

Matters available on the website in relation to  
the Notice of the 67th Ordinary General Meeting of Shareholders

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Sekisui House, Ltd.

The above information is made available on the Company's website (<http://www.sekisuihouse.co.jp/english/financial/holders/meeting/index.html>) pursuant to relevant laws and regulations, and Article 16 of the Articles of Incorporation of the Company.

[**Translation:** Please note that this document purports to be a translation from the Japanese original Matters available on the website in relation to the Notice of the Ordinary General Meeting of Shareholders 2018 of Sekisui House, Ltd. prepared for the convenience of foreign readers. However, in the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.]

**1. Business Report for the 67th fiscal year(Feb. 1, 2017– Jan.31, 2018)**

**2. Present Conditions of the Company as of January 31, 2018**

**5) System which ensures the due execution of business and the status of its implementation**

**1. System which ensures that execution of duties by the Directors complies with laws and ordinances and the Articles of Incorporation of the Company**

- (1) In the light of achieving the corporate philosophy of the Company and materializing corporate management on the basis of the compliance with laws and ordinances and the Articles of Incorporation, the Company hereby sets forth the Conduct Code with which officers and employees of the Company shall comply.
- (2) By holding regularly lectures and training sessions for compliance towards Directors, the Company will exert to have knowledge and understanding of laws and ordinances and the Articles of incorporation, etc. required for the execution of duties by Directors penetrated into Directors.
- (3) The Board of Directors shall decide on important matters relating to the operation of business based on laws and ordinances, internal regulations and the aforesaid Conduct Code and oversee the execution of duties by Directors.
- (4) The Board of Directors shall elect and oversee Executive Officers executing assigned duties under the Representative Director's instruction and order.
- (5) The Board of Directors shall hold a meeting once per month in principle pursuant to laws and ordinances and the Regulations of the Board of Directors.
- (6) The Representative Director and Executive Officers shall make report on the status of execution of duties at the meeting of the Board of Directors.
- (7) Audit & Supervisory Board Members shall audit execution of duties by Directors and Executive Officers in accordance with the audit standard set forth pursuant to laws and ordinances and internal regulations of the Company.

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

The following documents relating to the execution of duties (including electronic records; the same applicable hereinafter) shall be duly maintained and controlled upon condition that Directors and Audit & Supervisory Board Members, etc. may inspect the same whenever necessary.

- ① Minutes and related materials of the general meeting of shareholders, the Board of Directors and important meetings which Directors attended;
- ② Important documents by which Director decided execution of duties (application document for decision making by rotation and related materials);
- ③ Important documents prepared by Director for execution of duties (contracts, memorandum, reports, etc.);
- ④ Important documents relating to execution of duties by Director.

### **3. Regulations regarding Control of Risk for Loss of the Company and its subsidiaries and other System**

- (1) The Company shall arrange for and prepare regulations regarding risk control of the overall Company and regularly evaluate and control risks existing in the Company.
- (2) The Company shall arrange for and prepare risk control system to deal with natural calamity or any emergency which may cause the Company incurred material loss and damage and procure dissemination and penetration thereof into the Company.
- (3) The Company have its subsidiaries arrange for the system referred in two preceding paragraphs, based on the scale or type of the business, by the guidance of the Directors or Audit & Supervisory board members dispatched from the Company or the department specialized in the subsidiaries control.

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

- (1) In order for duties of Directors executed through Executive Officers and employees being implemented efficiently, the Company shall set forth regulations for assignment of duties and thereby define duties and responsibilities.
- (2) The subsidiaries shall set forth regulations for assignment of duties referred in preceding paragraph, and thereby define duties and responsibilities.

### **5. System to ensure that execution of duties by the Employees and the Directors, etc.,and employees of the subsidiaries complies with laws and ordinances and the Articles of Incorporation of the Company**

- (1) The Company shall set forth the Conduct Code for employees of the Company based on the Corporate Ethics of the Company and take a punitive action under internal regulations including work regulations, etc. against employees violating the same.
- (2) Through training sessions for compliance, the Company will exert to have knowledge and understanding of laws and ordinances, etc. required for the execution of duties and the aforesaid Conduct Code penetrated into employees of the Company and its subsidiaries.
- (3) The CSR Committee in which outside well informed persons participate and the CSR Office established in the Corporate Communication Department will promote CSR activities including arrangement for the compliance system.
- (4) Internal help line windows which officers and employees of the Company or its subsidiaries report to will enable the Company to immediately collect information regarding violation of laws and ordinances within the Company and its subsidiaries and take appropriate measures.
- (5) Internal Audit Department of the Company shall conduct regularly audit. Regularly audit of its subsidiaries shall be conducted by the Audit & Supervisory board members dispatched from the Company or by the Internal Audit Department of the Company cooperating with the Internal Audit Department of its subsidiaries, based on the scale or type of the business.

