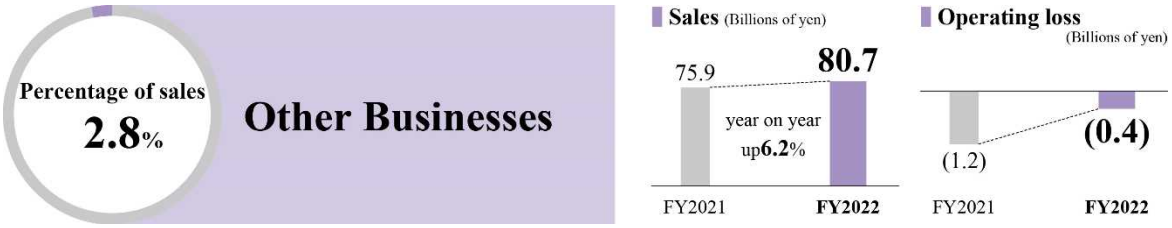
The Business opened The Westin Yokohama (Nishi-ku, Yokohama), a hotel featuring a spa facility, a comprehensive wellness floor and various other facilities to promote customer well-being and enable a trip to become healthy.



The Overseas Business earned net sales of ¥521,124 million, up 34.0% year on year, and operating income of ¥73,860 million, up 47.3% year on year, during the fiscal year under review.

In the United States, the homebuilding business showed a strong performance in delivery thanks to the strong orders received in the first half of the fiscal year under review. The master-planned community business had a favorable trend. In the multifamily business, income increased due to the delivery of Volta on Pine (Long Beach), Bromwell (Denver), and The Society (San Diego; two out of four buildings). On the other hand, the ordering environment in the homebuilding business deteriorated due to rising mortgage rates and other factors. Furthermore, based on the policy of promoting the overseas expansion of Sekisui House technologies, the Group acquired the equity of Chesmar Homes, LLC, a housing sales company in Texas, with the aim of expanding business scale and coverage area.

In Australia, income was boosted due to the completion of the delivery of the Residences condominium building at Melrose Park (Sydney) and the progress in the sale of land at Gledswood Hills (Sydney) in the first quarter. In China, the delivery of condominiums sold in Phase 2 in Taicang City was completed.



Other businesses generated net sales of ¥80,715 million, up 6.2% year on year, while recording operating loss of ¥439 million for the fiscal year under review.

The Exterior Business strengthened proposals integrating housing and exteriors for both detached homes and rental housing, and proceeded with the Gohon no Ki Project, which encourages tree-planting focused on native vegetation that is highly suited to each region's climate, conditions, birds and butterflies, to contribute to conserving biodiversity (a cumulative total of 18.1 million trees were planted by January 2022).

Based on its policy of actively developing M&A activities and alliances to create new businesses and innovations under the Fifth Mid-Term Management Plan, the Group completed a buyout of MARUHON INC., an interior design building materials manufacturer active in the import, planning, manufacture and sales of wood building materials focused on unmixed wood interior materials, whose strengths are high quality and high added-value products. In addition, the Group opened the Suite Concier website that introduces carefully-selected living services that are useful in daily life and that increase happiness for detached home and rental housing owners.

(2) Issues to Be Addressed by Sekisui House Group

Looking at the global economy, it will remain necessary to monitor the impact on prices of energy and raw material and procurement costs that may be caused by continuing inflation and tighter monetary policies around the world as well as fluctuations in foreign exchange rates and geopolitical risks.

In the Japanese housing market, demand is expected to rise for energy-saving residences and other high-quality housing that is not only safe and secure but also comfortable and environmentally-friendly, in the context of increasingly diverse lifestyles and senses of value due partly to the advent of the era of the 100-year lifespan and living with and after COVID-19, as well as increasingly severe natural disasters associated with climate change, the revision of the certification system for long-term high-quality housing, and the reform of the Building Energy Conservation Act. The Company is required to address increasingly diverse customer needs.

Although the US housing market is in a correction phase due to the impact of inflation and rising interest rates, there remains strong potential demand against the backdrop of a shortage in high-quality housing, and the Company needs to respond to the emergence of demand for newly-built housing, which is anticipated to recover as the economic environment stabilizes.

Based on a recognition of business issues such as these, under the Sekisui House Global Vision for 2050 of "making home the happiest place in the world," the Company has established the Sixth Mid-Term Management Plan (FY2023-FY2025) with the basic policy of "stable growth in Japan and proactive growth overseas."

The Sekisui House Group will leverage its core competence, that is, "technical capabilities," "construction capabilities," and "customer base," and its proprietary value chain, through which the Group provides all processes associated with home-building, from product and technological development to sales, design, construction, and after-sales service, to strengthen and extend existing businesses.

The Group will transplant the Sekisui House technologies developed in Japan to expand its businesses overseas, while also responding to changes in society and the business environment and leveraging digital technologies to progressively pioneer and extend new businesses.

In addition, the Group will strive to further enhance the value of its human resources through initiatives to support employees' career autonomy, align their vectors, and promote diversity and inclusion, among other efforts, to accelerate growth as a global corporation.

From a financial standpoint, the Group recognizes the importance of maintaining a balance between promoting investment in growth with a consciousness of capital efficiency and ensuring financial soundness. On this basis, the Group aims to enhance corporate value by strengthening its capacity to generate cash returns to boost ROE and achieving synergies with the promotion of ESG management.

Regarding growth investments, the Group will aggressively pursue real estate investments in Japan and overseas and investments in the foundations for growth, such as IT, DX, human resources, research and development, and M&A. Regarding financial soundness, the Group will control its D/E ratio and debt repayment term (net debt/EBITDA) at appropriate levels to maintain its "AA" credit rating in Japan and its "A" credit rating overseas, while striving to secure the capacity to fund investments in further growth. Regarding shareholder returns, in addition to the Group's existing policy of an average dividend payout ratio of at least 40% over the medium term, during the term of the Sixth Mid-Term Management Plan, the minimum dividend per share will be set at 110 yen per year (the result for the fiscal year ended January 31, 2023) to further increase the stability of shareholder returns, and the Group will seek to enhance shareholder value through the flexible acquisition of the Company's own stock.

We sincerely ask for our shareholders' further support, assistance and guidance.

(3) Breakdown of Orders Received and Net Sales of Sekisui House Group

Millions of yen

	Orders brought forward from the previous fiscal year	Orders for the fiscal year ended January 31, 2023	Net sales for the fiscal year ended January 31, 2023	Orders carried forward to the following fiscal year
Built-to-Order Business				
Custom Detached Houses Business	183,865	344,040	352,463	175,442
Rental Housing Business	378,890	426,479	426,116	379,253
Architectural/Civil Engineering Business	434,107	301,649	298,777	436,979
Supplied Housing Business				
Remodeling Business	33,380	169,088	165,910	36,557
Real Estate Management Fees Business	—	619,271	619,271	—
Development Business				
Houses for Sale Business	58,114	249,648	238,252	69,510
Condominiums Business	84,991	84,278	90,883	78,386
Urban Redevelopment Business	25,057	112,859	135,320	2,596
Overseas Business	260,455	418,510	521,124	212,319
Other Businesses	53,710	83,450	80,715	56,740
Total	1,512,572	2,809,277	2,928,835	1,447,787

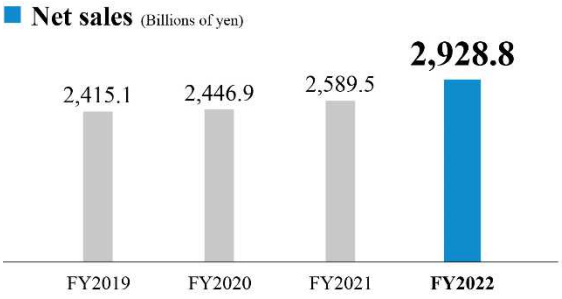
Notes:

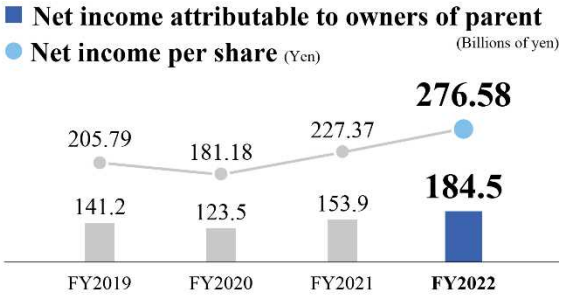
1. Each business division is set out in the section of (6) Major Businesses as of January 31, 2023.
2. Figures for CHESMAR HOLDINGS, LLC and its subsidiaries, which became the Company's consolidated subsidiaries in the fiscal year under review, are included in each indicator of "Overseas Business." "Orders for the fiscal year ended January 31, 2023" and "Net sales for the fiscal year ended January 31, 2023" only include figures for these companies after the consolidation, while "Orders carried forward to the following fiscal year" include the orders received by these companies prior to the consolidation as well.
3. Figures for MARUHON INC. and its subsidiaries, which became the Company's consolidated subsidiaries in the fiscal year under review, are included in each indicator of "Other Businesses." "Orders for the fiscal year ended January 31, 2023" and "Net sales for the fiscal year ended January 31, 2023" only include figures for these companies after the consolidation, while "Orders carried forward to the following fiscal year" include the orders received by these companies prior to the consolidation as well.

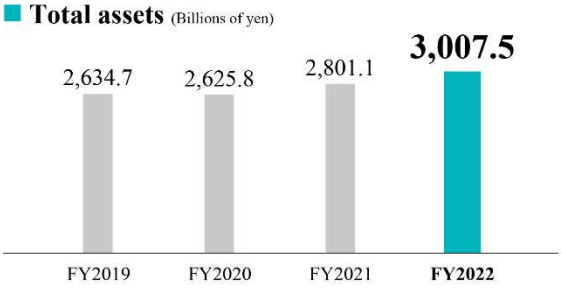
(4) Business Results and Financial Situation of Sekisui House Group

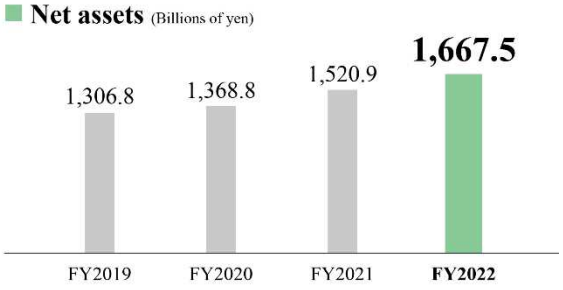
Millions of yen

	Fiscal year ended January 31, 2020	Fiscal year ended January 31, 2021	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023
Net sales	2,415,186	2,446,904	2,589,579	2,928,835
Net income attributable to owners of parent	141,256	123,542	153,905	184,520
Net income per share (*yen*)	205.79	181.18	227.37	276.58
Total assets	2,634,748	2,625,861	2,801,189	3,007,537
Net assets	1,306,850	1,368,887	1,520,959	1,667,546









(5) Plant-and-Equipment Investment and Conditions of Financing

The aggregate amount of plant-and-equipment investments made by the Sekisui House Group during the fiscal year under review amounted to ¥95,330 million and the main component was acquisition of the real estate for investments.

There are no matters of special note regarding the funds procured during the fiscal year.

(6) Major Businesses as of January 31, 2023

The Company and the Sekisui House Group companies are involved in the Custom Detached Houses Business, Rental Housing Business, Architectural/Civil Engineering Business, Remodeling Business, Real Estate Management Fees Business, Houses for Sale Business, Condominiums Business, Urban Development Business, Overseas Business, and carry out related business activities.

The position of each business within the Group is illustrated below.

Built-to-Order Business	
Custom Detached Houses Business	Designing, constructing, and contracting for detached houses
Rental Housing Business	Designing and construction contracting for rental housing, commercial buildings, and other buildings
Architectural/Civil Engineering Business	Designing and construction contracting for architectural and civil engineering work for rental housing, commercial buildings, and other buildings of reinforced-concrete (RC) structure
Supplied Housing Business	
Remodeling Business	Renovating housing and other buildings
Real Estate Management Fees Business	Leasing, managing, maintaining, and brokering real estate
Development Business	
Houses for Sale Business	Selling houses and residential land, and designing and construction contracting for houses built on residential land for sale
Condominiums Business	Selling condominiums
Urban Redevelopment Business	Developing office buildings, commercial facilities, and other facilities, and managing and maintaining its own properties
Overseas Business	Contracting for detached houses, selling houses and residential land, and developing and selling facilities, including condominiums and commercial facilities, in overseas markets
Other Businesses	Exterior business, etc.

(7) Major Operations of Sekisui House Group as of January 31, 2023

(i) Location of major operations of the Company

Head office:	1-88, Oyodonaka 1-chome, Kita-ku, Osaka	
Sales and project headquarters:		City
International Business Department		Osaka
Development Department		Shibuya-ku, Tokyo
Condominium Headquarters		Osaka
East Japan Building Sales Administration Headquarters		Shibuya-ku, Tokyo
Tokyo Building Sales Administration Headquarters		Shibuya-ku, Tokyo
Chubu Building Sales Administration Headquarters		Nagoya
Kansai Building Sales Administration Headquarters		Osaka
Chugoku Kyushu Building Sales Administration Headquarters		Fukuoka
Tohoku Sales Administration Headquarters		Sendai
Tokyo Sales Administration Headquarters		Shinjuku-ku, Tokyo
Kanagawa Sales Administration Headquarters		Yokohama
Saitama Tochigi Sales Administration Headquarters		Saitama
Higashi Kanto Sales Administration Headquarters		Chiba
Joshinetsu Sales Administration Headquarters		Nagano
Chubu Daiichi Sales Administration Headquarters		Nagoya
Chubu Daini Sales Administration Headquarters		Shizuoka
Kansai Daiichi Sales Administration Headquarters		Osaka
Kansai Daini Sales Administration Headquarters		Kyoto
Chugoku Shikoku Sales Administration Headquarters		Hiroshima
Kyushu Sales Administration Headquarters		Fukuoka
Branches:	103 Branches	
Sales Offices:	9 Sales Offices	
Customer Service Centers:	30 Customer Service Centers	
Factories:		
Tohoku Factory	Shikama-cho, Kami-gun, Miyagi	
Kanto Factory	Koga, Ibaraki	
Shizuoka Factory	Kakegawa, Shizuoka	
Yamaguchi Factory	Yamaguchi	
Hyogo Factory	Kato, Hyogo	
R&D Institutes:		
Comprehensive Housing R&D Institute	Kizugawa, Kyoto	
Human Life R&D Institute	Osaka	

(ii) Address of major operations of subsidiaries

Sekisui House Real Estate Holdings, Ltd.	Head office: 1-30, Oyodonaka 1-chome, Kita-ku, Osaka
Sekisui House Real Estate Tohoku, Ltd.	Head office: 16-10, Honcho 2-chome, Aoba-ku, Sendai
Sekisui House Real Estate Tokyo, Ltd.	Head office: 1-1, Yoyogi 2-chome, Shibuya-ku, Tokyo
Sekisui House Real Estate Chubu, Ltd.	Head office: 24-16, Meieki 4-chome, Nakamura-ku, Nagoya
Sekisui House Real Estate Kansai, Ltd.	Head office: 1-30, Oyodonaka 1-chome, Kita-ku, Osaka
Sekisui House Real Estate Chugoku & Shikoku, Ltd.	Head office: 1-25, Komachi, Naka-ku, Hiroshima
Sekisui House Real Estate Kyushu, Ltd.	Head office: 26-29, Hakataekimae 3-chome, Hakata-ku, Fukuoka
Sekisui House Trust, Ltd.	Head office: 1-1, Yoyogi 2-chome, Shibuya-ku, Tokyo
Sekisui House Remodeling, Ltd.	Head office: 1-90, Oyodonaka 1-chome, Kita-ku, Osaka
Sekisui House Financial Services Co., Ltd.	Head office: 1-90, Oyodonaka 1-chome, Kita-ku, Osaka
Sekisui House noie Limited	Head office: 1-90, Oyodonaka 1-chome, Kita-ku, Osaka
Sekisui House Asset Management, Ltd.	Head office: 15-1, Akasaka 4-chome, Minato-ku, Tokyo
Konoike Construction Co., Ltd.	Head office: 6-1, Kitakyuhojimachi 3-chome, Chuo-ku, Osaka
SEKISUI HOUSE AUSTRALIA HOLDINGS PTY LIMITED	Head office: New South Wales, Australia
SEKISUI HOUSE US HOLDINGS, LLC	Head office: California, U.S.A.
NORTH AMERICA SEKISUI HOUSE, LLC	Head office: California, U.S.A.
SH RESIDENTIAL HOLDINGS, LLC	Head office: California, U.S.A.
WOODSIDE HOMES COMPANY, LLC	Head office: Utah, U.S.A.
HOLT GROUP HOLDINGS, LLC	Head office: Washington, U.S.A.
CHESMAR HOLDINGS, LLC	Head office: Texas, U.S.A.
Sekisui House (Shenyang) Co., Ltd.	Head office: Liaoning Shenyang City, China
Sekisui House No.1 (Shenyang) Co., Ltd.	Head office: Liaoning Shenyang City, China

Note:

The addresses above which does not include specific country name should be recognized as addresses in Japan.

(8) Outline of Main Subsidiaries

Company name	Capital *Millions of yen*	Percentage owned	Main business
Sekisui House Real Estate Holdings, Ltd.	100	100.0%	Houses for Sale Business, Real Estate Management Fees Business
Sekisui House Real Estate Tohoku, Ltd.	200	100.0%*	Houses for Sale Business, Real Estate Management Fees Business
Sekisui House Real Estate Tokyo, Ltd.	2,238	100.0%*	Houses for Sale Business, Real Estate Management Fees Business
Sekisui House Real Estate Chubu, Ltd.	1,368	100.0%*	Houses for Sale Business, Real Estate Management Fees Business
Sekisui House Real Estate Kansai, Ltd.	5,829	100.0%*	Houses for Sale Business, Real Estate Management Fees Business
Sekisui House Real Estate Chugoku & Shikoku, Ltd.	379	100.0%*	Houses for Sale Business, Real Estate Management Fees Business
Sekisui House Real Estate Kyushu, Ltd.	263	100.0%*	Houses for Sale Business, Real Estate Management Fees Business
Sekisui House Trust, Ltd.	450	95.0%	Real Estate Management Fees Business
Sekisui House Remodeling, Ltd.	100	100.0%	Remodeling Business
Sekisui House Financial Services Co., Ltd.	100	100.0%	Other Businesses
Sekisui House noie Limited	100	100.0%	Custom Detached Houses Business
Sekisui House Asset Management, Ltd.	400	100.0%	Real Estate Management Fees Business
Konoike Construction Co., Ltd.	5,350	81.4%	Architectural/Civil Engineering Business
SEKISUI HOUSE AUSTRALIA HOLDINGS PTY LIMITED	1,087 (Millions of AUD)	100.0%	Overseas Business
SEKISUI HOUSE US HOLDINGS, LLC	2,038 (Millions of USD)	100.0%	Overseas Business
NORTH AMERICA SEKISUI HOUSE, LLC	1,233 (Millions of USD)	100.0%*	Overseas Business
SH RESIDENTIAL HOLDINGS, LLC	1,328 (Millions of USD)	100.0%*	Overseas Business
WOODSIDE HOMES COMPANY, LLC	206 (Millions of USD)	100.0%*	Overseas Business
HOLT GROUP HOLDINGS, LLC	344 (Millions of USD)	100.0%*	Overseas Business
CHESMAR HOLDINGS, LLC	503 (Millions of USD)	100.0%*	Overseas Business
Sekisui House (Shenyang) Co., Ltd.	219 (Millions of USD)	100.0%	Overseas Business
Sekisui House No.1 (Shenyang) Co., Ltd.	1,568 (Millions of CNY)	100.0%	Overseas Business

Notes:

1. There are 345 consolidated subsidiaries, and 40 companies to which equity method of accounting is applied.
2. Ownership ratio of "Percentage owned" with "*" includes indirect ownership.
3. CHESMAR HOLDINGS, LLC was newly added as a result of the acquisition of all the equity of the business company Chesmar Homes, LLC, as well as CLM Mortgage, Inc., N Title, Inc., and Entitled Insurance Agency, Inc., which are engaged in the financial services business,

from Chesmar Group, Inc., a holding company engaged in the detached housing businesses in Texas, U.S.A. during the fiscal year under review. The acquisition was executed through CHESMAR HOLDINGS, LLC, which was newly established as a subsidiary of SH Residential Holdings, LLC, a subsidiary of the U.S.A. business management company Sekisui House US Holdings, LLC.

