

8-Year Highlights (Consolidated)

Financial Data

	(Millions of yen)							
(Fiscal year)	2012	2013	2014	2015	2016	2017	2018	2019
Business performance								
Net sales	1,613,816	1,805,102	1,912,721	1,858,879	2,026,931	2,159,363	2,160,316	2,415,186
Gross profit	299,503	358,499	368,446	373,867	418,297	445,082	444,596	478,036
Gross profit margin (%)	18.6	19.9	19.3	20.1	20.6	20.6	20.6	19.8
Selling, general and administrative expenses	213,306	226,569	221,851	224,222	234,132	249,541	255,373	272,780
Operating income	86,196	131,930	146,595	149,645	184,164	195,540	189,223	205,256
Operating margin (%)	5.3	7.3	7.7	8.1	9.1	9.1	8.8	8.5
Ordinary income	91,767	137,794	156,426	160,589	190,989	203,678	195,190	213,905
Profit attributable to owners of parent	46,458	79,801	90,224	84,302	121,853	133,224	128,582	141,256
Return on investment								
ROE: Net income ÷ Shareholders' equity (%)	6.0	9.2	9.0	7.9	11.3	11.6	10.8	11.5
ROA: (Operating income + Interest and dividend income + Equity in earnings of affiliates) ÷ Total assets (%)	6.0	8.2	8.4	8.3	9.4	9.0	8.3	8.8
Assets and interest-bearing debt								
Total assets	1,539,272	1,769,005	1,929,409	2,029,794	2,184,895	2,419,012	2,413,035	2,634,748
Net assets	814,063	941,415	1,079,064	1,068,428	1,118,264	1,208,121	1,196,923	1,306,850
Equity capital	806,406	930,944	1,068,423	1,057,696	1,103,359	1,194,975	1,182,808	1,266,195
Equity capital ratio (%)	52.39	52.63	55.38	52.11	50.50	49.40	49.02	48.06
Interest-bearing debt	268,622	289,860	351,731	426,013	491,017	622,084	639,510	586,891
Debt/Equity ratio (%) ¹	33.3	31.1	32.9	40.3	44.5	52.1	54.1	46.4
Asset turnover ratio (Times)	1.08	1.09	1.03	0.94	0.96	0.94	0.89	0.96
Cash flows								
Net cash provided by (used in) operating activities	82,582	78,073	117,358	45,884	115,820	165,355	125,088	363,766
Net cash provided by (used in) investing activities	(58,124)	(80,637)	(128,529)	(76,166)	(107,397)	(76,150)	(70,184)	(65,229)
Net cash provided by (used in) financing activities	(17,289)	(782)	19,611	32,084	5,511	30,154	(31,030)	(148,160)
Cash and cash equivalents at end of period	179,242	181,324	195,008	192,338	204,701	324,693	342,898	583,297
Investments								
Capital expenditure	60,915	130,243	121,550	81,258	98,277	68,799	58,680	73,255
Depreciation	19,015	22,581	25,692	24,438	23,125	21,983	22,155	21,518
Research and development expenses	4,318	4,507	4,726	4,772	4,991	5,181	6,041	7,313
Corporate value								
Market capitalization at end of period	680,946	985,007	1,067,964	1,329,946	1,297,656	1,379,985	1,123,051	1,630,703
Stock price at end of period (Yen)	1,006	1,434	1,526	1,874	1,828.5	1,998	1,626	2,361
Per-share information								
EPS: Net income (earnings) per share (Yen)	69.17	118.63	130.91	120.16	175.48	193.06	186.53	205.79
BPS: Book value per share (Yen)	1,200.63	1,358.60	1,527.52	1,508.81	1,598.90	1,731.60	1,718.82	1,852.62
Dividends per share (Yen)	28.00	43.00	50.00	54.00	64.00	77.00	79.00	81.00
Dividend payout ratio (%)	40.5	36.3	38.2	44.9	36.5	39.9	42.4	39.4
Stock price								
PER: Stock price at end of period ÷ Net income per share (Times)	14.54	12.09	11.66	15.60	10.42	10.35	8.72	11.47
PBR: Stock price at end of period ÷ Shareholders' equity per share (Times)	0.84	1.06	1.00	1.24	1.14	1.15	0.95	1.27

1. Excluding hybrid bonds

Key Performance Indicators

	(Fiscal year)							
(Fiscal year)	2012	2013	2014	2015	2016	2017	2018	2019
New Housing Starts in Japan (Units)²								
Owner-occupied houses	311,589	354,772	285,270	283,366	292,287	284,283	283,235	288,738
Built for sale houses	246,810	263,931	237,428	241,201	250,532	255,191	255,263	267,696
Condominiums	123,203	127,599	110,475	115,652	114,570	114,830	110,510	117,803
Detached houses	122,590	134,888	125,421	123,624	133,739	138,189	142,393	147,522
Rented houses	318,521	356,263	362,191	378,718	418,543	419,397	396,404	342,289
Corporate houses	5,877	5,059	7,372	6,014	5,875	5,770	7,468	6,400
Total	882,797	980,025	892,261	909,299	967,237	964,641	942,370	905,123
Number of Houses Built by Sekisui House (Units)								
Custom detached houses	13,945	15,049	13,104	11,248	11,105	10,617	9,822	10,663
Built for sale houses	2,246	2,368	2,162	2,364	2,071	2,677	2,336	2,589
Rental houses	27,869	30,414	34,709	32,631	35,156	32,937	30,078	27,981
Condominiums (for sale)	1,038	1,921	1,250	2,002	1,231	1,184	1,499	2,081
Total	45,098	49,752	51,225	48,245	49,563	47,415	43,735	43,314
Sekisui House's market share in Japan (%)	5.1	5.1	5.7	5.3	5.1	4.9	4.6	4.8
Total number of houses built	2,135,437	2,185,189	2,236,414	2,284,659	2,334,222	2,381,637	2,425,372	2,468,686
Trends in Housing Built by Sekisui House								
Built-to-order detached houses								
Sales per detached house (Thousands of yen)	33,442	34,503	35,659	37,002	37,292	38,074	38,753	39,935
Floor area per detached house (Square meters)	139.93	141.09	140.25	140.43	138.63	137.94	138.03	137.68
Built-to-order low-rise apartments								
Sales per building (Thousands of yen)	55,196	61,284	68,549	76,771	83,612	93,959	100,194	102,415
Floor area per building (Square meters)	301.67	324.95	346.64	366.10	385.19	418.35	432.28	427.67
Trends in Sekisui House Real Estate Block Leasing Operation								
Occupancy rate (%) ³	96.0	96.2	96.4	96.5	96.5	96.7	97.8	97.7
Number of units under management (Units)	506,353	526,276	545,757	565,471	584,096	601,582	619,494	639,780

2. Calendar year basis

3. Presentation changed to monthly data from month-end data as of FY2018.

Non-Financial Data

Customer satisfaction level (%)	95.0	95.1	95.3	95.3	95.4	95.6	95.8	95.9
Green First Zero (Net zero energy house) contracts (%) ⁴	—	49	62	71	74	76	79	87
CO ₂ emission reduction rate for custom detached houses sold (Compared with fiscal 1990) (%) ⁴	55.7	61.5	73.4	75.5	80.1	83.6	82.6	82.7
Number of employees	21,476	22,379	22,913	23,089	23,299	24,391	24,775	27,397
Number of new university graduate hires	594	880	823	680	570	660	664	669
Number of new female university graduate hires (in above)	215	291	331	276	237	266	250	281
Ratio to number of new university graduate hires (%)	36.2	33.1	40.2	40.6	41.6	40.3	37.7	42.0
Average age (Years) ⁵	39.9	40.3	40.7	41.2	41.8	42.2	42.5	42.8
Average years of service ⁵	15.5	15.3	15.4	15.6	16.0	16.1	16.3	16.5
Number of female employees in managerial positions (Group-wide)	53	65	101	114	141	158	176	206
Ratio of female employees in managerial positions (Group-wide) (%)	1.58	1.52	2.26	2.43	2.79	2.94	3.10	3.44
Ratio of persons with disabilities (%) ⁵	1.89	1.97	2.08	2.21	2.20	2.38	2.53	2.61
Training investment (Millions of yen) ⁶	583	649	692	734	704	873	848	887

4. Data for the period from April 1, 2019 through March 31, 2020

5. Non-consolidated

6. Non-consolidated until FY2019

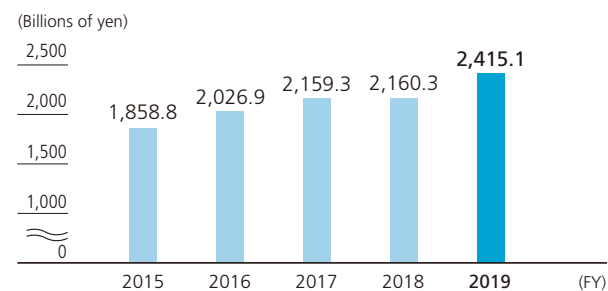
Financial Analysis

Operating Results

Net Sales

Net sales increased ¥254.8 billion year on year, or 11.8%, to ¥2,415.1 billion, driven by growth of sales in the built-to-order business and the overseas business centered on business in the United States, steady expansion of the supplied housing business, and the contribution of sales of Otori Holdings, which became a consolidated subsidiary in October 2019.

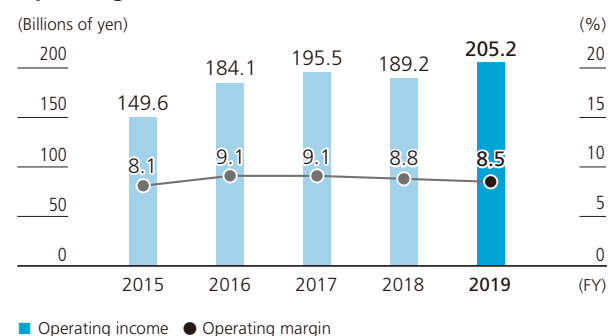
Net Sales



Operating Income

Operating income increased ¥16.0 billion year on year, or 8.5%, to ¥205.2 billion, with contributions from higher income in the built-to-order business and the supplied housing business and from property sales in the overseas business.

Operating Income



Non-operating Income, Non-operating Expenses, Extraordinary Income and Extraordinary Loss

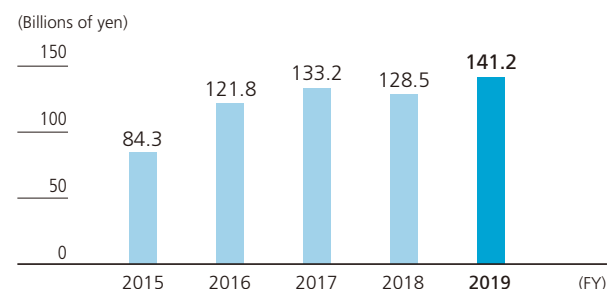
Non-operating income increased ¥5.5 billion year on year to ¥20.6 billion, partly due to an increase in equity in earnings of affiliates. Non-operating expenses increased ¥2.8 billion to ¥11.9 billion.

Extraordinary income increased ¥9.6 billion to ¥12.9 billion due to factors including gain on step acquisitions associated with making Otori Holdings a consolidated subsidiary and gain on sales of shares of subsidiaries and affiliates. Extraordinary loss increased ¥4.4 billion to ¥15.4 billion due to an increase in loss on impairment of fixed assets.

Profit Attributable to Owners of Parent

Profit attributable to owners of parent increased ¥12.6 billion, or 9.9%, year on year to ¥141.2 billion. Factors included a ¥23.9 billion increase in profit before income taxes to ¥211.3 billion, a ¥5.0 billion increase in income taxes to ¥62.8 billion, and a ¥6.2 billion increase in profit attributable to non-controlling interests to ¥7.2 billion. Earnings per share were ¥205.79.

Profit Attributable to Owners of Parent



Financial Position and Cash Flows

Financial Position

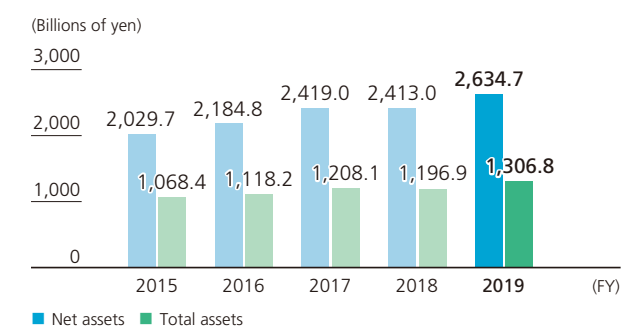
Assets, Liabilities and Net Assets

Total assets as of January 31, 2020 increased 9.2% from a year earlier to ¥2,634.7 billion. Current assets increased 15.7% to ¥1,816.0 billion due largely to accounts receivable from completed construction contracts and cash and deposits associated with the consolidation of Otori Holdings. Total noncurrent assets decreased 3.0% to ¥818.7 billion due to a decrease in property, plant and equipment.

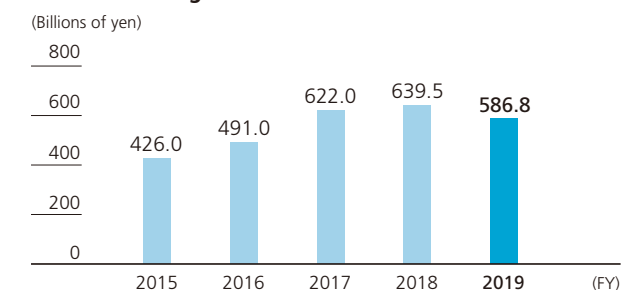
Total liabilities as of January 31, 2020 increased 9.2% from a year earlier to ¥1,327.8 billion. Current liabilities increased 5.2% to ¥821.8 billion due largely to increases in advances received on construction projects in progress and notes and accounts payable associated with the consolidation of Otori Holdings. Long-term liabilities increased 16.4% to ¥506.0 billion due to factors including an increase in long-term debt.

Net assets increased 9.2% from a year earlier to ¥1,306.8 billion due to factors including an increase in retained earnings as a result of profit attributable to owners of parent of ¥141.2 billion.

Net Assets and Total Assets



Interest-Bearing Debt



Cash Flows

Cash and cash equivalents (cash) as of January 31, 2020 increased ¥240.3 billion from a year earlier to ¥583.2 billion. Net cash provided by operating activities increased to ¥363.7 billion. Net cash used in investing activities was ¥65.2 billion. Free cash flow increased ¥243.6 billion to ¥298.5 billion. Net cash used in financing activities was ¥148.1 billion. Change in the scope of consolidation increased cash by ¥93.9 billion.

Cash Flows from Operating Activities

Net cash provided by operating activities increased ¥238.6 billion to ¥363.7 billion due to factors including profit before income taxes of ¥211.3 billion.

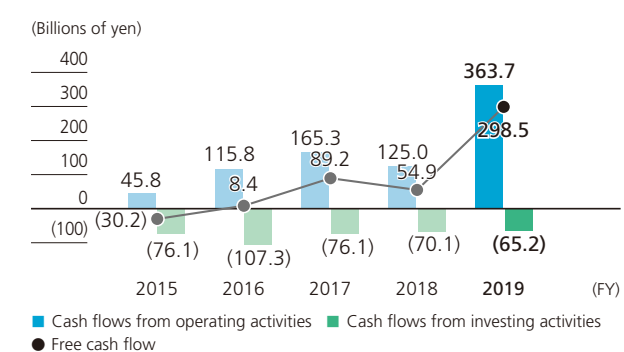
Cash Flows from Investing Activities

Net cash used in investing activities decreased ¥4.9 billion year on year to ¥65.2 billion. Purchases of property, plant and equipment, including real estate for lease, decreased ¥12.7 billion to ¥66.6 billion.

Cash Flows from Financing Activities

Net cash used in financing activities increased ¥117.1 billion year on year to ¥148.1 billion. Cash dividends paid decreased ¥0.5 billion to ¥55.0 billion.

Cash Flows



Results by Segment

Built-to-Order Business

Sales and income increased in the built-to-order business. Sales increased 3.6% year on year to ¥801.6 billion, and operating income increased 2.4% to ¥94.8 billion. The custom detached houses business focused on selling Family Suite, which is the result of happiness research, and high-value-added houses such as ZEH. It also launched REGNUM COURT steel-frame 3- and 4-story urban housing. The rental housing business focused on selling 3- and 4-story rental housing by conducting exhaustive area marketing centered on urban districts, and made steady progress selling in non-residential markets such as hotels and nursery schools.