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

- (1) The subsidiaries shall report information regarding execution of duties by the Directors regularly through the Directors or Audit & Supervisory board members dispatched from the Company , its department specialized in the subsidiaries control or its department concerned.
- (2) The subsidiaries shall report to the Company immediately in an emergency.

**7. Matters related to employees to assist duties of the Audit & Supervisory Board Members when the Audit & Supervisory Board Members request to do so**

Employees shall be selected to assist Audit & Supervisory Board Members in their duties when Audit & Supervisory Board Members so request. Selection of employees, etc. shall be determined upon respecting intention of the Board of Audit & Supervisory Board Members and mutual consultation.

**8. Matters concerning measure for ensuring that the employees of item 7 remain independent from Directors and the effectiveness of the instructions to such employees**

Employees selected to assist Audit & Supervisory Board Members in their duties shall not be under instruction and order of the senior person with respect to the duties requested by Audit & Supervisory Board Members and transfer, evaluation and disciplinary action with respect to the employee shall be determined while respecting opinions of the Board of Audit & Supervisory Board Members.

**9. System under which Directors and employees report to Audit & Supervisory Board Members**

- (1) The Directors and the Executive Officers shall from time to time report the status of execution of duties at the meeting of the Board of Directors and other important meeting which the Audit & Supervisory Board Members attend.
- (2) The Directors, the Executive Officers and the employees shall immediately report to the Audit & Supervisory Board Members whenever finding any fact which might cause material loss and damage to the Company or subsidiaries.
- (3) The person in charge in internal help line windows shall report to the Audit & Supervisory Board Members of the Company whenever any report of the fact which might cause material loss and damage to the subsidiaries by directors or employees of the subsidiaries
- (4) Persons who report according to the two preceding paragraphs are not treated disadvantageously due to such report by the Company and its subsidiaries.

- (5) Documents by which decision was made, minutes of important meeting such as the Board of Directors, audit report prepared by the Internal Audit Department, other important documents related to audit of Audit & Supervisory Board Members shall be forwarded to Audit & Supervisory Board Members.

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

The Company shall handle promptly when Audit & Supervisory Board Members demand prepayment or reimbursement of the expenses or liabilities incurred for the execution of duties excluding when the expenses or liabilities are not necessary for the execution of duties.

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

- (1) Audit & Supervisory Board Members and the Internal Audit Department shall keep close contact through exchange of opinions and cooperate with each other so that audit by each party shall be conducted efficiently and effectively.
- (2) Audit & Supervisory Board Members and Accounting Auditors shall have meetings regularly and cooperate with each other so that audit duties of each shall be conducted efficiently and effectively.

**12. The status of the system to ensures the due execution of duties**

(1) Compliance and Risk Management

- The Company has set forth and published “Sekisui House, Ltd. Basic Policy on Corporate Governance”, in which the Company sets forth the basic concept and frameworks of corporate governance.
- To ensure the effectiveness of the appropriate establishment and operation of risk management systems, the Company has established “Risk Management Committee” as a consultative body to the Board of Directors.
- The Company exerts to have directors and employees of the Company and its subsidiaries understand and observe the Corporate Philosophy, the Conduct Code, the Corporate Conduct Guidelines and the Corporate Ethics of Sekisui House Group by distributing booklets on which the codes written.
- The Company hold regularly training sessions for risk management which employees of the Company and directors and employees of its subsidiaries receive.
- The Company has established the International Internal Control Promotion Office in Accounting & Finance Department, and proceeds to arrange.
- As the internal help line system for whistleblowers to report to internal or external help line, the Company has set up “Sekisui House Group Company Ethics Helpline(SCS System: Sekisui House Group Compliance Support System)” and “Sekisui House Group Business Partners Company Ethics Helpline”.

(2) Ensuring efficient execution of duties

- The Company appoints Executive Officers to ensure mobile execution of duties and clarify responsibilities. The Executive Officers report the status of their duties to the Board of Directors quarterly.
- Meetings of the Board of Directors were held 13 times.

(3) Audit by the Audit & Supervisory Board Members

- Audit & Supervisory Board Members plan audit, and execute audits of branch and listening investigation to the Directors and the Executive Officers about risk and problem of their duties as planned.
- Audit & Supervisory Board Members keep close contact with the Internal Audit Department through exchange of opinions and meet Accounting Auditors regularly, and these three parties cooperate with each other so that audit by each party shall be conducted efficiently and effectively.
- As a system for assisting Audit & Supervisory Board Members in their duties, the Company has established the Office of Audit & Supervisory Board Members and allocate several staff members including full-time one(s), and they do the necessary for Audit & Supervisory Board Members to execute duties as management of the Meeting of Audit & Supervisory Board Members and demands of audit report, etc.