4. Sekisui House Changcheng (Suzhou) Real Estate Development Co., Ltd. (Josei) was liquidated on June 8, 2022.
5. Sekisui House (Wuxi) Co., Ltd. was liquidated on October 31, 2022.

(9) Employees as of January 31, 2023

(i) Outline of Sekisui House Group

Number of employees	Change compared to the previous year
29,052	231 (increased)

(ii) Outline of Sekisui House, Ltd.

Number of employees	Change compared to the previous year	Average age	Average length of employment
16,237	135 (decreased)	44.2 years old	17.5 years

Note: The number of employees stated above includes those dispatched to subsidiaries and the like.

(10) Principal Lenders as of January 31, 2023

Millions of yen

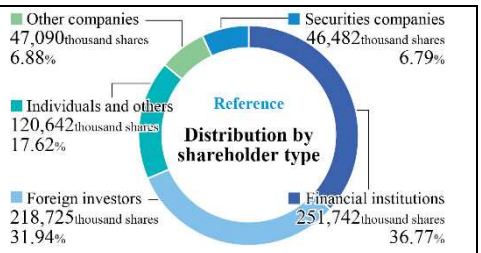
Name of lenders	Amount of loan
Sumitomo Mitsui Banking Corporation	221,208
MUFG Bank, Ltd.	132,741
Mizuho Bank, Ltd.	117,886
Sumitomo Mitsui Trust Bank, Limited	37,393
Resona Bank, Limited	4,734

Note: The amount of loan denominated in foreign currency is converted using a term-end rate of exchange.

2. Present Conditions of the Company

(1) The Shares as of January 31, 2023

1	Total number of shares authorized to be issued	1,978,281,000 shares
2	Total number of shares issued (Including treasury stock)	684,683,466 shares (22,384,361 shares)
3	Share unit number	100
4	Total number of shareholders	122,811
5	Details of main shareholders are as follows:	



Note: "Individuals and others" includes 22,384 thousand shares of treasury stock.

Name	Number of shares held (thousands)	Ratio of shareholding (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	112,607	17.00
Custody Bank of Japan, Ltd. (Trust account)	40,785	6.16
SMBC Nikko Securities Inc.	24,048	3.63
Sekisui Chemical Co., Ltd.	22,168	3.35
Sekisui House Ikushikai	20,183	3.05
STATE STREET BANK WEST CLIENT – TREATY 505234	14,326	2.16
MUFG Bank, Ltd.	10,899	1.65
JAPAN SECURITIES FINANCE CO., LTD.	7,961	1.20
The Dai-ichi Life Insurance Company, Limited	7,903	1.19
STATE STREET BANK AND TRUST COMPANY 505103	7,851	1.19

Notes:

1. Sekisui House Ikushikai is the Company's employee stock holding association.
2. The Company holds 22,384,361 shares of treasury stock, but is excluded from the above list of main shareholders. The ratio of shareholding is calculated deducting shares of treasury stock from the total number of shares issued.

6 Shares issued to Directors of the Board and Audit & Supervisory Board Members as remuneration for the execution of their duties during the fiscal year under review.

Position	Number of shares	Number of recipients
Directors of the Board (excluding Outside Directors of the Board)	45,500	5
Outside Directors of the Board	—	—
Audit & Supervisory Board Members	—	—

7 Other important matters concerning shares

The Company acquired 12,788,000 shares of common stock of the Company based on a resolution at the meeting of the Board of Directors held on March 10, 2022.

(2) Outlines of Stock Acquisition Rights

Outlines of stock acquisition rights granted in consideration of the performance of duties as of January 31, 2023

・ Number of stock acquisition rights

117 units

・ Type and number of shares to be issued upon exercise of stock acquisition rights

117,000 common shares of the Company (1,000 shares per unit)

・ Current situation of stock acquisition rights held by posts

Category (Exercise period)	Directors of the Board (Outside Directors of the Board)		Executive Officers		Audit & Supervisory Board Members		Others	
	Number of holders	Number of stock acquisition rights	Number of holders	Number of stock acquisition rights	Number of holders	Number of stock acquisition rights	Number of holders	Number of stock acquisition rights
No. 6 Stock Acquisition Rights (Stock compensation-type stock option) (From June 15, 2011 to June 14, 2031)	–	–	–	–	–	–	2	2
No. 7 Stock Acquisition Rights (Stock compensation-type stock option) (From June 14, 2012 to June 13, 2032)	1	3	1	3	–	–	4	10
No. 8 Stock Acquisition Rights (Stock compensation-type stock option) (From June 14, 2013 to June 13, 2033)	1	1	1	1	–	–	6	6
No. 9 Stock Acquisition Rights (Stock compensation-type stock option) (From June 14, 2014 to June 13, 2034)	4	8	1	2	–	–	5	11
No. 10 Stock Acquisition Rights (Stock compensation-type stock option) (From June 13, 2015 to June 12, 2035)	4	5	1	1	–	–	5	6
No. 11 Stock Acquisition Rights (Stock compensation-type stock option) (From June 15, 2016 to June 14, 2036)	4	6	1	1	–	–	6	8
No. 12 Stock Acquisition Rights (Stock compensation-type stock option) (From June 15, 2017 to June 14, 2037)	4	8	1	1	–	–	7	9
No. 13 Stock Acquisition Rights (Stock compensation-type stock option) (From June 15, 2018 to June 14, 2038)	5 (1)	13 (1)	5	6	1	1	2	5

Notes:

1. The number of Executive Officers stated in the above table does not include Executive Officers who concurrently hold the office of Director of the Board.
2. The exercise price of stock acquisition rights above is ¥1 per share.

(3) Directors of the Board and Audit & Supervisory Board Members

(i) Names and posts of Directors of the Board and Audit & Supervisory Board Members as of January 31, 2023

Representative Directors of the Board:	
Yoshihiro Nakai	President & Executive Officer, CEO, in charge of Business Strategy Division and Built-to-Order Business Division
Yosuke Horiuchi	Vice Chairman & Executive Officer, in charge of Finance & ESG Division and TKC Project, Head of ESG Management Promotion Headquarters
Satoshi Tanaka	Executive Vice President & Executive Officer, in charge of Administration and Personnel Division
Directors of the Board:	
Toshiharu Miura	Senior Managing Officer, in charge of Technology & Production Division
Toru Ishii	Senior Managing Officer, in charge of Development Business Division
Yukiko Yoshimaru	
Toshifumi Kitazawa	
Yoshimi Nakajima	
Keiko Takegawa	
Shinichi Abe	
Standing Audit & Supervisory Board Members:	
Midori Ito	
Takashi Ogino	
Ryuichi Tsuruta	
Audit & Supervisory Board Members:	
Takashi Kobayashi	
Yoritomo Wada	

Notes:

1. The names of Directors of the Board and Audit & Supervisory Board Members who retired during the fiscal year under review and their posts and responsibilities at the time of retirement are as follows.

Director of the Board	Kunpei Nishida	Executive Vice President & Executive Officer, in charge of Supplied Housing Business Division	Retired on April 26, 2022
Standing Audit & Supervisory Board Members	Haruyuki Iwata		Retired on April 26, 2022
Audit & Supervisory Board Members	Hisako Makimura		Retired on April 26, 2022

2. Director of the Board Mr. Shinichi Abe and Audit & Supervisory Board Member Mr. Takashi Ogino were newly elected and assumed office at the 71st Ordinary General Meeting of Shareholders held on April 26, 2022. Audit & Supervisory Board Member Mr. Ryuichi Tsuruta was reelected at the 71st Ordinary General Meeting of Shareholders held on April 26, 2022 and assumed office as a Standing Audit & Supervisory Board Member.
3. Directors of the Board Ms. Yukiko Yoshimaru, Mr. Toshifumi Kitazawa, Ms. Yoshimi Nakajima, Ms. Keiko Takegawa and Mr. Shinichi Abe are Outside Directors of the Board as prescribed in Article 2, Item 15 of the Companies Act.
4. Audit & Supervisory Board Members Mr. Ryuichi Tsuruta, Mr. Takashi Kobayashi and Mr. Yoritomo Wada are Outside Audit & Supervisory Board Members as prescribed in Article 2, Item 16 of the Companies Act.
5. Audit & Supervisory Board Member Mr. Yoritomo Wada is a certified public accountant and is acquainted with knowledge and information on finance and accounting to the reasonable extent.
6. The Company designated each of Directors of the Board Ms. Yukiko Yoshimaru, Mr. Toshifumi Kitazawa, Ms. Yoshimi Nakajima, Ms. Keiko Takegawa and Mr. Shinichi Abe, Audit & Supervisory Board Members Mr. Ryuichi Tsuruta, Mr. Takashi Kobayashi and Mr. Yoritomo Wada as "Independent Directors/Auditors" and submitted notification to that effect to the Tokyo Stock Exchange, Inc. (as of March 2023).
7. The post and responsibilities of Directors of the Board changed as set forth below on February 1, 2023:

Representative Director of the Board	Yosuke Horiuchi	Vice Chairman & Executive Officer, in charge of Finance & ESG Division

8. Directors of the Board and Audit & Supervisory Board Members who concurrently hold the important post of other companies are stated below.

Directors of the Board:		
Name	Company in which Directors of the Board of the Company hold a concurrent post	Post
Yosuke Horiuchi	Sekisui House Financial Services Co., Ltd. Japan Federation of Housing Organizations	President & Representative Director of the Board Vice Chairman
Satoshi Tanaka	Kuraray Co., Ltd. IHH Healthcare Berhad	Outside Director Outside Director
Yukiko Yoshimaru	Mitsui Chemicals, Inc. Daiwabo Holdings Co., Ltd.	Outside Director Outside Director
Toshifumi Kitazawa	Tokio Marine & Nichido Fire Insurance Co., Ltd. MUFG Bank, Ltd. Mitsubishi Logistics Corporation	Advisor Member of the Board of Directors (Outside) (Member of the Audit & Supervisory Committee) Outside Director
Yoshimi Nakajima	AEON Financial Service Co., Ltd. Japan Freight Railway Company ULVAC, Inc. The Graduate School of Project Design	Outside Director Outside Director External Director Specially Appointed Professor
Keiko Takegawa	MITSUI MINING & SMELTING CO., LTD. Faculty of Global Business of Showa Women's University	Outside Director Specially Appointed Professor
Shinichi Abe	MNES Inc.	Representative Director, President and CEO
Audit & Supervisory Board Members:		
Name	Company in which Audit & Supervisory Board Members of the Company hold a concurrent post	Post
Ryuichi Tsuruta	CG Consulting The Graduate School of Project Design	Representative Special Instructor
Takashi Kobayashi	Ono-Kobayashi Law Office	Lawyer
Yoritomo Wada	Wada CPA Accounting Firm NIPPON SHOKUBAI CO., LTD.	Certified Public Accountant External Statutory Corporate Auditor

(ii) Outline of Directors and Officers Liability Insurance Contract

The Company has entered into a directors and officers liability insurance contract with an insurance company pursuant to Article 430-3, Paragraph 1 of the Companies Act. The insurance premiums are fully borne by the Company. The insurance policy covers damages that may arise from the insured Directors of the Board, Audit & Supervisory Board Members, Executive Officers, etc. (including those who retired) assuming responsibility for the execution of their duties or receiving claims related to the pursuit of such responsibility. However, there are certain exemptions to ensure the appropriateness of the execution of duties by the insured parties; for example, damage caused as a result of any criminal act of the insured shall not be covered.

(iii) Remunerations paid for Directors of the Board and Audit & Supervisory Board Members

a. Matters related to the Policy for Determining Remuneration Amounts for Individual Directors of the Board or Calculation Methods Thereof

The remuneration of Directors of the Board is determined in accordance with the following basic policies.

Basic remuneration policies

(1) In accordance with the Corporate Philosophy espousing the underpinning philosophy of "Love of Humanity," the Company shall ensure the objectivity and transparency of and adequately fulfill its accountability for a remuneration system through high standards of remuneration governance, in order to be fair to all the stakeholders including shareholders, investors, customers and employees.

(2) Aiming to be a leading company in ESG management, the Company shall establish a remuneration system that works as a healthy incentive for a long-term and sustainable enhancement of the corporate value by focusing on social significance and clarifying its commitments to steadily executing innovative growth strategies.

(3) The Company shall deliver a long-term improvement in the Group-wide organizational vitality by placing an emphasis on alignment a remuneration system with development and evaluation of senior management and motivating the next generation of managerial human resources to grow.

(a) Method of determining policies, etc. and matters related to delegation of determining details of remuneration, etc. for individual officers

- The Company has established the Personnel Affairs and Remuneration Committee as a consultative body to the Board of Directors for the purpose of ensuring fairness and transparency in the decision making procedures on human resource matters such as the selection and dismissal of Directors of the Board and their remuneration.
- The Personnel Affairs and Remuneration Committee deliberates on basic policies regarding a remuneration system, remuneration structure, and other issues, and reports its findings to the Board of Directors. Based on the recommendations of the Committee, the Board of Directors, by its resolution, sets the amount of remuneration, etc. for each individual Director of the Board or the policy for determining such amount in the "Officer Remuneration Rules." The Board of Directors confirms that the remuneration, etc. of Directors of the Board for the fiscal year has been determined in accordance with the "Officer Remuneration Rules" to determine whether the amount of remuneration, etc. for individual Directors of the Board is in line with the policy for determining such remuneration.
- In order to improve the objectivity and independence of the remuneration determination process, the Board of Directors, by its resolution, delegates the authority to determine the amount of remuneration for individual Directors of the Board to the Personnel Affairs and Remuneration Committee.

Composition of the Personnel Affairs and Remuneration Committee

Composition	The majority of the Committee members shall be Independent Outside Directors of the Board and the Committee shall be chaired by an Independent Outside Director of the Board. Five members (including three Outside Directors of the Board) Chairperson: Yukiko Yoshimaru (Outside Director of the Board) Committee members: Outside Directors of the Board: Toshifumi Kitazawa and Keiko Takegawa Internal Directors of the Board: Yoshihiro Nakai, Representative Director of the Board, President & Executive Officer, CEO, and Satoshi Tanaka, Representative Director of the Board, Executive Vice President & Executive Officer
Authority	As a consultative body to the Board of Directors to ensure fairness and transparency, the Personnel Affairs and Remuneration Committee provides opinions on personnel matters relating to Directors of the Board and Executive Officers and their remuneration, and determines the amount of remuneration, etc. for each individual Director of the Board.
Activity status	The Personnel Affairs and Remuneration Committee met 11 times in the fiscal year ended January 31, 2023. The main items discussed are as follows. [Nomination] ・Implementation of a CEO evaluation meeting ・Reconfirmation of the skill matrix ・Preparation of proposals for the selection of candidates for Director of the Board based on the skill matrix ・Consideration of the maximum term of office of Directors of the Board [Remuneration] ・Consideration of officer remuneration system during the term of the Sixth Mid-Term Management Plan

(b) Overview of policy details

Remuneration level

The Company sets appropriate remuneration levels based on the Group's performance scale with reference to objective market survey data on remuneration from external specialized agencies.

Remuneration and incentive remuneration framework

Remuneration for Directors of the Board (excluding Outside Directors of the Board) consists of basic remuneration (fixed remuneration) and incentive remuneration (variable remuneration). The incentive remuneration is a combination of three types of remuneration: performance-related bonuses (short-term performance), performance share units (medium-term performance), and restricted stock remuneration (long-term performance).

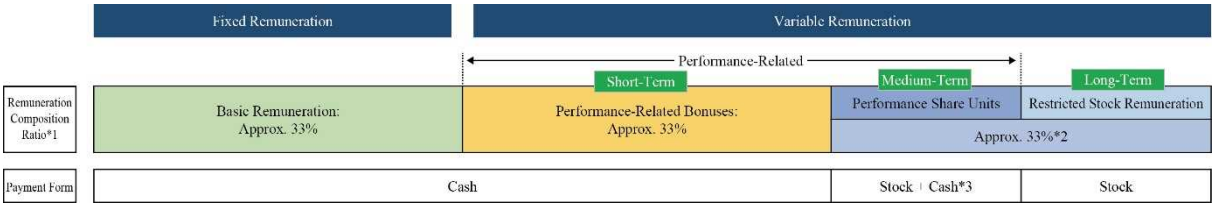
The remuneration composition shall be adequately determined according to the roles and responsibilities of each position and the Company shall make it work as a healthy incentive not only to achieve performance targets for a single fiscal year but also to enhance the corporate value in a long-term and sustainable way. To this end, the Company has lowered the ratio of performance-related bonuses, and increased the ratio of stock remuneration to total remuneration. For Representative Directors of the Board, the remuneration composition ratio among basic remuneration, performance-related bonuses, and stock remuneration at the base performance is approximately 1:1:1.

Remuneration and incentive remuneration framework

Type of remuneration			KPI	Outline and reasons for selection of indicators for performance-related remuneration
Fixed	Basic remuneration		—	The amount shall be determined according to criteria including representation rights and position, and shall be paid on a monthly basis.
Variable	Short-term	Performance-related bonuses	Consolidated ordinary income	Consolidated ordinary income, one of the key management indicators for each fiscal year, is used as a performance indicator, and the amount to be paid shall be calculated by multiplying consolidated ordinary income by a predetermined bonus coefficient for the position of each Director of the Board (excluding Outside Directors of the Board). The bonuses shall not be paid if net income attributable to owners of parent is less than ¥100 billion.
	Medium-term	Performance share units (PSU)	ROE and ESG management indicators	ROE, a key financial indicator for the medium term, and ESG management indicator, a non-financial indicator, are used as performance indicators. The Reference Number of Share Units corresponding to predetermined standards for each Executive Director of the Board position shall be granted. The number of units to be granted shall depend on the degree of achievement of ROE and ESG management indicators during the three-year evaluation period. At the end of the evaluation period, the number of units to be granted shall be determined within the range of 0% to 150%. Half of the units granted shall be issued as shares and half in cash for tax payment. ROE and ESG management indicators shall have an 80:20 weighting in the evaluation, and ESG management indicators will be rigorously reviewed by the Personnel Affairs and Remuneration Committee to enhance the objectivity and transparency of the process of goal setting and evaluation.
	Long-term	Restricted stock remuneration (RS)	—	Shares of the Company's common stock (with transfer restrictions) corresponding to the predetermined basic amount set for each Executive Director of the Board position shall be granted. The transfer restrictions shall be lifted in the event that the grantee loses both his or her position as Director of the Board and Executive Officer of the Company.

Note: "PSU" stands for Performance Share Units. "RS" stands for Restricted Stock.