Supplied Housing Business

Sales and income increased in the supplied housing business. Sales increased 4.9% year on year to ¥687.6 billion, and operating income increased 6.7% to ¥64.5 billion. The remodeling business continued to improve profit margins with proposal-based and environment-based remodeling. It also made aggressive remodeling proposals for rental housing. The real estate management fees business maintained high occupancy rates by supplying high-quality, distinctive rental housing and by effectively implementing its area marketing strategy. In real estate trading, it also strengthened the real estate sales brokerage business.

Development Business

Sales and income decreased in the development business, but were in line with the Company's plan and on target for the full fiscal year. Sales decreased 6.0% year on year to ¥387.1 billion, and operating income decreased 32.0% to ¥39.4 billion. The houses for sale business worked to promote sales by proactively purchasing land and holding events, and promoted the development of communities that have high asset value. The condominiums business implemented its Grande Maison brand strategy. Sales of high-rise condominiums, including a ZEH-M high-rise condominium, were strong. Handovers were as planned. The urban redevelopment business maintained high occupancy rates for Group-owned rental properties while selling office buildings to Sekisui House Reit, Inc.

Overseas Business

Sales and income increased in the overseas business. Sales increased 58.5% year on year to ¥389.8 billion, and operating income increased 172.6% to ¥44.5 billion. The U.S. multifamily business sold seven rental housing properties, and condominium sales in China also contributed to results. In Australia, we sold equity in a commercial facility. We have also decided to enter the U.K. housing market in partnership with Homes England and Urban Splash House Holdings Ltd.

Sales and Operating Income by Segment

(Fiscal year)		2010	2011	2012	2013
Sales	Built-to-Order Business				
	Custom detached houses	455,239	475,330	465,149	517,691
	Rental housing	277,659	289,027	303,712	356,202
	Subtotal	732,899	764,358	768,862	873,894
	Supplied Housing Business				
	Remodeling	91,443	102,180	111,548	125,046
	Real estate management fees	361,988	378,247	393,978	408,403
	Subtotal	453,432	480,427	505,527	533,450
	Development Business				
	Houses for sale	146,470	127,123	127,810	133,405
	Condominiums	77,185	39,681	52,538	63,083
	Urban redevelopment	22,208	37,720	45,528	42,428
	Subtotal	245,864	204,524	225,877	238,917
Overseas Business					
Subtotal	6,825	24,264	54,844	85,392	
Other Businesses	49,348	57,002	58,704	73,447	
Total	1,488,369	1,530,577	1,613,816	1,805,102	
Operating income	Built-to-Order Business				
	Custom detached houses	45,772	52,476	48,800	65,813
	Rental housing	26,195	26,595	27,547	36,492
	Subtotal	71,968	79,072	76,347	102,306
	Supplied Housing Business				
	Remodeling	8,530	9,624	11,542	14,037
	Real estate management fees	12,429	14,260	17,039	20,064
	Subtotal	20,959	23,885	28,582	34,101
	Development Business				
	Houses for sale	516	3,685	1,580	8,143
	Condominiums	(1,009)	(9,947)	1,004	3,978
	Urban redevelopment	4,812	9,974	9,787	8,561
	Subtotal	4,319	3,712	12,372	20,683
Overseas Business					
Subtotal	(2,065)	(3,176)	4,247	8,581	
Other Businesses	(3,950)	(35)	(445)	1,690	
Eliminations and adjustments	(34,876)	(32,560)	(34,907)	(35,434)	
Total	56,354	70,897	86,196	131,930	

(Millions of yen)						
	2014	2015	2016	2017	2018	2019
	427,044	393,786	383,129	371,171	357,944	390,995
	398,483	400,601	440,312	442,845	416,062	410,622
	825,527	794,388	823,442	814,017	774,006	801,618
	134,166	134,458	133,498	136,843	141,416	152,729
	428,227	448,751	469,132	489,891	514,035	534,876
	562,393	583,210	602,631	626,735	655,452	687,606
	118,730	137,484	142,014	155,481	148,880	151,268
	56,699	81,470	66,125	77,497	89,581	103,984
	178,344	93,038	130,491	103,777	173,391	131,920
	353,774	311,993	338,631	336,756	411,853	387,173
	79,835	89,522	182,127	306,716	245,953	389,866
	91,190	79,764	80,099	75,137	73,050	148,922
	1,912,721	1,858,879	2,026,931	2,159,363	2,160,316	2,415,186
	48,894	47,208	49,514	48,043	42,255	45,942
	45,825	51,918	60,832	60,883	50,376	48,938
	94,719	99,127	110,347	108,926	92,632	94,881
	14,997	15,847	17,544	19,760	21,109	23,535
	23,405	26,819	31,278	33,133	39,407	41,054
	38,402	42,667	48,823	52,893	60,516	64,589
	8,491	11,919	8,822	13,460	11,088	12,259
	4,738	8,031	2,248	9,229	6,478	10,134
	25,802	24,747	23,414	16,994	40,403	17,045
	39,032	44,698	34,485	39,684	57,970	39,439
	4,419	(5,673)	25,172	29,761	16,340	44,551
	3,123	2,511	726	1,234	(44)	4,229
	(33,102)	(33,686)	(35,390)	(36,960)	(38,192)	(42,434)
	146,595	149,645	184,164	195,540	189,223	205,256

Sekisui House, Ltd. and Subsidiaries Consolidated Financial Statements

Year ended January 31, 2020

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Notes: These financial statements and notes audited by an independent auditor are presented based on the consolidated financial statements prepared pursuant to the Japanese accounting principles after implementing the reclassification of account titles in consideration of the use overseas and making other adjustments, such as the rounding of fractions less than the indicated units. Therefore, some financial figures may be inconsistent with those on other pages of this report, which was translated based on the Japanese version.

Independent Auditor's Report

The Board of Directors
Sekisui House, Ltd.

We have audited the accompanying consolidated financial statements of Sekisui House, Ltd. and subsidiaries, which comprise the consolidated balance sheet as at January 31, 2020, and the consolidated statements of income, comprehensive income, changes in net assets, and cash flows for the year then ended and a summary of significant accounting policies and other explanatory information, all expressed in Japanese yen.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. The purpose of an audit of the consolidated financial statements is not to express an opinion on the effectiveness of the entity's internal control, but in making these risk assessments the auditor considers internal controls relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Sekisui House, Ltd. and subsidiaries as at January 31, 2020, and their consolidated financial performance and cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

Convenience Translation

We have reviewed the translation of these consolidated financial statements into U.S. dollars, presented for the convenience of readers, and, in our opinion, the accompanying consolidated financial statements have been properly translated on the basis described in Note 1.

Ernst & Young ShinNihon LLC

April 23, 2020
Osaka, Japan

Ernst & Young ShinNihon LLC

Consolidated Balance Sheet

Sekisui House, Ltd. and Subsidiaries
January 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Assets			
Current assets:			
Cash and cash equivalents (Note 20).....	¥ 583,298	¥ 342,899	\$ 5,348,414
Short-term investments (Notes 5, 11 and 20).....	1,338	460	12,268
Notes and accounts receivable:			
Affiliates.....	1,535	744	14,075
Trade (Note 20).....	133,978	42,504	1,228,480
Other.....	34,980	35,679	320,741
Less allowance for doubtful accounts.....	(1,187)	(1,440)	(10,884)
	169,306	77,487	1,552,412
Inventories (Notes 6 and 11).....	1,005,204	1,100,188	9,216,982
Other current assets.....	56,859	48,284	521,355
Total current assets	1,816,005	1,569,318	16,651,431
Property, plant and equipment, at cost:			
Land (Notes 6, 7, 9 and 11).....	284,769	304,371	2,611,122
Buildings and structures (Notes 6, 7, 9 and 11).....	355,788	346,776	3,262,314
Machinery, equipment and other (Note 7).....	109,815	99,077	1,006,923
Construction in progress.....	28,268	21,889	259,197
	778,640	772,113	7,139,556
Less accumulated depreciation.....	(268,084)	(241,718)	(2,458,133)
Property, plant and equipment, net	510,556	530,395	4,681,423
Investments and other assets:			
Long-term loans receivable.....	36,568	24,157	335,302
Less allowance for doubtful accounts.....	(487)	(218)	(4,466)
	36,081	23,939	330,836
Investments in securities (Notes 5, 11 and 20).....	115,809	90,642	1,061,883
Investments in affiliates (Notes 8 and 20).....	41,906	66,317	384,247
Goodwill (Note 22).....	3,097	4,586	28,397
Intangible assets.....	15,564	15,981	142,711
Deferred income taxes (Note 12).....	31,008	37,728	284,321
Asset for retirement benefits (Note 13).....	1,503	383	13,781
Other assets (Note 11).....	63,219	73,747	579,672
Total investments and other assets	308,187	313,323	2,825,848
	¥ 2,634,748	¥ 2,413,036	\$24,158,702

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Liabilities and net assets			
Current liabilities:			
Short-term loans (Notes 10, 11 and 20).....	¥ 166,486	¥ 239,472	\$ 1,526,554
Short-term bonds (Notes 10 and 20).....	15,000	20,000	137,539
Current portion of long-term debt and lease obligation (Notes 10, 11 and 20).....	19,527	64,781	179,048
Notes and accounts payable (Note 20) :			
Affiliates.....	3,206	5,062	29,397
Trade.....	216,344	142,367	1,983,716
Accrued income taxes (Note 12).....	30,981	33,009	284,073
Advances received on construction projects in progress (Note 23).....	241,806	156,606	2,217,183
Accrued employees' bonuses.....	27,939	25,527	256,180
Accrued directors' and corporate auditors' bonuses.....	1,524	1,477	13,974
Provision for warranties for completed construction.....	3,352	2,788	30,735
Other current liabilities.....	95,702	90,229	877,517
Total current liabilities	821,867	781,318	7,535,916
Long-term liabilities:			
Long-term debt and lease obligation (Notes 10, 11 and 20).....	385,878	315,257	3,538,217
Guarantee deposits received (Note 11).....	59,165	60,701	542,499
Accrued retirement benefits for directors and corporate auditors.....	1,108	1,061	10,160
Liability for retirement benefits (Note 13).....	49,414	49,989	453,090
Deferred income taxes (Note 12).....	2,179	1,090	19,980
Other liabilities (Note 14).....	8,287	6,696	75,986
Total long-term liabilities	506,031	434,794	4,639,932
Contingent liabilities (Notes 11 and 15)			
Net assets:			
Shareholders' equity (Notes 16 and 27):			
Common stock:			
Authorized: 1,978,281,000 shares			
Issued: 690,683,466 shares in 2020 and 2019.....	202,591	202,591	1,857,611
Capital surplus.....	258,994	251,563	2,374,785
Retained earnings.....	786,592	700,951	7,212,470
Less treasury stock, at cost.....	(13,668)	(4,216)	(125,326)
Total shareholders' equity	1,234,509	1,150,889	11,319,540
Accumulated other comprehensive income:			
Net unrealized holding gain on securities.....	39,894	33,147	365,799
Deferred loss on hedges.....	(60)	(56)	(550)
Translation adjustments.....	11,174	21,270	102,458
Retirement benefits liability adjustments.....	(19,322)	(22,441)	(177,169)
Total accumulated other comprehensive income	31,686	31,920	290,538
Stock subscription rights (Note 16).....	610	803	5,593
Non-controlling interests.....	40,045	13,312	367,183
Total net assets	1,306,850	1,196,924	11,982,854
	¥ 2,634,748	¥ 2,413,036	\$24,158,702

*See notes to consolidated financial statements.

Consolidated Statement of Income

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Net sales (Notes 9, 22 and 23)	¥ 2,415,187	¥ 2,160,317	\$22,145,489
Cost of sales (Notes 6, 9 and 16)	1,937,150	1,715,720	17,762,241
Gross profit	478,037	444,597	4,383,248
Selling, general and administrative expenses (Notes 16 and 17)	272,780	255,374	2,501,192
Operating income	205,257	189,223	1,882,056
Other income (expenses):			
Interest and dividend income	5,788	4,028	53,072
Interest expense	(4,916)	(4,722)	(45,076)
Loss on disposal or sales of fixed assets	(1,492)	(1,607)	(13,681)
Equity in earnings of affiliates	10,484	7,751	96,131
Gain on step acquisitions (Note 26)	8,598	–	78,837
Gain on sales of shares of subsidiaries and affiliates	3,640	181	33,376
Gain on sales of investments in securities (Note 5)	718	3,094	6,584
Loss on sales of investments in securities (Note 5)	(434)	(72)	(3,979)
Foreign exchange gain (loss), net	717	(554)	6,574
Loss on impairment of fixed assets (Notes 7 and 22)	(13,553)	(9,393)	(124,271)
Loss on revaluation of investments in securities (Note 5)	–	(2)	–
Other, net	(3,424)	(535)	(31,396)
Profit before income taxes	211,383	187,392	1,938,227
Income taxes (Note 12):			
Current	60,197	51,301	551,962
Deferred	2,656	6,473	24,354
	62,853	57,774	576,316
Profit	148,530	129,618	1,361,911
Profit attributable to :			
Non-controlling interests	7,273	1,035	66,688
Owners of parent	¥ 141,257	¥ 128,583	\$ 1,295,223

*See notes to consolidated financial statements.

Consolidated Statement of Comprehensive Income

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
Profit	¥ 148,530	¥ 129,618	\$1,361,911
Other comprehensive loss (Note 24) :			
Net unrealized holding gain (loss) on securities	7,382	(15,001)	67,687
Translation adjustments	(10,152)	(28,303)	(93,086)
Retirement benefits liability adjustments	3,279	(38,656)	30,066
Share of other comprehensive loss of affiliates accounted for by the equity method	(450)	(966)	(4,126)
Total other comprehensive income (loss)	59	(82,926)	541
Comprehensive income	¥ 148,589	¥ 46,692	\$1,362,452
Total comprehensive income attributable to :			
Owners of parent	¥ 141,024	¥ 45,694	\$1,293,086
Non-controlling interests	7,565	998	69,366

*See notes to consolidated financial statements.

Consolidated Statement of Changes in Net Assets

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2020

	Millions of yen												
	Number of shares in issue	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Accumulated other comprehensive income							Total net assets
						Net unrealized holding gain on securities	Deferred (loss) gain on hedges	Translation adjustments	Retirement benefits liability adjustments	Stock subscription rights	Non-controlling interests		
Balance at February 1, 2018	690,683,466	¥202,591	¥251,563	¥626,961	¥ (948)	¥ 48,033	¥ (69)	¥ 50,678	¥ 16,166	¥ 762	¥ 12,384	¥1,208,121	
Cash dividends.....	-	-	-	(54,532)	-	-	-	-	-	-	-	(54,532)	
Profit attributable to owners of parent for the year.....	-	-	-	128,583	-	-	-	-	-	-	-	128,583	
Purchases of treasury stock.....	-	-	-	-	(3,377)	-	-	-	-	-	-	(3,377)	
Sales of treasury stock.....	-	-	-	(61)	109	-	-	-	-	-	-	48	
Other changes.....	-	-	-	-	(14,886)	13	(29,408)	(38,607)	41	928	-	(81,919)	
Balance at February 1, 2019	690,683,466	¥202,591	¥251,563	¥700,951	¥ (4,216)	¥ 33,147	¥ (56)	¥ 21,270	¥ (22,441)	¥ 803	¥ 13,312	¥1,196,924	
Cumulative effects of changes in accounting policies.....	-	-	-	(304)	-	-	-	-	-	-	-	(304)	
Restated balance	690,683,466	¥202,591	¥251,563	¥700,647	¥ (4,216)	¥ 33,147	¥ (56)	¥ 21,270	¥ (22,441)	¥ 803	¥ 13,312	¥1,196,620	
Cash dividends.....	-	-	-	(55,079)	-	-	-	-	-	-	-	(55,079)	
Profit attributable to owners of parent for the year.....	-	-	-	141,257	-	-	-	-	-	-	-	141,257	
Purchases of treasury stock.....	-	-	-	-	(10,012)	-	-	-	-	-	-	(10,012)	
Sales of treasury stock.....	-	-	-	(233)	560	-	-	-	-	-	-	327	
Purchases of shares of consolidated subsidiaries.....	-	-	308	-	-	-	-	-	-	-	-	308	
Change in equity of parent arising from transaction with non-controlling shareholders.....	-	-	7,123	-	-	-	-	-	-	-	-	7,123	
Other changes.....	-	-	-	-	6,747	(4)	(10,096)	3,119	(193)	26,733	-	26,306	
Balance at January 31, 2020	690,683,466	¥202,591	¥258,994	¥786,592	¥ (13,668)	¥ 39,894	¥ (60)	¥ 11,174	¥ (19,322)	¥ 610	¥ 40,045	¥1,306,850	

	Thousands of U.S. dollars (Note 1)											
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Accumulated other comprehensive income							Total net assets
					Net unrealized holding gain on securities	Deferred (loss) gain on hedges	Translation adjustments	Retirement benefits liability adjustments	Stock subscription rights	Non-controlling interests		
Balance at February 1, 2019	\$1,857,611	\$2,306,648	\$6,427,205	\$ (38,658)	\$ 303,934	\$ (513)	\$ 195,030	\$ (205,768)	\$ 7,363	\$ 122,061	\$ 10,974,913	
Cumulative effects of changes in accounting policies.....	-	-	(2,787)	-	-	-	-	-	-	-	(2,787)	
Restated balance	\$1,857,611	\$2,306,648	\$6,424,418	\$ (38,658)	\$ 303,934	\$ (513)	\$ 195,030	\$ (205,768)	\$ 7,363	\$ 122,061	\$ 10,972,126	
Cash dividends.....	-	-	(505,034)	-	-	-	-	-	-	-	(505,034)	
Profit attributable to owners of parent for the year.....	-	-	1,295,223	-	-	-	-	-	-	-	1,295,223	
Purchases of treasury stock.....	-	-	-	(91,803)	-	-	-	-	-	-	(91,803)	
Sales of treasury stock.....	-	-	(2,137)	5,135	-	-	-	-	-	-	2,998	
Purchases of shares of consolidated subsidiaries.....	-	2,824	-	-	-	-	-	-	-	-	2,824	
Change in equity of parent arising from transaction with non-controlling shareholders.....	-	65,313	-	-	-	-	-	-	-	-	65,313	
Other changes.....	-	-	-	-	61,865	(37)	(92,572)	28,599	(1,770)	245,122	241,207	
Balance at January 31, 2020	\$1,857,611	\$2,374,785	\$7,212,470	\$ (125,326)	\$ 365,799	\$ (550)	\$ 102,458	\$ (177,169)	\$ 5,593	\$ 367,183	\$ 11,982,854	

*See notes to consolidated financial statements.