(4) Ensuring the due execution of duties in the subsidiaries

- Departments of the Company guide and supervise the subsidiaries, and the Company dispatch directors or Audit & Supervisory Board Members to supervise and audit the execution of duties of some subsidiaries.
- The Company has established a department specialized in the subsidiaries control, and it demands irregularly or regularly report of the status of the execution of duties of each subsidiaries and arrange standards of the business.

## 2. The Consolidated Financial Statements for the 67th fiscal year

### List of Notes to Consolidated Financial Statements

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

##### 1) Scope of consolidation

Consolidated subsidiaries: 256, including Sekiwa Real Estate, Ltd., Sekiwa Real Estate Kanto, Ltd., Sekiwa Real Estate Kansai, Ltd., Sekiwa Real Estate Chubu, Ltd., Sekiwa Real Estate Chugoku, Ltd., Sekiwa Real Estate Kyushu, Ltd., Sekiwa Real Estate Tohoku, Ltd. and other companies.

All 256 subsidiaries are consolidated.

Changes in scope of consolidation:

56 companies newly added as subsidiaries were established, acquired or otherwise. In addition, 25 companies were excluded due to merger, liquidation or sale.

##### 2) Application of equity method

Affiliated companies accounted for by the equity method: 29, including Otori Holdings, Co., Ltd., Almetax Manufacturing Co., Ltd., JPF Co., Ltd. and other companies.

Investment in each of the 29 affiliated companies is accounted for by the equity method.

Changes in scope of equity method:

Investment in 4 companies are newly accounted for by the equity method or reclassification of a part of sales of consolidated subsidiaries. In addition, 1 company was excluded due to sale.

##### 3) Term-ends of consolidated subsidiaries

The end of the fiscal year is March 31 for 3 subsidiaries. In addition, there are 2 companies whose fiscal years end on May 31 and November 30, respectively. When preparing consolidated financial statements, the Company utilizes the provisional financial statements compiled as of January 31.

Fiscal year ends on December 31 for SEKISUI HOUSE AUSTRALIA HOLDING PTY LIMITED and 209 other consolidated subsidiaries. When preparing consolidated financial statements, the Company uses the financial statements of those consolidated subsidiaries as of their respective balance sheet dates. For material transactions before the date of fiscal year-end of consolidated group, necessary adjustments have been implemented.

##### 4) Summary of significant accounting standards

###### (1) Basis and method for valuation for significant assets

###### (a) Short-term investment securities:

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

- (ii) Other short-term investment securities:
  - Securities with market value:  
Based on closing market price on the last day of period (Valuation gains and losses resulting are calculated by the full net asset costing method; cost of disposal is calculated by the moving average method)
  - Securities with no available market value:  
At cost based on the moving average method
- (b) Derivatives: Market value method
- (c) Inventories:
  - (i) Costs on uncompleted construction, buildings for sale, land for sale in lots, and undeveloped land for sale: At cost based on individual cost method  
(The book value is written down to the net realizable value in cases where there has been a material decline in value).
  - (ii) Other inventories: At cost based on moving average method  
(The book value is written down to the net realizable value in cases where there has been a material decline in value).

(2) Depreciation and amortization methods used for main depreciable and amortizable assets  
Property, plant and equipment (excluding lease assets):

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

Intangible assets (excluding lease assets):

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

Lease assets:

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

(3) Basis for accounting for significant allowances

- (a) Allowance for doubtful accounts:  
The Company makes provisions for general debtors based on actual historical collection rates and for specific debtors where collection is doubtful based on estimates of the amount collectible.
- (b) Provision for bonuses:  
To prepare for bonus payments to employees, the Company provides for the estimated appropriate amount in the relevant fiscal year.



- (c) Provision for directors' bonuses  
To prepare for bonus payments to Directors and Audit & Supervisory Board Members, the Company provides for the estimated amount.
- (d) Provision for compensation payments on completed works:  
Provisions for losses and guarantee expenses due to post-completion defects are recorded based on historical repair and other costs arising from completed structures and detached housing.
- (e) Provision for directors' retirement benefits:  
To allow for retirement payments to Directors and Audit & Supervisory Board Members, the Company provides the required amounts at the end of the current term based on internal regulations.