Image of remuneration composition ratio for Representative Directors of the Board at the base performance



1. The remuneration composition ratio will vary depending on position, the Company's performance and the achievement of KPIs. The image shows a remuneration composition ratio for Representative Directors of the Board at the base performance.
2. The composition ratio of performance share units to restricted stock remuneration is approximately 1:1 (at the base performance).
3. 50% of the performance share units will be paid in cash for tax payment purposes.

b. Remuneration, etc. for Outside Directors of the Board

Remuneration, etc. for Outside Directors of the Board of the Company shall be only basic remuneration (fixed remuneration) in light of the role to supervise the management of the Company from the objective and independent standpoint. The level of basic remuneration shall be determined based on his/her role at the Board of Directors or the Personnel Affairs and Remuneration Committee, experience, and other factors, with reference to data such as remuneration survey data from external specialized agencies.

c. Remuneration, etc. for Audit & Supervisory Board Members

Remuneration, etc. for Audit & Supervisory Board Members of the Company shall be only basic remuneration (fixed remuneration) in light of the role to supervise the management of the Company from the objective and independent standpoint. The level of basic remuneration shall be determined in accordance with the duties and responsibilities of each Audit & Supervisory Board Member, with reference to data such as remuneration survey data from external specialized agencies.

d. Resolution of the General Meeting of Shareholders on remuneration, etc.

The upper limits of remuneration for the Company's Directors of the Board and Audit & Supervisory Board Members have been resolved as follows.

Type of remuneration, etc.	Internal Directors of the Board	Outside Directors of the Board	Audit & Supervisory Board Members
Basic remuneration	¥43 million or less per month (for 26 persons, resolved at the 43rd Ordinary General Meeting of Shareholders)		¥15 million or less per month (for 6 persons, resolved at the 67th Ordinary General Meeting of Shareholders)
Performance-related bonuses	Up to 0.18% of consolidated ordinary income of each fiscal year (for 8 persons, resolved at the 69th Ordinary General Meeting of Shareholders)	—	—
Performance share units (PSU)	Up to the amount calculated by multiplying the upper limit total of the Fixed Reference Number of Share Units of 270,000 shares per annum by the share price at the time the shares are granted, and up to 135,000 shares per annum (for 8 persons, resolved at the 69th Ordinary General Meeting of Shareholders)	—	—
Restricted stock remuneration (RS)	Up to ¥180 million and 180,000 shares of common stock per annum (for 8 persons, resolved at the 69th Ordinary General Meeting of Shareholders)	—	—

Notes:

1. The 43rd, 67th, and 69th Ordinary General Meetings of Shareholders were held on April 27, 1994, April 26, 2018, and April 23, 2020, respectively.
2. The number in parentheses (persons) is the number of Directors of the Board and Audit & Supervisory Board Members eligible for the remuneration, etc. at the conclusion of the relevant general meeting of shareholders.

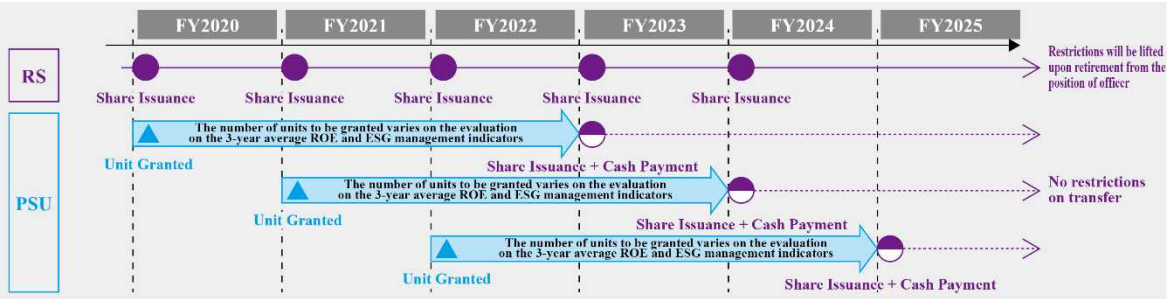
e. Remuneration paid for Internal and Outside Directors of the Board and Audit & Supervisory Board Members for the fiscal year under review

Position	Total amount of remuneration, etc. (*Millions of yen*)	Total amount of remuneration, etc. by type (*Millions of yen*)				Number of applicable officers
		Basic remuneration	Performance-related bonuses	Performance share units	Restricted stock remuneration	
Directors of the Board (Outside Directors of the Board)	928 (111)	368 (111)	282	168	108	11 (5)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	165 (84)	165 (84)	—	—	—	7 (4)

Note: The amounts of basic remuneration, performance share units and restricted stock remuneration shown above include remuneration paid to one Director of the Board and two Audit & Supervisory Board Members who retired as of the conclusion of the 71st Ordinary General Meeting of Shareholders held on April 26, 2022.

f. Performance indicator results

The amount of performance-related bonuses to be paid shall be calculated by multiplying consolidated ordinary income of ¥257,272 million by a predetermined bonus coefficient for the position of each Director of the Board (excluding Outside Directors of the Board). The number of performance share units (PSU) to be granted shall depend on the degree of achievement of ROE and ESG management indicators during the evaluation period of three consecutive fiscal years. Since the first, second, and third payments of performance share units (PSU) will be made for the evaluation period of three consecutive fiscal years from the fiscal year ended January 31, 2021 to the fiscal year ended January 31, 2023, from the fiscal year ended January 31, 2022 to the fiscal year ending January 31, 2024, and from the fiscal year ended January 31, 2023 to the fiscal year ending January 31, 2025, respectively, the value of performance indicators will be determined after the end of each evaluation period.



(iv) Matters Concerning Outside Officers

• The principal performance of Outside Directors of the Board and Audit & Supervisory Board Members during the fiscal year under review:

Post	Name	Principal performance
Director of the Board	Yukiko Yoshimaru	Ms. Yoshimaru attended all 12 meetings of the Board of Directors. She has contributed greatly to constructive discussion and strengthening of the effectiveness of the Board of Directors meetings by actively providing opinions and comments based on her abundant knowledge and experience in the fields of human resource management, diversity, and corporate governance. In addition, as the chair of the Personnel Affairs and Remuneration Committee, she has taken the lead in clarifying the process of selecting and dismissing Directors of the Board, facilitating succession planning, and strengthening remuneration governance, and driven the reform of officer remuneration linked to the Sixth Mid-Term Management Plan.
Director of the Board	Toshifumi Kitazawa	Mr. Kitazawa attended all 12 meetings of the Board of Directors. Since his appointment as the Chairperson of the Board of Directors in May 2021, he has been leading constructive discussions and strengthening of the effectiveness of the Board of Directors meetings by flexibly steering the meetings to facilitate even more lively deliberations on medium- to long-term management issues. He has also contributed to the enhancement of deliberations as a member of the Personnel Affairs and Remuneration Committee.
Director of the Board	Yoshimi Nakajima	Ms. Nakajima attended all 12 meetings of the Board of Directors. She has contributed to constructive discussions and strengthening of the effectiveness of the Board of Directors meetings by actively expressing opinions to promote appropriate risk-taking and management reform.
Director of the Board	Keiko Takegawa	Ms. Takegawa attended all 12 meetings of the Board of Directors. She has contributed greatly to constructive discussions and strengthening of the effectiveness of the Board of Directors meetings by providing useful advice from the perspective of an ordinary citizen and actively expressing opinions regarding environmental issues, diversity, human capital and other issues. She has also contributed to enhancing deliberations as a member of the Personnel Affairs and Remuneration Committee.
Director of the Board	Shinichi Abe	Mr. Abe attended all 9 meetings of the Board of Directors. He has contributed greatly to constructive discussions and strengthening of the effectiveness of the Board of Directors meetings by actively expressing opinions from the perspectives of global business and business model transformation through digital technology, as well as providing information to promote innovation.
Audit & Supervisory Board Member	Ryuichi Tsuruta	Mr. Tsuruta attended all 12 meetings of the Board of Directors and all 15 meetings of the Audit & Supervisory Board. He provided timely opinions based on his abundant knowledge and experience in finance, accounting, disclosure, audit, overseas business and other fields and his experience as an Audit & Supervisory Board Members in another company. Since his appointment as a Standing Audit & Supervisory Board Members in April 2022, he has served as the Chairperson of the Audit & Supervisory Board and greatly contributed to building good governance systems.
Audit & Supervisory Board Member	Takashi Kobayashi	Mr. Kobayashi attended all 12 meetings of the Board of Directors and all 15 meetings of the Audit & Supervisory Board. He provided timely opinions from a legal viewpoint based on his expert insight and abundant experience as a public prosecutor and a lawyer.
Audit & Supervisory Board Member	Yoritomo Wada	Mr. Wada attended all 12 meetings of the Board of Directors and all 15 meetings of the Audit & Supervisory Board. He provided timely opinions based on his professional knowledge of finance and accounting as a certified public accountant and his knowledge and experience as an outside officer of other companies.

• Outline of agreement to limit the liability of Outside Directors of the Board and Outside Audit & Supervisory Board Members:

The Company has entered into an agreement with all Outside Directors of the Board and all Outside Audit & Supervisory Board Members that if the Outside Director of the Board or Outside Audit & Supervisory Board Members causes damages to the Company by neglect of the duty of an Outside Director of the Board or Outside Audit & Supervisory Board Members, where his/her conduct is deemed to be made in good faith without gross negligence, his/her liability is without fail limited to the sum of the amount provided by Article 425, Paragraph 1 of the Companies Act.

• Relationship between companies in which Outside Officers hold significant concurrent position and the Company:

Director of the Board Toshifumi Kitazawa is an Outside Director, Member of the Audit & Supervisory Committee of MUFG Bank, Ltd. MUFG Bank, Ltd. is a major shareholder and a principal lender of the Company. There is no special relationship between the companies in which Outside Officers hold significant concurrent position as described above in "(3) Directors of the Board and Audit & Supervisory Board Members, 1. Names and posts of Directors of the Board and Audit & Supervisory Board Members, Notes: 8" and the Company.

(4) Outline of Accounting Auditor

(i) Name Ernst & Young ShinNihon LLC

(ii) Amount of Remuneration

Category	Remuneration
The aggregate amount of remuneration payable to Accounting Auditor by the Company for the fiscal year under review	¥187 million
The aggregate amount of money and other economic benefits payable to Accounting Auditor by the Company and its consolidated companies	¥296 million

Notes:

1. The amount of remuneration for auditing made pursuant to the Companies Act and the amount of remuneration pursuant to the Financial Instrument and Exchange Act are not divided in the Auditing Agreement, which both the Company and the Accounting Auditor agreed to. Also, since it is impossible to state separately in practice, the amount represents the aggregate amount of the remuneration paid by the Company.
2. The Audit & Supervisory Board agreed on the amount of remuneration payable to the Accounting Auditor after receiving necessary materials and reports from Directors of the Board, relevant departments and the Accounting Auditor, and inspecting and discussing the appropriateness of the Accounting Auditor's audit plan, the status of execution of the accounting audit, and the grounds for estimation of the remuneration.
3. Among the Company's certain main subsidiaries, overseas subsidiaries were audited by other audit corporations.

(iii) Details of Non-Audit Service

The Company commissions the Accounting Auditor to provide advice on the promotion of ESG management, which is not any audit service specified in Article 2, Paragraph 1 of the Certified Public Accountants Act.

(iv) Dismissal or Non-Reappointment of Accounting Auditor

If Audit & Supervisory Board of the Company finds any problem about exercise of the functions of Accounting Auditor and deems that the Accounting Auditor should be changed, the Audit & Supervisory Board shall decide the content of a proposal to be submitted to the General Meeting of Shareholders for dismissal or non-reappointment of the Accounting Auditor.

If any of the dismissal causes provided by any one of the items of Article 340, Paragraph 1 of the Companies Act is applicable to the Accounting Auditor, the Audit & Supervisory Board shall dismiss the Accounting Auditor subject to the consent of all Audit & Supervisory Board Members. In such case, the Audit & Supervisory Board Members selected by the Audit & Supervisory Board will report the dismissal of the Accounting Auditor and the reason for the dismissal at the first General Meeting of Shareholders held after the dismissal.

(5) System to Ensure the Due Execution of Duties and the Status of Its Implementation

(i) System to ensure the due execution of duties as of January 31, 2023

1. System which ensures that execution of duties by the Directors of the Board and Executive Officers complies with laws and regulations and the Articles of Incorporation of the Company

(1) With the aim of achieving the Corporate Philosophy of the Company and materializing corporate management that comply with laws and regulations, the Articles of Incorporation and other corporate ethics, the Company hereby sets forth the Corporate Conduct Guidelines and the Corporate Ethics Guidelines of Sekisui House Group and will strive to disseminate them to all officers and employees of the Group (the Company and its consolidated subsidiaries), including overseas subsidiaries.

(2) The Company shall provide regular training and make efforts to ensure that Directors of the Board and Executive Officers comply with laws and regulations, the Articles of Incorporation and other corporate ethics.

(3) Audit & Supervisory Board Members shall audit the execution of duties by Directors of the Board and Executive Officers in accordance with laws and regulations, and the internal rules of the Company.

(4) The Board of Directors shall supervise the execution of duties by Directors of the Board and Executive Officers, and ensure the fairness and transparency of decisions with regard to personnel and compensation matters such as appointments and dismissals, respecting the results of deliberations by the Personnel Affairs and Remuneration Committee, the majority of whose members comprises Outside Directors of the Board.

(5) The Board of Directors of the Company shall establish the ESG Promotion Committee, which includes outside experts, and promote ESG management with the aim of contributing to the building of a sustainable society.

2. System under which information regarding execution of duties by the Directors of the Board and Executive Officers shall be maintained and controlled

Directors of the Board and Executive Officers shall duly maintain and control the following documents (including electronic records; the same shall apply hereinafter) and relevant materials relating to the execution of duties upon condition that Directors of the Board and Audit & Supervisory Board Members may inspect the same whenever necessary.

i) Minutes of the general meeting of shareholders, meetings of the Board of Directors, Management Meetings, and other important meetings;

ii) Important documents by which Directors of the Board and Executive Officers decided the execution of duties (approval documents, etc.); and

iii) Other important documents relating to execution of duties by Directors of the Board and Executive Officers.

3. System regarding control of risk for loss of the Company and its subsidiaries

(1) The Board of Directors oversees the establishment and operation of risk management systems at the Company and its subsidiaries through the Risk Management Committee established as a consultative body to the Board of Directors.

(2) The Company shall prepare response manuals and make them known to officers and employees with regard to the risk control system to deal with natural calamity or any emergency which may cause the Company incurred material loss and damage.

(3) The Board of Directors of the Company shall establish an Information Security Policy and establish an appropriate information asset management system in order to safely protect and manage information assets and to fulfill the trust of the Group's customers and other stakeholders.

4. System to ensure the efficient execution of duties by the Directors of the Board of the Company or its subsidiaries

(1) Based on the understanding that its main role is establishing management policies, strategies and plans, the Board of Directors shall delegate decision-making on the execution of specific operations to Directors of the Board and Executive Officers where possible.

(2) The Board of Directors of the Company or its subsidiaries or Management Meeting of the Company shall actively exchange opinions on important matters to ensure appropriate decision-making.

(3) Rules shall be established and implemented for approvals through the collective decision-making system that maintain effective deliberation and swift decision-making functions.

(4) The Company and its subsidiaries shall set forth internal regulations for allocation of duties and thereby define duties and responsibilities.

5. System to ensure that execution of duties by employees of the Company or by Directors of the Board, etc. of its subsidiaries complies with laws and regulations and the Articles of Incorporation of the Company

(1) The Company shall make efforts to have employees of the Company or Directors of the Board, etc. of its subsidiaries understand and observe the Corporate Philosophy, the Corporate Conduct Guidelines and the Corporate Ethics Guidelines of Sekisui House Group by distributing booklets that contain these therein (including electronic methods).

(2) The Company shall provide them with regular training to ensure compliance with laws and regulations, the Articles of Incorporation and other corporate ethics.

(3) Internal Audit Departments of the Company and its subsidiaries shall regularly audit the operations of the Company and its subsidiaries.

(4) The Company shall establish whistleblowing systems to report to internal or external help lines for officers and employees of the Company and its subsidiaries and of building contractor partners and other business partners who have ongoing transactions with the Group.

6. System under which information regarding execution of duties by the Directors of the Board, etc. of the subsidiaries shall be reported to the Company

(1) The departments managing subsidiaries of the Company shall require subsidiaries to report on their management status and the execution of important duties. In addition, specialized departments shall request reports as needed from subsidiaries regarding matters they are in charge of.

(2) Subsidiaries shall report information regarding management status and execution of important duties, through the Directors of the Board or Audit & Supervisory Board Members dispatched from the Company.

(3) Subsidiaries shall report to the Company immediately in an emergency.

7. Matters related to employees who assist duties of Audit & Supervisory Board Members and matters related to the independence of these employees from Directors of the Board

(1) The Company shall set up the Office of Audit & Supervisory Board Members to support the duties of Audit & Supervisory Board Members and allocate several staff members including full-time one(s).

(2) Selection of employees, etc. for Office of Audit & Supervisory Board Members shall be determined upon respecting intention of Audit & Supervisory Board Members and mutual consultation.

(3) Employees assigned concurrently to the Office of Audit & Supervisory Board Members shall maintain their independence to ensure they are kept outside line of control or orders of their own departments in terms of their duties at the Office of Audit & Supervisory Board Members and personnel treatment of these employees shall respect the opinions of Audit & Supervisory Board Members.

8. System under which Directors of the Board and employees report to Audit & Supervisory Board Members

(1) The Directors of the Board and the Executive Officers shall from time to time report the status of execution of duties at the meeting of the Board of Directors and other important meeting which the Audit & Supervisory Board Members attend.

(2) The Directors of the Board, the Executive Officers and the employees shall immediately report to the Audit & Supervisory Board Members whenever finding any fact which might cause material loss and damage to the Company or its subsidiaries.

(3) The secretariat of the whistleblowing system shall immediately report to the Audit & Supervisory Board Members of the Company whenever receiving any report of the fact which might cause material loss and damage to the Company or its subsidiaries.

(4) Persons who report according to the preceding two paragraphs or whistleblowers shall not be treated disadvantageously due to such report by the Company and its subsidiaries.

(5) Approval documents, minutes of important meetings such as the Board of Directors meetings, audit report prepared by the Internal Audit Department, and other important documents related to audit of Audit & Supervisory Board Members shall be forwarded to Audit & Supervisory Board Members.

9. Matters concerning policies for procedure for the expenses or liabilities incurred for the execution of duties by the Audit & Supervisory Board Members

The Company shall handle promptly when Audit & Supervisory Board Members demand prepayment or reimbursement of the expenses or liabilities incurred for the execution of duties excluding when the expenses or liabilities are proved to be unnecessary for the execution of duties.

10. Other system under which audit by Audit & Supervisory Board Members is ensured to efficiently to be performed

(1) Audit & Supervisory Board Members and the Internal Audit Department shall keep close to each other through exchange of opinions and cooperate with each other so that audit by each body shall be conducted efficiently and effectively.

(2) Audit & Supervisory Board Members and Accounting Auditor shall have meetings regularly and cooperate with each other so that audit duties of each shall be conducted efficiently and effectively.

(ii) The status of the system to ensure the due execution of duties

(1) Initiatives for compliance and risk management

- The Company makes efforts to have officers and employees of the Company and its subsidiaries understand and observe the Corporate Philosophy, the Conduct Code, the Corporate Conduct Guidelines and the Corporate Ethics Guidelines of Sekisui House Group by distributing booklets that contain these therein (including electronic methods).
- The Company holds regular training sessions on compliance and risk management for officers and employees of the Company and its subsidiaries.
- The Risk Management Committee, as a consultative body to the Board of Directors, summarizes and verifies the status of risk management system and provides necessary advice for the purpose of ensuring the appropriate construction of a risk management system for the entire Group and the effective operation of this system. In view of the importance of quality management and information security, the Quality Management Committee and Information Security Committee have been established under the umbrella of the Risk Management Committee to deliberate from specialized perspectives. The content of their deliberations is reported to the Risk Management Committee. The activities of these committees are reported periodically to the Board of Directors. During the fiscal year under review, meetings of the Risk Management Committee were convened 10 times.
- As the whistleblowing system to report to internal or external help lines, the Company has set up Sekisui House Group Compliance Helpline for the Company and its subsidiaries in Japan, as well as Sekisui House Global Helpline for its overseas subsidiaries.

