

Sekisui House, Ltd.

April 4, 2019

1-88, Oyodonaka 1-chome, Kita-ku, Osaka

Chairman & Representative Director

Toshinori Abe

NOTICE OF THE 68TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We express our deep appreciation to each of the shareholders for their extraordinary support.

Now, since the 68th Ordinary General Meeting of Shareholders of Sekisui House, Ltd. (the “Company” or “Sekisui House”) is to be held as stated below, we would like to ask you to attend the meeting.

If you are unable to attend the meeting in person, we ask you to please review the enclosed “Reference Documents for General Meeting of Shareholders” and exercise your voting rights by the methods such as the Internet or writing by 6:00 p.m. of Wednesday, April 24, 2019.

1. Date and Time: 10:00 a.m., Thursday, April 25, 2019

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

Note:

In addition, if Rose Room would be full, the Company will guide shareholders to the Second place of the Meeting or others. We appreciate your understanding.

3. Agenda:

- Items for reporting:**
- 1.Reports on the Business Report, and the Consolidated Financial Statements and the Non-Consolidated Financial Statements for the 68th fiscal year (February 1, 2018 - January 31, 2019)
 - 2.Report on the Results of Audit conducted by the Accounting Auditor and the Audit & Supervisory Board with respect to the Consolidated Financial Statements for the 68th fiscal year ended January 31, 2019

Propositions to be tabled:

No.1	Appropriation of retained earnings for the 68th fiscal year ended January 31, 2019
No.2	Provision of Bonus to Directors, excluding Outside Directors, as a group
No.3	Establishment of Remuneration for the allotment of Restricted Stock to Directors excluding Outside Directors.

[**Translation.** Please note that this document purports to be a translation from the Japanese original Notice of Convocation of the Ordinary General Meeting of Shareholders 2019 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. Please also be advised that certain statements regarding voting procedures for domestic shareholders are not applicable to the shareholders outside Japan.]

4. Guidelines of the Exercise of Voting Rights:

1. Guidelines regarding the exercise of a voting right in writing:

Please indicate on the enclosed voting form whether you approve or disapprove the proposals listed, and return it to the Company by 6:00 p.m. of Wednesday, April 24, 2019.

2. Guidelines regarding the exercise of a voting right *via* the Internet:

On the website for the exercise of voting rights (<https://evote.tr.mufg.jp/>), please use the log-in ID and temporary password which are shown on the vote exercise form. After logging in, please indicate whether you approve or disapprove the items on the agenda by following the instructions on the display screen by 6:00 p.m. of Wednesday, April 24, 2019. In case that a voting right is exercised more than once *via* the Internet, only the last vote will be recognized as valid. Please refer to the page of the end, Guidelines regarding the exercise of a voting right *via* the Internet for more information.

3. Handling of votes if a voting right is exercised using both mail and the Internet:

In case that a voting right is exercised using both mail and the Internet, then only the vote registered *via* the Internet will be recognized as valid.

4. Internet disclosure

Following matters are made available on the Company's website (<http://www.sekisuihouse.co.jp/english/financial/holders/meeting/index.html>) pursuant to the relevant laws and regulations, and Article 16 of the Articles of Incorporation of the Company, and not included in the attachments to this Notice. Documents which are set out in this Notice are parts of the Consolidated Financial Statements, or the Non-Consolidated Financial Statements which have been audited by the Audit & Supervisory Board Members and the Accounting Auditor in the preparation of the report.

1) "List of Notes to Consolidated Financial Statements" in the Consolidated Financial Statements

2) "List of Notes to Non-Consolidated Financial Statements" in the Non-Consolidated Financial Statements

5. Announcement method if the statements of the Reference Documents for General Meeting of Shareholders and other documents are amended:

In case that any amendment to the statements of the Reference Document for General Meeting of Shareholders, the Business Report and the Consolidated Financial Statements, or the Non-Consolidated Financial Statements is necessary, please be advised that the Company will post such amendments where applicable on the Company's website (<http://www.sekisuihouse.co.jp/english/financial/holders/meeting/index.html>).