(4) Method of Accounting for Retirement Benefit Obligations

- (a) Method for reflecting the expected retirement benefit in the period:  
In conjunction with the calculation of retirement benefit obligations, benefit formula attribution is adopted as the method for reflecting the expected retirement benefit in the period up until the end of the consolidated fiscal year under review.
- (b) Method of accounting for actuarial calculation differences and past service obligations:  
In conjunction with actuarial calculation differences and past service obligations, pro rata amounts calculated from the 5-year fixed amount method are to be reflected as expenses in the year following the consolidated fiscal year in which such expenses are accrued.

(5) Basis for accounting for income and expenses

- (a) Accounting standard for recognition of income and expenses of completed works:  
The Company has applied percentage-of-completion method (estimate for level of completion based on the percentage of direct costs) to construction contracts meeting the following criteria; construction had been started during the consolidated fiscal year under review (except for short-period work), of which the percentage of construction completion by the end of the consolidated fiscal year can be estimated reliably. For other construction contracts, the company has adopted completed-contract method.
- (b) Basis for accounting for income from finance leases:  
The Company records net sales and cost of sales upon receipt of lease charges.

(6) Amortization of goodwill

Goodwill are amortized over 5 years using the straight-line method, beginning in the consolidated fiscal year in which they arise, except for cases where useful life can be estimated, in which case they are amortized over the estimated useful life based on a substantive analysis by the Company, and with the exception of minor amounts, which are charged to income as it accrues.

(7) Main hedge accounting methods

(a) Hedge accounting methods:

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

(b) Hedging instruments and targets:

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

(ii) Interest swaps are used as an instrument to hedge targeted borrowings.

(c) Hedging policies:

The Company uses derivatives transactions with the aim of avoiding losses from fluctuations in exchange or interest rates, etc. The use of exchange forward contracts does not exceed the amount of import transactions. The assumed principal balance subject to interest-swap transaction does not exceed the relevant interest bearing debts outstanding.

(d) Methods of assessing hedge effectiveness:

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

(8) Accounting for consumption taxes

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

(9) Basis for translating significant foreign currency-denominated assets and liabilities into yen

For foreign currency-denominated monetary claims and debts, the Company translates into yen at the rates of exchange prevailing on the consolidated balance sheet date. Translation differences are included in the statements of income. Assets and liabilities of overseas subsidiaries are converted into yen at the rates of exchange prevailing on the balance sheet date of the overseas subsidiaries, and the income and expenses of overseas subsidiaries are converted into yen at average exchange rates during the fiscal year under review. Exchange differences are recorded by including them in foreign currency translation adjustment and minority interests under net assets.

(10) Inclusion of interest paid in acquisition cost

In conformity with the accounting standards of relevant countries, overseas consolidated subsidiaries include interest paid with regard to borrowed funds for the real estate development business in acquisition cost. At the end of period, interest expenses of ¥8,433 million, ¥6,397 million and ¥917 million are included in “Buildings for sale”, “Land for sale in lots” and “Undeveloped land for sale” respectively.

**5) Additional Information**

Application of Implementation Guidance on Recoverability of Deferred Tax Assets:

The Company applied the Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standard Board of Japan Implementation Guidance No.26 issued on March 28, 2016) from the consolidated fiscal year starting from February 1, 2017.

## 2. Notes to the Consolidated Balance Sheet

### 1) Collateralized assets and secured liabilities:

Millions of yen

Collateralized assets		Secured liabilities	
Type	Book value at the end of year	Details	Balance at the end of year
Investment securities	514	Liabilities of the subsidiary	—
Buildings for sale and Land for sale in lots	85,907	Borrowing from financial institutions	45,845
		Deposits on contract with establishment of leasehold	25
Buildings	494	Long-term lease and guarantee deposited	180
Land	2,867	Deposits on contract with establishment of leasehold	1,039
		Borrowings of clients from banks	143
Total	89,784	Total	47,233

Note:

Apart from stated above, the Company deposited short-term investment securities, investment securities, cash and deposits of 7,280 million yen in accordance with Act on Assurance of Performance of Specified Housing Defect Warranty and the like.

2) **Accumulated depreciation of property, plant and equipment** 240,781 million yen

### 3) Liabilities guaranteed:

- (1) Liabilities guaranteed for repayment (for persons to have housing mortgage) 102,610 million yen
- (2) Security on things for borrowings of clients from banks 143 million yen
- (3) Security on liabilities guaranteed for borrowings of clients from banks 150 million yen

Changes in holding purpose of assets:

Real estate for sale of 1,136 million yen, that appeared under inventories as at the end of the previous consolidated fiscal year, has been reclassified under noncurrent assets. In addition, real estate for investments and the like of 44,637 million yen, that appeared under noncurrent assets as at the end of the previous consolidated fiscal year, have been reclassified under inventories.