(2) Initiatives for ensuring efficient execution of duties

- Meetings of the Board of Directors are generally convened monthly, and the meetings were held 12 times during the fiscal year under review.
- Important matters are brought to the Management Meeting for appropriate decision-making based on active discussions before the Board of Directors meetings' resolution. During the fiscal year under review, the Management Meetings were held 13 times.

(3) Initiatives to ensure the due execution of duties in the Group

- The departments managing subsidiaries of the Company require irregular or regular reporting of the status of the business execution of each subsidiary and develop operational and other standards in collaboration with other relevant departments of the Company.
- Each department of the Company guides and supervises the subsidiaries, and the Company dispatches Directors of the Board or Audit & Supervisory Board Members to supervise and audit the execution of duties of some subsidiaries.

(4) Audit by the Audit & Supervisory Board Members

- The Audit & Supervisory Board establishes the audit plan and systematically carries out interviews with Directors of the Board, Executive Officers, heads of main branches, and Directors of the Board of subsidiaries, etc. in Japan and overseas, concerning risks and issues of their respective operations, based on the audit plan. Furthermore, it conducts field audits of each branch as needed.
- The Audit & Supervisory Board Members keep close contact with the Internal Audit Department through exchange of opinions and meet Accounting Auditor regularly, and these three parties cooperate with each other so that audit by each party shall be conducted efficiently and effectively.
- As a system for assisting Audit & Supervisory Board Members in their duties, the Company has established the Office of Audit & Supervisory Board Members and allocate several staff members including full-time one(s), and they engage in necessary assistance work and follow-ups in order for Audit & Supervisory Board Members to execute duties such as management of the meetings of Audit & Supervisory Board and demands for reports to Audit & Supervisory Board Members.

Note:

Amounts in the Business Report are given in the stated unit of the presentation, by disregarding any amount less than the stated unit of the presentation.

(Reference) Corporate Governance System

(i) Basic Concept of Corporate Governance

In accordance with the Corporate Philosophy espousing the underpinning philosophy of "Love of Humanity" that embraces "Truth and Trust," "Deliver the highest quality and technology" and "Create enriching homes and environments," the Group considers corporate governance as one of the major management challenges. The Group has improved the effectiveness of its corporate governance to increase the corporate value while sustainably earning the trust of shareholders, investors and other all stakeholders, and has put in place a system that enables speedy management marked with integrity.

The Company discloses to its stakeholders "Sekisui House, Ltd. Basic Policy on Corporate Governance," in which the fundamental concept and the framework of the Company's corporate governance is established.

Since the implementation of the governance reforms in 2018, the Group has set specific tasks to strengthen its corporate governance structure and has been steadily implementing initiatives to increase the effectiveness of each of the following institutions for long-term and sustainable enhancement of the corporate value.

Going forward, the Board of Directors of the Company will review and assess the Basic Policy continuously and regularly, in order to further deepen and enhance the Company's corporate governance.

(ii) Board of Directors

The Board of Directors consists of ten Directors of the Board (seven male Directors of the Board and three female Directors of the Board) including five Outside Directors of the Board, and meets once per month in principle. In order to increase the corporate value of the Company over the medium- and long-term, the Board of Directors has the responsibility to develop business policies and strategies and management plans, make decisions on important business execution, and establish systems, etc. for securing the sound management of the Company such as the supervision and evaluation of the duties performed by Directors of the Board and Executive Officers, internal control systems and risk management systems.

In order to facilitate constructive discussions and exchanges of opinions in the meetings of the Board of Directors, one of the Directors of the Board shall not act in principle both as the chairperson and the convener of the meetings of the Board of Directors. Therefore, Outside Director of the Board Mr. Toshifumi Kitazawa serves as the chairperson, and Representative Director of the Board, President & Executive Officer (Mr. Yoshihiro Nakai) serves as the convener.

In addition, as a dedicated organization to assist Outside Directors of the Board in their duties, the Company has established the Office of Directors of the Board and assigned several employees including full-time staff to it.

(iii) Audit & Supervisory Board

The Audit & Supervisory Board consists of five Audit & Supervisory Board Members (four male Members and one female Member) including three Outside Audit & Supervisory Board Members. The Board establishes the audit plan and systematically carries out interviews with Directors of the Board, Executive Officers, heads of main branches, and Directors of subsidiaries, etc., concerning risks and issues of their respective operations, based on the audit plan. Also, it conducts field audits of each branch as needed. In addition, Audit & Supervisory Board Members exchange opinions and work in close coordination with the Internal Audit Department, hold regular meetings with the Accounting Auditor and engages in mutual cooperation to ensure all audit activities are carried out efficiently and effectively.

The Office of Audit & Supervisory Board Members was established as a dedicated organization to which several employees including full-time staff are allocated for assisting Audit & Supervisory Board operations.

(iv) Personnel Affairs and Remuneration Committee

As a consultative body to the Board of Directors, the Personnel Affairs and Remuneration Committee provides opinions on matters relating to personnel affairs and remunerations of the Directors of the Board and Entrusted Executive Officers to ensure fairness and transparency. In addition, the Committee, based on the delegation from the Board of Directors, determines the amount of remuneration for individual Directors of the Board and Entrusted Executive Officers.

The Committee is chaired by an Independent Outside Director of the Board, and the majority of the Committee members are Independent Outside Directors of the Board. The Committee currently consists of two Representative Directors of the Board and three Independent Outside Directors of the Board and Ms. Yukiko Yoshimaru serves as the Chairperson of the Committee.

(v) ESG Promotion Committee

The Company has defined "making home the happiest place in the world" as its global vision, and to achieve this vision, the Company aims to become a leading company in ESG (environmental, social and governance) management.

The ESG Promotion Committee consists of two or more outside committee members with expert knowledge, Internal Directors of the Board, Executive Officers, and managers, etc., and the Committee enhances the effectiveness of ESG efforts through means such as exchanging opinions on the progress of ESG management initiatives and issues.

In addition, the Company has established the ESG Management Promotion Headquarters, which works to further promote ESG management based on discussions at the ESG Promotion Committee and in cooperation within the Company and with domestic and overseas Group companies. The Company discloses the details of its efforts by issuing the Integrated Report (Value Report) every year.

(vi) Management Meeting

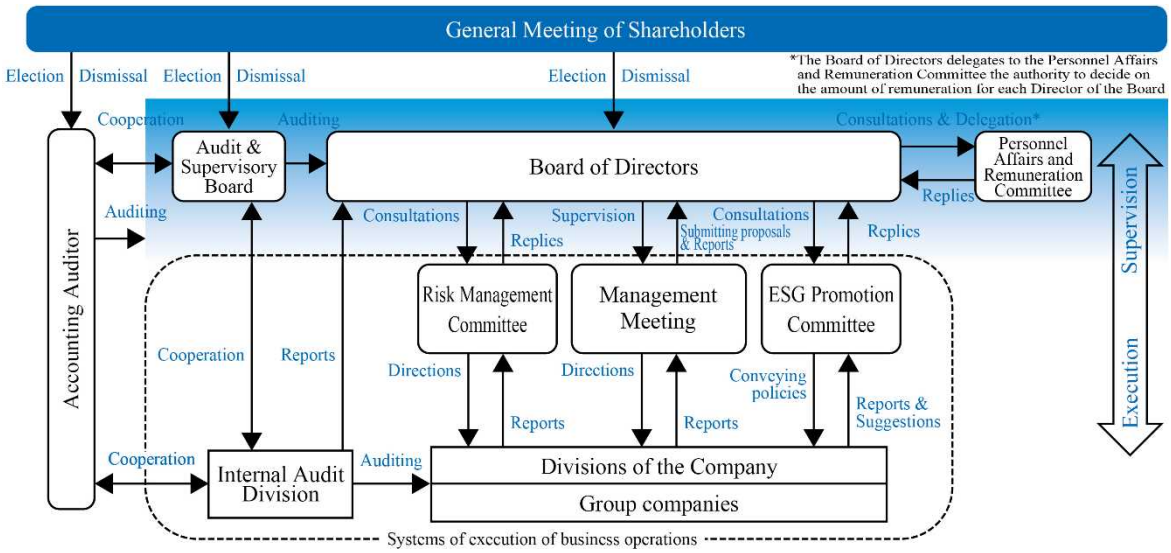
The Company has established a deliberative body to actively exchange opinions for the purposes of holding prior deliberations on important matters to be submitted to the Board of Directors, making decisions on the execution of certain operation matters based on management policies and strategies, and sharing information on business execution policies and issues. Entrusted Executive Officers attend the meetings. In addition, Outside Directors of the Board and Audit & Supervisory Board Members may voluntarily attend the meetings as observers.

(vii) Risk Management Committee

As a consultative body to the Board of Directors, the Committee aims to create appropriate risk management systems and ensure the effectiveness of their operation. The Committee monitors the risk management status of the entire Group and provides opinions to the Board of Directors as necessary. In the risk recognition process, the Committee creates a risk map based on the two perspectives of the frequency of risk occurrence and the degree of impact on the Group, identifies priority risk items in the themes of quality management, information security, compliance, human rights, crisis response, environment, and labor laws and labor management, and conducts monitoring and verification of these risks at the monthly meetings.

The Quality Management Committee and Information Security Committee have been established under the umbrella of the Risk Management Committee to deliberate from specialized perspectives. The content of their deliberations is reported to the Risk Management Committee.

Corporate Governance System as of January 31, 2023



(Reference) Basic Stance for Cross-shareholdings and Overview of Verification

<Basic Stance for Cross-shareholdings>

(i) The Company shall not enter into cross-shareholdings with business partners unless the Company determines that it will be helpful to medium- and long-term increases in the corporate value through the stable maintenance and strengthening of relationships with those business partners. In addition, the Company shall comprehensively verify the economic rationality of transactions with parties of cross-shareholdings, to determine if it will continue these transactions.

(ii) The Company shall analyze the appropriateness of cross-shareholdings at the meeting of the Board of Directors based on the minimum holdings required from a perspective of increasing capital and asset efficiency each year. At the meeting of the Board of Directors, members shall comprehensively analyze the medium- and long-term economic rationality of each individual stock based on holding purposes and risk and return. As a result, the Company shall sell any stock which is no longer meaningful to continue holding after considering the market environment. Even for stocks considered appropriate to hold, the Company may sell all or some shares after considering its capital policies and the market environment.

(iii) An overview of the analysis at the meeting of the Board of Directors regarding cross-shareholding shall be disclosed as appropriate in the reports related to corporate governance.

(iv) If other companies holding the Company stock as cross-shareholdings express an intention to sell such shares, the Company shall not prevent the sale in any way by, for example, insinuating a reduction in their business relationship.

<Overview of the verification with regard to cross-shareholdings>

At the meeting of the Board of Directors held in October 2022, the Company analyzed all listed stocks it holds as cross-shareholding (for 21 different companies, excluding Sekisui House Reit, Inc. and companies to which equity method of accounting is applied) in terms of overall significance of owning them based on the status of shareholding, risk and return (stock price divergence, dividend yields, ROE, credit rating, etc.) and importance of transactions.

Furthermore, from the perspective of increasing capital efficiency, the Company has adopted a policy for the phased reduction of cross-shareholdings, and has reduced these holdings during the period of the Fifth Mid-Term Management Plan (by January 31, 2023) to meet its target of a ratio* of cross-shareholdings to consolidated net assets of 5% or less. The Company intends to further reduce cross-shareholdings, targeting a ratio of cross-shareholdings to consolidated net assets of 3% or less during the period of the Sixth Mid-Term Management Plan (by January 31, 2026).

The ratio with "*" refers to the ratio of the balance sheet amount of stocks for investment held for purposes other than pure investment (including unlisted stocks), stated in the annual securities report, to consolidated net assets.

Stocks sold during the fiscal year ended January 31, 2023

Of the 21 companies examined, the Company sold all shares of four companies and a portion of shares of two companies.

The ratio of cross-shareholdings to consolidated net assets for the fiscal year ended January 31, 2023

The ratio at the end of the fiscal year under review was 4.6%.

(Reference) Evaluation of Effectiveness of the Board of Directors

<Overview of evaluation results for the fiscal year ended January 31, 2023>

1. Evaluation method

As in the fiscal year ended January 31, 2022, the Company hired a third-party independent evaluation company to implement an evaluation for the fiscal year ended January 31, 2023 using the method described below.

(1) Questionnaire-based survey of all Directors of the Board and Audit & Supervisory Board Members (the questionnaire was prepared, distributed, and collected by the third-party organization)

(2) Interviews of all Directors of the Board and Audit & Supervisory Board Members, carried out by the third-party organization (approximately one hour interview per interviewee)

(3) Examination of the materials and minutes of meetings of the Board of Directors

Major questionnaire items

• Overall evaluation of the Board of Directors
• Composition of the Board of Directors
• Preparations for the meetings of the Board of Directors
• Management of the meetings of the Board of Directors
• Debate in the meetings of the Board of Directors
• Personnel Affairs and Remuneration Committee
• Supervision of business execution
• Importance of agenda items and the volume of discussion

The third-party organization implemented an evaluation and compiled the results into a report. At a meeting of the Board of Directors held in February 2023, the content of the report was explained by the evaluation company and discussed among the attendees of the meeting.

2. Outline of results regarding the evaluation

(1) Conclusion

The Board of Directors evaluated and confirmed that a high level of effectiveness has been achieved by the Board of Directors. Moreover, it confirmed that progress had been generally made on the issues indicated in the evaluation of effectiveness of the Board of Directors in the previous fiscal year.

	Issues for the Fiscal Year Ended January 31, 2023	Initiatives / Issues Confirmed Through the Board of Directors Evaluation	Progress
1	Expansion of discussions in a long-term and medium-term perspective	・Progress was confirmed through measures to facilitate fuller discussions such as thoroughly incorporating a long-term perspective and the viewpoints of Outside Directors. Main initiatives: ・The establishment of the Sixth Mid-Term Management Plan progressed through a process of debating strategies for the next three years, after a discussion of the long-term picture including the past 60 years and the coming 30 years. ・Independent Outside Directors of the Board were involved in extensive discussions from an early stage of the process of formulating the Mid-Term Management Plan. ・To expand discussions, specialized forums to discuss the Mid-Term Management Plan, including Independent Outside Directors of the Board, were established in addition to meetings of the Board of Directors. ・Further expansion on discussions regarding finance strategy is expected.	Improved
2	Strengthening risk management and group governance	・A new governance structure was launched through Sekisui House Real Estate Holdings, Ltd. from the fiscal year ended January 31, 2023. In addition to smooth and rapid progress on governance reforms, progress was confirmed in areas such as deeper discussions by the Board of Directors on group governance with the integration of the Sekisui House Construction Group. Main initiatives: ・Coordination with the Audit & Supervisory Board was reinforced to strengthen group governance, and discussion by the Board of Directors was expanded. ・Discussions were carried out regarding matters such as the deployment of a section responsible for auditing in business headquarters, the introduction of Human Resources for Governance at Group companies, and the adjustment of incentives, through discussions and deliberation on the integration of the Sekisui House Construction Group and restructuring. ・In the fiscal year ended January 31, 2023, the Internal Audit Divisions reported to the Board of Directors in accordance with Japan's Corporate Governance Code and vigorous debate was carried out, including the perspective of Outside Directors of the Board. The Board of Directors followed up on continuing reporting to the executive team, and more extensive consideration concerning the frequency of reports is expected in the future. ・Looking ahead, further discussions on securing and developing Human Resources for Governance is expected from a medium to long-term perspective for the purpose of focusing on horizontal expansion among other Group companies including those overseas.	Improving

(2) Strengths supporting the effectiveness of the Board of Directors

Based on the evaluation made by the third-party organization, the Board of Directors confirmed that its effectiveness was supported by the "strengths" shown in items 1 to 4 below.

	Strengths	Details of Strengths (Observations by the Third-party Organization)
1	Strong commitment to strengthening governance	・Senior management has a strong will to strengthen corporate governance. ・Outside Officers (Directors of the Board and Audit & Supervisory Board Members) have been selected who are able to commit themselves to strengthening corporate governance.
2	Clarification of the role of the Board of Directors	・All members of the Board of Directors clearly share the basic governance policy of the "moderate separation of supervision and execution" based on the current state of Sekisui House.
3	Contribution by Independent Outside Directors of the Board	・The Independent Outside Directors of the Board are committed to Sekisui House. ・The diversity of Independent Outside Directors of the Board is outstanding. ・The quality discussions are ensured through the attendance of Outside Officers at the Management Meeting and expansion of opportunities for off-site discussion.
4	Outstanding management of the Board of Directors	・The Chairman of the Board of Directors has an outstanding personality and demonstrates leadership at forums including those outside the Board of Directors. ・The Chairman of the Board of Directors promotes vigorous discussions. ・The function of the secretariat underpins governance reforms.

(3) Issues for the further enhancement of effectiveness

Based on the findings and proposals made by the third-party organization, the Board of Directors confirmed that the items shown below are the issues and initiatives for consideration in the fiscal year ending January 31, 2024.

	Issues for the Fiscal Year Ending January 31, 2024	Details of Issues (Observations by the Third-party Organization)	Initiatives for Consideration
1	Discussion of strategy from a Group-wide perspective	・There is insufficient discussion of finance strategy incorporating the balance sheets, cash flows, and capital efficiency. Strengthening financial literacy among both supervisory and executive teams is expected. ・There is room for extensive discussions on medium to long-term business strategy from a broad perspective, including sharing and utilizing customer assets held across the entire Group. ・There is room for more strategic discussion concerning the DX and human resources development already underway.	・To share agenda items for discussion across the Group. ・To secure insight into matters such as capital cost management and expand discussions as the Board of Directors. ・To encourage initiatives to strengthen the CFO function on the executive side.
2	Supervision of execution concerning risk management and group governance	・The design of a cross-company system of group governance is desired. ・It will be effective to monitor the promotion of integration processes at the Sekisui House Real Estate Group and the Sekisui House Construction Group, analyze their success factors and carry out a PDCA cycle. ・It is necessary to increase the opportunities for reporting by the Internal Audit Divisions.	・To expand discussions regarding strategies to strengthen group governance. ・To follow up on the progress of implementation regarding risk management and group governance. ・To discuss the optimal manner and frequency of reporting by the Internal Audit Divisions.
3	Advance the "moderate separation of supervision and execution"	・By actively involving Independent Outside Directors of the Board in corporate decision-making processes and aiming for the "moderate separation of supervision and execution," the Company has progressively strengthened its governance based on its issues. In the future, an increasing range of situations will require "executive autonomy" to respond to increasingly sophisticated business issues of the Company. ・The Board of Directors must advance the Company's governance by proceeding with the delegation of authority to the executive team and shifting its focus to the monitoring of execution.	・To advance the method of Independent Outside Directors of the Board's involvement through greater executive autonomy. ・To clarify important themes for more extensive discussion by the Board of Directors. ・To implement new methods of deliberation by the Board of Directors (such as collective deliberation), narrowing-down of proposals, and more modulated and lively discussions.