Consolidated Statement of Cash Flows

Sekisui House, Ltd. and Subsidiaries
Year ended January 31, 2020

	Millions of yen		Thousands of U.S. dollars (Note 1)
	2020	2019	2020
	Cash flows from operating activities		
Profit before income taxes.....	¥ 211,383	¥ 187,392	\$ 1,938,227
Adjustments for:			
Depreciation and amortization.....	21,519	22,155	197,313
Loss on impairment of fixed assets.....	13,553	9,393	124,271
Increase (decrease) in liability for retirement benefits.....	550	(9,410)	5,043
Increase in asset for retirement benefits.....	(1,568)	(3,383)	(14,377)
Interest and dividend income.....	(5,788)	(4,028)	(53,072)
Interest expense.....	4,916	4,722	45,076
Equity in earnings of affiliates.....	(10,484)	(7,751)	(96,131)
Gain on step acquisitions.....	(8,598)	-	(78,837)
Gain on sales of investments in securities, net.....	(284)	(3,022)	(2,605)
Loss on revaluation of investments in securities.....	-	2	-
Gain on sales of shares of subsidiaries and affiliates.....	(3,640)	(181)	(33,376)
(Increase) decrease in notes and accounts receivable.....	(18,176)	3,159	(166,660)
Decrease in inventories.....	161,677	4,851	1,482,459
Decrease in notes and accounts payable.....	(13,523)	(29,518)	(123,996)
Increase in advances received on construction projects in progress.....	71,973	14,818	659,940
Other.....	6,083	(15,864)	55,777
Subtotal.....	429,593	173,335	3,939,052
Interest and dividends received.....	8,794	8,769	80,634
Interest paid.....	(6,441)	(6,523)	(59,059)
Income taxes paid.....	(68,180)	(50,493)	(625,160)
Net cash provided by operating activities.....	363,766	125,088	3,335,467
Cash flows from investing activities			
Proceeds from redemption of short-term investments.....	-	590	-
Purchases of property, plant and equipment.....	(66,623)	(53,878)	(610,884)
Proceeds from sales of property, plant and equipment.....	413	4,468	3,787
Purchases of investments in securities.....	(10,645)	(5,966)	(97,607)
Proceeds from sales and redemption of investments in securities.....	8,627	5,832	79,103
Increase in loans receivable.....	(955)	(220)	(8,757)
Collection of loans receivable.....	6,928	1,431	63,525
Other.....	(2,975)	(22,441)	(27,278)
Net cash used in investing activities.....	(65,230)	(70,184)	(598,111)
Cash flows from financing activities			
(Decrease) increase in short-term loans, net.....	(70,524)	44,222	(646,653)
Proceeds from long-term debt.....	88,131	48,690	808,096
Repayment of long-term debt.....	(62,354)	(50,807)	(571,740)
Redemption of bonds.....	(20,000)	(15,000)	(183,385)
Cash dividends paid.....	(55,078)	(54,532)	(505,025)
Purchases of treasury stock.....	(10,012)	(3,375)	(91,803)
Payment for acquisition of treasury stock by a consolidated subsidiary.....	(7,931)	-	(72,721)
Purchases of shares of subsidiary that do not result in change in scope of consolidation.....	(1,709)	-	(15,670)
Other.....	(8,683)	(228)	(79,617)
Net cash used in financing activities.....	(148,160)	(31,030)	(1,358,518)
Effect of exchange rate changes on cash and cash equivalents.....	(3,959)	(5,668)	(36,302)
Net increase in cash and cash equivalents.....	146,417	18,206	1,342,536
Cash and cash equivalents at beginning of period.....	342,899	324,693	3,144,132
Net increase in cash and cash equivalents resulting from change in scope of consolidation (Note 25).....	93,982	-	861,746
Cash and cash equivalents at end of period.....	¥ 583,298	¥ 342,899	\$ 5,348,414

*See notes to consolidated financial statements.

Notes to Consolidated Financial Statements

Sekisui House, Ltd. and Subsidiaries
January 31, 2020

1. Basis of Preparation

The accompanying consolidated financial statements of Sekisui House, Ltd. (the "Company") and its subsidiaries (collectively, the "Group") have been compiled from the consolidated financial statements prepared by the Company as required by the Financial Instruments and Exchange Act of Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (IFRS). In preparing the accompanying consolidated financial statements, certain reclassifications and rearrangements have been made to present them in a form which is familiar to readers outside Japan. In addition, the notes to the accompanying consolidated financial statements include information which is not required under accounting principles generally accepted in Japan but is presented herein as additional information.

Certain reclassifications of previously reported amounts have been made to conform the accompanying consolidated financial statements for the year ended January 31, 2019 to the 2020 presentation. Such reclassifications had no effect on consolidated profit or cash flow.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the readers and has been made at ¥109.06 = U.S.\$1.00, the approximate rate of exchange in effect on January 31, 2020. This translation should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollar amounts at the above or any other rate.

2. Summary of Significant Accounting Policies

(a) Principles of consolidation

The accompanying consolidated financial statements include the accounts of the Company and significant subsidiaries over which substantial control is exerted through either majority ownership of voting stock and/or by other means. All significant intercompany transactions and accounts have been eliminated in consolidation.

Investments in affiliates (companies over which the Company has the ability to exercise significant influence) are accounted for by the equity method.

Investments in unconsolidated subsidiaries and affiliates are stated at cost. If the equity method of accounting had been applied to the investments in these companies, the effect on the accompanying consolidated financial statements would not be material.

When the Company holds ownership interests of more than 20% to 50% of voting stock in an investee but does not have significant influence over the entity, it is excluded from the scope of equity-method affiliates.

For consolidation purposes, the financial statements of the subsidiaries whose balance sheet dates are either March 31, May 31 or November 30 were prepared based on a provisional

settlement of accounts as of January 31, 2020.

The balance sheet date of overseas subsidiaries and certain domestic subsidiaries is December 31. In addition, for certain other domestic subsidiaries whose balance sheet date is September 30, their financial statements were prepared based on a provisional settlement of accounts as of December 31, for consolidation purposes. Any significant differences in intercompany accounts and transactions arising from intervening intercompany transactions during the period from January 1 through January 31 have been adjusted, if necessary.

(b) Foreign currency translation

All monetary assets and liabilities denominated in foreign currencies are translated into yen at the rates of exchange in effect at the balance sheet date, except that receivables and payables hedged by qualified forward foreign exchange contracts are translated at the corresponding forward foreign exchange contract rates. Gain or loss on each translation is credited or charged to income.

All assets and liabilities of overseas subsidiaries are translated into yen at the rate of exchange in effect at the balance sheet date except that the components of net assets are translated at their historical exchange rates. The income statement accounts are translated at the average exchange rate during the year. Differences arising from the translations are included in "Translation adjustments" and "Non-controlling interests" in the accompanying consolidated balance sheets.

(c) Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, deposits held at call with banks, net of overdrafts, and all highly liquid investments with maturities of three months or less.

(d) Short-term investments and investments in securities

Securities other than those of affiliates are classified into three categories: trading securities, held-to-maturity debt securities and other securities.

Trading securities, consisting of debt and marketable equity securities, are stated at fair value. Gain or loss, both realized and unrealized, is credited or charged to income. Held-to-maturity debt securities are stated at amortized cost. Marketable securities classified as other securities are carried at fair value with any changes in unrealized holding gain or loss, net of the applicable income taxes, reported as a separate component of accumulated other comprehensive income. Cost of securities sold is determined by the moving average method. Non-marketable securities classified as other securities are carried at cost determined by the moving average method.

Under the Corporation Law of Japan (the "Law"), unrealized holding gain on other securities, net of the related taxes, is not available for distribution as dividends.

(e) Inventories

Land held for sale, land held for development, construction for sale, including projects under construction and contracts in process are stated at the lower of cost or net selling value, cost being determined by the individual cost method. Other inventories are stated at the lower of cost or net selling value, cost being determined by the moving average method.

(f) Property, plant and equipment (except for leased assets)

Depreciation of buildings (except for structures attached to the buildings acquired prior to April 1, 2016) and structures attached to the buildings and structures acquired on or after April 1, 2016 is computed by the straight-line method over the estimated useful lives of the respective assets. Depreciation of other property, plant and equipment is computed by the declining-balance method over the estimated useful lives of the respective assets.

(g) Goodwill

Goodwill is amortized using the straight-line method over the respective determinable useful lives or a period of 5 years if the useful lives are indeterminable. Goodwill is charged to income in the year of acquisition if immaterial.

(h) Intangible assets (except for leased assets)

Amortization of intangible assets is calculated by the straight-line method over the estimated useful lives of the respective assets.

(i) Leases

Leased assets under finance lease transactions which do not transfer ownership to the lessee are capitalized and depreciated or amortized over the respective lease terms to a nil residual value by the straight-line method.

(j) Income taxes

Income taxes are calculated based on taxable income and are determined in accordance with the applicable tax laws and charged to income on an accrual basis. The Group recognizes the tax effect of the temporary differences between assets and liabilities for financial reporting purposes and for income tax purposes.

(k) Consumption taxes

Transactions subject to consumption taxes are recorded at amounts exclusive of consumption taxes.

Consumption taxes paid not offset by consumption taxes received in accordance with the Consumption Tax Act of Japan are charged to income when incurred. In certain subsidiaries, which are mainly engaged in the real estate leasing business, consumption taxes paid not offset by consumption taxes received in accordance with the

Consumption Tax Act of Japan that arise from the purchases of tangible fixed assets are recorded as "Other assets" and amortized over 5 years by the straight-line method.

(l) Allowance for doubtful accounts

The allowance for doubtful accounts is provided based on the actual historical percentage of bad debts and an estimate of uncollectible amounts determined by an assessment of individual receivables.

(m) Accrued employees' bonuses

Accrued employees' bonuses is provided at the estimated amount of bonuses to be paid to the employees in the following year which has been allocated to the current fiscal year.

(n) Accrued directors' and corporate auditors' bonuses

Accrued directors' and corporate auditors' bonuses are provided for payments of bonuses to directors and corporate auditors based on an estimated amount.

(o) Provision for warranties for completed construction

Provision for warranties for completed construction is provided for anticipated future costs based on past experience arising from warranties on completed construction and sold houses.

(p) Retirement benefits

The retirement benefit is attributed to each period by the benefit formula method over the estimated years of service of the eligible employees.

Actuarial gain or loss is amortized from the year following the year in which such gain or loss is recognized principally by the straight-line method over a period of 5-14 years.

Prior service cost is amortized by the straight-line method over a period of 5-14 years.

Directors and corporate auditors of certain domestic subsidiaries are customarily entitled to lump-sum payments under an unfunded retirement benefit plan. The accrued retirement benefits for these officers have been made at an estimated amount based on each subsidiary's internal regulations.

(q) Recognition of revenues and costs of construction contracts

Revenues and costs of construction contracts are recognized by the percentage-of-completion method when the progress toward completion, revenues and costs can be estimated reliably. The percentage of completion is measured by comparing cost incurred to date with the most recent estimate of the total costs required to complete the contract (cost-to-cost basis.) The completed-contract method has been applied to those construction contracts not accounted for by the percentage-of-completion method.

(r) Recognition of revenue derived from finance lease transactions as a lessor

Revenue from finance lease transactions and its related cost are recognized upon receipt of lease payments.

(s) Research and development cost

Research and development cost is charged to income as incurred.

(t) Capitalization of interest expenses

Interest expenses incurred for real estate development projects conducted by certain overseas subsidiaries have been capitalized as a part of the development cost of such projects. For the years ended January 31, 2020 and 2019, interest expenses that were capitalized and included in inventories as part of "Construction for sale, including projects under construction," "Land held for sale" and "Land held for development" were ¥7,485 million (\$68,632 thousand) and ¥9,174 million, ¥9,672 million (\$88,685 thousand) and ¥8,018 million, and ¥673 million (\$6,171 thousand) and ¥734 million, respectively.

(u) Derivative transactions and hedge accounting

Derivative positions are carried at fair value with any changes in unrealized gain or loss charged or credited to income, except for those which meet the criteria for deferral hedge accounting under which unrealized gain or loss is deferred as an asset or a liability.

When forward foreign exchange contracts meet certain criteria, receivables and payables covered by the contract are translated at the contracted rates ("allocation method").

Hedging instruments and hedged items are as follows:

- | | |
|--------------------------|---|
| (i) Hedging instruments | Foreign exchange contracts |
| Hedged items | Foreign currency trade receivables and payables and forecasted transactions |
| (ii) Hedging instruments | Interest rate swap contracts |
| Hedged items | Bank loans |

Such derivative transactions are entered into to reduce the foreign currency exchange risk or interest rate fluctuation risk. Notional amounts related to forward foreign exchange contracts are set within the amounts of import transactions denominated in the foreign currencies. Notional amounts related to interest rate swap contracts are set within the amounts of underlying borrowings.

The Company also formally assesses, at the hedge's inception, whether the derivatives used in the hedging transactions are highly effective in offsetting any changes in fair values or cash flows of the hedged items so that the actual fluctuations of

each hedge are within the acceptable range of approximately 80% to 125%. However, an evaluation of effectiveness of forward foreign exchange contracts was omitted because the significant terms related to the hedged items and hedging instruments are the same and cash flows are also fixed.

(Accounting standards issued but not yet effective)

Accounting Standard and Implementation Guidance for Revenue Recognition

(1) Overview

On March 30, 2018, the ASBJ issued "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29) and "Implementation Guidance on Accounting Standard for Revenue Recognition" (ASBJ Guidance No. 30). The International Accounting Standards Board ("IASB") and the Financial Accounting Standards Board ("FASB") in the United States co-developed comprehensive accounting standards for revenue recognition and issued "Revenue from Contracts with Customers" (issued as IFRS 15 by the IASB and Topic 606 by the FASB) in May 2014. The ASBJ developed comprehensive accounting standards on revenue recognition and issued them in conjunction with the implementation guidance based on the fact that IFRS 15 has been applied from fiscal years starting on or after January 1, 2018 and Topic 606 has been applied from fiscal years starting after December 15, 2017.

As the basic policy of the ASBJ in developing accounting standards for revenue recognition, the ASBJ defined the accounting standard starting with incorporating the basic principle of IFRS 15 from a standpoint of comparability between financial statements, which is one benefit of ensuring consistency with IFRS 15. Furthermore, the ASBJ added alternative accounting treatment without impairing comparability when there are matters to be considered related to common accounting practices in Japan, etc.