### 3. Notes to the Consolidated Statement Changes in Net Assets

1) **Type and total number of shares issued:**

Common shares 690,683,466 shares

2) **Matters related to dividends:**

(1) Dividends paid to shareholders:

a. Matters related to the dividends paid pursuant to the resolution of the 66<sup>th</sup> ordinary general meeting of shareholders held on April 27, 2017:

- Total amount of dividends; 22,088 million yen
- Dividends per share: 32.00 yen
- Record date: Jan. 31, 2017
- Effective date: Apr. 28, 2017

b. Matters related to the dividends (interim dividends) paid pursuant to the resolution of the meeting of the Board of Directors held on September 7, 2017:

- Total amount of dividends; 25,539 million yen
- Dividends per share: 37.00 yen
- Record date: Jul. 31, 2017
- Effective date: Sep. 29, 2017

(2) Dividends whose record date belongs to the consolidated fiscal year under review will be effective after the consolidated fiscal year under review:

The following proposal for dividends will be submitted to the 67<sup>th</sup> ordinary general meeting of shareholders to be held on April 26, 2018:

- Total amount of dividends; 27,611 million yen
- Source of funds for dividends; Retained earnings
- Dividends per share: 40.00 yen
- Record date: Jan. 31, 2018
- Effective date: Apr. 27, 2018

3) **Type and number of shares to be issued if all stock acquisition rights are exercised at the balance sheet date of the consolidated fiscal year under review:**

Common shares 872,000 shares

### 4. Notes to Financial Instrument

1) **Matters related to the state of financial instruments**

(1) Policy with regard to financial instruments activities:

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

(2) Contents and risks of financial instruments:

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

Short-term and Long-term investments securities, primarily stock, debt securities expected to be held to maturity, negotiable deposit and investments for partnerships, are exposed to the risk associated with issuing entities' credit and market value fluctuations.

Notes payable, electronically recorded obligations-operating, accounts payable for construction contracts and the like are due within one year. We use borrowed money and bond issues to finance operations and capital investment. Loans payable are financed with variable interest rate and those are exposed to the risk associated with interest rate fluctuations.

With regard to derivative transactions, the Companies use forward foreign exchange contracts and currency swap with aim of hedging the risk associated with foreign currency-denominated monetary claims and debts of export and import transactions, and investment and lending for overseas subsidiaries. With regard to hedge instruments, targets, policies and methods of assessing hedge effectiveness, please refer to *1. Notes to Significant Matters which are Basis for Preparation of Consolidated Financial Statements, 4) Summary of significant accounting standards, (7) Main hedge accounting methods above.*

(3) Content of financial risk management systems:

(a) Management of credit risk (counterparties' default risk)

Accounting & Finance Department of the Company, responsible divisions of each subsidiary and management division of each branch manage this risk by managing settlement date and amount due for each counterparty to monitor condition of debt collection, and they mitigate and grasp the default possibilities because of deterioration of financial condition.

The Companies execute and manage derivative transactions within the limits of established internal rules and regulations, and reduces credit risk by limiting counterparties to highly creditworthy financial institutions.

(b) Management of market risk (fluctuation risk of stock price and interest rate and the like)

The Companies manage this risk by examining market prices and financial condition of the issuing entities.

(c) Management of financing liquidity risk (the risk that the Companies cannot pay its debt at payment date)

Accounting & Finance Department of the Company and responsible divisions of each subsidiary make and renew financing plan timely based on reports from each branch and manage liquidity risk to maintain short-term liquidity. In addition,

the Companies secure several steady financing means by setting commitment line and maximum limit of issuing bonds.

The Companies establish systems to supply funds to consolidated subsidiaries expeditiously by using cash management system and the like.

(d) Supplemental information on the fair value of financial instruments

The Companies calculate the fair value of financial instruments based on market prices, or by using reasonable estimates when market prices are not available. These estimates include variable factors, and are subject to fluctuation due to changes in the underlying assumptions. The contract amounts of the derivatives discussed in 2. Fair Value of Financial Instruments below are not an indicator of the market risk associated with derivatives transactions.

## 2) Matters related to the Fair Value of Financial Instruments

Amounts stated in consolidated balance sheets, fair value and their differences as of January 31, 2018 are as follows. For your information, accounting items for which an accurate grasp of fair value is recognized as extremely difficult are not stated in the following table (Please refer to Notes 2).