6. Electronic Voting Platform

If you are a nominee shareholder such a trust bank (including a standing proxy) and apply in advance to use the Electronic Voting Platform operated by ICJ, Inc. established by the Tokyo Stock Exchange and others, you are entitled to use the platform for uses other than the aforementioned exercise of your voting rights electronically *via* the Internet as a method for exercising your voting rights.

If attending the meeting in person, please submit the enclosed Voting Right Exercise Form to the receptionist at the meeting.

To our shareholders

We express our deep appreciation to shareholders for your extraordinary support.

We will be holding the 68th Ordinary General Meeting of Shareholders of Sekisui House, Ltd. on Thursday, April 25. The convocation notice for this meeting is contained herein.

We are promoting an ambitious growth strategy, with a view to business expansion in 2020 and beyond, given that 2020 marks the 60th anniversary since the founding of Sekisui House, under the basic policy of “building the foundations for the ‘residential’-related businesses toward BEYOND 2020” adopted in the Fourth Medium-Term Management Plan spanning 3 years that was launched in fiscal 2017.

Currently, each business model including “Built-to-order”, “Supplied Housing”, “Development” and “Overseas” is growing consistently and in a balanced manner. Nevertheless, the environment surrounding the housing industry is undergoing remarkable changes on a consistent basis. The housing industry faces a number of issues that Japanese society has, including declining birthrate and aging population, large-scale natural disasters, and a large number of vacant homes. These issues demand speedy and precise responses. The Sekisui House Group is making steady forward progress in organizational reforms in tune with the times led by our new executive management team and in presenting new axes that will form the foundation for 2020 and beyond, through new initiatives implemented from the standpoint of diversification.

“Governance reforms”, which include reinforcing the functions of the Board of Directors, being promoted under a strong conviction will be achieved fully while continually carrying out inspections and self-assessments. The newly established Management Meeting is carrying out active discussions that embody the original corporate culture of free and open mind, and all-hands-on-deck involvement more than ever before. Senior management will take the lead to ensure that a mindset for reform reaches every corner of the Sekisui House Group and is shared with the Sekisui House Association and all our contractor partners. We stand committed to give the utmost priority to “Integrity” in the fullest sense both morally and ethically in all of our business activities.

We will pave the way for a new history while pushing forward with bold reforms. Therefore, we ask all shareholders for your continued support as we move forward.

Chairman & Representative Director
Toshinori Abe

April 2019

Reference Documents for General Meeting of Shareholders

Proposition No.1: Appropriation of retained earnings for the 68th fiscal year ended January 31, 2019

It is proposed to appropriate retained earnings for the fiscal year under review according to the schedule shown below.

1. Matters related to year-end dividends:

In view of profit situation and dividend policy, the Company proposes that a dividend of ¥40 per share will be paid for the fiscal year under review. Since the Company paid an interim dividend of ¥39 per share on September 28, 2018, the annual dividend for the fiscal year under review totals ¥79 per share.

(1) Type of dividend property:

Cash

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

40yen per common share of the Company Total amount: 27,533,421,000 yen

(3) Date on which dividends take effect:

April 26, 2019

2. Other matters related to the appropriation of surplus:

For the purpose of strengthening management bases for active future business development, the Company proposes to appropriate a portion of surplus according to the schedule shown below.

(1) Item of surplus that increases and amount thereof:

General reserve 30,000,000,000 yen

(2) Item of surplus that decreases and amount thereof:

Retained earnings brought forward 30,000,000,000 yen

(Reference)

The Company shall properly grasp and evaluate financial health and capital costs, as well as determine a Return On Equity (ROE), etc. as a management indicator. In the Fourth Medium-Term Management Plan, the Company aims for the stable achievement of an ROE in the 10% range and through a balanced capital policy which focuses on growth investment, shareholder returns, and financial health. The plan also targets a 40% average payout rate over the medium- and long-term and shareholder returns through timely acquisition and retirement of treasury stocks.

Proposition No. 2: Provision of Bonus to Directors, excluding Outside Directors, as a group:

The Company, taking into consideration, among other factors, the business results of the fiscal year under review, proposes that bonus in the aggregated amount of 460 million yen be paid for 8 Directors expect for 3 Outside Directors as a group in office at the end of the fiscal year under review.