(2) Scheduled date of adoption

The Company and its domestic subsidiaries plan to adopt the accounting standard and implementation guidance effective from February 1, 2022.

(3) Impact of the adoption of accounting standard and implementation guidance

The Company is currently evaluating the effect of adopting the accounting standard and implementation guidance on its consolidated financial statements.

3. Changes in Accounting Policies**(1) Adoption of ASU No. 2014-09 "Revenue from Contracts with Customers"**

The overseas subsidiaries which apply US GAAP have adopted "Revenue from Contracts with Customers" (ASU No. 2014-09 May 28, 2014), from the beginning of the fiscal year ended January 31, 2020. In line with this adoption, revenue is recognized upon the transfer of promised goods or services to customers in an amount that reflects the consideration an entity expects to receive in exchange for those goods or services. The impact of this adoption on the accompanying consolidated financial statements for the current fiscal year is immaterial.

(2) Adoption of IFRS 16 "Leases"

The overseas subsidiaries which apply IFRS have adopted "Leases" (IFRS 16 January 13, 2016), from the beginning of the fiscal year ended January 31, 2020. In line with this adoption, the Company principally recognizes assets and liabilities of lease as a lessee. The impact of this adoption on the accompanying consolidated financial statements for the current fiscal year is immaterial.

4. Changes in Presentation Method**Application of "Partial Amendments to Accounting Standard for Tax Effect Accounting"**

"Partial Amendments to Accounting Standard for Tax Effect Accounting" (ASBJ Statement No. 28 issued on February 16, 2018) have been applied from the beginning of the current fiscal year. "Deferred tax assets" are now presented under "Investments and other assets" of the consolidated balance sheet, and "Deferred tax liabilities" are now presented under "Long-term liabilities."

In applying the revised standard, "Deferred tax assets" under "Current assets" decreased by ¥24,806 million (\$227,453 thousand) and "Deferred tax assets" under "Investments and other assets" increased by ¥24,788 million (\$227,288 thousand) as of the end of the previous fiscal year. "Deferred tax liabilities" under "Long-term liabilities" decreased by ¥18 million (\$165 thousand) as of the end of the previous fiscal year.

In addition, "Deferred tax assets" and "Deferred tax liabilities" of the same taxable entity are offset, and total assets decreased by ¥18 million (\$165 thousand) compared to previous method as of the end of the previous fiscal year.

Also, Note 12. Income Taxes has been expanded in accordance with No. 8 (except for total valuation allowance) and 9 of annotations on Interpretive Notes in Article 3 to 5 of the Partial Amendments to Accounting Standard for Tax Effect Accounting. However, comparative information for the previous fiscal year has not been disclosed in Note 12.

Income Taxes in accordance with the transitional provisions set forth in Article 7 of the Partial Amendments to

Accounting Standard for Tax Effect Accounting.

5. Short-Term Investments and Investments in Securities

There were no held-to-maturity debt securities at January 31, 2020 and 2019.

Information on other securities with determinable market value at January 31, 2020 and 2019 was as follows:

	Millions of yen								
	Other securities								
	2020				2019				
Acquisition cost	Gross unrealized gain	Gross unrealized loss	Gross carrying value (estimated fair value)	Acquisition cost	Gross unrealized gain	Gross unrealized loss	Gross carrying value (estimated fair value)		
Market value determinable:									
Equity securities	¥44,083	¥61,579	¥(514)	¥105,148	¥35,223	¥46,070	¥(470)	¥80,823	

	Thousands of U.S. dollars				
	Other securities				
	2020				
Acquisition cost	Gross unrealized gain	Gross unrealized loss	Gross carrying value (estimated fair value)		
Market value determinable:					
Equity securities	\$ 404,209	\$ 564,634	\$ (4,713)	\$ 964,130	

Sales of other securities for the years ended January 31, 2020 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Proceeds from sales	¥ 3,370	¥ 5,279	\$30,900
Gross realized gain	718	3,094	6,584
Gross realized loss	(434)	(72)	(3,979)

The Group has recognized loss on revaluation of investments in securities classified as other securities of ¥2 million for the year ended January 31, 2019.

There was no loss on revaluation of investments in securities classified as other securities for the year ended January 31, 2020.

6. Inventories

Inventories at January 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Land held for sale	¥ 541,524	¥ 579,001	\$ 4,965,377
Land held for development	94,828	106,934	869,503
Construction for sale, including projects under construction	342,595	393,538	3,141,344
Contracts in process	17,934	12,169	164,442
Other	8,323	8,546	76,316
	¥1,005,204	¥1,100,188	\$ 9,216,982

Loss on devaluation of inventories included in cost of sales for the years ended January 31, 2020 and 2019 amounted to ¥10,296 million (\$94,407 thousand) and ¥11,982 million, respectively.

Due to changes in holding purpose, ¥1,090 million (\$9,994 thousand) and ¥463 million of inventories, which were

included in "Construction for sale, including projects under construction" and "Land held for sale", were principally reclassified to "Buildings and structures" and "Land" at January 31, 2020 and 2019, respectively. In addition, ¥75,623 million (\$693,407 thousand) and ¥43,047 million of investment real estate, which were mainly included in "Buildings and structures" and "Land", were reclassified to "Construction for sale, including projects under construction" and "Land held for sale", classified as inventories in the accompanying consolidated balance sheets at January 31, 2020 and 2019, respectively.

7. Impairment of Fixed Assets

The Company and its subsidiaries group their investment real estate by individual asset and group other fixed assets by business unit, within which operational profit and losses can be reasonably managed.

For the years ended January 31, 2020 and 2019, the Group has written down certain real estate for lease and certain assets to their respective net recoverable values.

Consequently, the Group recorded losses on impairment of fixed assets of ¥13,553 million (\$124,271 thousand) and ¥9,393 million in the accompanying consolidated statements of income for the years ended January 31, 2020 and 2019, respectively.

The losses on impairment of fixed assets for the years ended January 31, 2020 and 2019 are outlined as follows:

2020				
Location	Use	Classification	Millions of yen	Thousands of U.S. dollars
Shenyang City China etc.	Real estate for lease etc.	Buildings and structures	¥ 9,842	\$ 90,244
		Machinery, equipment and other	47	431
		Land	2,213	20,291
		Other	1,451	13,305
			<u>¥13,553</u>	<u>\$124,271</u>

2019				
Location	Use	Classification	Millions of yen	Thousands of U.S. dollars
Nakamura-ku, Nagoya City etc.	Real estate for lease etc.	Buildings and structures	¥ 1,072	
		Machinery, equipment and other	416	
		Land	7,874	
		Other	31	
			<u>¥ 9,393</u>	

The recoverable value of the above impaired fixed assets was mainly measured at estimated value in use or net selling value. The net selling value amount is measured considering appraisals conducted by real estate appraisers.

8. Investments in Affiliates

Investments in affiliates at January 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Investments in capital stock, at cost	¥ 31,885	¥ 31,746	\$ 292,362
Equity in undistributed earnings since acquisition, net	10,021	34,571	91,885
	<u>¥ 41,906</u>	<u>¥ 66,317</u>	<u>\$ 384,247</u>

9. Investment and Rental Properties

The Company and certain subsidiaries have apartment houses, office buildings and others as rental properties mainly in Tokyo Prefecture and other areas.

For the years ended January 31, 2020 and 2019, rental profit and loss on impairment of these rental properties amounted to ¥6,418 million (\$58,848 thousand) and ¥7,451 million and ¥12,811 million (\$117,467 thousand) and ¥8,970 million, respectively.

Rental income is included in net sales and related costs are included in the cost of sales.

The carrying value in the accompanying consolidated balance sheets as of January 31, 2020 and 2019 and corresponding fair value of those properties are as follows:

Millions of yen			
Carrying value		Fair value	
January 31, 2019	Net change	January 31, 2020	January 31, 2020
¥ 443,737	¥ (37,667)	¥ 406,070	¥ 518,348
Millions of yen			
Carrying value		Fair value	
January 31, 2018	Net change	January 31, 2019	January 31, 2019
¥ 468,213	¥ (24,476)	¥ 443,737	¥ 547,840
Thousands of U.S. dollars			
Carrying value		Fair value	
January 31, 2019	Net change	January 31, 2020	January 31, 2020
\$ 4,068,742	\$ (345,379)	\$ 3,723,363	\$ 4,752,870

Notes:

- The carrying value represents the acquisition cost less accumulated depreciation and impairment losses.
- For the years ended January 31, 2020 and 2019, the main components of net change in carrying value are the increase of ¥58,058 million (\$532,349 thousand) and ¥43,086 million in acquisitions of real estate and the decreases of ¥75,158 million (\$689,144 thousand) and ¥42,528 million in transfer to inventories, ¥12,811 million (\$117,467 thousand) and ¥8,970 million in loss on impairment of the rental properties and ¥8,569 million (\$78,571 thousand) and ¥9,431 million in depreciation, respectively.
- The fair value of main real estate is computed based on appraisal amounts valued by real estate appraisers. The fair value of the others is computed by the Group in accordance with "Real Estate Appraisal Standards."

10. Short-Term Loans, Short-Term Bonds and Long-Term Debt

Short-term loans consist of unsecured bank loans. The average interest rates on the short-term loans outstanding at January 31, 2020 and 2019 were 2.86% and 3.39%, respectively.

Long-term debt at January 31, 2020 and 2019 consisted of the following:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unsecured loans from banks and insurance companies at interest rates ranging from 0.12% to 7.45%, due from 2020 to 2033	¥ 163,025	¥ 117,096	\$ 1,494,819
Nonrecourse bank loans at interest rates ranging from 1.77% to 6.00%, due from 2020 to 2023	34,596	41,215	317,220
Unsecured bonds denominated in yen at an interest rate of 0.18%, due 2019	–	20,000	–
Unsecured bonds denominated in yen at an interest rate of 0.22%, due 2020	15,000	15,000	137,539
Unsecured bonds denominated in yen at an interest rate of 0.04%, due 2021	30,000	30,000	275,078
Unsecured bonds denominated in yen at an interest rate of 0.11%, due 2023	30,000	30,000	275,078
Unsecured bonds denominated in yen at an interest rate of 0.20%, due 2026	20,000	20,000	183,385
Deferrable and early redeemable subordinated unsecured bonds denominated in yen at an interest rate of 0.81%, due 2077	120,000	120,000	1,100,312
Lease obligations	7,784	6,727	71,373
	<u>420,405</u>	<u>400,038</u>	<u>3,854,804</u>
	<u>(34,527)</u>	<u>(84,781)</u>	<u>(316,587)</u>
	<u>¥ 385,878</u>	<u>¥ 315,257</u>	<u>\$ 3,538,217</u>
Less current portion			

The aggregate annual maturities of long-term debt subsequent to January 31, 2020 are summarized as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2021	¥ 34,527	\$ 316,587
2022	98,402	902,274
2023	44,366	406,804
2024	85,821	786,915
2025 and thereafter	157,289	1,442,224
	<u>¥420,405</u>	<u>\$ 3,854,804</u>

In order to achieve more efficient and flexible financing, the Company has concluded line-of-credit agreements with certain financial institutions. The status of these lines of credit at January 31, 2020 and 2019 is as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Lines of credit	¥ 440,837	¥ 467,940	\$ 4,042,151
Credit utilized	165,740	208,748	1,519,714
Available credit	<u>¥ 275,097</u>	<u>¥ 259,192</u>	<u>\$ 2,522,437</u>

11. Mortgaged and Pledged Assets

At January 31, 2020 and 2019, the following assets were either mortgaged or pledged for guarantees of a third party bank loan, guarantee deposits received and long-term bank loan, including current portion and totaled ¥47,942 million (\$439,543 thousand) and ¥42,439 million, respectively.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Inventories	¥ 80,280	¥ 107,143	\$ 736,108
Land	6,077	2,650	55,722
Buildings and structures	2,080	478	19,072
Investments in securities	1,563	321	14,331
Long-term loans	3	–	28
Short-term loans	0	–	0
	<u>¥ 90,003</u>	<u>¥ 110,592</u>	<u>\$ 825,261</u>

Short-term loans, Long-term loans, and Investments in securities are mortgaged for guarantees of liabilities of investees.

As of January 31, 2020 and 2019, ¥80,234 million (\$735,687 thousand) and ¥107,097 million of inventories were pledged as collateral for nonrecourse liabilities of short-term and long-term debt, including current portion and totaled ¥34,596 million (\$317,220 thousand) and ¥41,215 million, respectively. These nonrecourse liabilities and corresponding assets are included in the above table.

In addition, for the purpose of covering warranty obligations for latent defects on certain housing, ¥294 million (\$2,696 thousand) and nil of short-term investments, and ¥8,402 million (\$77,040 thousand) and ¥7,743 million of other assets were deposited in accordance with relevant laws at January 31, 2020 and 2019, respectively.

12. Income Taxes

The Company and its domestic subsidiaries are subject to several taxes based on income which, in the aggregate, resulted in statutory tax rates of approximately 30.5% and 30.7% for the years ended January 31, 2020 and 2019 respectively. Overseas subsidiaries are subject to the income taxes of the countries in which they operate.

The reconciliation of the differences between the statutory tax rates and the effective tax rates for the year ended January 31, 2020 and 2019 were omitted because such differences are less than 5% of the statutory tax rate.

The significant components of the Group's deferred tax assets (liabilities) at January 31, 2020 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Deferred tax assets:			
Liability for retirement benefits	¥ 13,740	¥ 15,437	\$ 125,986
Loss on revaluation of real estate held for sale	13,223	16,276	121,245
Accumulated losses on impairment of fixed assets	9,534	8,825	87,420
Accrued employees' bonuses	8,706	7,944	79,827
Tax loss carryforwards	7,378	3,970	67,651
Unrealized gain on fixed assets	5,007	4,577	45,910
Loss on revaluation of securities	1,435	1,551	13,158
Others	20,328	14,156	186,393
Gross deferred tax assets	79,351	72,736	727,590
Valuation allowance for tax loss carryforwards (b)	(7,038)	–	(64,533)
Valuation allowance for total deductible temporary differences	(14,805)	–	(135,751)
Total valuation allowance (a)	(21,843)	(16,451)	(200,284)
Total deferred tax assets	57,508	56,285	527,306
Deferred tax liabilities:			
Net unrealized holding gain on securities	(17,593)	(12,840)	(161,315)
Others	(11,086)	(6,807)	(101,650)
Total deferred tax liabilities	(28,679)	(19,647)	(262,965)
Net deferred tax assets	<u>¥ 28,829</u>	<u>¥ 36,638</u>	<u>\$ 264,341</u>

(a) The valuation allowance mainly consists of deferred tax assets arising from non-schedulable temporary differences on loss on revaluation of securities and accumulated losses on impairment of fixed assets.

(b) A breakdown of tax loss carryforwards and deferred tax assets by expiry dates is as follows:

	Millions of yen						Total
	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	
Tax loss carryforwards (*)	¥ 578	¥ 1,188	¥ 1,178	¥ 1,131	¥ 1,253	¥ 2,050	¥ 7,378
Valuation allowance	(543)	(1,188)	(1,178)	(1,131)	(1,253)	(1,745)	(7,038)
Deferred tax assets	35	-	-	-	-	305	340

	Thousands of U.S. dollars						Total
	Within 1 year	After 1 year through 2 years	After 2 years through 3 years	After 3 years through 4 years	After 4 years through 5 years	After 5 years	
Tax loss carryforwards (*)	\$ 5,300	\$ 10,893	\$ 10,801	\$ 10,371	\$ 11,489	\$ 18,797	\$ 67,651
Valuation allowance	(4,979)	(10,893)	(10,801)	(10,371)	(11,489)	(16,000)	(64,533)
Deferred tax assets	321	-	-	-	-	2,797	3,118

(*) The amount of tax loss carryforwards is calculated by multiplying the statutory income tax rate.

13. Retirement Benefit Plans

The Company and its subsidiaries have defined benefit plans, which consist of corporate pension funds and lump-sum payment retirement plan and defined contribution pension plans.

Certain domestic subsidiaries have calculated their retirement benefit obligation and retirement benefit expenses based on the amount which would be payable at the year end if all eligible employees terminated their services voluntarily (the "Simplified Method").

In certain cases, special retirement benefits may be paid to employees.