Millions of yen			
	Amount stated in consolidated balance sheets	Fair value	Variance
(1) Cash and deposits	325,834	325,834	—
(2) Notes receivable and accounts receivable from completed construction contracts Allowance for doubtful accounts(※1)	45,877 (324)		
	45,552	45,552	—
(3) Short-term investment securities and Long-term investment securities			
1) Debt securities expected to be held to maturity	589	590	0
2) Securities of subsidiaries and affiliates	3,444	2,547	(896)
3) Other securities	104,369	104,369	—
Assets amount	479,790	478,894	(895)
(1) Notes payable, accounts payable for construction contracts	104,136	104,136	—
(2) Electronically recorded obligations-operating	68,677	68,677	—
(3) Short-term loans payable	209,707	209,707	—
(4) Bonds payable	250,000	250,198	198
(5) Long-term loans payable	156,632	156,490	(142)
Liabilities amount	789,155	789,211	56
Derivative transactions(※2)	204	204	—

Notes※:

1. Amount of notes receivable and accounts receivable from completed construction contracts deduct amount of allowance for doubtful accounts.
2. Assets and liabilities from derivatives transactions are shown in the net amount.



## Notes

### 1. Methods for calculating the fair value of financial instruments and matters related to securities and derivatives transactions

#### Assets

- (1) Cash and deposits, (2) Notes receivable, accounts receivable from completed construction contracts

Book value is stated for these items because short-term settlement makes their fair value and book value almost the same.

- (3) Short-term investment securities and Long-term investment securities

The fair value stated for shares is the value quoted on exchanges. The fair value stated for bonds is the value quoted on exchanges or the value presented by financial institutions.

#### Liabilities

- (1) Notes payable, accounts payable for construction contracts, (2) Electronically recorded obligations-operating and (3) Short-term loans payable

Book value is stated for these items because short-term settlement makes their fair value and book value almost the same.

- (4) Bonds payable

The fair value stated for bonds payable is the value quoted on market.

- (5) Long-term loans payable

Out of long-term loans, since the current market price of long-term loans with floating rate interest is deemed equivalent to the book value, it is evaluated by the book value, and the current market value of long-term loans with fixed interest rate is evaluated by the present value thereof calculated by discounting a total of the principal and accumulated interest by the expected interest rate obtainable if the similar loan were currently newly raised.

#### Derivatives transactions

The fair value of derivatives is stated as the value presented by financial institutions.

### 2. Financial instruments for which an accurate grasp of market value is recognized as extremely difficult

Millions of yen

Category	Amount stated in consolidated balance sheets
Unlisted shares	58,197
Investment to SPC	4,850
Investment in anonymous association	1,655
Preferred securities	999
Investment to LPS	165
Unlisted stocks	120

These financial instruments have no market price and it is expected that it costs too much to estimate future cash flows. Accordingly, these are not included in (assets (3) Short-term investment securities and Long-term investment securities stated above).

3. Current portion of bonds and current portion of long-term loans payable are included in amount stated in consolidated balance sheets and fair value of bonds and long-term loans payable.

## 5. Notes to leasehold properties and other types of real estate

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

The Company and some subsidiaries own houses and office buildings for leasing and the like in metropolitan Tokyo and other areas.

### 2) Matters related to Fair value of leasehold properties and other types of real estate

Millions of yen

Amount stated in consolidated balance sheets	Fair value
468,213	546,091

Notes:

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

## 6. Notes to the Information per Share:

- |                         |           |
|-------------------------|-----------|
| 1. Net assets per share | ¥1,731.60 |
| 2. Net income per share | ¥193.06   |

Note:

Amounts of the Consolidated Balance Sheets, Consolidated Statements of Income, Significant Consolidated Accounting Policies, Notes to Consolidated Balance Sheets and Consolidated Statements of Income are given in the stated unit of the presentation, by disregarding any amount less than the stated unit of the presentation.

### 3. The Non-Consolidated Financial Statements for the 67th fiscal year

#### List of Notes to Non-Consolidated Financial Statements

##### 1. Summary of Significant Accounting Policies

###### 1) Basis and method of valuation of assets:

###### (1) Short-term investment securities:

- (i) Debt securities expected to be held to maturity: Amortized cost (straight-line) method
- (ii) Shares held in subsidiaries or affiliated companies: At cost based on moving average method
- (iii) Other short-term investment securities:
  - Stocks with market value:

Based on closing market price on the last day of period (Valuation gains and losses resulting are calculated by the full capital costing method; cost of disposal is calculated by the moving average method)
  - Stocks with no available market value:

At cost based on the moving average method

###### (2) Derivatives: Market value method

###### (3) Inventories:

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

###### 2) Depreciation of noncurrent assets:

- (i) Property, plant and equipment (excluding lease assets):