The Board of Directors had decided targets of the provision and the total amount of remuneration after deliberations were held by the Personnel Affairs and Remuneration Committee, at least half of whose members shall be Independent Outside Directors or Independent Outside Audit & Supervisory Board members.

The Company also proposes that the amount to be paid each Director be entrusted to the Board of Directors.

Proposition No. 3: Establishment of Remuneration for the allotment of Restricted Stock to Directors excluding Outside Directors:

A total amount of remuneration for the Company's Directors of up to 43 million yen per month was approved at the 43rd Ordinary General Meeting of Shareholders held on April 27, 1994. In addition, at the 56th Ordinary General Meeting of Shareholders held on April 26, 2007, a total amount of remuneration for stock acquisition rights as stock compensation-type options for the Company's Directors of up to 90 million yen per annum (maximum number of stock acquisition rights: 90 (90,000 shares)) was approved.

As a part of the revision of remuneration for officers, the Company, now, would like to introduce the Plan(the "Plan") to allot the Directors, excluding Outside Directors,(the "Eligible Directors") Restricted Stock for the purpose of providing the incentive to continuously enhance the corporate value of the Company and of further enhancing value sharing with shareholders.

The Company proposes to establish a total amount of the monetary remuneration claim for the allotment of Restricted Stock to the Eligible Directors at a maximum of 90 million yen per annum, which it considers reasonable in light of the aforementioned purpose, the same amount as the current Stock Acquisition Rights as stock compensation-type stock options, separate from the existing remuneration for Directors.

The specific timing of payments and allotment to each the Eligible Director shall be determined by the Board of Directors.To ensure that basic policies for remuneration and remuneration amounts for Directors and Executive Officers are determined in a fair and objective manner by reflecting the evaluation of their performance and other factors, the Company has established the Personnel Affairs and Remuneration Committee at least half of whose members shall be Independent Directors or Independent Outside Audit & Supervisory Board members.The Company received the opinions of the committee in which the introduction of the Plan is reasonable.

Upon a resolution by the Board of Directors of the Company, the Eligible Directors shall receive shares of the Company's common stock, upon issuance or disposition thereof by contributions in-kind of the entire monetary remuneration claim paid based on this proposition, and the total number of shares of common stock for new issuance or disposition thereby to the Eligible Directors shall be up to 90,000 shares per annum (provided, however, in cases where there is a stock split of the Company's shares of common stock (including a gratis allotment of shares of the Company's common stock) or a stock consolidation thereof which takes effect on the same day when or on any other day after this proposition is adopted, said total number will be adjusted to a reasonable extent in proportion to the share split ratio, share consolidation ratio, etc.).

The amount to be paid per share shall be the closing price of shares of the Company's common stock on the Tokyo Stock Exchange on the business day immediately preceding the date of each resolution of the Board of Directors (or the closing price on the trading day immediately prior thereto if there is no transaction concluded on the relevant business day).For issuance or disposition of the Company's common stock in the Plan, the Company enters into the agreement of allotment of Restricted Stock including the things described below with the Eligible Directors.

If the proposal is approved, the Company will abolish the existing provisions concerning the amount of remuneration for stock acquisition rights as stock compensation-type stock options, excluding the outstanding Stock Acquisition Rights, and discontinue the allotment of new Stock Acquisition Rights as stock compensation-type stock options in the future.

The number of the Eligible Directors is 8 excluding 3 Outside Directors even the number of the Director of the Company is 11.

(1) Period and content of transfer restriction

The Eligible Directors may not transfer to any third party, create a pledge or a security interest on, grant as advancement before death, devise or otherwise dispose of the shares of the Company's common stock ("Transfer Restriction") allotted (the "Allotted Shares") during a period predetermined in advance by the Company's Board of Directors, which shall be from 3 years up to 30 years from the date when the allotment was received due to the allotment agreement (the "Transfer Restriction Period).

(2) Treatment in cases of loss of position

If, prior to the expiry of the Transfer Restriction Period, the Eligible Director loses a position as either a Director or an Executive Officer of the Company (including an Executive Officer in the case in which the Company makes the transition to a company with nomination committee, etc. in the future), the Company shall make a gratis acquisition of the Allotted Shares as a matter of course, with the exception of expiration of term of service, death or other reasons which the Board of Directors judges to be legitimate for the loss of position.