The Consolidated Financial Statements for the 72nd Fiscal Year

CONSOLIDATED BALANCE SHEETS			
As of January 31, 2023			
Millions of yen			
Assets	**3,007,537**	**Liabilities**	**1,339,990**
Current assets	**2,093,883**	**Current liabilities**	**1,044,643**
Cash and deposits	332,903	Notes payable, accounts payable for construction contracts	124,420
Notes receivable, accounts receivable from completed construction contracts and others	157,123	Electronically recorded obligations-operating	102,416
Costs on uncompleted construction contracts	17,202	Short-term loans payable	305,503
Buildings for sale	534,391	Current portion of bonds payable	30,000
Land for sale in lots	723,941	Current portion of long-term loans payable	71,664
Undeveloped land for sale	177,095	Income taxes payable	34,641
Other inventories	12,160	Advances received on uncompleted construction contracts	192,236
Other	140,200	Provision for bonuses	36,497
Allowance for doubtful accounts	(1,136)	Provision for directors' bonuses	1,019
		Provision for warranties for completed construction	4,906
		Other	141,337
Noncurrent assets	**913,653**	**Noncurrent liabilities**	**295,347**
Property, plant and equipment	**554,562**	Bonds payable	20,000
Buildings and structures	207,469	Long-term loans payable	157,372
Machinery, equipment and vehicles	10,887	Long-term lease and guarantee deposited	59,535
Tools, furniture and fixtures	9,618	Deferred tax liabilities	933
Land	277,568	Provision for directors' retirement benefits	692
Lease assets	16,937	Net defined benefit liability	29,286
Construction in progress	32,080	Other	27,525
Intangible assets	**51,117**	**Net assets**	**1,667,546**
Goodwill	31,406	**Shareholders' equity**	**1,468,274**
Industrial property	716	**Capital stock**	**202,591**
Leasehold right	2,292	**Capital surplus**	**259,864**
Software	14,807	**Retained earnings**	**1,056,475**
Right of using facilities	172	**Treasury stock**	**(50,656)**
Telephone subscription right	258	**Accumulated other comprehensive income**	**164,556**
Other	1,462	**Valuation difference on available-for-sale securities**	**40,449**
Investments and other assets	**307,973**		
Investment securities	191,500	**Deferred gains or losses on hedges**	**623**
Long-term loans receivable	5,636	**Foreign currency translation adjustment**	**99,689**
Net defined benefit asset	32,501	**Remeasurements of defined benefit plans**	**23,793**
Deferred tax assets	18,219	**Stock acquisition rights**	**134**
Other	62,321	**Non-controlling interests**	**34,581**
Allowance for doubtful accounts	(2,206)		
Total assets	**3,007,537**	**Total liabilities and net assets**	**3,007,537**

CONSOLIDATED STATEMENTS OF INCOME	
From February 1, 2022 to January 31, 2023	
Millions of yen	
Net sales	**2,928,835**
Cost of sales	**2,344,537**
Gross profit	**584,297**
Selling, general and administrative expenses	**322,808**
Operating income	**261,489**
Non-operating income	**8,907**
Interest and dividends income	4,380
Other	4,526
Non-operating expenses	**13,124**
Interest expenses	5,317
Share of loss of entities accounted for using equity method	2,087
Other	5,719
Ordinary income	**257,272**
Extraordinary income	**17,216**
Gain on liquidation of subsidiaries and associates	16,813
Gain on sales of investment securities	397
Gain on sales of shares of subsidiaries and associates	5
Extraordinary loss	**6,778**
Loss on impairment of fixed assets	2,898
Provision of allowance for doubtful accounts	1,991
Loss on sales or disposal of fixed assets	1,759
Loss on sales of investment securities	128
Income before income taxes	**267,710**
Total income taxes	**76,383**
Income taxes-current	77,214
Income taxes-deferred	(831)
Net income	**191,327**
Net income attributable to non-controlling interests	6,806
Net income attributable to owners of parent	**184,520**

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS					
From February 1, 2022 to January 31, 2023					
Millions of yen					
	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the beginning of current period	202,591	258,989	940,135	(20,975)	1,380,740
Cumulative effects of changes in accounting policies	–	–	(1,715)	–	(1,715)
Restated balance	202,591	258,989	938,419	(20,975)	1,379,025
Changes of items during the period					
Dividends from surplus	–	–	(66,400)	–	(66,400)
Net income attributable to owners of parent	–	–	184,520	–	184,520
Purchase of treasury stock	–	–	–	(30,014)	(30,014)
Disposal of treasury stock	–	–	(64)	333	269
Purchase of shares of consolidated subsidiaries	–	874	–	–	874
Net changes of items other than shareholders' equity	–	–	–	–	–
Total changes of items during the period	–	874	118,055	(29,680)	89,249
Balance at the end of current period	202,591	259,864	1,056,475	(50,656)	1,468,274

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	41,488	141	47,245	4,323	93,199	186	46,832	1,520,959
Cumulative effects of changes in accounting policies	–	–	–	–	–	–	–	(1,715)
Restated balance	41,488	141	47,245	4,323	93,199	186	46,832	1,519,243
Changes of items during the period								
Dividends from surplus	–	–	–	–	–	–	–	(66,400)
Net income attributable to owners of parent	–	–	–	–	–	–	–	184,520
Purchase of treasury stock	–	–	–	–	–	–	–	(30,014)
Disposal of treasury stock	–	–	–	–	–	–	–	269
Purchase of shares of consolidated subsidiaries	–	–	–	–	–	–	–	874
Net changes of items other than shareholders' equity	(1,039)	481	52,443	19,470	71,356	(52)	(12,250)	59,053
Total changes of items during the period	(1,039)	481	52,443	19,470	71,356	(52)	(12,250)	148,302
Balance at the end of current period	40,449	623	99,689	23,793	164,556	134	34,581	1,667,546

Note:
Amounts of the Consolidated Statements of Changes in Net Assets are given in the stated unit of the presentation, by disregarding any amount less than the stated unit of the presentation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Notes to Significant Matters which are Basis for Preparation of Consolidated Financial Statements

(1) Scope of consolidation

(i) Status of consolidated subsidiaries

- The consolidated subsidiaries: 345, including Sekisui House Real Estate Tohoku, Ltd., Sekisui House Real Estate Tokyo, Ltd., Sekisui House Real Estate Chubu, Ltd., Sekisui House Real Estate Kansai, Ltd., Sekisui House Real Estate Chugoku & Shikoku, Ltd., Sekisui House Real Estate Kyushu, Ltd. and other companies.
- Changes in scope of consolidation:
  20 companies were newly added due to establishment or acquisition, while 10 companies were excluded due to merger or liquidation.

(ii) Status of non-consolidated subsidiaries

- The names of major non-consolidated subsidiaries: Otori Insurance Service Co., Ltd. and 6 other subsidiaries
- The reason for not consolidating these subsidiaries:
  As the non-consolidated subsidiaries are small in sizes and their total assets, net sales, profit and loss (the equity portion) and retained earnings (the equity portion), etc. do not have a significant impact on the Consolidated Financial Statements, they are excluded from the scope of consolidation.

(2) Application of equity method

(i) The non-consolidated subsidiaries and affiliates to which the equity method is applied

- The affiliates to which the equity method is applied: 40, including Almetax Manufacturing Co., Ltd., JPF Co., Ltd. and other companies.
- Changes in scope of equity method:
  7 companies were added due to application of the equity method to investments, etc. In addition, 1 company was excluded due to liquidation.

(ii) Status of the non-consolidated subsidiaries and affiliates to which the equity method is not applied

- The name of major companies, etc.: Otori Insurance Service Co., Ltd. and 7 other subsidiaries
- The reason for not applying the equity method:
  As profit and loss (the equity portion), retained earnings (the equity portion), etc. of the non-consolidated subsidiaries and affiliates do not have a significant impact on the Consolidated Financial Statements, they are not applied and excluded from the scope of equity method.

(iii) Status of non-affiliates of which the Company holds at least 20% and up to 50% of the voting rights on its own account

The name of these companies, etc.: Shiei community service co., ltd. and two other companies.
The reason for not regarding these companies as affiliates:
As the above companies have no material impact to the Company despite the Company's indirect possession of at least 20% and up to 50% of voting rights, they are excluded from the scope of affiliates.

(3) Term-ends of consolidated subsidiaries

For 3 consolidated subsidiaries whose fiscal year ends on March 31, the Company performs tentative annual closing as of January 31 and uses their financial statements to prepare the Consolidated Financial Statements.
For 2 consolidated subsidiaries whose fiscal year ends on March 31, the Company performs tentative annual closing as of December 31, uses their financial statements, and implements the necessary adjustments for material transactions before the consolidated fiscal year-end to prepare the Consolidated Financial Statements,.
For 4 consolidated subsidiaries whose fiscal year ends on November 30 and 300 consolidated subsidiaries whose fiscal year ends on December 31, the Company uses their financial statements as of their respective fiscal year-end and implements the necessary adjustments for material transactions before the consolidated fiscal year-end to prepare the Consolidated Financial Statements,.

(4) Summary of significant accounting standards

(i) Basis and method of valuation of significant assets

a. Short-term investment securities:

(a) Debt securities expected to be held to maturity:
Amortized cost (straight-line) method

(b) Other short-term investment securities:

- Securities apart from shares, etc. without market prices:
  Market value method
  (Valuation gains and losses resulting are calculated by the full net asset costing method; cost of disposal is calculated by the moving average method)
- Shares, etc. without market prices:
  At cost based on the moving average method

b. Derivatives: Market value method

c. Inventories:

(a) Costs on uncompleted construction contracts, buildings for sale, land for sale in lots, and undeveloped land for sale:
At cost based on individual cost method (The book value is written down to the net realizable value in cases where there has been a material decline in value)

(b) Other inventories:
At cost based on moving average method (The book value is written down to the net realizable value in cases where there has been a material decline in value)

(ii) Depreciation and amortization methods used for main depreciable and amortizable assets

Property, plant and equipment (excluding lease assets):

The Company applies the straight-line method to buildings (excluding attached structures) and facilities attached to buildings and structures acquired on and after April 1, 2016, and applies the declining-balance method for other property, plant and equipment.

Intangible assets (excluding lease assets):

The Company applies the straight-line method to intangible assets.

Lease assets:

With respect to leased assets for finance lease transactions other than those involving a transfer of ownership, the Company applies the straight-line method to such finance leases, where the useful lives of the assets are the terms of leases and the residual values of the assets are deemed zero.

(iii) Basis for accounting for significant allowances

Allowance for doubtful accounts:

To provide for losses on doubtful accounts, the Company makes provisions for general debtors based on actual historical collection rates and for specific debtors where collection is doubtful based on estimates of the amount collectible.

Provision for bonuses:

To prepare for bonus payments to employees, the Company provides for the estimated appropriate amount in the consolidated fiscal year.

Provision for directors' bonuses:

To prepare for bonus payments to Directors of the Board, the Company provides for the estimated amount.

Provision for warranties for completed construction:

Provisions for losses and guarantee expenses due to post-completion defects are recorded based on historical repair and other costs arising from completed structures and detached housing.

Provision for directors' retirement benefits:

To allow for retirement payments to Directors of the Board and Audit & Supervisory Board Members, the Company provides the required amounts at the end of the current term based on internal regulations.

(iv) Method of accounting for retirement benefit obligations

a. Method for reflecting the expected retirement benefit in the period:
In conjunction with the calculation of retirement benefit obligations, benefit formula attribution is adopted as the method for reflecting the expected retirement benefit in the period up until the end of the fiscal year under review.

b. Method of accounting for actuarial calculation differences and past service obligations:
In conjunction with actuarial calculation differences, pro rata amounts calculated from the 5-year to 14-year fixed amount method are to be reflected as expenses in the year following the consolidated fiscal year in which such expenses are accrued. As for past service obligations, pro rata amounts calculated from the 5-year to 13-year fixed amount method are to be reflected as expenses in the consolidated fiscal year in which such expenses are accrued.

(v) Basis for accounting for significant income and expenses

a. Revenue from contracts with customers

The content of the main performance obligations and the time when these performance obligations are usually satisfied (the usual timing of revenue recognition) for the major businesses that generate revenue from contracts with customers of the Company and its consolidated subsidiaries are shown below.

(a) Build-to-order transactions:

For build-to-order transactions, the Company concludes construction contracts with customers. The Company's performance obligations based on these contracts include undertaking construction and delivering the completed buildings or other works to the customer. The Company considers that these performance obligations are satisfied over time, and recognizes revenue under these contracts based on the degree of progress towards satisfying these performance obligations. The input method is used to estimate the degree of progress, where the actual costs incurred are measured as a proportion of the total construction costs.

For construction contracts, etc. where the construction period is extremely short, the Company applies an alternative treatment whereby revenue is recognized when performance obligations have been fully satisfied.

(b) Real estate sales transactions

For real estate sales transactions, the Company concludes sales contracts with customers. The Company's performance obligations based on these contracts include delivering the property to the customer. The Company considers that these performance obligations are satisfied at the point in time when the property is delivered to the customer, and recognizes revenue under these contracts when the property is delivered to the customer.

b. Other revenue

For real estate lease transactions, the Company recognizes revenue over the term of the lease, based on "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13).

(vi) Method and period for amortization of goodwill

Goodwill is amortized over the estimated useful life based on a substantive analysis by the Company or over 5 years using the straight-line method beginning in the consolidated fiscal year in which it arises. Minor amounts are charged to income as they accrue.

(vii) Main hedge accounting methods

a. Hedge accounting methods:

The Company accounts for hedging activities under deferral hedge accounting. Furiate-shori (accounting method in which the current and forward rate difference is allocated by period length for the calculating at the accounting period) is applied to forward foreign exchange contracts which conform to the requirements of such hedge accounting.

b. Hedging instruments and targets:

The Company hedges foreign currency cash debts and forward transactions with exchange contracts.

The Company hedges loans with interest-rate swap.

c. Hedging policies:

The Company uses derivatives transactions with the aim of avoiding losses from fluctuations in exchange and interest rates. The use of exchange contracts does not exceed the amount of foreign currency transactions. The assumed principal balance subject to interest-swap transactions does not exceed the relevant interest bearing debts outstanding.

d. Method of assessing hedge effectiveness:

The Company assesses if the percentage changes of hedge targets and hedge instruments approximately range from 80% to 125%, where hedging transactions are considered to be effective, while it does not assess the effectiveness of hedging where the main condition match with regard to the relevant transactions and hedge targets, and where the cash flow is fixed.

(viii) Accounting for consumption taxes

Consumption taxes not subject to noncurrent asset related deductions at consolidated subsidiaries whose main business is real estate for leasing are recorded in "Other" under the "Investments and other assets" on the relevant balance sheets and are amortized on a straight-line basis over 5 years. Other consumption taxes not subject to deductions are expensed in the consolidated accounting period in which they arise.

(ix) Basis for converting significant foreign currency-denominated assets and liabilities into yen
For foreign currency-denominated monetary claims and debts, the Company converts into yen at the rates of exchange prevailing on the consolidated fiscal year-end. Translation differences are included in the statements of income. Assets and liabilities of overseas subsidiaries are converted into yen at the rates of exchange prevailing on the balance sheet date of the overseas subsidiaries, and the income and expenses of overseas subsidiaries are converted into yen at average exchange rates during the fiscal year under review. Exchange differences are included in foreign currency translation adjustment and non-controlling interests under net assets.

(x) Inclusion of interest paid in acquisition cost
In conformity with the accounting standards of relevant countries, overseas consolidated subsidiaries include interest paid with regard to borrowed funds for the real estate development business in acquisition cost. At the end of period, interest expenses of ¥14,061 million, ¥11,461 million and ¥499 million are included in "Buildings for sale," "Land for sale in lots" and "Undeveloped land for sale," respectively.

(5) Additional information

(Impact of COVID-19 in making accounting estimates)
The prolonged COVID-19 pandemic has had certain impacts on business operations of the Group, but they have not been significant. The recoverability of deferred tax assets, recognition of impairment losses, etc. are determined based on information available at the time of preparation of the consolidated financial statements, and are estimated on the assumption that the impacts will continue into the next fiscal year to some extent, but will be gradually mitigated.

2. Notes to Changes in Accounting Policies

(Changes in accounting policies due to the revision or amendment of accounting standards)

(1) Adoption of the Accounting Standard for Revenue Recognition

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan), from the beginning of the fiscal year under review. It recognizes revenues for goods or services based on the amount estimated to be received when control of the promised goods or services is conveyed to the customer.
The Company has applied the Accounting Standard for Revenue Recognition in accordance with the transitional treatment provided for in the proviso to Paragraph 84 of the standard. The cumulative effect amount, applying with the new accounting policy retrospectively prior to the fiscal year under review, was adjusted to retained earnings at the beginning of the fiscal year under review, and the Company has applied the new policy to the balance at the beginning of the fiscal year. However, applying the method stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard, the Company does not retroactively apply the new accounting policy to most of the contracts of which revenue was recognized in compliance with the conventional method before the beginning of the fiscal year under review. In addition, applying the method prescribed in the note (1) for Paragraph 86 of the Revenue Recognition Accounting Standard, the Company accounts for contract changes made prior to the fiscal year under review based on the contract terms after reflecting all contract changes, and added or subtracted their cumulative effect to or from retained earnings at the beginning of the fiscal year under review.
The impact on the consolidated financial statements for the fiscal year under review is immaterial.

(2) Adoption of the Accounting Standard for Fair Value Measurement

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, Accounting Standards Board of Japan), from the beginning of the fiscal year under review. The Company has prospectively applied new accounting policies based on the Accounting Standard for Fair Value Measurement, in accordance with the transitional measurement in Article 19 of Accounting Standard for Fair Value Measurement and Article 44-2 of "Accounting Standard for Financial Instruments," (ASBJ Statement No. 10, July 4, 2019). There is no impact on the consolidated financial statements.

(3) Adoption of ASU2016-02 "Leases"

Overseas subsidiaries adopting U.S. GAAP have adopted ASU2016-02 "Leases" (February 25, 2016) from the beginning of the fiscal year under review.
Due to the adoption of ASU2016-02, the Company principally recognizes assets and liabilities for all leases in which it is the lessee, in principle. The Company has applied the transitional treatment allowed in this accounting standard, under which it recognizes the cumulative effect of the application of the accounting standard in the day when application commences.
The impact on the consolidated financial statements for the fiscal year under review is immaterial.

3. Notes to Accounting Estimates

(1) Valuation of real estate for sale

(i) Amount recorded in the consolidated financial statements for the fiscal year under review.

Millions of yen

	Amount
Buildings for sale	534,391
Land for sale in lots	723,941
Undeveloped land for sale	177,095
Amount of loss on valuation (Cost of sales)	10,873

(ii) Information on the nature of significant accounting estimates for identified items

a. Method of calculation of the amount recorded in the consolidated financial statements for the fiscal year under review

For real estate for sale, if the net selling price at the end of the fiscal year is less than the book value, the book value is reduced to the net selling price and the reduction is recognized as a valuation loss. The net selling price is estimated based on the selling price of each individual property, future business plans, etc.

b. Key assumptions

Key assumptions used in the calculation of the net selling price are future earnings and construction costs. These figures for the business plan are estimated based on the location, size, and merchantability of the property, transactions of similar properties, real estate market conditions, etc.

c. Effect on the consolidated financial statements for the next fiscal year ending January 31, 2024

If there are unexpected events such as deterioration in the economic environment and market conditions and any subsequent changes in key assumptions in the next fiscal year, the Group could report additional valuation losses.

(2) Valuation of noncurrent assets

(i) Amount recorded in the consolidated financial statements for the fiscal year under review.