Defined benefit plans

The changes in the retirement benefit obligations, including those for which the Simplified Method is applied, during the years ended January 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Retirement benefit obligations at the beginning of the year	¥ 304,623	¥ 269,101	\$ 2,793,169
Service cost	12,222	10,407	112,067
Interest cost	2,453	3,757	22,492
Actuarial loss	4,513	29,093	41,381
Retirement benefit paid	(8,661)	(7,735)	(79,415)
Amount of increase resulting from change in scope of consolidation	11,222	-	102,897
Retirement benefit obligations at the end of the year	¥ 326,372	¥ 304,623	\$ 2,992,591

The changes in plan assets, including those for which the Simplified Method is applied, during the years ended January 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Plan assets at the beginning of the year	¥ 255,017	¥ 262,321	\$ 2,338,319
Expected return on plan assets	6,350	6,529	58,225
Actuarial gain (loss)	8,993	(14,780)	82,459
Contributions paid by the Company	8,181	7,855	75,014
Retirement benefits paid	(7,342)	(6,908)	(67,321)
Amount of increase resulting from change in scope of consolidation	7,262	-	66,587
Plan assets at the end of the year	¥ 278,461	¥ 255,017	\$ 2,553,283

The following table sets forth the funded status of the plan assets and the amounts recognized in the consolidated balance sheets as of January 31, 2020 and 2019 for the Company's and domestic subsidiaries' defined benefit plans, including those for which the Simplified Method is applied:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Funded retirement benefit obligation	¥ 297,970	¥ 280,572	\$ 2,732,166
Plan assets at fair value	(278,461)	(255,017)	(2,553,283)
	19,509	25,555	178,883
Unfunded retirement benefit obligation	28,402	24,051	260,426
Net liability for retirement benefits in the balance sheets	¥ 47,911	¥ 49,606	\$ 439,309
Liability for retirement benefits	¥ 49,414	¥ 49,989	\$ 453,090
Asset for retirement benefits	(1,503)	(383)	(13,781)
Net liability for retirement benefits in the balance sheet	¥ 47,911	¥ 49,606	\$ 439,309

The components of retirement benefit expenses for the years ended January 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Service cost	¥ 12,222	¥ 10,407	\$ 112,067
Interest cost	2,453	3,757	22,492
Expected return on plan assets	(6,350)	(6,528)	(58,225)
Amortization of actuarial loss (gain)	4,924	(6,061)	45,150
Amortization of prior service cost	(4,760)	(5,686)	(43,646)
Other	666	524	6,107
Retirement benefit expenses	¥ 9,155	¥ (3,587)	\$ 83,945

(Note)

Retirement benefit expenses of certain subsidiaries adopting the Simplified Method are included in "service cost."

"Other" mainly consists of special retirement benefits paid to employees.

The components of retirement benefits liability adjustments included in other comprehensive income (before tax effect) for the years ended January 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Prior service cost	¥ (4,760)	¥ (5,686)	\$ (43,646)
Actuarial loss (gain)	9,397	(49,934)	86,164
Total	¥ 4,637	¥ (55,620)	\$ 42,518

The components of retirement benefits liability adjustments included in accumulated other comprehensive income (before tax effect) as of January 31, 2020 and 2019 are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unrecognized prior service cost	¥ 57	¥ 4,724	\$ 522
Unrecognized actuarial loss	(27,845)	(37,228)	(255,318)
Total	¥ (27,788)	¥ (32,504)	\$ (254,796)

The fair values of plan assets, by major category, as a percentage of total plan assets as of January 31, 2020 and 2019 are as follows:

	2020	2019
Debt securities	41%	31%
Equity securities	22	24
General accounts at insurance companies	14	14
Credit	10	4
Private equity	3	1
Cash and deposits	3	2
Other	7	24
Total	100%	100%

The expected rate of return on plan assets has been estimated considering the anticipated allocation to each asset class and the expected long-term rates of returns on various components of pension assets in each category.

The assumptions used in accounting for the above retirement benefit plans for the years ended January 31, 2020 and 2019 are as follows:

	2020	2019
Discount rate	Mainly 0.8%	0.8%
Expected long-term rate of return on plan assets	Mainly 2.5%	2.5%
Expected rate of salary increase	Mainly 4.5%	4.5%

The expected rate of salary increase is calculated based on a pay point system.

Defined contribution pension plans

Total contributions paid by the subsidiaries to the defined contribution plan for the years ended January 31, 2020 and 2019 were ¥147 million (\$1,348 thousand) and ¥110 million, respectively.

14. Asset Retirement Obligations

In accordance with exhibition contracts at housing exhibition sites, tenancy contracts for offices and real estate for investment, the Company and certain subsidiaries are obligated to remove leasehold improvements attached to these housing exhibitions, offices and real estate and return the property to its original state after vacating the premises.

The asset retirement obligations included in other liabilities are determined and discounted to their present value using a risk-free rate at the beginning of the year and the anticipated

future useful lives for each housing exhibition, office or real estate.

The changes in asset retirement obligations for the years ended January 31, 2020 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Balance at the beginning of the year	¥ 2,747	¥ 2,723	\$ 25,188
Liabilities incurred for assets acquired	1,159	154	10,627
Accretion expense	19	18	174
Liabilities settled	(226)	(148)	(2,072)
Balance at the end of the year	¥ 3,699	¥ 2,747	\$ 33,917

15. Contingent Liabilities

The Group had the following contingent liabilities at January 31, 2020:

	Millions of yen	Thousands of U.S. dollars
Guarantees of housing loans to 3,639 customers	¥ 115,070	\$ 1,055,107
Guarantees of bank loan of affiliated companies	31,162	285,733
Guarantees of bank loan of a third party	108	990
Guarantees of repayment of sales contract deposit of a third party	442	4,053
Guarantees of bank loans of a third party with mortgaged assets	40	367

16. Shareholders' Equity

The Companies Act of Japan (the "Act") requires the Company to transfer an amount equal to 10% of the amount to be disbursed as distributions of capital surplus (other than the capital reserve) and retained earnings (other than the legal reserve) to the capital reserve and the legal reserve, respectively, until the sum of the capital reserve and the legal reserve equals 25% of the capital stock account. Such distributions can be made at any time by resolution of the shareholders, or by the Board of Directors if certain conditions are met.

The Company's legal reserve included in retained earnings at January 31, 2020 and 2019 amounted to ¥23,129 million (\$212,076 thousand).

Under the Act, upon the issuance and sales of new shares of common stock, the entire amount of the proceeds is required to be accounted for as common stock, although a company may, by resolution of the Board of Directors, account for an amount not exceeding one-half of the proceeds of the sale of new shares as capital surplus.

Stock option plan

Stock option expenses per accounts for the years ended January 31, 2020 and 2019 were as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Cost of sales	¥ 1	¥ 2	\$ 9
Selling, general and administrative expenses	18	86	165

Description of each stock option plan as of January 31, 2020 is as follows:

Stock option plans	Plan approved on April 27, 2006 (the 2006 plan)	Plan approved on May 17, 2007 (the 2007 plan)	Plan approved on May 15, 2008 (the 2008 plan)
Individuals covered by the plan	Total 27 Directors and Executive Officers	Total 26 Directors and Executive Officers	Total 32 Directors and Executive Officers
Type and number of shares to be issued upon the exercise of the share subscription rights	48,000 shares of common stock	55,000 shares of common stock	108,000 shares of common stock
Grant date	April 27, 2006	June 7, 2007	June 6, 2008
Vesting period	No applicable period of service is specified	No applicable period of service is specified	No applicable period of service is specified
Exercise period	From April 28, 2006 to April 27, 2026	From June 8, 2007 to June 7, 2027	From June 7, 2008 to June 6, 2028

	Plan approved on May 21, 2009 (the 2009 plan)	Plan approved on May 20, 2010 (the 2010 plan)	Plan approved on May 19, 2011 (the 2011 plan)
Individuals covered by the plan	Total 30 Directors and Executive Officers	Total 30 Directors and Executive Officers	Total 28 Directors and Executive Officers
Type and number of shares to be issued upon the exercise of the share subscription rights	106,000 shares of common stock	105,000 shares of common stock	130,000 shares of common stock
Grant date	June 9, 2009	June 16, 2010	June 14, 2011
Vesting period	No applicable period of service is specified	No applicable period of service is specified	No applicable period of service is specified
Exercise period	From June 10, 2009 to June 9, 2029	From June 17, 2010 to June 16, 2030	From June 15, 2011 to June 14, 2031

	Plan approved on May 17, 2012 (the 2012 plan)	Plan approved on May 16, 2013 (the 2013 plan)	Plan approved on May 15, 2014 (the 2014 plan)
Individuals covered by the plan	Total 33 Directors and Executive Officers	Total 32 Directors and Executive Officers	Total 34 Directors and Executive Officers
Type and number of shares to be issued upon the exercise of the share subscription rights	147,000 shares of common stock	68,000 shares of common stock	100,000 shares of common stock
Grant date	June 13, 2012	June 13, 2013	June 13, 2014
Vesting period	No applicable period of service is specified	No applicable period of service is specified	No applicable period of service is specified
Exercise period	From June 14, 2012 to June 13, 2032	From June 14, 2013 to June 13, 2033	From June 14, 2014 to June 13, 2034

	Plan approved on May 21, 2015 (the 2015 plan)	Plan approved on May 19, 2016 (the 2016 plan)	Plan approved on May 18, 2017 (the 2017 plan)
Individuals covered by the plan	Total 34 Directors and Executive Officers	Total 35 Directors and Executive Officers	Total 35 Directors and Executive Officers
Type and number of shares to be issued upon the exercise of the share subscription rights	63,000 shares of common stock	66,000 shares of common stock	64,000 shares of common stock
Grant date	June 12, 2015	June 14, 2016	June 14, 2017
Vesting period	No applicable period of service is specified	No applicable period of service is specified	No applicable period of service is specified
Exercise period	From June 13, 2015 to June 12, 2035	From June 15, 2016 to June 14, 2036	From June 15, 2017 to June 14, 2037

	Plan approved on May 17, 2018 (the 2018 plan)
Individuals covered by the plan	Total 32 Directors and Executive Officers
Type and number of shares to be issued upon the exercise of the share subscription rights	69,000 shares of common stock
Grant date	June 14, 2018
Vesting period	No applicable period of service is specified
Exercise period	From June 15, 2018 to June 14, 2038

Information regarding the Company's stock option plans is summarized as follows:

	Number of shares														
	2019														
	The 2006 plan	The 2007 plan	The 2008 plan	The 2009 plan	The 2010 plan	The 2011 plan	The 2012 plan	The 2013 plan	The 2014 plan	The 2015 plan	The 2016 plan	The 2017 plan	The 2018 plan		
Number of stock options:															
Non-vested															
Outstanding at February 1, 2019	6,000	7,000	23,000	26,000	37,000	48,000	73,000	35,000	69,000	41,000	50,000	47,000	69,000		
Granted	—	—	—	—	—	—	—	—	—	—	—	—	—		
Forfeited	—	—	—	—	—	—	—	—	—	—	—	—	—		
Vested	—	—	2,000	—	2,000	3,000	3,000	2,000	3,000	1,000	3,000	2,000	4,000		
Outstanding at January 31, 2020	6,000	7,000	21,000	26,000	35,000	45,000	70,000	33,000	66,000	40,000	47,000	45,000	65,000		
Vested															
Outstanding at February 1, 2019	11,000	12,000	29,000	26,000	42,000	52,000	62,000	28,000	31,000	22,000	16,000	17,000	—		
Vested	—	—	2,000	—	2,000	3,000	3,000	2,000	3,000	1,000	3,000	2,000	4,000		
Exercised	11,000	12,000	30,000	25,000	30,000	36,000	38,000	19,000	18,000	10,000	11,000	11,000	4,000		
Forfeited	—	—	—	—	—	—	—	—	—	—	—	—	—		
Outstanding at January 31, 2020	—	—	1,000	1,000	14,000	19,000	27,000	11,000	16,000	13,000	8,000	8,000	—		
Exercise price	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1	¥ 1		
Average stock price at exercise	¥1,753	¥1,757	¥1,817	¥1,808	¥1,961	¥1,993	¥1,934	¥1,882	¥1,856	¥1,755	¥1,761	¥1,763	¥1,790		
Fair value price at grant date	¥ —(*)	¥1,571	¥876	¥681	¥717	¥592	¥495	¥1,071	¥974	¥1,507	¥1,356	¥1,415	¥1,283		
Exercise price	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0		
Average stock price at exercise	\$16	\$16	\$17	\$17	\$18	\$18	\$18	\$17	\$17	\$16	\$16	\$16	\$16		
Fair value price at grant date	\$ —	\$14	\$ 8	\$ 6	\$ 7	\$ 5	\$ 5	\$ 10	\$ 9	\$14	\$12	\$13	\$12		

(*) The fair value of stock options is omitted since they had been issued before the date of enactment of the Act.

Treasury stock

Movements in treasury stock during the years ended January 31, 2020 and 2019 are summarized as follows:

	Number of shares			
	2020			
	January 31, 2019	Increase	Decrease	January 31, 2020
Treasury stock	2,531,961	5,010,699	320,590	7,222,070

The increase in treasury stock consists of 5,000,000 shares resulting from the repurchasing based on the article of incorporation of the Company under Article 165 (2) of the Act, 2,400 shares resulting from gratis acquisition of the restricted shares due to retirement of directors and executive officers, 8,222 shares resulting from the purchase of shares

less than one unit by the Company, and 77 shares of treasury stock attributable to the Company resulting from the purchase by an affiliate for the year ended January 31, 2020. The decrease in treasury stock consists of 90 shares resulting from sale of shares less than one unit by the Company, 65,500 shares resulting from the procedure of payments in kind regarding the disposal of treasury shares as restricted stock remuneration and 255,000 shares resulting from the exercise of stock option plans for the year ended January 31, 2020.

	Number of shares			
	2019			
	January 31, 2018	Increase	Decrease	January 31, 2019
Treasury stock	586,249	2,007,885	62,173	2,531,961

The increase in treasury stock consists of 2,000,000 shares resulting from the repurchasing based on the article of incorporation of the Company under Article 165 (2) of the Act, 6,873 shares resulting from the purchase of shares less than one unit by the Company, and 1,012 shares of treasury stock attributable to the Company resulting from the purchase by an affiliate for the year ended January 31, 2019. The decrease in treasury stock consists of 173 shares resulting from sale of shares less than one unit by the Company, and 62,000 shares resulting from the exercise of stock option plans for the year ended January 31, 2019.

17. Research and Development Cost

Research and development cost included in selling, general and administrative expenses amounted to ¥7,313 million (\$67,055 thousand) and ¥6,041 million for the years ended January 31, 2020 and 2019, respectively.

18. Leases

(Lessee)

The Company has leased assets under finance lease transactions which do not transfer ownership to the lessee, mainly consisting of business-use servers, vehicles and software.

Regarding the depreciation method of leased assets under finance lease transactions which do not transfer ownership to the lessee, please refer to Note 2 (i).

Future minimum lease payments subsequent to January 31, 2020 under non-cancellable operating leases are summarized as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2021	¥ 5,733	\$ 52,568
2022 and thereafter	57,249	524,931
	¥ 62,982	\$ 577,499

(Lessor)

Lease receivables from finance lease transactions in which the

ownership of the leased assets is not transferred to the lessee as of January 31, 2020 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Current assets:			
Gross lease receivables	¥ 11,491	¥ 8,695	\$ 105,364
Less unearned interest income	(3,975)	(2,369)	(36,448)
Net lease receivables	¥ 7,516	¥ 6,326	\$ 68,916

Contractual maturities of lease receivables from finance lease transactions subsequent to January 31, 2020 in which the ownership of the leased assets is transferred to the lessee are as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2021	¥ 225	\$ 2,063
2022	225	2,063
2023	212	1,944
2024	212	1,944
2025	212	1,944
2026 and thereafter	4,164	38,181
	¥ 5,250	\$ 48,139

Contractual maturities of the above gross lease receivables subsequent to January 31, 2020 in which the ownership of the leased assets is not transferred to the lessee are as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2021	¥ 440	\$ 4,034
2022	440	4,034
2023	441	4,044
2024	441	4,044
2025	441	4,044
2026 and thereafter	9,288	85,164
	¥11,491	\$105,364

Future minimum lease receipts subsequent to January 31, 2020 under non-cancellable operating leases are summarized as follows:

Year ending January 31,	Millions of yen	Thousands of U.S. dollars
2021	¥ 5,242	\$ 48,065
2022 and thereafter	25,927	237,732
	¥ 31,169	\$ 285,797

Lease receivables and lease obligations in which the ownership of the leased assets is not transferred to the lessee as of January 31, 2020 and 2019 under sub-lease transactions are as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Lease receivables:			
Current	¥ 4,011	¥ 4,166	\$ 36,778
Lease obligations:			
Current	187	187	1,715
Non-current	3,993	4,180	36,613

19. Amounts per Share

Per share amounts as of and for the years ended January 31, 2020 and 2019 are as follows:

	Yen		U.S. dollars
	2020	2019	2020
Profit attributable to owners of parent:			
Basic	¥ 205.79	¥ 186.53	\$ 1.89
Diluted	205.57	186.29	1.88
Net assets	1,852.62	1,718.82	16.99
Cash dividends	81.00	79.00	0.74

Basic profit per share has been computed based on the profit attributable to common stock holders and the weighted-average number of shares of common stock outstanding during the year.