(3) Lifting of transfer restriction

The Company shall lift the Transfer Restriction on all of the Allotted Shares at the expiry of the Transfer Restriction Period on the condition that the Eligible Director was in the position of either Director or Executive Officer (including an Executive Officer in the case in which the Company makes the transition to a company with nomination committee, etc. in the future) of the Company continuously during the Transfer Restriction Period. However, if such the Eligible Director loses a position as either a Director or an Executive Officer of the Company prior to the expiry of the Transfer Restriction Period due to the expiration of the term of service, death or other legitimate reason, the Company shall adjust to a reasonable extent as necessary the number of Allotted Shares on which to lift the Transfer Restriction and the timing of the lifting of the Transfer Restriction. Further, in accordance with the above provisions, the Company shall, as a matter of course, make a gratis acquisition of the Allotted Shares on which the Transfer Restriction has not been lifted immediately after the Transfer Restriction has been lifted.

(4) Handling in case of reorganization, etc.

If, during the Transfer Restriction Period, a merger agreement in which the Company becomes a non-surviving company, a share exchange agreement or a share transfer plan under which the Company becomes a wholly owned subsidiary of another company or any other matters related to reorganization, etc. is approved at a General Meeting of Shareholders (provided, however, at a meeting of the Board of Directors of the Company if the approval of the General Meeting of Shareholders for said reorganization, etc. is not required) of the Company, the Company shall, prior to the effective date of said reorganization, etc., lift the Transfer Restriction on a number of Allotted Shares determined in a reasonable manner by resolution of the Board of Directors based on the period from the date of commencement of the Transfer Restriction Period to the date of approval of said reorganization, etc. In addition, in accordance with the above provisions, the Company shall, as a matter of course, make a gratis acquisition of the Allotted Shares on which the Transfer Restriction has not been lifted immediately after the Transfer Restriction has been lifted.

(5) Other matters

Other matters concerning the allotment agreement shall be determined at meetings of the Board of Directors of the Company.

<For reference>

If the proposal is approved, the Company also plans to abolish the existing stock compensation-type stock options and introduce a plan similar to the Plan targeting at Executive Officers (excluding those who concurrently serve as Directors) of the Company.

Attached Documents

The Business Report for the 68th fiscal year (Feb.1, 2018 – Jan.31, 2019)

1. Business Conditions

1) Progress and Results of Sekisui House Group

During the consolidated fiscal year under review, the Japanese economy continued its moderate recovery, as reflected in developments such as corporate performance improvement and capital spending growth, supported by a steady improvement in employment conditions and observed moves toward a consumer spending pickup, although the potential impact of trade issues on the global economy and the effects of fluctuations in financial and capital markets required attention. In the housing market, the number of new housing starts decreased from the previous fiscal year with a decline in the construction of rental housing due mainly to a change in the attitude of financial institutions, in spite of a trend toward recovery observed in the construction of custom detached houses. In the meantime, demand remained firm in overseas housing markets, even though a phase of adjustment including a decrease in the number of supplied houses due to the change of the country's housing policy and other factors was observed in certain countries.

Under these circumstances, the Company stepped up efforts to strengthen housing and residential-related business and expand new business areas under the basic policy adopted in the Fourth Mid-Term Management Plan (2017-2019) of Building the foundations for residential-related businesses BEYOND 2020 in the second year of that Plan, while the Sekisui House Group overall pursued the value that housing can provide to the society.

The Company strengthened the sales system by introducing a new product in the Custom Detached Houses Business, increasing the expertise of sales staff, and actively enhancing the sales of non-housing contract business (hotels, day nurseries, medical institutions, etc.). The Company also established the Human Life R & D Institute, which will study and propose Houses where the more you live, the happier you will be, as part of the Company's efforts in pursuing a sense of happiness such as health and family bonds, in addition to the research themes such as living safety, security, and comfort that it has been working on over many years.