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

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

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

**3) Basis for accounting for allowances:**

- (a) Allowance for doubtful accounts:  
The Company makes provisions for general debtors based on actual historical collection rates and for specific debtors where collection is doubtful based on estimates of the amount collectible.
- (b) Provision for bonuses:  
To prepare for bonus payments to employees, the Company provides for the estimated appropriate amount in the relevant the fiscal year.
- (c) Provision for directors' bonuses:  
To prepare for bonus payments to directors, the Company provides for the estimated amount.
- (d) Provision for warranties for completed construction:  
Provisions for losses and guarantee expenses due to post-completion defects are recorded based on historical repair and other costs arising from completed structures and detached housing.
- (e) Provision for retirement benefits:  
To prepare for future retirement payments to employees, the Company makes provisions in the amount accrued at the end of the fiscal year under review based on the estimated total retirement obligations and pension assets. Method for reflecting the expected retirement benefit in the period and method of accounting for actuarial calculation differences and past service obligations are stated below.
  - (i) Method for reflecting the expected retirement benefit in the period:  
In conjunction with the calculation of retirement benefit obligations, benefit formula attribution is adopted as the method for reflecting the expected retirement benefit in the period up until the end of the fiscal year under review.
  - (ii) Method of accounting for actuarial calculation differences and past service obligations  
In conjunction with actuarial calculation differences and past service obligations, pro rata amounts calculated from the 5-year fixed amount method are to be reflected as expenses in the year following the fiscal year in which such expenses are accrued.

**4) Basis for accounting for income and expenses:**

- (i) Accounting standard for recognition of income and expenses of completed works:  
The Company has applied percentage-of-completion method (estimate for level of completion based on the percentage of direct costs) to construction contracts meeting the following criteria; construction had been started during the fiscal year under review (except for short-period work), of which the percentage of construction completion by the end of the fiscal year can be estimated reliably. For other construction contracts, the company has adopted completed-contract method.
- (ii) Basis for accounting for income from finance leases:  
The Company records net sales and cost of sales upon receipt of lease charges.

**5) Treatment method of deferred assets:**

- Bond issuance costs:  
All costs are treated at the time of payment as expenses.

**6) Main hedge accounting methods:**

- (i) Hedge accounting methods:  
The Company accounts for hedging activities under deferral hedge accounting. *Furiate-shori* (accounting method in which the current and forward rate difference is allocated by period length for the calculation at the accounting period) is applied to forward foreign exchanges contracts and currency swap contracts which conform to the requirements of such hedge accounting. Hedging instruments and targets:
- (ii) Hedging instruments and targets:  
The Company hedges foreign currency cash debts and forward transactions with exchange forward contracts and currency swap contracts.
- (iii) Hedging policies:  
The Company uses derivatives transactions with the aim of avoiding losses from fluctuations in exchange rates. The use of exchange forward contracts does not exceed the amount of import transactions.
- (iv) Methods of assessing hedge effectiveness:  
The Company omits to assess the effectiveness of hedging because the main conditions match with regard to the relevant transactions and hedge targets, and the cash flow is fixed.

**7) Accounting for consumption taxes**

- The tax exclusion method is used to account for consumption taxes. The amount in excess of consumption taxes not subject to deductions are expensed in the fiscal year in which they arise.

**8) Basis for translating foreign currency-denominated assets and liabilities into yen:**

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

**9) Additional Information:**

Application of Implementation Guidance on Recoverability of Deferred Tax Assets

The Company applied the Implementation Guidance on Recoverability of Deferred Tax Assets (Accounting Standard Board of Japan Implementation Guidance No.26 issued on March 28, 2016) from the fiscal year starting from February 1, 2017.

## 2. Notes to the Balance Sheets

### 1) Collateralized assets and secured liabilities

Millions of yen

Collateralized assets		Secured liabilities	
Type	Book value at the end of year	Details	Balance at the end of year
Investment securities	320	Liabilities of the subsidiary	—
Stocks of the other subsidiaries and affiliates	361	Liabilities of Sunshine Energy Yusui, LLC. (affiliated company)	—
Land	2,675	Deposits on contract with establishment of leasehold	1,039
Total	3,356	Total	1,039

Note:

Apart from stated above, the Company deposited investment securities, cash and deposits of 6,109 million yen in accordance with Act on Assurance of Performance of Specified Housing Defect Warranty and the like.

2) **Accumulated depreciation of property, plant and equipment** 192,719 million yen

### 3) Liabilities guaranteed

Liabilities guaranteed for repayment (for persons to have housing mortgage) 102,287 million yen

Liabilities guaranteed for repayment

(for affiliated companies to borrow from the financial institutions) 234,110 million yen

### 4) Pecuniary claims and debts to affiliated companies

Millions of yen

Short-term pecuniary claims to subsidiaries	11,957
Long-term pecuniary claims to subsidiaries	27,062
Short-term pecuniary debts to subsidiaries	131,318



**(Additional information)**

Changes in holding purpose of assets:

Real estate for investments of 40,356 million yen, that appeared under noncurrent assets as at the end of the previous fiscal year, have been reclassified under inventories.