Millions of yen

	Amount
Total property, plant and equipment	554,562
Total intangible assets	51,117
Impairment loss	2,898

(ii) Information on the nature of significant accounting estimates for identified items

a. Method of calculation of the amount recorded in the consolidated financial statements for the fiscal year under review

Real estate assets for investments are grouped by project, while other assets are grouped by operating unit, which allow the Group to manage gains and losses in a rational manner. Impairment is assessed for assets or groups of assets that show indications of impairment such as incurring consecutive operating losses or negative cash flows, a significant decline in market prices, or a change in use. When it is determined that an impairment loss should be recognized, the book value of the asset is reduced to its recoverable amount and the amount of the reduction is recognized as an impairment loss. The recoverable amount is the higher of the net selling price or the value in use. The net selling price for major real estate for investments is calculated by subtracting the estimated disposal cost from the appraised value obtained from a real estate appraiser. The net selling price of other assets is calculated by subtracting the estimated disposal cost from the appraised value calculated in accordance with the Real Estate Appraisal Standard or similar methods. The value in use is calculated by discounting the estimated future cash flows to the present value.

b. Key assumptions

Key assumptions used in estimating future cash flows and calculating recoverable amounts are rent, average daily rate (ADR), vacancy rate, occupancy rate, discount rate, and cap rate. Among them, rent, ADR, vacancy and occupancy rates are determined by comprehensively taking into account market trends, transactions of similar properties, past performance, etc. The discount rate is determined based on similar transactions, interest rate trends, etc. Cap rates for major real estate for investments are obtained from real estate appraisers. Estimates are made based on the assumptions that the impacts of the COVID-19 pandemic will continue into the next fiscal year to some extent, but will be gradually mitigated.

c. Effect on the consolidated financial statements for the next fiscal year ending January 31, 2024

If there are any changes in key assumptions in the next fiscal year led by unexpected events such as deterioration in the economic environment and market conditions, the Group could report additional impairment losses.

4. Notes to the Consolidated Balance Sheets

(1) Collateralized assets and secured liabilities:

Millions of yen

Collateralized assets		Secured liabilities	
Type	Book value at the end of year	Details	Balance at the end of year
Investment securities Long-term loans receivable Others (Short-term loans receivable)	347	Liabilities of the subsidiary	—
Buildings for sale and land for sale in lots	87,919	Borrowing from financial institutions	49,143
		Deposits on contract with establishment of leasehold	25
Land Buildings and structures	5,090 1,563	Borrowing from financial institutions	12,258
		Deposits on contract with establishment of leasehold	634
		Long-term lease and guarantee deposited	180
Total	94,920	Total	62,241

Note: In addition to those stated above, the Company deposited cash of ¥8,667 million in accordance with Act on Assurance of Performance of Specified Housing Defect Warranty and the like.

(2) Accumulated depreciation of property, plant and equipment ¥278,123 million

(3) Liabilities guaranteed:

(1) Liabilities guaranteed for repayment (for persons to have housing mortgage) ¥120,551 million

(2) Liabilities guaranteed for repayment (for affiliated companies to borrow from the financial institutions) ¥34,544 million

(3) Guarantees for the repayment of deposits on condominium sales contracts by business partners ¥12 million

(Additional information)

Changes in holding purpose of assets:

Real estate for sale of ¥5,532 million, that appeared under inventories as at the end of the previous consolidated fiscal year, has been reclassified under noncurrent assets. In addition, real estate for investments of ¥70,061 million, that appeared under noncurrent assets as at the end of the previous consolidated fiscal year, has been reclassified under inventories.

5. Notes to the Consolidated Statements of Changes in Net Assets

(1) Type and total number of shares issued at the end of the fiscal year under review:

Common shares 684,683,466 shares

(2) Matters related to dividends:

(i) Dividends paid to shareholders:

a. Matters related to the dividends paid pursuant to the resolution of the 71st Ordinary General Meeting of Shareholders held on April 26, 2022:

Total amount of dividends:	¥31,722 million
Dividends per share:	¥47.00
Record date:	Jan. 31, 2022
Effective date:	Apr. 27, 2022

b. Matters related to the dividends (interim dividends) paid pursuant to the resolution of the meeting of the Board of Directors held on September 8, 2022:

Total amount of dividends:	¥34,678 million
Dividends per share:	¥52.00
Record date:	Jul. 31, 2022
Effective date:	Sep. 30, 2022

(ii) Dividends whose record date belongs to the fiscal year under review but whose effective date belongs to the next fiscal year:

The following proposal for dividends will be submitted to the 72nd Ordinary General Meeting of Shareholders to be held on April 25, 2023:

Total amount of dividends:	¥38,413 million
Source of funds for dividends:	Retained earnings
Dividends per share:	¥58.00
Record date:	Jan. 31, 2023
Effective date:	Apr. 26, 2023

(3) Type and number of shares to be issued if all stock acquisition rights are exercised at the end of the fiscal year under review:

Common shares 117,000 shares

6. Notes to Financial Instrument

(1) Matters related to the state of financial instruments

(i) Policy with regard to financial instruments activities:

The Company and its consolidated subsidiaries (the Group) limit fund management to highly safe financial assets, and use indirect financing of borrowing from the financial institutions and direct financing of issuing bonds. With regard to derivative transactions, the Group does not engage in speculative transactions.

(ii) Contents and risks of financial instruments:

Notes receivable, accounts receivable from completed construction contracts and the like are exposed to the customers' credit risk.

Short-term and long-term investment securities, primarily stock and investments in SPC and partnerships, are exposed to the risk associated with issuing entities' credit and market value fluctuations.

Notes payable, electronically recorded obligations-operating, accounts payable for construction contracts and the like are due within one year.

The Group uses borrowed money and bond issues to finance operations and capital investment. Loans payable, which are mainly financed with variable interest rates, are exposed to the risk associated with interest rate fluctuations.

With regard to derivative transactions, the Group uses forward foreign exchange contracts and currency swap with aim of hedging the risk associated with foreign currency-denominated monetary claims and debts of export and import transactions, and investment and lending for overseas subsidiaries. With regard to hedge instruments, targets, policies and methods of assessing hedge effectiveness, see *1. Notes to Significant Matters which are Basis for Preparation of Consolidated Financial Statements, (4) Summary of significant accounting standards, (vii) Main hedge accounting methods* above.

(iii) Content of financial risk management systems:

a. Management of credit risk (counterparties' default risk)
The Accounting Department and the Finance Department of the Company, responsible divisions of each subsidiary and management division of each branch manage settlement date and amount due for each counterparty to monitor condition of debt collection to mitigate and grasp the default possibilities because of deterioration of financial condition.
The Group executes and manages derivative transactions within the limits of established internal rules and regulations, and reduces credit risk by limiting counterparties to highly creditworthy financial institutions.

b. Management of market risk (fluctuation risk of stock price and interest rate)
With regard to short-term and long-term investment securities, the Group manages this risk by periodically examining market prices and financial condition of the issuing entities.

c. Management of financing liquidity risk (the risk of not being able to pay the debt on due date)
The Finance Department of the Company and responsible divisions of each subsidiary make and renew financing plan timely based on reports from each branch and manage liquidity risk to maintain short-term liquidity. In addition, the Group secures several steady financing means by setting commitment lines and overdrafts. The Group establishes systems to supply funds to consolidated subsidiaries expeditiously by using cash management system and the like.

d. Supplemental information on the fair value of financial instruments
The Group's estimates of the fair value of financial instruments include variable factors, and are subject to fluctuation due to changes in the underlying assumptions.

(2) Matters related to the fair value of financial instruments

Amounts stated in consolidated balance sheets, fair value and their differences as of January 31, 2023 are as follows. Shares, etc. without market prices are not included in the table below (see Note 1). Moreover, cash and deposits, notes receivable, accounts receivable from completed construction contracts, etc., notes payable, accounts payable for construction contracts, electronically recorded obligations-operating, and short-term loans payable have been omitted, as these are cash-based and market value approximates book value as settlements occur within a short period of time.

Millions of yen

	Amount stated in consolidated balance sheets	Fair value	Difference
Short-term investment securities and long-term investment securities			
Debt securities expected to be held to maturity	120	120	–
Securities of subsidiaries and affiliates	3,165	1,688	(1,477)
Other securities	99,833	99,833	–
Total assets	103,119	101,642	(1,477)
Bonds payable	50,000	49,916	(84)
Long-term loans payable	229,037	223,555	(5,482)
Total liabilities	279,037	273,471	(5,566)

Notes:

1. Shares, etc. without market prices

Millions of yen

Category	Amount stated in consolidated balance sheets
Unlisted shares	72,010
Investment to SPC, etc.	16,370

Shares, etc. without market prices are not included in "short-term investment securities and long-term investment securities" under assets.

2. The current portion of bonds payable and long-term loans payable are included in the amount stated in consolidated balance sheets for bonds payable and long-term loans payable and fair value.

(3) Breakdown of financial instruments by level of fair value

The fair value of financial instruments is classified into the following three levels based on the observability and significance of the inputs used to calculate fair value.

Level 1 fair value: Fair value calculated using (unadjusted) market prices in active markets for identical assets or liabilities

Level 2 fair value: Fair value calculated using directly or indirectly observable inputs other than those in Level 1 fair value

Level 3 fair value: Fair value calculated using significant unobservable inputs

When multiple inputs that may have a material impact on the calculation of fair value are used, the calculated fair value is classified at the lowest level of the inputs used.

(i) Financial instruments carried on the consolidated balance sheets at fair value

Millions of yen

Category	Fair Value			
	Level 1	Level 2	Level 3	Total
Short-term investment securities and long-term investment securities				
Other securities				
Shares	99,833	–	–	99,833
Total assets	99,833	–	–	99,833

(ii) Financial instruments not carried on the consolidated balance sheets at fair value

Millions of yen

Category	Fair Value			
	Level 1	Level 2	Level 3	Total
Short-term investment securities and long-term investment securities				
Debt securities expected to be held to maturity				
Bonds	–	120	–	120
Securities of subsidiaries and affiliates	1,688	–	–	1,688
Total assets	1,688	120	–	1,808
Bonds payable	–	49,916	–	49,916
Long-term loans payable	–	223,555	–	223,555
Total liabilities	–	273,471	–	273,471

Note: Explanation of the valuation techniques and inputs used to calculate fair value

Short-term investment securities and long-term investment securities

The fair value of securities for which market prices in active markets are available is classified as Level 1. The fair value of debt securities expected to be held to maturity is calculated as the present value of the sum of principle and interest amounts, discounted using an interest rate that reflects the remaining term of the debt security and credit risk, and is classified as Level 2 fair value.

Bonds and bonds payable

The fair value of bonds is measured based on information such as prices and yields published by industry bodies and others, and classified as Level 2 fair value.

Long-term loans payable

Out of long-term loans, since the current market price of long-term loans with floating rate interest is deemed equivalent to the book value, it is evaluated by the book value. The current market value of long-term loans with fixed interest rate is evaluated by the present value thereof calculated by discounting a total of the principal and accumulated interest by an interest rate based on the term of the loan.

7. Notes to Leasehold Properties and Other Types of Real Estate

(1) Matters related to the state of leasehold properties and other types of real estate

The Company and some subsidiaries own houses and office buildings, etc. for leasing in Tokyo and other areas.

(2) Matters related to fair value of leasehold properties and other types of real estate

Millions of yen

Amount stated in consolidated balance sheets	Fair value
438,258	529,232

Notes:

1. The above amount stated in consolidated balance sheets is calculated by deducting the accumulated depreciation from the acquisition cost.
2. Amounts based on real estate appraisal by independent real estate appraiser are adopted as the market value of major properties. Other properties adopted the value which the Company estimated based on Real Estate Appraisal Standard as the market value.

8. Notes to Revenue Recognition

(1) Disaggregation of revenue from contracts with customers

Millions of yen

	Business segment						
	Custom Detached Houses Business	Rental Housing Business	Architectural /Civil Engineering Business	Remodeling Business	Real Estate Management Fees Business	Houses for Sale Business	Condomini-ums Business
Contracting and sales	352,463	426,116	298,746	165,910	–	238,252	89,864
Real estate management and other	–	–	30	–	619,271	–	1,018
Net sales to external customers	352,463	426,116	298,777	165,910	619,271	238,252	90,883
Other revenue (Note 2)	–	–	30	–	556,090	–	–
Revenue from contracts with customers	352,463	426,116	298,746	165,910	63,180	238,252	90,883

	Business segment		Other Businesses (Note 1)	Total
	Urban Redevelop-ment Business	Overseas Business		
Contracting and sales	94,896	512,376	76,033	2,254,662
Real estate management and other	40,424	8,747	4,681	674,173
Net sales to external customers	135,320	521,124	80,715	2,928,835
Other revenue (Note 2)	62,626	5,277	–	624,025
Revenue from contracts with customers	72,694	515,846	80,715	2,304,810

Notes:

1. Other Businesses mainly comprise the exterior business.
2. Other revenue includes lease income based on the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13, March 30, 2007) and the transfer of real estate (including real estate trust beneficiary rights) subject to "Practical Guidelines for Accounting Treatment of Real Estate Securitization Using Special Purpose Entities by Transferors" (Accounting System Committee Report No. 15, November 4, 2014).

(2) Information fundamental to an understanding of revenue from contracts with customers

The payment of considerations for transactions in the Company's main businesses is generally received within one year after the Company satisfies its performance obligations, and do not include any material element of finance. There are no material considerations for which the amount of the consideration may vary.

(i) Contracting and sales

For build-to-order transactions, the Company concludes construction contracts with customers. The Company's performance obligations based on these contracts include undertaking construction and delivering the completed buildings or other works to the customers. The Company considers that these performance obligations are satisfied over time, and recognizes revenue under these contracts based on the degree of progress towards satisfying these performance obligations. The input method is used to estimate the degree of progress, where the actual costs incurred are measured as a proportion of the total construction costs.

For construction contracts, etc. where the construction period is extremely short, the Company applies an alternative treatment whereby revenue is recognized when performance obligations have been fully satisfied.

For real estate sales transactions, the Company concludes sales contracts with customers. The Company's performance obligations based on these contracts include delivering the property to the customer. The Company considers that these performance obligations are satisfied at the point in time when the property is delivered to the customer, and recognizes revenue under these contracts when the property is delivered to the customer.

(ii) Real estate management and other

For real estate lease transactions, which are the main form of real estate management, the Company recognizes revenue over the term of the lease, based on "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13). This revenue is included in "other revenue."

For real estate management transactions, the Company concludes management service contracts with customers. The Company's performance obligations based on these contracts include providing building management services to the customer. Revenue from these contracts is recognized as performance obligations are satisfied, either at a point in time or over time, in accordance with the content of the performance obligations.

(3) Information to enable an understanding of the amount of revenue for the fiscal year under review and the next fiscal year onward

(i) Balance of contract assets and contract liabilities

Millions of yen

	Fiscal year ended January 31, 2023
Receivables from contracts with customers (at the start of the fiscal year)	39,944
Receivables from contracts with customers (at the end of the fiscal year)	44,478
Contract assets (at the start of the fiscal year)	91,020
Contract assets (at the end of the fiscal year)	111,058
Contract liabilities (at the start of the fiscal year)	163,497
Contract liabilities (at the end of the fiscal year)	144,117

Contract assets relate to the rights held by the Company and its consolidated subsidiaries to receive consideration under construction contracts with customers for which revenue has been recognized due to progress in satisfying performance obligations but not yet invoiced as of the end of the fiscal year. Contract assets are transferred to receivables from contracts with customers at the time when the rights held by the Company and its consolidated subsidiaries to receive consideration become unconditional. Consideration under these construction contracts is invoiced and received based on the payment terms set forth in each contract.

Contract liabilities relate to advances received on construction contracts in progress, which are received from customers based on construction contracts, and deposits and similar payments received from customers based on real estate sales contracts. Contract liabilities are reversed as revenue is recognized.

Of the revenue recognized in the fiscal year under review, ¥161,410 million was included in contract liabilities at the start of the fiscal year.

(ii) Transaction price allocated to remaining performance obligations

The total transaction amount allocated to remaining performance obligations as of the end of the fiscal year under review was ¥1,447,787 million. The Company expects to recognize revenue for this amount within a maximum of 11 years.

The Company has applied practical expediency and omitted notes for amounts for which the initially expected contract term is one year or less.

9. Notes to the Information per Share

(1)	**Net assets per share**	¥2,466.04
(2)	**Net income per share**	¥276.58

10. Notes to Significant Subsequent Event

(1) Cancellation of treasury stock

At the Board of Directors meeting held on March 9, 2023, the Company resolved to cancel shares of treasury stock under the provisions of Article 178 of the Companies Act.

(i) Reason for the cancellation of treasury stock
To increase shareholder value by reducing the total number of shares issued

(ii) Method of cancellation
Reduction from retained earnings

(iii) Type of shares to be cancelled
Common stock of Sekisui House, Ltd.

(iv) Total number of shares to be cancelled
22,000,000 shares (equivalent to 3.21% of the total number of shares issued prior to the cancellation)

(v) Scheduled date of cancellation
April 26, 2023

(vi) Total number of shares issued after cancellation
662,683,466 shares

The cancellation of treasury stock described above will be executed subject to the approval of a reversal of general reserve by the General Meeting of Shareholders of the Company to be held on April 25, 2023.

(2) Share repurchase

At the Board of Directors meeting held on March 9, 2023, the Company resolved to acquire its own shares under the provisions of Article 156 of the Companies Act, as applied pursuant to Article 165, Paragraph 3 of the Companies Act.

(i) Reason for share repurchase
To implement flexible capital policies in accordance with the business environment and to increase shareholder value through improvement in capital efficiency

(ii) Type of shares
Common stock of Sekisui House, Ltd.

(iii) Aggregate number of shares to be repurchased
Up to 18,000,000 shares

(iv) Aggregate price of shares to be repurchased
Up to ¥40,000 million

(v) Period for share repurchase
From March 10, 2023 to January 31, 2024

(vi) Method of share repurchase
Market purchases (including Off-Auction Own Share Repurchase Trading (N-NET3) of the Nagoya Stock Exchange)

Note: Amounts of the Consolidated Financial Statements are given in the stated unit of the presentation, by disregarding any amount less than the stated unit of the presentation.