In November 2018, the Company announced the Trip Base Michi-no-Eki Stations Project, a regional revitalization project the Company and Marriott International, Inc. will undertake in cooperation with local governments in Japan. Under this project, roadside hotels that mainly use materials shipped from the Company's factories will be open from fall of 2020 in 15 locations in 5 prefectures, with the Company in charge of contracted construction. In January 2019, the Company announced the Platform House Concept based on its vision of making home the happiest place in the world. The announcement was made at CES 2019, one of the world's largest consumer electronics shows held in Las Vegas, where the Company exhibited products independently, the first Japanese home builder to do so. As the first step based on the Platform House Concept, the Company is advancing efforts with health as a theme, and plans to launch a product that offers services including responses to acute illness in the spring of 2020.

In the ESG (environment, society, governance) field, which the Company positions as an important management issue, the Company was selected for all of the 4 ESG indices adopted by GPIF, the world's largest pension fund. In addition, Sekisui House was selected as one of the companies included in the Dow Jones Sustainability World Index (DJSI World), for the third year in a row.

With respect to environmental efforts, the Company made a decarbonization declaration in 2008 to help build a sustainable society with 2050 as the target year. The Company decided to launch Sekisui House Owner Denki, a service for purchasing excess electricity generated by PV systems installed on owner's houses for use in the Sekisui House Group's business activities, in a bid to popularize ZEH (net zero energy housing) and achieve RE100 initiative targets established for covering energy used for businesses with renewable energy at the rate of 100%.

As for the social aspects, the Company has been pursuing a management strategy of diversity to create an environment in which diverse human resources can make the best use of their abilities to their fullest potential. As for the advancement of women in the workplace, the Company was selected for the Nadeshiko Brand 2018 under joint administration of the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange (for the fifth time as only company in the housing and construction industry). As a Kids First Company that leads a society that supports child care and parenting, the Company has announced that all male employees who have children under the age of three will take childcare leave of at least one month.

In the area of governance, the Company bolstered governance by setting up a Management Meeting where important investment projects and other matters are deliberated, reorganizing systems for sharing risk information and facilitating interdivisional cooperation, and reforming the system of submitting draft proposals for endorsement by designated officials to have both drafting and examining divisions analyze risk factors exhaustively. The Company also took steps to develop a more robust corporate culture, including the appointment of female outside directors and reforms to the Board of Directors to make decisions through transparent and active discussions based on the principle of assigning the role of the chairman of the Board of Directors and the role of the convener to different directors.

Net sales in FY2018 amounted to ¥2,160,316 million (up 0.04% year-on-year). Operating income amounted to ¥189,223 million (down 3.2% year-on-year), ordinary income to ¥195,190 million (down 4.2% year-on-year) and profit attributable to owners of parent to ¥128,582 million (down 3.5% year-on-year).

Business results by segments are as follows.

(Custom Detached Houses Business)

In the Custom Detached Houses Business, the Company worked to develop and promote the sales of high value-added products such as ZEHs and houses using original external walls. The Company focused on sales of Green First Zero, our original ZEHs, which achieve an energy balance by saving energy through high insulation and other means and generating energy through methods such as photovoltaic power generation and fuel cells. The ZEH ratio has been shifting steadily toward the target of 76% in 2018 (and 80% in 2020). The Company will accelerate its initiatives for popularizing ZEHs, focusing on the strengths that make a comfortable lifestyle consistent with ZEHs. In addition, the Company expanded the sales of the IS series of steel-frame houses and the GRAVIS series of SHAWOOD-HOME wood-framed houses, the high-end products. In urban areas, the Company focused on selling three- and four-story heavy steel-framed houses offering greater layout flexibility that can meet diverse needs, including demand for multiple-family cohabitation. Meanwhile, the Company introduced Airkis specifications for giving consideration to indoor air quality to the SHAWOOD-HOME series of wood-framed houses, enabling it to propose the specifications in all custom detached house lines.

In October, the Company released the IS ROY+E Family Suite featuring the fusion of achievements of a study of Houses where the more you live, the happier you will be and advanced technologies, to propose a large living space in which comfortable personal distances are maintained among family members.

As a result of these efforts, orders received for the Business increased year-on-year, showing signs of recovery from the third quarter of the fiscal 2018.

Sales in the Custom Detached Houses Business amounted to ¥357,944 million (down 3.6% from the previous fiscal year), and operating income to ¥42,255 million (down 12.0%).