**3. Notes to the Statements of Income**

Transactions with subsidiaries	<i>Millions of yen</i>
Sales to subsidiaries	21,672
Purchases from subsidiaries	238,913
Non-operating transactions	26,061

**4. Notes to the Statement of Change in Net Assets**

Type and numbers of shares outstanding and treasury stock

Type of shares	Common shares
Outstanding shares (non-consolidated) as of Jan. 31, 2017	19,429,245 shares
Number of shares increased	9,912 shares
Number of shares decreased	19,036,096 shares
Outstanding shares (non-consolidated) as of Jan. 31, 2018	403,241 shares

Notes:

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

Increase due to repurchases of fractional shares: 9,912 shares

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

Decrease due to requests for additional purchases of fractional shares: 96 shares

Decrease due to exercise of stock options: 36,000 shares

Decrease due to cancellation of treasury stocks 19,000,000 shares

## 5. Notes of Tax Effect Accounting

### 1) Significant components of deferred tax assets and liabilities

Millions of yen

<b>Deferred tax assets</b>	
Loss on valuation of real estate for sale	12,002
Provision for retirement benefits	8,811
Provision for bonuses	6,335
Accumulated impairment loss	4,092
Loss on valuation of shares of subsidiaries	2,595
Allowance for doubtful accounts	2,399
Loss on valuation of investment securities	1,547
Accrued enterprise taxes	1,134
Accrued social insurance premium	925
Other	3,456
<b>Subtotal deferred tax assets</b>	<b>43,300</b>
Valuation allowance	(9,459)
<b>Total deferred tax assets</b>	<b>33,841</b>

<b>Deferred tax liabilities</b>	
Valuation difference on available-for-sale securities	(19,151)
Other	(498)
<b>Total deferred tax liabilities</b>	<b>(19,650)</b>
<b>Net deferred tax assets and net deferred tax liabilities</b>	<b>14,190</b>

Notes:

1. The main valuation allowances are loss on valuation of investment securities and accumulated impairment loss that were judged non-deferrable.
2. Net amount of deferred tax assets for the fiscal year under review is included in the following items of the balance sheets.

Current assets – Deferred tax assets:	21,602 million yen
Noncurrent assets – Deferred income taxes:	7,411 million yen

## 6. Notes of Transaction with related parties

### 1) Subsidiaries and Affiliated Companies, etc.

Type	Company name	Percentage of owning (owned) voting rights	Description of the relationship		Description of transaction	Transaction amount (million yen)	Account	Balance at January 31,2018 (million yen)
			Concurrent offices of officers	Business relationship				
Subsidiary	Sekisui House(Wuxi) Co., Ltd.	(owning) Directly 100	Holding concurrent offices	Underwriting of the bounds by the Company	Underwriting of the bounds	—	Bonds of subsidiaries and affiliates	17,190 (※1)
Subsidiary	SEKISUI HOUSE US HOLDINGS, LLC	(owning) Indirectly 100	Holding concurrent offices	Underwriting of the capital increase by the Company	Underwriting of the capital increase (※2)	30,900	—	—
				Guarantee of the loan liabilities by the Company	Guarantee of the loan liabilities	32,637		
Subsidiary	NASH FINANCING, LLC	(owning) Indirectly 100	Holding concurrent offices	Guarantee of the loan liabilities by the Company	Guarantee of the loan liabilities	157,731	—	—
Subsidiary	WOODSIDE HOMES COMPANY, LLC	(owing) Indirectly 100	Holding concurrent offices	Guarantee of the loan liabilities by the Company	Guarantee of the loan liabilities	35,900		

Notes※:

1. Interest rate of the bounds is determined rationally taking into account market rate.
2. The Company underwrote all the capital increase.

**2) Directors and Major individual shareholders, etc.**

Type	Name or Company name	Percentage of owning (owned) voting rights	Description of the relationship	Description of transaction	Transaction amount (million yen)	Account	Balance at January 31,2018 (million yen)
Officer	Isami Wada (※1)	(owned) Directly 0.04	Chairman & Representative Director of the Company	Sale of a condominium (※2)	—	Advances received	15

Notes※:

1. Mr. Isami Wada served as Director and Executive Advisor on February 1, 2018.
2. The price of the sale, remodeling, and construction is determined in usual way.

**7. Notes to the Information per Share**

1. Shareholders' equity per share	¥1,234.05
2. Net income per share	¥125.11

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Note:

Amounts of the Balance Sheets, Statements of Income, Notes to Balance Sheets and Statements of Income are given in the stated unit of the presentation, by disregarding any amount less than the stated unit of the presentation.