Diluted profit per share is computed based on the profit available for distribution to shareholders and the weighted-average number of shares of common stock outstanding during each year after giving effect to the dilutive potential of shares of common stock to be issued upon the exercise of stock options.

Amounts per share of net assets have been computed based on the net assets available for distribution to the shareholders and the number of shares of common stock outstanding at the year end.

Cash dividends per share of the Company represent the cash dividends declared as applicable to the respective years together with the interim cash dividends paid.

Financial data for the computation of basic and diluted profit per share for the years ended January 31, 2020 and 2019 in the table above is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Information on basic profit per share:			
Profit	¥ 141,257	¥ 128,583	\$ 1,295,223
Profit not attributable to common stockholders	—	—	—
Adjusted profit attributable to common stockholders	¥ 141,257	¥ 128,583	\$ 1,295,223

	Thousands of shares	
	2020	2019
Weighted-average number of shares of common stock outstanding during the year	686,401	689,337

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020

Information on diluted profit per share for the years ended January 31, 2020 and 2019 in the table above is summarized as follows:

Adjustments to profit attributable to common stockholders	¥ —	¥ —	\$ —
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	Thousands of shares	
	2020	2019

Increase in common stock:		
Stock subscription rights	741	895

Financial data for the computation of net assets per share at January 31, 2020 and 2019 in the table above is summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Total net assets	¥ 1,306,850	¥ 1,196,924	\$ 11,982,853
Deductions from total net assets:			
Stock subscription rights	(610)	(803)	(5,593)
Non-controlling interests	(40,045)	(13,312)	(367,183)
Total net assets attributable to common stockholders	¥ 1,266,195	¥ 1,182,809	\$ 11,610,077

	Thousands of shares	
	2020	2019
Number of shares of common stock used in the calculation of net assets per share	683,461	688,152

20. Financial Instruments and Related Disclosures

The Group manages cash surpluses mainly through low-risk financial assets. The Group raises funds mainly through bank loans and direct finance such as issuance of bonds. The Group enters into derivative transactions for the purpose of reducing risks and does not enter into derivative transactions for speculative or trading purposes.

Notes and accounts receivable, trade are exposed to credit risk in relation to customers. Short-term investments and investments in securities, which primarily consist of equity securities, held-to-maturity debt securities, certificates of deposits and investments in partnerships, are exposed to credit risk in relation to issuers and fluctuation risk of market price. Substantially all notes and accounts payable, trade have payment due dates within one year. Bank loans and bonds are utilized principally for working capital and capital investments. Bank loans are utilized with variable interest rates and are exposed to interest rate fluctuation risk.

Regarding derivative transactions, the Group enters into forward foreign exchange contracts and currency swap contracts to reduce the foreign currency exchange risk arising from trade receivables, payables, investments and loan receivables denominated in foreign currencies. The Group also enters into interest rate swap contracts to reduce the interest rate fluctuation risk. Further information regarding the method of hedge accounting, hedging instruments and hedged items, hedging policy, and the assessment of the effectiveness of hedging activities can be found in Note 2 (u). For managing credit risk arising from receivables, each related accounting and management division of the Group monitors the collection, due dates and outstanding balances by customer. In addition, the Group makes efforts to identify at earliest and mitigate risks of bad debts from customers experiencing financial difficulties.

The Group executes and manages derivative transactions in accordance with internal rules. The Group enters into derivative transactions dispersedly with financial institutions with high credit ratings to mitigate the credit risks.

For short-term investments and investments in securities, the Group periodically reviews the fair values of such financial instruments and the financial conditions of the issuers.

Based on reports from each division of the Group, the

Company prepares and updates their cash flow plans on a timely basis and maintains appropriate liquidity levels to manage liquidity risk. The Company also has multiple methods of stable financing, such as entering into commitment line contracts or providing the bond issuance limits. In addition, the Group has funding systems, such as the cash management system, to supply funds to the subsidiaries flexibly.

The fair value of financial instruments is determined based on their quoted market price, if available. When there is no available quoted market price, fair value is reasonably estimated. Since a number of variable factors are reflected in estimating the fair value, different factors could result in different fair values. In addition, the notional amounts of derivative transactions in the following table are not necessarily indicative of the actual market risk involved in the derivative transactions.

The carrying values of financial instruments on the accompanying consolidated balance sheets as of January 31, 2020 and 2019 and their estimated fair values are shown in the following table. The following table does not include financial instruments for which it is extremely difficult to determine the fair value.

	Millions of yen			Thousands of U.S. dollars		
	Carrying value	Estimated fair value	Difference	Carrying value	Estimated fair value	Difference
Cash and cash equivalents	¥ 583,298	¥ 583,298	¥ —	\$ 5,348,414	\$ 5,348,414	\$ —
Notes and accounts receivable - trade	133,978	—	—	1,228,480	—	—
Less allowance for doubtful accounts	(462)	—	—	(4,236)	—	—
Sub total	133,516	133,516	—	1,224,244	1,224,244	—
Short-term investments and investments in securities and affiliates:						
Investments in affiliates	2,869	1,800	(1,069)	26,306	16,504	(9,802)
Other securities	106,486	106,486	—	976,398	976,398	—
Total	826,169	825,100	(1,069)	7,575,362	7,565,560	(9,802)
Notes and accounts payable	219,550	219,550	—	2,013,112	2,013,112	—
Short-term loans	166,486	166,486	—	1,526,554	1,526,554	—
Bonds	215,000	216,328	1,328	1,971,392	1,983,569	12,177
Long-term loans including current portion	197,621	198,539	918	1,812,039	1,820,457	8,418
Total	¥ 798,657	¥ 800,903	¥ 2,246	\$ 7,323,097	\$ 7,343,692	\$ 20,595
Derivative transactions (*)	¥ 9	¥ 9	¥ —	\$ 83	\$ 83	\$ —

	Millions of yen		
	Carrying value	Estimated fair value	Difference
Cash and cash equivalents	¥ 342,899	¥ 342,899	¥ —
Notes and accounts receivable - trade	42,504	—	—
Less allowance for doubtful accounts	(403)	—	—
Sub total	42,101	42,101	—
Short-term investments and investments in securities and affiliates:			
Investments in affiliates	3,213	1,687	(1,526)
Other securities	81,283	81,283	—
Total	469,496	467,970	(1,526)
Notes and accounts payable	147,429	147,429	—
Short-term loans	239,472	239,472	—
Bonds	235,000	236,429	1,429
Long-term loans including current portion	158,311	157,844	(467)
Total	¥ 780,212	¥ 781,174	¥ 962
Derivative transactions (*)	¥ —	¥ —	¥ —

(*) The value of assets and liabilities arising from derivatives is shown at net value, and the amounts in parentheses represent net liability position.

The fair values of cash and cash equivalents and notes and accounts receivable – trade approximate their carrying values since these items are settled in a short period of time.

The fair values of short-term investments and investments in securities are determined based on quoted market prices. The fair value of debt securities is based on either quoted market price or the price provided by the counterparty financial institutions.

For further information of fair values of short-term investments and investments in securities by holding purposes, please refer to Note 5 “Short-Term Investments and Investments in Securities.”

The fair values of notes and accounts payable and short-term loans approximate their carrying value since these items are settled in a short period of time.

The fair values of bonds are determined based on market prices.

The fair value of long-term loans including the current portion with variable interest rates approximates the carrying value. The fair value of long-term loans including the current portion with fixed interest rates is determined based on the discounted present value of the principal and interest payments using the corresponding fixed interest rate for new loans with the same terms and conditions.

Regarding derivative transactions, refer to Note 21 “Derivative Transactions and Hedging Activities.”

Financial instruments for which it is extremely difficult to determine the fair value as of January 31, 2020 and 2019 are summarized as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Unlisted stocks	¥ 38,396	¥ 62,191	\$ 352,063
Investments in special purpose entities	8,652	7,710	79,332
Preferred stocks	999	999	9,160
Investments in silent partnership	785	1,472	7,198
Investments in investment limited liability partnerships	745	429	6,831
Unlisted bonds	120	120	1,100

Because no quoted market price is available and it is assumed that significant costs are involved in estimating the future cash flows, it is extremely difficult to determine the fair value. The redemption schedules for cash and cash equivalents, notes and accounts receivable and short-term investments and investments in securities with maturities at January 31, 2020 are as follows:

	2020				
	Millions of yen				
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	
Cash and cash equivalents	¥ 583,298	¥ —	¥ —	¥ —	¥ —
Notes and accounts receivable	127,984	3,765	351	1,878	
Held-to-maturity debt securities (Corporate bonds)	—	—	—	—	120
Other securities with maturities (Time deposit with a maturity in excess of three months)	1,338	—	—	—	—
Total	¥ 712,620	¥ 3,765	¥ 351	¥ 1,998	

	2020				
	Thousands of U.S. dollars				
	Due in one year or less	Due after one year through five years	Due after five years through ten years	Due after ten years	
Cash and cash equivalents	\$ 5,348,414	\$ —	\$ —	\$ —	\$ —
Notes and accounts receivable	1,173,519	34,522	3,219	17,220	
Held-to-maturity debt securities (National government bonds)	—	—	—	—	1,100
Other securities with maturities (Time deposit with a maturity in excess of three months)	12,268	—	—	—	—
Total	\$ 6,534,201	\$ 34,522	\$ 3,219	\$ 18,320	

The redemption schedules for long-term debt are disclosed in Note 10 "Short-Term Loans, Short-Term Bonds and Long-Term Debt."

21. Derivative Transactions and Hedging Activities

The contract value (notional principal amount) and the estimated fair value of the derivative instruments outstanding which did not qualify for deferral hedge accounting at January 31, 2020 are as follows:

Currency-related transactions

Classification	Description of transaction	2020			
		Millions of yen			
		Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value	Unrealized gain (loss)
Over-the-counter transactions	Forward foreign currency exchange contracts				
	Buy (U.S. dollar)	¥ 958	¥ —	¥ 13	¥ 13
	Buy (Euro)	229	27	(4)	(4)
	Total	¥ 1,187	¥ 27	¥ 9	¥ 9

Classification	Description of transaction	2020			
		Thousands of U.S. dollars			
		Contract value (notional principal amount)	Contract value (notional principal amount) (over 1 year)	Estimated fair value	Unrealized gain (loss)
Over-the-counter transactions	Forward foreign currency exchange contracts				
	Buy (U.S. dollar)	\$ 8,784	\$ —	\$ 119	\$ 119
	Buy (Euro)	2,100	248	(36)	(36)
	Total	\$ 10,884	\$ 248	\$ 83	\$ 83

The fair value of the above derivative transactions is determined based on the prices provided by counterparty financial institutions.

There were no derivative instruments outstanding which did not qualify for deferral hedge accounting at January 31, 2019.

22. Segment Information

Reportable segments of the Company are components for which separate financial information is available and whose operating results are regularly reviewed by the management to determine the allocation of management resources and assess the business performance. The Group engages in comprehensive housing businesses as a positive generator of comfortable living environment. The Company establishes business domains, plans separate business strategies for each business domain and conducts business to achieve sustainable growth through the optimization of business resources.

The Company's business segments are classified by different products and services based on their business domains. The Company's business segments, excluding the other businesses segment, consist of the following reportable segments: custom detached houses, rental housing, remodeling, real estate management fees, houses for sale, condominiums, urban redevelopment and overseas.

Details of the reportable segments are as follows:

Custom detached houses:	Design, construction and contracting of built-to-order detached houses
Rental housing:	Design, construction, and contracting of built-to-order properties for lease, medical and nursing care facilities, and other buildings
Remodeling:	Remodeling of residential properties
Real estate management fees:	Sub-lease, management, operation and brokerage of real estate
Houses for sale:	Sale of houses and lands and designing, construction, and contracting of houses on lands for sale

Condominiums:	Sale of condominiums
Urban redevelopment:	Development of office buildings and commercial facilities, and management and operation of owned properties
Overseas:	Contracting of built-to-order detached houses, sale of houses and real estate, and development and sale of facilities, including condominiums and commercial facilities, in overseas markets

The accounting policies of the reportable segments are identical to those described in Note 2.

Information on net sales, income or loss, assets and other items by each reportable segment for the years ended January 31, 2020 and 2019 is outlined as follows:

	Millions of yen					
	2020					
	Reportable segments					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Sales to third parties	¥ 390,996	¥ 410,622	¥ 152,729	¥ 534,876	¥ 151,269	¥ 103,985
Intersegment sales and transfers	—	3,885	307	3,059	—	—
Net sales	390,996	414,507	153,036	537,935	151,269	103,985
Segment income	¥ 45,943	¥ 48,939	¥ 23,535	¥ 41,054	¥ 12,259	¥ 10,135
Segment assets	¥ 58,049	¥ 41,174	¥ 17,948	¥ 125,342	¥ 133,647	¥ 143,006
Other items:						
Depreciation and amortization	3,727	2,131	142	705	980	11
Increase in property, plant and equipment and intangible assets	3,210	615	41	1,398	725	23

	Millions of yen					
	2020					
	Reportable segments					
	Urban redevelopment	Overseas	Sub Total	Other	Total	Adjustments Consolidated
Sales to third parties	¥ 131,920	¥ 389,867	¥ 2,266,264	¥ 148,923	¥ 2,415,187	¥ —
Intersegment sales and transfers	141	—	7,392	6,535	13,927	(13,927)
Net sales	132,061	389,867	2,273,656	155,458	2,429,114	(13,927)
Segment income	¥ 17,045	¥ 44,551	¥ 243,461	¥ 4,230	¥ 247,691	¥ (42,434)
Segment assets	¥ 518,532	¥ 990,248	¥ 2,027,946	¥ 232,492	¥ 2,260,438	¥ 374,310
Other items:						
Depreciation and amortization	7,645	2,243	17,584	1,077	18,661	2,858
Increase in property, plant and equipment and intangible assets	60,155	1,975	68,142	351	68,493	4,762

	Millions of yen					
	2019					
	Reportable segments					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Sales to third parties	¥ 357,945	¥ 416,062	¥ 141,417	¥ 514,036	¥ 148,880	¥ 89,581
Intersegment sales and transfers	—	3,217	178	3,208	—	—
Net sales	357,945	419,279	141,595	517,244	148,880	89,581
Segment income(loss)	¥ 42,255	¥ 50,377	¥ 21,109	¥ 39,408	¥ 11,088	¥ 6,478
Segment assets	¥ 57,414	¥ 47,310	¥ 16,847	¥ 138,016	¥ 141,446	¥ 173,103
Other items:						
Depreciation and amortization	3,900	2,463	117	757	1,109	14
Increase in property, plant and equipment and intangible assets	3,734	1,194	22	1,395	789	25

	Millions of yen					
	2019					
	Reportable segments					
	Urban redevelopment	Overseas	Sub Total	Other	Total	Adjustments Consolidated
Sales to third parties	¥ 173,392	¥ 245,953	¥ 2,087,266	¥ 73,051	¥ 2,160,317	¥ —
Intersegment sales and transfers	106	—	6,709	5,799	12,508	(12,508)
Net sales	173,498	245,953	2,093,975	78,850	2,172,825	(12,508)
Segment income(loss)	¥ 40,404	¥ 16,340	¥ 227,459	¥ (44)	¥ 227,415	¥ (38,192)
Segment assets	¥ 539,328	¥ 943,696	¥ 2,057,160	¥ 15,172	¥ 2,072,332	¥ 340,704
Other items:						
Depreciation and amortization	8,420	1,848	18,628	769	19,397	2,758
Increase in property, plant and equipment and intangible assets	45,603	922	53,684	175	53,859	4,821

	Thousands of U.S. dollars					
	2020					
	Reportable segments					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Sales to third parties	\$ 3,585,146	\$ 3,765,102	\$ 1,400,412	\$ 4,904,419	\$ 1,387,026	\$ 953,466
Intersegment sales and transfers	—	35,622	2,815	28,049	—	—
Net sales	3,585,146	3,800,724	1,403,227	4,932,468	1,387,026	953,466
Segment income	\$ 421,263	\$ 448,735	\$ 215,799	\$ 376,435	\$ 112,406	\$ 92,930
Segment assets	\$ 532,267	\$ 377,535	\$ 164,570	\$ 1,149,294	\$ 1,255,445	\$ 1,311,260
Other items:						
Depreciation and amortization	34,174	19,540	1,302	6,464	8,986	101
Increase in property, plant and equipment and intangible assets	29,433	5,639	376	12,819	6,648	211

	Thousands of U.S. dollars					
	2020					
	Reportable segments					
	Urban redevelopment	Overseas	Sub Total	Other	Total	Adjustments Consolidated
Sales to third parties	\$ 1,209,609	\$ 3,574,794	\$ 20,779,974	\$ 1,365,515	\$ 22,145,489	\$ —
Intersegment sales and transfers	1,293	—	67,779	59,921	127,700	(127,700)
Net sales	1,210,902	3,574,794	20,847,753	1,425,436	22,273,189	(127,700)
Segment income	\$ 156,290	\$ 408,500	\$ 2,232,358	\$ 38,786	\$ 2,271,144	\$ (389,088)
Segment assets	\$ 4,754,557	\$ 9,079,846	\$ 18,594,774	\$ 2,131,780	\$ 20,726,554	\$ 3,432,148
Other items:						
Depreciation and amortization	70,099	20,566	161,232	9,876	171,108	26,205
Increase in property, plant and equipment and intangible assets	551,577	18,109	624,812	3,218	628,030	43,664

"Other" in the above tables represents a segment other than the reportable segments, which includes business of Otori Holdings, Co., Ltd. and exterior business.