The Non-Consolidated Financial Statements for the 72nd Fiscal Year

NON-CONSOLIDATED BALANCE SHEETS

(As of January 31, 2023)

Millions of yen

Assets	**1,496,839**	**Liabilities**	**576,328**
Current assets	**479,511**	**Current liabilities**	**492,717**
Cash and deposits	59,332	Notes payable-trade	4,515
Notes receivable-trade	21	Electronically recorded obligations-operating	61,800
Accounts receivable from completed construction contracts	32,942	Accounts payable-trade	21,097
Accounts receivable-real estate business	3,300	Accounts payable for construction contracts	38,389
Costs on uncompleted construction contracts	2,332	Current portion of bonds payable	30,000
Buildings for sale	56,415	Lease obligations	393
Land for sale in lots	238,097	Accounts payable-other	2,236
Undeveloped land for sale	44,534	Accrued expenses	11,432
Semi-finished goods and work in process	5,395	Income taxes payable	13,926
Raw materials and supplies	4,057	Accrued consumption taxes	14,729
Advance payments-trade	1,684	Advances received on uncompleted construction contracts	97,673
Prepaid expenses	7,039	Advances received	10,510
Accounts receivable-other	12,122	Deposits received	159,680
Other	12,957	Provision for bonuses	22,584
Allowance for doubtful accounts	(722)	Provision for directors' bonuses	279
		Provision for warranties for completed construction	2,683
Noncurrent assets	**1,017,327**	Asset retirement obligations	655
Property, plant and equipment	**377,496**	Other	129
Buildings	116,053	**Noncurrent liabilities**	**83,610**
Structures	3,293	Bonds payable	20,000
Machinery and equipment	8,526	Long-term loans payable	25,000
Vehicles	67	Lease obligations	630
Tools, furniture and fixtures	5,689	Long-term lease and guarantee deposited	12,577
Land	213,399	Provision for retirement benefits	23,395
Lease assets	907	Asset retirement obligations	891
Construction in progress	29,558	Other	1,116
Intangible assets	**15,396**	**Net assets**	**920,510**
Industrial property	21	**Shareholders' equity**	**879,036**
Leasehold right	1,608	**Capital stock**	**202,591**
Software	13,611	**Capital surplus**	**258,344**
Lease assets	15	Legal capital surplus	258,344
Right of using facilities	28	**Retained earnings**	**468,586**
Telephone subscription right	111	Legal retained earnings	23,128
Investments and other assets	**624,434**	Other retained earnings	445,457
Investment securities	94,276	Reserve for dividends	18,000
Stocks of subsidiaries and associates	466,207	General reserve	310,800
Investments in other securities of subsidiaries and associates	18,507	Retained earnings brought forward	116,657
Long-term loans receivable	10,888	**Treasury stock**	**(50,485)**
Lease and guarantee deposits	18,220	**Valuation and translation adjustments**	**41,340**
Long-term prepaid expenses	1,602		
Deferred tax assets	7,538	**Valuation difference on available-for-sale securities**	**41,340**
Other	8,308		
Allowance for doubtful accounts	(1,114)	**Stock acquisition rights**	**134**
Total assets	**1,496,839**	**Total liabilities and net assets**	**1,496,839**

NON-CONSOLIDATED STATEMENTS OF INCOME	
From February 1, 2022 to January 31, 2023	
Millions of yen	
Net sales	**1,203,804**
Completed construction contracts	968,642
Real estate business	235,162
Cost of sales	**958,504**
Completed construction contracts	760,676
Real estate business	197,827
Gross profit	**245,300**
Gross profit from completed construction contracts	207,965
Gross profit from real estate business	37,334
Selling, general and administrative expenses	**172,261**
Operating income	**73,038**
Non-operating income	**64,467**
Interest and dividends income	61,157
Other	3,309
Non-operating expenses	**4,699**
Interest expenses	54
Interest on bonds	609
Other	4,035
Ordinary income	**132,806**
Extraordinary income	**18,062**
Reversal of provision for loss on business of subsidiaries and associates	9,795
Gain on liquidation of subsidiaries and associates	7,869
Gain on sales of investment securities	397
Extraordinary loss	**10,381**
Loss on valuation of shares of subsidiaries and associates	8,937
Loss on sales or disposal of fixed assets	1,092
Loss on impairment of fixed assets	233
Loss on sales of investment securities	117
Income before income taxes	**140,487**
Total income taxes	**25,265**
Income taxes-current	26,189
Income taxes-deferred	(924)
Net income	**115,222**

NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS								
From February 1, 2022 to January 31, 2023								
Millions of yen								
	Shareholders' equity							
	Capital stock	Capital surplus		Retained earnings				
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
					Reserve for dividends	General reserve	Retained earnings brought forward	
Balance at the beginning of current period	**202,591**	**258,344**	**258,344**	**23,128**	**18,000**	**275,800**	**103,131**	**420,059**
Cumulative effects of changes in accounting policies	–	–	–	–	–	–	**(230)**	**(230)**
Restated balance	**202,591**	**258,344**	**258,344**	**23,128**	**18,000**	**275,800**	**102,900**	**419,828**
Changes of items during the period								
Dividends from surplus	–	–	–	–	–	–	(66,400)	(66,400)
Net income	–	–	–	–	–	–	115,222	115,222
Purchase of treasury stock	–	–	–	–	–	–	–	–
Disposal of treasury stock	–	–	–	–	–	–	(64)	(64)
Provision of general reserve	–	–	–	–	–	35,000	(35,000)	–
Net changes of items other than shareholders' equity	–	–	–	–	–	–	–	–
Total changes of items during the period	–	–	–	–	–	35,000	13,757	48,757
Balance at the end of current period	**202,591**	**258,344**	**258,344**	**23,128**	**18,000**	**310,800**	**116,657**	**468,586**

	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury stock	Total	Valuation difference on available-for-sale securities	Total		
Balance at the beginning of current period	**(20,805)**	**860,190**	**42,853**	**42,853**	**186**	**903,230**
Cumulative effects of changes in accounting policies	**–**	**(230)**	**–**	**–**	**–**	**(230)**
Restated balance	**(20,805)**	**859,959**	**42,853**	**42,853**	**186**	**902,999**
Changes of items during the period						
Dividends from surplus	–	(66,400)	–	–	–	(66,400)
Net income	–	115,222	–	–	–	115,222
Purchase of treasury stock	(30,014)	(30,014)	–	–	–	(30,014)
Disposal of treasury stock	333	269	–	–	–	269
Provision of general reserve	–	–	–	–	–	–
Net changes of items other than shareholders' equity	–	–	(1,512)	(1,512)	(52)	(1,565)
Total changes of items during the period	(29,680)	19,076	(1,512)	(1,512)	(52)	17,511
Balance at the end of current period	**(50,485)**	**879,036**	**41,340**	**41,340**	**134**	**920,510**

Note: Amounts of the Non-Consolidated Financial Statements are given in the stated unit of the presentation, by disregarding any amount less than the stated unit of the presentation.

NOTES TO THE NON-CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

(1) Basis and method of valuation of assets:

(i) Short-term investment securities:

(i) Debt securities expected to be held to maturity:
Amortized cost (straight-line) method

(ii) Shares held in subsidiaries or affiliated companies:
At cost based on the moving average method

(iii) Other short-term investment securities:

- Securities apart from shares, etc. without market prices:
  Market value method
  (Valuation gains and losses resulting are calculated by the full net assets costing method; cost of disposal is calculated by the moving average method)
- Shares, etc. without market prices:
  At cost based on the moving average method

(ii) Derivatives: Market value method

(iii) Inventories:

- Costs on uncompleted construction contracts, buildings for sale, land for sale in lots, and undeveloped land for sale:
  At cost based on individual cost method (The book value is written down to the net realizable value in cases where there has been a material decline in value)
- Semi-finished goods and work in process, raw material and supplies:
  At cost based on moving average method (The book value is written down to the net realizable value in cases where there has been a material decline in value)

(2) Depreciation of noncurrent assets:

Property, plant and equipment (excluding lease assets):

The Company applies the straight-line method to buildings (excluding attached structures) and facilities attached to buildings and structures acquired on and after April 1, 2016, and applies the declining-balance method to other property, plant and equipment. Expected life of assets is calculated to standards in accordance with corporate tax regulations.

Intangible assets (excluding lease assets):

The Company applies the straight-line method to intangible assets. Expected life of assets is calculated to standards in accordance with corporate tax regulations, except for company-use software, which is straight-line depreciated over its expected useful life of 5 years.

Lease assets:

With respect to leased assets for finance lease transactions other than those involving a transfer of ownership, the Company applies the straight-line method to such finance leases, where the useful lives of the assets are the terms of leases and the residual values of the assets are deemed zero.

(3) Basis for accounting for allowances:

Allowance for doubtful accounts:

To provide for losses on doubtful accounts, the Company makes provisions for general debtors based on actual historical collection rates and for specific debtors where collection is doubtful based on estimates of the amount collectible.

Provision for bonuses:

To prepare for bonus payments to employees, the Company provides for the estimated appropriate amount in the relevant fiscal year.

Provision for directors' bonuses:

To prepare for bonus payments to Directors of the Board, the Company provides for the estimated amount.

Provision for warranties for completed construction:

Provisions for losses and guarantee expenses due to post-completion defects are recorded based on historical repair and other costs arising from completed structures and detached housing.

Provision for retirement benefits

To prepare for future retirement payments to employees, the Company makes provisions in the amount accrued at the end of the fiscal year under review based on the estimated total retirement obligations and pension assets. Method for reflecting the expected retirement benefit in the period and method of accounting for actuarial calculation differences and past service obligations are stated below.

(i) Method for reflecting the expected retirement benefit in the period:
In conjunction with the calculation of retirement benefit obligations, benefit formula attribution is adopted as the method for reflecting the expected retirement benefit in the period up until the end of the fiscal year under review.

(ii) Method of accounting for actuarial calculation differences and past service obligations
In conjunction with actuarial calculation differences and past service obligations, pro rata amounts calculated from the 5-year fixed amount method are to be reflected as expenses in the year following the fiscal year in which such expenses are accrued. As for past service obligations, pro rata amounts calculated from the 5-year fixed amount method are to be reflected as expenses in the consolidated fiscal year in which such expenses are accrued.

(4) Basis for accounting for income and expenses:

(i) Revenue from contracts with customers
The content of the main performance obligations and the time when these performance obligations are usually satisfied (the usual timing of revenue recognition) for the major businesses that generate revenue from contracts with customers of the Company are shown below.

a. Build-to-order transactions:
For build-to-order transactions, the Company concludes construction contracts with customers. The Company's performance obligations based on these contracts include undertaking construction and delivering the completed buildings or other works to the customer. The Company considers that these performance obligations are satisfied over time, and recognizes revenue under these contracts based on the degree of progress towards satisfying these performance obligations. The input method is used to estimate the degree of progress, where the actual costs incurred are measured as a proportion of the total construction costs.
For construction contracts, etc. where the construction period is extremely short, the Company applies an alternative treatment whereby revenue is recognized when performance obligations have been fully satisfied.

b. Real estate sales transactions
For real estate sales transactions, the Company concludes sales contracts with customers. The Company's performance obligations based on these contracts include delivering the property to the customer. The Company considers that these performance obligations are satisfied at the point in time when the property is delivered to the customer, and recognizes revenue under these contracts when the property is delivered to the customer.

(ii) Other revenue
For real estate lease transactions, the Company recognizes revenue over the term of the lease, based on "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13).

(5) Hedge accounting methods:

(i) Hedge accounting methods:
The Company accounts for hedging activities under deferral hedge accounting. Furiate-shori (accounting method in which the current and forward rate difference is allocated by period length for the calculation at the accounting period) is applied to forward foreign exchanges contracts and currency swap contracts which conform to the requirements of such hedge accounting.

(ii) Hedging instruments and targets:
The Company hedges foreign currency cash debts and forward transactions with exchange forward contracts and currency swap contracts.

(iii) Hedging policies:
The Company uses derivatives transactions with the aim of avoiding losses from fluctuations in exchange rates. The use of exchange forward contracts does not exceed the amount of foreign currency transactions.

(iv) Methods of assessing hedge effectiveness:
The Company omits to assess the effectiveness of hedging because the main conditions match with regard to the relevant transactions and hedge targets, and the cash flow is fixed.

(6) Accounting for consumption taxes

The amount in excess of consumption taxes not subject to deductions are expensed in the fiscal year in which they arise.

(7) Basis for translating foreign currency-denominated assets and liabilities into yen:

For foreign currency-denominated monetary claims and debts, the Company translates into yen at the rates of exchange prevailing on the non-consolidated balance sheets date. Translation differences are stated in the statements of income.

(8) Additional information

(Impact of COVID-19 in making accounting estimates)

The prolonged COVID-19 pandemic has had certain impacts on business operations of the Company, but they have not been significant. The recoverability of deferred tax assets, recognition of impairment losses, etc. are determined based on information available at the time of preparation of the non-consolidated financial statements, and are estimated on the assumption that the impacts will continue into the next fiscal year to some extent, but will be gradually mitigated.

2. Notes to Changes in Accounting Policies

(Changes in accounting policies due to the revision or amendment of accounting standards)

(1) Adoption of the Accounting Standard for Revenue Recognition

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan), from the beginning of the fiscal year under review. It recognizes revenues for goods or services based on the amount estimated to be received when control of the promised goods or services is conveyed to the customer.

The Company has applied the Accounting Standard for Revenue Recognition transitionally, in accordance with the proviso in Article 84 of the standard. The cumulative effect amount, applying with the new accounting policy retrospectively prior to the fiscal year under review, was adjusted to retained earnings at the beginning of the fiscal year under review, and the Company has applied the new policy to the balance at the beginning of the fiscal year. However, applying the method stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard, the Company does not retroactively apply the new accounting policy to most of the contracts of which revenue was recognized in compliance with the conventional method before the beginning of the fiscal year under review. In addition, applying the method prescribed in the note (1) for Paragraph 86 of the Revenue Recognition Accounting Standard, the Company accounts for contract changes made prior to the fiscal year under review based on the contract terms after reflecting all contract changes, and added or subtracted their cumulative effect to or from retained earnings at the beginning of the fiscal year under review.

The impact on the non-consolidated financial statements for the fiscal year under review is immaterial.

(2) Adoption of the Accounting Standard for Fair Value Measurement

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, Accounting Standards Board of Japan), from the beginning of the fiscal year under review. The Company has prospectively applied new accounting policies based on the Accounting Standard for Fair Value Measurement, in accordance with the transitional measurement in Article 19 of Accounting Standard for Fair Value Measurement and Article 44-2 of "Accounting Standard for Financial Instruments," (ASBJ Statement No. 10, July 4, 2019). There is no impact on the non-consolidated financial statements.

3. Notes to Accounting Estimates

(1) Valuation of real estate for sale

(i) Amount recorded in the non-consolidated financial statements for the fiscal year under review.

Millions of yen

	Amount
Buildings for sale	56,415
Land for sale in lots	238,097
Undeveloped land for sale	44,534
Amount of loss on valuation (Cost of sales)	525

(ii) Information on the nature of significant accounting estimates for identified items

a. Method of calculation of the amount recorded in the non-consolidated financial statements for the fiscal year under review

For real estate for sale, if the net selling price at the end of the fiscal year is less than the book value, the book value is reduced to the net selling price and the reduction is recognized as a valuation loss.

The net selling price is estimated based on the selling price of each individual property, future business plans, etc.

b. Key assumptions

Key assumptions used in the calculation of the net selling price are future earnings and construction costs. These figures for the business plan are estimated based on the

location, size, and merchantability of the property, transactions of similar properties, real estate market conditions, etc.

c. Effect on the non-consolidated financial statements for the next fiscal year ending January 31, 2024
If there are unexpected events such as deterioration in the economic environment and market conditions and any subsequent changes in key assumptions in the next fiscal year, the Company could report additional valuation losses.

(2) Valuation of noncurrent assets

(i) Amount recorded in the non-consolidated financial statements for the fiscal year under review.

Millions of yen

	Amount
Total property, plant and equipment	377,496
Total intangible assets	15,396
Impairment loss	233

(ii) Information on the nature of significant accounting estimates for identified items

a. Method of calculation of the amount recorded in the non-consolidated financial statements for the fiscal year under review
Real estate assets for investments are grouped by project, while other assets are grouped by operating unit, which allow the Group to manage gains and losses in a rational manner. Impairment is assessed for assets or groups of assets that show indications of impairment such as incurring consecutive operating losses or negative cash flows, a significant decline in market prices, or a change in use. When it is determined that an impairment loss should be recognized, the book value of the asset is reduced to its recoverable amount and the amount of the reduction is recognized as an impairment loss. The recoverable amount is the higher of the net selling price or the value in use. The net selling price for major real estate for investments is calculated by subtracting the estimated disposal cost from the appraised value obtained from a real estate appraiser. The net selling price of other assets is calculated by subtracting the estimated disposal cost from the appraised value calculated in accordance with the Real Estate Appraisal Standard or similar methods. The value in use is calculated by discounting the estimated future cash flows to the present value.

b. Key assumptions
Key assumptions used in estimating future cash flows and calculating recoverable amounts are rent, average daily rate (ADR), vacancy rate, occupancy rate, discount rate, and cap rate. Among them, rent, ADR, vacancy and occupancy rates are determined by comprehensively taking into account market trends, transactions of similar properties, past performance, etc. The discount rate is determined based on similar transactions, interest rate trends, etc. Cap rates for major real estate for investments are obtained from real estate appraisers. Estimates are made based on the assumptions that the impacts of the COVID-19 pandemic will continue into the next fiscal year to some extent, but will be gradually mitigated.

c. Effect on the non-consolidated financial statements for the next fiscal year ending January 31, 2024
If there are any changes in key assumptions in the next fiscal year led by unexpected events such as deterioration in the economic environment and market conditions, the Company could report additional impairment losses.

4. Notes to the Non-Consolidated Balance Sheets

(1) Collateralized assets and secured liabilities

Millions of yen

Collateralized assets		Secured liabilities	
Type	Book value at the end of year	Details	Balance at the end of year
Investment securities	321	Liabilities of the subsidiary	—
Land	1,722	Deposits on contract with establishment of leasehold	634
Total	2,043	Total	634

Note: Apart from that stated above, the Company deposited cash of ¥7,070 million in accordance with Act on Assurance of Performance of Specified Housing Defect Warranty and the like.

(2) Accumulated depreciation of property, plant and equipment ¥197,073 million

(3) Liabilities guaranteed

Liabilities guaranteed for repayment (for persons to have housing mortgage)	¥119,658 million
Liabilities guaranteed for repayment (for affiliated companies to borrow from the financial institutions)	¥350,228 million

(4) Pecuniary claims and debts to affiliated companies

Short-term pecuniary claims to subsidiaries	¥8,181 million
Long-term pecuniary claims to subsidiaries	¥8,398 million
Short-term pecuniary debts to subsidiaries	¥163,223 million

(Additional information)

Changes in holding purpose of assets:

Real estate for investments of ¥60,631 million, that appeared under noncurrent assets as at the end of the previous fiscal year, has been reclassified under inventories.

5. Notes to the Non-Consolidated Statements of Income

Transactions with subsidiaries

Sales to subsidiaries	¥24,192 million
Purchases from subsidiaries	¥238,534 million
Non-operating transactions	¥59,653 million

6. Notes to the Non-Consolidated Statements of Change in Net Assets

Type and numbers of treasury stock

Type of shares	Common shares
Number of treasury stock (non-consolidated) as of Jan. 31, 2022	9,740,876 shares
Number of shares increased	12,795,061 shares
Number of shares decreased	151,576 shares
Number of treasury stock (non-consolidated) as of Jan. 31, 2023	22,384,361 shares

Notes:

1. Breakdown of the number of increased shares held in treasury

Increase due to repurchases of fractional shares:	5,961 shares
Increase due to the acquisition of treasury stock based on the Articles of Incorporation pursuant to Article 165 (2) of the Companies Act:	12,788,000 shares
Increase due to acquisition of restricted stock:	1,100 shares

2. Breakdown of the number of decreased shares held in treasury

Decrease due to requests for additional purchases of fractional shares:	76 shares
Decrease due to exercise of stock options:	54,000 shares
Decrease due to disposal of treasury stock as restricted stock remuneration	97,500 shares

7. Notes to Revenue Recognition

Information fundamental to an understanding of revenue from contracts with customers

As presented in the Notes to the Consolidated Financial Statements.

8. Notes to Tax Effect Accounting

Significant components of deferred tax assets and liabilities

Millions of yen

Deferred tax assets	
Loss on valuation of shares of subsidiaries	8,726
Provision for retirement benefits	7,298
Provision for bonuses	6,871
Loss on valuation of real estate for sale	6,068
Accumulated impairment loss	3,337
Loss on valuation of investment securities	1,335
Accrued enterprise taxes	1,087
Accrued social insurance premium	1,016
Other	2,639
Subtotal deferred tax assets	38,380
Valuation allowance	(14,016)
Total deferred tax assets	24,363

Deferred tax liabilities	
Valuation difference on available-for-sale securities	(16,517)
Other	(307)
Total deferred tax liabilities	(16,824)
Net deferred tax assets and net deferred tax liabilities	7,538

Note: The main valuation allowances are loss on valuation of investment securities and accumulated impairment loss that were judged non-deferrable.

9. Notes to Transaction with Related Parties

(1) Subsidiaries and affiliated companies, etc.