Adjustments in the above tables:

The adjustments of segment income in the amounts of ¥42,434 million (\$389,088 thousand) and ¥38,192 million for the years ended January 31, 2020 and 2019 include eliminations of intersegment transactions of ¥2,962 million (\$27,159 thousand) and ¥3,114 million and corporate expenses of ¥39,472 million (\$361,929 thousand) and ¥35,078 million, respectively. The corporate expenses were mainly related to administration expenses and research and development costs.

The adjustments of segment assets in the amounts of ¥374,310 million (\$3,432,148 thousand) and ¥340,704 million at January 31, 2020 and 2019, respectively, include corporate assets consisting of surplus funds held by the Company (cash and short-term investments), long-term

investments (investments in securities) and assets of administration departments.

The adjustments of depreciation and amortization in the amounts of ¥2,858 million (\$26,205 thousand) and ¥2,758 million for the years ended January 31, 2020 and 2019, respectively, consist of depreciation and amortization arising from corporate assets.

The adjustments of increase in property, plant and equipment and intangible assets in the amounts of ¥4,762 million (\$43,664 thousand) and ¥4,821 million for the years ended January 31, 2020 and 2019, respectively, consist of the purchases of equipment by the Company.

The total amount of segment income in the above tables is adjusted to operating income of the accompanying consolidated statements of income for the years ended January 31, 2020 and 2019.

Related Information

Information on each product and service for the years ended January 31, 2020 and 2019 was omitted because it was identical to that of the reportable segment information.

Geographical information on net sales for the years ended January 31, 2020 and 2019 was as follows:

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Japan	¥ 2,022,711	¥ 1,914,363	\$ 18,546,772
USA	309,136	166,671	2,834,550
Others	83,340	79,283	764,167
Total	¥ 2,415,187	¥ 2,160,317	\$ 22,145,489

Geographical information on property, plant and equipment for the years ended January 31, 2020 and 2019 was omitted because there were no items that meet the disclosure criteria. Sales information by major customer for the years ended January 31, 2020 and 2019 was omitted because there were no items that meet the disclosure criteria.

Information on loss on impairment of fixed assets by reportable segment for the years ended January 31, 2020 and 2019 was as follows:

	Millions of yen					
	Year ended January 31, 2020					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Loss on impairment of fixed assets	¥ 605	¥ -	¥ -	¥ -	¥ 158	¥ -

	Millions of yen					
	Year ended January 31, 2020					
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Loss on impairment of fixed assets	¥ 1,519	¥ 11,226	¥ 45	¥ 13,553	¥ -	¥ 13,553

	Millions of yen					
	As of and for the year ended January 31, 2019					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Loss on impairment of fixed assets	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -

	Millions of yen					
	Year ended January 31, 2019					
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Loss on impairment of fixed assets	¥ 8,970	¥ 318	¥ 105	¥ 9,393	¥ -	¥ 9,393

	Thousands of U.S. dollars					
	Year ended January 31, 2020					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Loss on impairment of fixed assets	\$ 5,547	\$ -	\$ -	\$ -	\$ 1,449	\$ -

	Thousands of U.S. dollars					
	Year ended January 31, 2020					
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Loss on impairment of fixed assets	\$ 13,928	\$ 102,934	\$ 413	\$ 124,271	\$ -	\$ 124,271

Information on amortization of goodwill and the remaining balance by reportable segment as of and for the years ended January 31, 2020 and 2019 was as follows:

	Millions of yen					
	As of and for the year ended January 31, 2020					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Amortization of goodwill	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -
Remaining balance	-	-	-	-	-	-

	Millions of yen					
	As of and for the year ended January 31, 2020					
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Amortization of goodwill	¥ -	¥ 1,427	¥ -	¥ 1,427	¥ -	¥ 1,427
Remaining balance	-	3,097	-	3,097	-	3,097

	Millions of yen					
	As of and for the year ended January 31, 2019					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Amortization of goodwill	¥ -	¥ -	¥ -	¥ -	¥ -	¥ -
Remaining balance	-	-	-	-	-	-

	Millions of yen					
	As of and for the year ended January 31, 2019					
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Amortization of goodwill	¥ -	¥ 1,467	¥ -	¥ 1,467	¥ -	¥ 1,467
Remaining balance	-	4,586	-	4,586	-	4,586

	Thousands of U.S. dollars					
	As of and for the year ended January 31, 2020					
	Custom detached houses	Rental housing	Remodeling	Real estate management fees	Houses for sale	Condominiums
Amortization of goodwill	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Remaining balance	-	-	-	-	-	-

	Thousands of U.S. dollars					
	As of and for the year ended January 31, 2020					
	Urban redevelopment	Overseas	Other	Total	Eliminations and other	Consolidated
Amortization of goodwill	\$ -	\$ 13,085	\$ -	\$ 13,085	\$ -	\$ 13,085
Remaining balance	-	28,397	-	28,397	-	28,397

There was no information on gain on bargain purchase for the years ended January 31, 2020 and 2019.

23. Related Party Transactions

Principal transactions and balances between the Company and its related parties as of and for during the year ended January 31, 2020 and 2019 are summarized as follows:

Names of related parties	Description	Transaction amount		Balances	
		2020		2020	
		Millions of yen	Thousands of U.S. dollars	Millions of yen	Thousands of U.S. dollars
Toshinori Abe Chairman & Representative Director	Sales of condominium	¥ 58	\$ 532	¥ -	\$ -
Relative of Toshinori Abe	Sales of condominium	¥ 73	\$ 669	¥ -	\$ -
Relative of Toshinori Abe	Sales of condominium	¥ 72	\$ 660	¥ -	\$ -
Company in which a relative of Kunpei Nishida owns a majority of the voting rights	Construction of house	¥ 136	\$ 1,247	¥ -	\$ -
Isami Wada former Advisor and Director	Construction of house	¥ 150		Advances received	¥ -

The prices for the transactions were determined using the same method as for third party transactions.

Isami Wada resigned from the position of advisor and director on April 26, 2018. The above transaction relates to his tenure period during the fiscal year.

24. Other Comprehensive Income

The following table presents an analysis of other comprehensive income (loss) for the years ended January 31, 2020 and 2019.

	Millions of yen		Thousands of U.S. dollars
	2020	2019	2020
Net unrealized holding gain (loss) on securities:			
Amount arising during the year	¥ 10,951	¥ (18,295)	\$ 100,412
Reclassification adjustments for loss included in profit	(284)	(3,022)	(2,604)
Before tax effect	10,667	(21,317)	97,800
Tax effect	(3,285)	6,316	(30,121)
Net unrealized holding gain (loss) on securities	7,382	(15,001)	67,687
Translation adjustments:			
Amount arising during the year	(9,598)	(28,169)	(88,006)
Reclassification adjustments for loss included in profit	(967)	(134)	(8,867)
Before tax effect	(10,565)	(28,303)	(96,873)
Tax effect	413	-	3,787
Translation adjustment	(10,152)	(28,303)	(93,086)
Retirement benefits liability adjustments:			
Amount arising during the year	4,530	(43,873)	41,537
Reclassification adjustments for gain (loss) included in profit	163	(11,747)	1,494
Before tax effect	4,693	(55,620)	43,031
Tax effect	(1,414)	16,964	(12,965)
Retirement benefits liability adjustments	3,279	(38,656)	30,066
Share of other comprehensive loss of affiliates accounted for by the equity method:			
Amount arising during the year	(324)	(986)	(2,971)
Reclassification adjustments for (loss) gain included in profit	(126)	20	(1,155)
Share of other comprehensive loss of affiliates accounted for by the equity method	(450)	(966)	(4,126)
Total other comprehensive income (loss)	¥ 59	¥ (82,926)	\$ 541

25. Supplemental Information to Consolidated Statements of Cash Flows

Otori Holdings, Co., Ltd., an affiliate accounted for by the equity method, has been included in consolidation following the Company exercise of an option to convert all its preferred shares and acquire the majority of the voting rights. The major components of assets and liabilities of Otori Holdings, Co., Ltd. at the start of consolidation are as follows:

	Millions of yen	Thousands of U.S. dollars
Current assets (*)	¥ 187,268	\$ 1,717,110
Non-current assets	42,154	386,521
Total assets	¥ 229,422	\$ 2,103,631
Current liabilities	¥ 117,828	\$ 1,080,396
Non-current liabilities	19,876	182,248
Total liabilities	¥ 137,704	\$ 1,262,644

(*) "Current assets" above includes ¥ 93,982 million (\$ 861,746 thousand) of cash and cash equivalents and it is presented as "Net increase in cash and cash equivalents resulting from change in scope of consolidation" in the consolidated statement of cash flows.

26. Business Combination and Business Divestiture

(Business combination through acquisition)

1. Outline of the business combination

(1) Name and business description of the acquired company

Name of the company: Otori Holdings, Co., Ltd.

Business description : Holding company owning all of the issued shares of Konoike Construction Co., Ltd
Konoike Construction Co., Ltd is involved in planning, surveying, designing, supervising, contracting and consulting relating to building construction

(2) Major reason for the business combination

After the commencement of a business alliance with Konoike Construction announced on November 2015, the Company has succeeded in producing synergies in a number of collaborative areas, leveraging the combination of the Company's operating resources related to the residential-related business and that of Konoike Construction related to construction and civil engineering business. Given this situation, the Company has decided to consolidate Otori Holdings (and its subsidiary Konoike Construction), believing that it will be necessary for the Company to strengthen the existing business partnership in order to develop and expand the collaborative relationship between the two companies.

(3) Date of the business combination

October 1, 2019 (Deemed acquisition date: September 30, 2019)

(4) Legal form of the business combination

Additional acquisition of the Company's voting rights by converting the preferred shares of an equity method affiliate into common shares.

(5) Company name after the business combination

There is no change.

(6) Percentage of voting rights acquired

Percentage of voting rights held prior to the combination: 40.82%

Additional percentage of voting rights acquired on date of the combination: 11.02%

Percentage of voting rights after the acquisition: 51.84%

(7) Major reason for determining the acquiring company

The Company had made Otori Holdings a consolidated subsidiary by acquiring the majority of voting rights, converting the preferred shares of an equity method affiliate into common shares.

2. Period for which the financial results of the acquired company included in the consolidated financial statements

October 1, 2019 to December 31, 2019

3. Acquisition cost and type of consideration paid for the acquired company

	Millions of yen	Thousands of U.S. dollars
Fair value of common stock owned just before the business combination, on the date of the business combination	¥ 30,450	\$ 279,204
Fair value of preferred shares owned just before the business combination, on the date of the business combination	17,068	156,501
Acquisition cost	¥ 47,518	\$ 435,705

4. The differences between acquisition cost of the acquired company and total amount by transaction until acquisition

	Millions of yen	Thousands of U.S. dollars
Gain on step acquisitions	¥ 8,598	\$ 78,837

5. The amounts and major breakdown of assets acquired and liabilities assumed on the acquisition date

	Millions of yen	Thousands of U.S. dollars
Current assets	¥ 187,268	\$ 1,717,110
Non-current assets	42,154	386,521
Total assets	¥ 229,422	\$ 2,103,631
Current liabilities	¥ 117,828	\$ 1,080,396
Non-current liabilities	19,876	182,248
Total liabilities	¥ 137,704	\$ 1,262,644

6. Approximate amount of impact on the consolidated statement of income for the year ended January 31, 2020 assuming that the business combination was completed at the beginning of the fiscal year ended January 31, 2020, and the calculation method

	Millions of yen	Thousands of U.S. dollars
Net sales	¥ 189,675	\$ 1,739,180
Operating income	13,577	124,491

(Method of calculating the proforma information)

Impact amount is calculated at the difference between the amounts of net sales and profit and loss assuming that the business combination was completed at the beginning of the fiscal year ended January 31, 2020 and the amount of net sales and profits and loss on the consolidated statement of income.

This information is unaudited.

(Transactions under common control)

1. Outline of the transactions

(1) Name and business description of the company involved in the combination

Name of the company: Otori Holdings, Co., Ltd.

Business description : Holding company owning all of the issued shares of Konoike Construction Co., Ltd
Konoike Construction Co., Ltd is involved in planning, surveying, designing, supervising, contracting and consulting relating to building construction

(2) Date of the business combination

November 29, 2019 December 4, 2019 December 27, 2019

(3) Legal form of the business combination

Acquisition of additional shares from non-controlling interests and acquisition of treasury stock by consolidated subsidiaries

(4) Company name after the business combination

There is no change.

(5) Other matters concerning the outline of the transaction

The purpose of the additional acquisition from non-controlling interests is to strengthen the capital relationship between the two companies.

2. Outline of the accounting treatment

The business combination is accounted for as a transaction with non-controlling interests, which is included in the transactions under common control, etc., pursuant to the "Accounting Standard for Business Combinations" and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures."

3. Matters concerning the additional acquisition of shares of subsidiaries

Acquisition cost and type of consideration paid for the acquired company

	Millions of yen	Thousands of U.S. dollars
Acquisition consideration Cash	¥ 9,031	\$ 82,808
Acquisition cost	¥ 9,031	\$ 82,808

4. Matters concerning changes in equity of the Company pertaining to transactions with non-controlling interests

(1) Major causes of changes in capital surplus

Acquisition of additional shares from non-controlling interests and acquisition of treasury stock by consolidated subsidiaries

(2) The amount of an increase in capital surplus due to transactions with non-controlling interests

Millions of yen	Thousands of U.S. dollars
¥ 7,527	\$ 69,017

27. Subsequent Events

1. Cash dividends

The following distribution of retained earnings of the Company, which has not been reflected in the accompanying consolidated financial statements for the year ended January 31, 2020, was approved at a shareholders' meeting held on April 23, 2020:

	Millions of yen	Thousands of U.S. dollars
Cash dividends (¥ 41 = U.S. \$ 0.38 per share)	¥ 28,029	\$ 257,005

2. Cancellation of treasury stock

The Company determined to cancel treasury stock in accordance with Article 178 of the Law at a meeting of the Board of Directors held on March 5, 2020. Details of the cancellation of treasury stock are as follows:

Objective	In order to improve shareholder returns by reducing the number of outstanding shares
Cancellation method	Reduction from retained earnings
Class of shares to be cancelled	Common stock
Number of shares to be cancelled	6,000,000 shares (0.87% of total outstanding shares before cancellation)
Scheduled cancellation date	April 24, 2020
Total number of outstanding shares after cancellation	684,683,466 shares

Company Information

3. Acquisition of treasury stock

The Company determined to acquire treasury stock in accordance with Article 156 and Article 165 (3) of the Law at a meeting of the Board of Directors held on March 5, 2020. Details of the acquisition of treasury stock are as follows:

Objective	In order to improve shareholder returns through flexible financing corresponding to the changes in the business environment and the improvement of return on equity
Class of treasury stock	Common stock
Total treasury stock the Company may acquire	7,000,000 shares, at maximum
Total acquisition amount	¥15,000 million (\$137,539 thousand), at maximum
Acquisition period	From March 6, 2020 to January 31, 2021
Acquisition method	Tender offer (including Nagoya Stock Exchange Trading Network Off-Auction Own Share Repurchase Trading System (N-NET3))

Under the above determination, the Company acquired treasury stocks as follows:

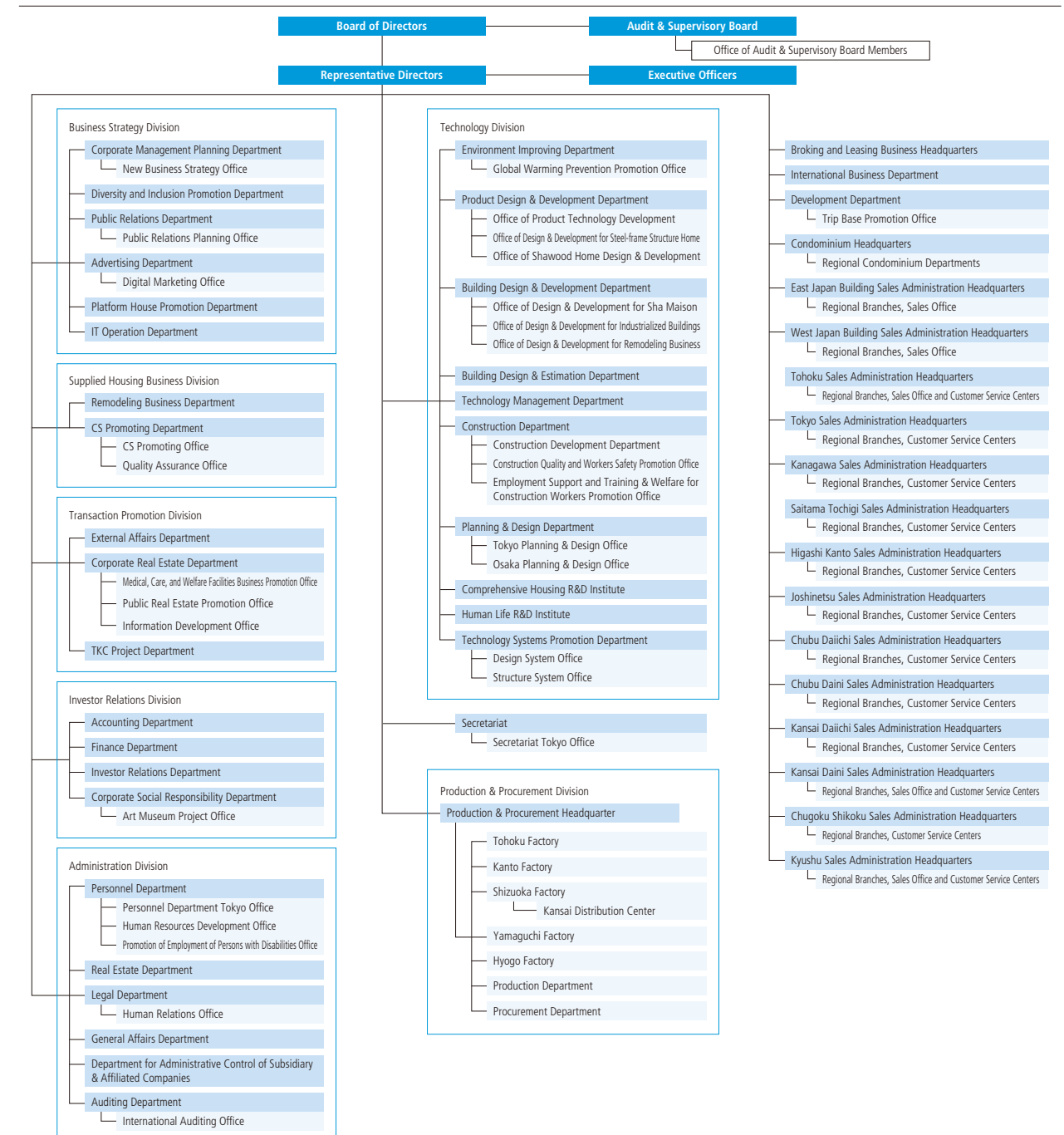
Class of treasury stock	Common stock
Total treasury stock the Company acquired	794,200 shares
Total acquisition amount	¥1,382 million (\$12,672 thousand)
Acquisition period	From March 6 to 31, 2020
Acquisition method	Tender offer at Tokyo Stock Exchange

Corporate Profile (As of January 31, 2020)

Corporation Name	Sekisui House, Ltd.	Factories	Tohoku (Miyagi), Kanto (Ibaraki), Shizuoka, Hyogo and Yamaguchi
Head Office	1-1-88, Oyodonaka, Kita-ku, Osaka, 531-0076, Japan	Research Institutes	Comprehensive Housing R&D Institute and Human Life R&D Institute
Date of Establishment	August 1, 1960	Sales and Service Offices	Sales Offices: 118 Customer Service Centers: 30 Display House Locations: 345
Capital Stock	¥202,591.2 million	Group Companies	Sekisui House Real Estate Group: 15 companies Sekisui House Remodeling: 3 companies Sekiwa Construction: 17 companies Other domestic subsidiaries: 20, Overseas subsidiaries: 221
Personnel	14,801 employees (Consolidated: 27,397 employees) Authorized 1st Class Architects: 2,764 Authorized 2nd Class Architects: 2,021		

As of February 1, 2020, Sekiwa Real Estate was renamed Sekisui House Real Estate.

Organization (As of May 1, 2020)



Share Information (As of January 31, 2020)

Total number of shares authorized 1,978,281,000
Total number of shares issued 690,683,466 shares (including 7,037,973 treasury shares)

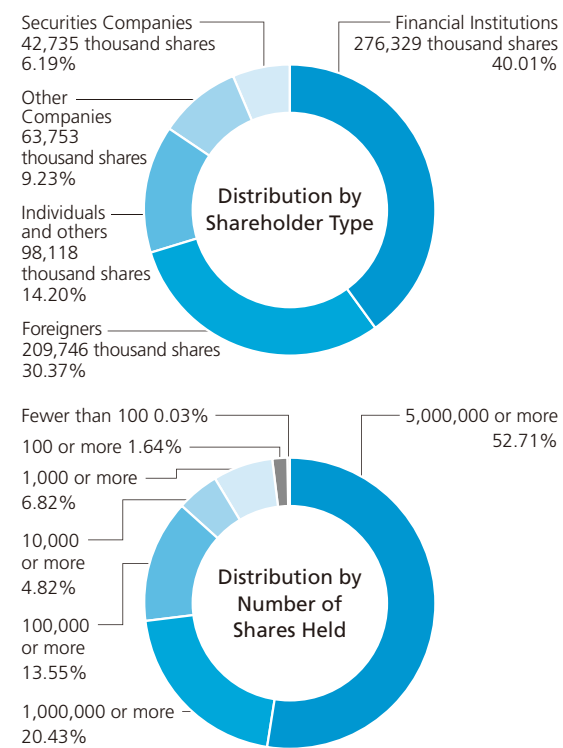
Trading unit 100 shares
Total number of shareholders 84,580

Major Shareholders

Name	Number of Shares Held (Thousands)	Shareholding Ratio (%)
The Master Trust Bank of Japan, Ltd. (Trust account)	63,568	9.30%
Japan Trustee Services Bank, Ltd. (Trust account)	37,394	5.47%
Sekisui Chemical Co., Ltd.	37,168	5.44%
SMBC Nikko Securities Inc.	16,806	2.46%
Employees' Stockholding	16,347	2.39%
Japan Trustee Services Bank, Ltd. (Trust account 5)	13,913	2.04%
MUFG Bank, Ltd.	13,624	1.99%
Japan Trustee Services Bank, Ltd. (Trust account 7)	12,929	1.89%
NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	12,310	1.80%
The Dai-ichi Life Insurance Company, Limited	12,158	1.78%

Notes:
 1. Employees' Stockholding is the Company employee stockholders association.
 2. Shareholding ratios are calculated after deducting treasury shares from the total number of shares issued.

Composition of Shares

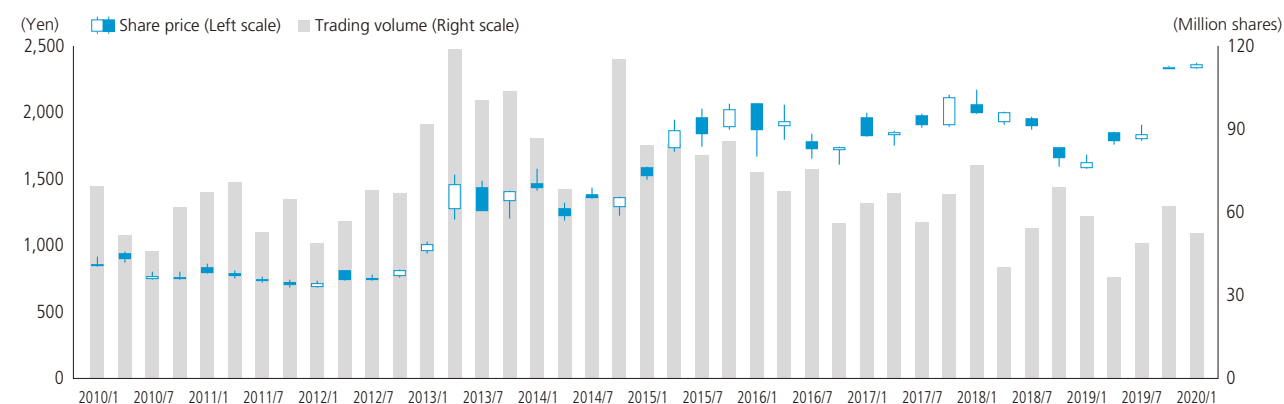


Note: 7,037 thousand treasury shares are included in "Individuals and others"

Other Significant Matters Regarding Shareholdings

The Company purchased 5 million shares of its own stock pursuant to a resolution of the Board of Directors at its meeting on September 5, 2019.

Share Price and Trading Volume



Glossary

B	BCP	Business continuity planning. A plan for emergency situations that entails strategic preparations to prevent interruption of essential operations in the event of a disaster or similar event.
	CRE	Corporate real estate. All types of real estate held by corporations for their businesses, including offices, stores, factories and facilities for the benefit of employees.
	CS Meister	Customer Support Meister, a designation created in 2017 with the aim of further improving customer satisfaction and increasing the number of loyal Sekisui House customers. Certification under Sekisui House's unique in-house CS Meister system recognizes employees with a high level of skill and knowledge who take the initiative and excel in customer support.
C	Chief Architect	An in-house certification based on Sekisui House's original multifaceted evaluation for employees with extensive, high-quality design skills and qualities that make them a role model for other design employees.
	Chief Constructor	An in-house certification for outstanding onsite supervisors. Sekisui House provides training for onsite supervisors to raise the excellence of their daily work with the aim of increasing the number of Chief Constructors, which, leads to improvements in brand power and productivity.
	Construction Meister	Sekisui House's unique in-house system for recognizing outstanding technicians at its construction sites in order to improve construction quality and strengthen the mindset of a "community with a common destiny" shared with partner building contractors. Certification criteria include an extensive track record and experience in construction, superior techniques and skills, and excellence in leading and developing junior employees.
	Credit rating	A ranking of the creditworthiness of bonds issued by countries and companies and their ability to pay principal and interest based on a comprehensive analysis. Alphabetical or other basic symbols are used to indicate ratings. The rating agencies of Sekisui House are Japan Credit Rating Agency (JCR) and Rating Investment Information Center (R&I).
D	Cross-shareholding	Stocks held by publicly traded corporations for the purpose of business strategies such as maintaining relationships with business partners and anti-takeover defense rather than purely for investment.
	Debt/Equity ratio	An indicator of the soundness of a company's finances. Shows a company's interest-bearing debt as a multiple of its equity. The lower the ratio, the sounder a company's finances. Debt to equity ratio = Interest-bearing debt ÷ Equity (Shareholders' equity)
E	EPS	Earnings per share. Indicates net income per share of a company's stock. Net income ÷ Number of shares issued
	ESG	An acronym for environment, social and governance perspectives. Currently, the belief is that these three perspectives are necessary for the long-term growth of a company.
F	FairWood	Lumber and wood products that are sourced in a manner that takes into account the conditions of the forest environment and/or the local communities where logging is taking place.
	Financial leverage	An indicator of the amount of debt such as bank borrowing and bond issuance utilized (leveraged) in equity capital. The reciprocal of the equity ratio. Financial leverage (times) = Total capital ÷ Equity
	Fintech	Financial technology. Refers to new financial services that use information technology. Fintech is expected to gain popularity among individuals in the future for applications such as asset management using smartphones and other devices and online payment services.
	Free cash flow	Earnings before income taxes plus depreciation and amortization less capital expenditures and change in working capital.
H	Hurdle rate	The minimum acceptable rate of return, used as a standard for evaluating investments. (Internal rate of return (IRR) is an indicator for evaluating investment projects. It is the discount rate at which the present value of future cash flow provided by an investment is equal to the present value of the amount of the investment.
I	ISO 26000	Guidance on social responsibility published in November 2010. Provides guidance rather than requirements, so it is not certifiable, unlike other ISO standards.
	Industrie 4.0	A national joint project among industry, government and academia launched in 2011 by the German government; called Industry 4.0 in English, and sometimes referred to as the "Fourth Industrial Revolution." Industrie 4.0 aims to significantly improve work operations and minimize costs by digitizing the production process.
	IoT	Internet of Things. The connection of all manner of everyday objects to the Internet in order to obtain information from each individual object and control it in an optimal manner based on that information.
K	Knowledge system	A database created from answers to customer inquiries during after-sales service.

M	Metric specifications	A design standard based on dimensions in meters. Because a meter is approximately 9 cm longer than a <i>shaku</i> , the traditional Japanese unit of measurement for housing, spaces for corridors, stairs, bathrooms, washrooms, toilets and other areas are wider than in traditional Japanese housing designs.
O	Open innovation	An approach to innovation in which companies incorporate technologies, ideas, services, expertise, data, knowledge and other input from different industries and other sources, including other companies, universities, local governments and social entrepreneurs, rather than relying solely on their own resources to generate innovation in business models, research results, product development and other areas.
P	PDCA	A technique for encouraging continuous work improvement by repeating the cycle of Plan → Do → Check → Act.
	PRE	Public real estate. Business that focuses on lawful management and use of various types of real estate owned by local governments and other public bodies.
	PRIDE Index	Established in 2016 by the private organization work with Pride, the PRIDE Index is Japan's first index for evaluating initiatives for LGBT employees and other sexual minorities in the workplace.
	Payout ratio	The percentage of net income that is paid to shareholders as dividends.
R	RE100	An international initiative of corporations that aim to use 100% renewable energy in their business activities.
	ROA	Return on assets. The ratio of net income to total assets. ROA = (Operating + Interest and dividend income + Equity in earnings of affiliates) ÷ Total assets
	ROE	Return on equity. The ratio of net income to total equity (shareholders' equity). ROE = Net income ÷ Equity, or ROE = Earnings per share ÷ Net assets per share
S	Society 5.0	A society that connects all people and objects through IoT, sharing various types of knowledge and information and creating entirely new value through a system that highly integrates cyberspace and physical space.
	Succession plan	A corporate plan for the early acquisition and training of human resources expected to assume key positions.
T	TCFD	Task Force on Climate-related Financial Disclosures. Seeks to understand the financial impact of climate change-related risks on corporate management.
	Thin client	A lightweight computer with minimal functions used as a virtual desktop with a remote connection to a server that centrally manages software, business data and other resources.
	Type-approval	A system in which multiple houses and other buildings constructed to the same standard specifications, such as pre-engineered houses, are given advance examination of their structure, fire protection, equipment and other items for conformance with the Building Standard Law by a specialized committee member and approved by the Minister of Land, Infrastructure, Transport and Tourism, or an approval organization designated by Minister of Land, Infrastructure, Transport and Tourism.
U	United Nations' Global Compact (UNGC)	An initiative in which companies and other organizations participate on a voluntary basis to build a framework for sustainable growth by exhibiting responsible and positive leadership in their actions as members of the global community.
V	Value chain	A framework for classifying businesses into main and support activities and analyzing which processes add value.
Z	ZEH	Net zero energy house. A house designed for net zero annual primary energy consumption (air conditioning, ventilation, hot water supply and lighting) through improved thermal insulation and energy-saving performance and use of solar power.

Please refer to *Sustainability Report 2020* for details on Sekisui House's initiatives for society and the environment. This report is scheduled to be issued in mid-July 2020.

<https://www.sekisuihouse.co.jp/english/sr/2020.html>