Type	Company name	Percentage of owning (owned) voting rights	Description of the relationship		Description of transaction	Transaction amount (million yen)	Account	Balance at January 31, 2023 (million yen)
			Concurrent offices of officers	Business relationship				
Subsidiary	Sekisui House Real Estate Kansai, Ltd.	(owning) Indirectly 100%	Holding concurrent offices	Leasing and management of real estate for the Company's customers, and purchase and sale of real estate, etc.	Collection of loan	(Note 1) 26,000	Long-term loans receivable	–
Subsidiary	Sekisui House Remodeling, Ltd.	(owning) Directly 100%	Holding concurrent offices	Remodeling of houses built by the Company	Deposits through cash management systems	(Note 1) 1,159	Deposits received	42,408
Subsidiary	NASH FINANCING, LLC	(owning) Indirectly 100%	Holding concurrent offices	Guarantee of the loan liabilities by the company	Guarantee of the loan liabilities	197,803	–	–
Subsidiary	WOODSIDE HOMES COMPANY, LLC	(owning) Indirectly 100%	Holding concurrent offices	Guarantee of the loan liabilities by the company	Guarantee of the loan liabilities	44,267	–	–
Subsidiary	SEKISUI HOUSE US HOLDINGS, LLC	(owning) Directly 100%	Holding concurrent offices	Guarantee of the loan liabilities by the company	Guarantee of the loan liabilities	39,141	–	–
				Subscription to an increase of capital by the company	Subscription to an increase of capital	(Note 2) 40,307	–	–
Subsidiary	CHESMAR HOLDINGS, LLC	(owning) Indirectly 100%	Holding concurrent offices	Guarantee of the loan liabilities by the company	Guarantee of the loan liabilities	18,331	–	–
Subsidiary	HOLT GROUP HOLDINGS, LLC	(owning) Indirectly 100%	Holding concurrent offices	Guarantee of the loan liabilities by the company	Guarantee of the loan liabilities	17,613	–	–
Subsidiary	Sekisui House Real Estate Holdings, Ltd.	(owning) Directly 100%	Holding concurrent offices	Absorption-type company split with the Company as the split company	Split assets	(Note 3) 31,645	–	–
Subsidiary	Sekisui House Changcheng (Suzhou) Real Estate Development Co., Ltd. (Josei)	(owning) Directly 100%	Holding concurrent offices	–	Distribution of residual assets following liquidation	33,219	–	–
Subsidiary	Sekisui House (Wuxi) Co., Ltd.	(owning) Directly 100%	Holding concurrent offices	–	Distribution of residual assets following liquidation	24,753	–	–

Notes: 1. The figure indicates a net increase or decrease during the period. Interest rates are reasonably determined in consideration of

market interest rates.

2. The subscription to an increase of capital refers to the subscription to the entire amount of the capital increase by the subsidiary.
3. The transaction amount for the absorption-type company split has been determined based on the appropriate book value of assets pertaining to the split business, as the transaction was under joint control at the time of the company split.

(2) Directors of the Board, Audit & Supervisory Board Members, major individual shareholders, etc.

Type	Name	Percentage of owning (owned) voting rights	Relationship with the related party	Description of transaction	Transaction amount (million yen)	Account	Balance at January 31, 2023 (million yen)
Close relative of a Director of the Board or Audit & Supervisory Board Members	Close relative of Toshifumi Kitazawa	–	–	Undertaking built-to-order construction	(Note) 65	–	–

Note: Prices of built-to-order construction are determined in line with normal terms of trade.

10.Notes to the Information per Share

(1) Shareholders' equity per share ¥1,389.67

(2) Net income per share ¥172.66

11. Notes to Significant Subsequent Event

(1) Cancellation of treasury stock

At the Board of Directors meeting held on March 9, 2023, the Company resolved to cancel shares of treasury stock under the provisions of Article 178 of the Companies Act.

(i) Reason for the cancellation of treasury stock
To increase shareholder value by reducing the total number of shares issued

(ii) Method of cancellation
Reduction from retained earnings

(iii) Type of shares to be cancelled
Common stock of Sekisui House, Ltd.

(iv) Total number of shares to be cancelled
22,000,000 shares (equivalent to 3.21% of the total number of shares issued prior to the cancellation)

(v) Date of cancellation
April 26, 2023

(vi) Total number of shares issued after cancellation
662,683,466 shares

The cancellation of treasury stock described above will be executed subject to the approval of a reversal of general reserve by the General Meeting of Shareholders of the Company to be held on April 25, 2023.

(2) Share repurchase

At the Board of Directors meeting held on March 9, 2023, the Company resolved to acquire its own shares under the provisions of Article 156 of the Companies Act, as applied pursuant to Article 165, Paragraph 3 of the Companies Act.

(i) Reason for share repurchase
To implement flexible capital policies in accordance with the business environment and to increase shareholder value through improvement in capital efficiency

(ii) Type of shares
Common stock of Sekisui House, Ltd.

(iii) Aggregate number of shares to be repurchased
Up to 18,000,000 shares

(iv) Aggregate price of shares to be repurchased
Up to ¥40,000 million

(v) Period for share repurchase
From March 10, 2023 to January 31, 2024

(vi) Method of share repurchase
Market purchases (including Off-Auction Own Share Repurchase Trading (N-NET3) of the Nagoya Stock Exchange)

Note:

Amounts of the Non-Consolidated Financial Statements are given in the stated unit of the presentation, by disregarding any amount less than the stated unit of the presentation.

Accounting Auditor's Report on Consolidated Financial Statements

REPORT OF INDEPENDENT AUDITOR

March 16, 2023

The Board of Directors
Sekisui House, Ltd.

From: Ernst & Young ShinNihon LLC
Osaka office
Shin Ichinose
Designated and Engagement Partner
Certified Public Accountant
Yasuhiro Kozaki
Designated and Engagement Partner
Certified Public Accountant
Yusaku Iriyama
Designated and Engagement Partner
Certified Public Accountant

Opinion

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying Consolidated Financial Statements, which comprise the Consolidated Balance Sheets, the Consolidated Statements of Income, the Consolidated Statements of Changes in Net Assets and the Notes to the Consolidated Financial Statements of Sekisui House, Ltd. (the "Company") applicable to the fiscal year from February 1, 2022 through January 31, 2023.

In our opinion, the Consolidated Financial Statements referred to above present fairly in all material respects, the financial position and results of operations of the Sekisui House Group, which consists of the Company and its consolidated subsidiaries in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "*Auditor's Responsibility for the Audit of the Consolidated Financial Statements*." We are independent of the Company and its consolidated subsidiaries in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Information

Other information comprises the Business Report and the related supplementary schedules. Management is responsible for the preparation and disclosure of the other information. In addition, the Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the execution of duties by Directors of the Board related to designing and operating the reporting process for other information.

Our audit opinion on the Consolidated Financial Statements does not cover the other information, and we express no opinion upon it.

Our responsibility for the audit of the Consolidated Financial Statements is to review the other information and, in this process, to consider whether any material inconsistencies exist between the other information and the Consolidated Financial Statements or the knowledge that we have obtained in the audit process; also, to remain alert for any indications of other material misstatements in the other information apart from such material inconsistencies.

We are required to report any matter that we consider constitutes a material misstatement in other information, based on the work we have undertaken.

We have nothing to report in this regard.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the Consolidated Financial Statements in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the Consolidated Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated Financial Statements, management is responsible for evaluating whether it is appropriate to prepare the Consolidated Financial Statements in accordance with the assumption of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for supervising execution of duties by Directors of the Board related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Consolidated Financial Statements

Our responsibility is to obtain reasonable assurance about whether the Consolidated Financial Statements as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the Consolidated Financial Statements from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users made on the basis of the Consolidated Financial Statements.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for our audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the Consolidated Financial Statements on the assumption of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the assumption of a going concern, the auditor is required to call attention to the Notes to the Consolidated Financial Statements in the audit report, or if the Notes to the Consolidated Financial Statements pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the Consolidated Financial Statements. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides evaluating whether the presentation of and notes to the Consolidated Financial Statements are in accordance with accounting principles generally accepted in Japan, evaluate the presentation, structure, and content of the Consolidated Financial Statements including related notes, and whether the Consolidated Financial Statements fairly present the transactions and accounting events on which they are based.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the Company and its consolidated subsidiaries in order to express an opinion on the Consolidated Financial Statements. The auditor is responsible for instructing, supervising, and implementing the audit of the Consolidated Financial Statements, and is solely responsible for the audit opinion.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of the independence provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Conflicts of Interest

We have no interest in the Company or its consolidated subsidiaries which should be disclosed in compliance with the Certified Public Accountants Act.

- End -

Accounting Auditor's Report on Non-Consolidated Financial Statements

REPORT OF INDEPENDENT AUDITOR

March 16, 2023

The Board of Directors
Sekisui House, Ltd.

From: Ernst & Young ShinNihon LLC
Osaka office
Shin Ichinose
Designated and Engagement Partner
Certified Public Accountant
Yasuhiro Kozaki
Designated and Engagement Partner
Certified Public Accountant
Yusaku Iriyama
Designated and Engagement Partner
Certified Public Accountant

Opinion

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying Non-Consolidated Financial Statements, which comprise the Non-Consolidated Balance Sheets, the Non-Consolidated Statements of Income, the Non-Consolidated Statement of Changes in Net Assets, the Notes to the Non-Consolidated Financial Statements and the related supplementary schedules (the "Non-Consolidated Financial Statements, etc.") of Sekisui House, Ltd. (the "Company") applicable to the 72nd fiscal year from February 1, 2022 through January 31, 2023.

In our opinion, the Non-Consolidated Financial Statements, etc. referred to above present fairly in all material respects, the financial position and results of operations of the Company in conformity with accounting principles generally accepted in Japan.

Basis for the Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibility under the auditing standards is stated in "*Auditor's Responsibility for the Audit of the Non-Consolidated Financial Statements, etc.*" We are independent of the Company in accordance with the provisions related to professional ethics in Japan, and are fulfilling other ethical responsibilities as an auditor. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Information

Other information comprises the Business Report and the related supplementary schedules. Management is responsible for the preparation and disclosure of the other information. In addition, the Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for overseeing the execution of duties by Directors of the Board related to designing and operating the reporting process for other information.

Our audit opinion on the Non-Consolidated Financial Statements, etc. does not cover the other information, and we express no opinion upon it.

Our responsibility for the audit of the Non-Consolidated Financial Statements, etc. is to review the other information and, in this process, to consider whether any material inconsistencies exist between the other information and the Non-Consolidated Financial Statements, etc. or the knowledge that we have obtained in the audit process; also, to remain alert for any indications of other material misstatements in the other information apart from such material inconsistencies.

We are required to report any matter that we consider constitutes a material misstatement in other information, based on the work we have undertaken.

We have nothing to report in this regard.

Responsibilities of Management, Audit & Supervisory Board Members and the Audit & Supervisory Board for the Non-Consolidated Financial Statements, etc.

Management is responsible for the preparation and fair presentation of the Non-Consolidated Financial Statements, etc. in accordance with accounting principles generally accepted in Japan, and for designing and operating such internal control as management determines is necessary to enable the preparation and fair presentation of the Non-Consolidated Financial Statements, etc. that are free from material misstatement, whether due to fraud or error.

In preparing the Non-Consolidated Financial Statements, etc., management is responsible for evaluating whether it is appropriate to prepare the Non-Consolidated Financial Statements, etc. in accordance with the assumption of a going concern, and for disclosing matters relating to going concern when it is required to do so in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board Members and the Audit & Supervisory Board are responsible for supervising execution of duties by Directors of the Board related to designing and operating the financial reporting process.

Auditor's Responsibility for the Audit of the Non-Consolidated Financial Statements, etc.

Our responsibility is to obtain reasonable assurance about whether the Non-Consolidated Financial Statements, etc. as a whole are free from material misstatement, whether due to fraud or error, and to express an opinion on the Non-Consolidated Financial Statements, etc. from an independent standpoint in an audit report, based on our audit. Misstatements can occur as a result of fraud or error, and are deemed material if they can be reasonably expected to, either individually or collectively, influence the decisions of users made on the basis of the Non-Consolidated Financial Statements, etc.

We make professional judgment in the audit process in accordance with auditing standards generally accepted in Japan, and perform the following while maintaining professional skepticism.

- Identify and assess the risks of material misstatement, whether due to fraud or error. Design and implement audit procedures to address the risks of material misstatement. The audit procedures shall be selected and applied as determined by the auditor. In addition, sufficient and appropriate audit evidence shall be obtained to provide a basis for our audit opinion.
- In making those risk assessments, the auditor considers internal control relevant to the entity's audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies adopted by management and the method of their application, as well as the reasonableness of accounting estimates made by management and the adequacy of related notes.
- Determine whether it is appropriate for management to prepare the Non-Consolidated Financial Statements, etc. on the assumption of a going concern and, based on the audit evidence obtained, determine whether there is a significant uncertainty in regard to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If there is a significant uncertainty concerning the assumption of a going concern, the auditor is required to call attention to the Notes to the Non-Consolidated Financial Statements, etc. in the audit report, or if the Notes to the Non-Consolidated Financial Statements, etc. pertaining to the significant uncertainty are inappropriate, issue a modified opinion on the Non-Consolidated Financial Statements, etc. While the conclusions of the auditor are based on the audit evidence obtained up to the date of the audit report, depending on future events or conditions, an entity may be unable to continue as a going concern.
- Besides evaluating whether the presentation of and notes to the Non-Consolidated Financial Statements, etc. are in accordance with accounting principles generally accepted in Japan, evaluate the presentation, structure, and content of the Non-Consolidated Financial Statements, etc. including related notes, and whether the Non-Consolidated Financial Statements, etc. fairly present the transactions and accounting events on which they are based.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the scope and timing of implementation of the planned audit, material audit findings including material weaknesses in internal control identified in the course of the audit, and other matters required under the auditing standards.

The auditor reports to Audit & Supervisory Board Members and the Audit & Supervisory Board regarding the observance of the independence provisions related to professional ethics in Japan as well as matters that are reasonably considered to have an impact on the auditor's independence and any safeguards that are in place to reduce or eliminate obstacles.

Conflicts of Interest

We have no interest in the Company which should be disclosed in compliance with the Certified Public Accountants Act.

- End -

Report of Audit & Supervisory Board

AUDIT REPORT

The Audit & Supervisory Board prepared this audit report based on audit reports prepared by each Audit & Supervisory Board Member upon deliberation with respect to execution of duties by Directors of the Board for the 72nd fiscal year (February 1, 2022 to January 31, 2023) and report as follows:

1. Method and Contents of Audit by Audit & Supervisory Board Members and the Audit & Supervisory Board

(1) The Audit & Supervisory Board determined audit policy, audit plan and duties assigned to each Audit & Supervisory Board Member, received reports and explanations on the audit and result of audit from each Audit & Supervisory Board Member, received reports on the execution of duties of Directors of the Board and Accounting Auditor and requested additional explanations as necessary.

(2) Each Audit & Supervisory Board Member, in conformity with standards of audit determined by the Audit & Supervisory Board, in accordance with the audit policy and audit plan set up and the duties assigned by the Audit & Supervisory Board Member, and by utilizing means via the Internet, etc., made efforts to communicate with Directors of the Board, Executive Officers, Audit Department and other employees, collect information and prepare and arrange for circumstances for audit and audited in the following method.

i) We attended meetings of the Board of Directors and other meetings as deemed important, received reports from the Directors of the Board and Executive Officers, etc. on their performance of duties, requested additional explanation as necessary, examined important approval documents and inspected the business and financial conditions at the head office and the principal offices. With respect to subsidiaries, we communicated and exchanged information with the Directors of the Board and Audit & Supervisory Board Members of the subsidiaries and received reports as necessary.

ii) With respect to the resolutions of the Board of Directors relating to establishment of the system that ensures the performance of duties by Directors of the Board described in the Business Report is in conformity with laws and regulations, and the Articles of Incorporation and other systems that ensure appropriate business of the Corporate Group made of the Company and its subsidiaries as required under Article 100, Paragraphs 1 and 3 of the Regulation for Enforcement of the Companies Act, as well as the system established under such resolutions (internal control system), we received reports from the Directors of the Board and Executive Officers, etc. the conditions of construction and management of them, and requested additional explanation as necessary and gave opinions.

iii) We supervised and examined that the Accounting Auditor maintained their independent position and performed due audit, received reports from the Accounting Auditor on the execution of their duties, and requested additional explanation as necessary. We received a notice from the Accounting Auditor that they have prepared the "System to ensure due execution of audit" (matters prescribed in each item of Article 131 of the Regulation on Corporate Accounting) in accordance with, among other things, the "Quality Control Standard for Audit" (Business Accounting Council, October 28, 2005) and requested additional explanation as necessary.

In accordance with the method stated above, the Audit & Supervisory Board examined the Business Report and the related supplementary schedules, the Non-Consolidated Financial Statements (the Non-Consolidated Balance Sheets, the Non-Consolidated Statement of Income, the Statement of Change in Net Assets and the Notes to Non-Consolidated Financial Statements) and the related supplementary schedules, and the Consolidated Financial Statements (the Consolidated Balance Sheets, the Consolidated Statements of Income, the Consolidated Statements of Changes in Net Assets and the Notes to Consolidated Financial Statements) for the fiscal year under review.

2. Results of Audit

(1) Results of audit of Business Report, etc.:

i) We confirmed that the Business Report and the related supplementary schedules fairly show the position of the Company, in conformity with the relevant laws and regulations and the Articles of Incorporation.

ii) We do not find any unlawful acts to have been carried out by the Directors of the Board in the performance of their duties, nor do we find any material matters that are either unlawful or contrary to the Articles of Incorporation.

iii) We confirmed that the resolutions of the Board of Directors relating to the internal control system are fair. We do not find any aspects to be pointed out for the contents in the Business Report and the performance of duties by the Directors of the Board relating to the internal control system.

(2) Results of audit of the Non-Consolidated Financial Statements and the related supplementary schedules:

We confirmed that the method and the result of the audit carried out by Ernst & Young ShinNihon LLC, Accounting Auditor, are fair.

(3) Results of audit of the Consolidated Financial Statements:

We confirmed that the method and the result of the audit carried out by Ernst & Young ShinNihon LLC, Accounting Auditor, are fair.

March 23, 2023

Audit & Supervisory Board of Sekisui House, Ltd.

Standing Audit & Supervisory Board Member	Midori Ito
Standing Audit & Supervisory Board Member	Takashi Ogino
Standing Audit & Supervisory Board Member	Ryuichi Tsuruta
Audit & Supervisory Board Member	Takashi Kobayashi
Audit & Supervisory Board Member	Yoritomo Wada

- End -

Request for Cooperation to Prevent the Spread of COVID-19
■ Request for cooperation from shareholders - You may exercise your voting rights in writing or via the Internet. Please exercise your voting rights in writing or via the Internet as much as possible. (For details, please refer to pages 2 and 3 of this Notice.) - Shareholders who plan to attend the General Meeting of Shareholders are requested to pay attention to their health condition up to the day of the meeting and refrain from attending the meeting if they have a cold or other health issues. - Please consider not attending the General Meeting of Shareholders if you are elderly, have an underlying medical condition, or are pregnant. ■ Response by the Company - The administrative staff will wear masks after we conduct a temperature check and check on their physical condition in advance. - Disinfectant dispensers will be placed throughout the venue. - No tickets will be distributed for the Kuchu Teien Observatory and Koji Kinutani Tenku Art Museum, and no beverages will be served. - There will be no display area for our catalogs and other materials. Any changes in the operation of the General Meeting of Shareholders will be posted on the Company's website. **https://www.sekisuihouse.co.jp/english/company/financial/holders/meeting/**