(Rental Housing Business)

In the Rental Housing Business, the Company sought to win more orders for rental houses centered on those with three or four-stories by conducting exhaustive marketing in specific areas focused on urban districts and making attractive proposals that lead to stable management in the long term, such as the supply of rental properties of good quality. In addition, the Company sought to meet diverse construction demand and bolster its ability to propose applications, such as houses for combined residential and commercial use, hotels, day nurseries, and medical

institutions, using the new flexible β system construction method in which design adaptability and space proposal capability are enhanced. As a result, sales progressed solidly for non-housing segments.

However, orders received for the Business overall fell year-on-year, mainly due to sluggish rental housing results.

Sales in the Rental Housing Business amounted to ¥416,062 million (down 6.0% from the previous fiscal year), and operating income to ¥50,376 million (down 17.3%).

(Remodeling Business)

In the Remodeling Business, the Company promoted its shift from maintenance-based remodeling to proposal-based remodeling, which offers lifestyle ideas, and environment-based remodeling, such as energy-saving renovation, and took steps to bolster its sales structure. In addition, the Company made aggressive proposals that contribute to stable management in the long term, including the maintenance and improvement of rent levels and occupancy rates, to the owners of Sha-Maison rental houses.

In December 2018, the Company introduced Idokoro Dan-netsu products based on the Green First Renovation Concept. This is the idea of partial insulation which narrows heated areas within a house down to family members' whereabouts centered on the living room, the dining room and the kitchen where they spend many hours. The Company will offer a pleasant and comfortable lifestyle by performing insulation repairs and installing comfortable facilities.

Sales in the Remodeling Business amounted to ¥141,416 million (up 3.3% from the previous fiscal year), and operating income to ¥21,109 million (up 6.8%).

(Real Estate Management Fees Business)

In the Real Estate Management Fees Business, the number of Sha-Maison rental housing units for block leasing and that of housing units whose management is commissioned achieved solid growth through a group-based collaboration with Sekiwa Real Estate companies. Under this condition, the Company maintained high occupancy rates by meeting demand for high-quality rental houses featuring hotel-like specifications.

Sales in the Real Estate Management Fees Business amounted to ¥514,035 million (up 4.9% from the previous fiscal year) and operating income to ¥39,407 million (up 18.9%).

(Houses for Sale Business)

In the Houses for Sale Business, the Company continued to procure land actively for first-time buyers, and at the same time, the Company furthered events and other initiatives to promote sales. In addition, the Company advanced efforts to develop communities of high quality that can be passed on to the next generation in the forms of initiatives for planning and proposing not only individual gardens and external facilities but also integrated rows of houses and activities for supporting community development, adopting the concept of beauty that blooms with time in which attractions and value grow over the years. The Company has been implementing the Fukuoka Island City Teriha no Machizukuri project with the Fukuoka City government and related organizations through a public-private-academia collaboration. The project, whose town opening ceremony was carried out in 2005, received the Asian Townscape Award 2018.

Sales in the Houses for Sale Business amounted to ¥148,880 million (down 4.2% from the previous fiscal year), and operating income to ¥11,088 million (down 17.6%).

(Condominium Business)

In the Condominium Business, the Company advanced its brand strategies by thoroughly enforcing area-specific strategies and integrating homebuilding knowhow gained through custom detached houses. Grande Maison Seaside-no Mori (Shinagawa-ku, Tokyo) were sold out. Looking at properties for sale, orders received were steadily favorable for Grande Maison Uemachidai the Tower (Chuo-ku, Osaka), where Ene Farm fuel cells for household use will be installed in all units. Handovers also progressed according to plan for properties, such as Grande Maison Shin Umeda Tower (Kita-ku, Osaka).

Sales in the Condominium Business amounted to ¥89,581 million (up 15.6% from the previous fiscal year), and the operating income was ¥6,478 million (down 29.8%).

(Urban Redevelopment Business)

In the Urban Redevelopment Business, the Company undertook development projects aimed at establishing high quality social infrastructure. Occupancy rates for rental properties owned by the Sekisui House Group, such as offices, commercial buildings and Prime Maison rental houses developed by the Company, remained high. Moreover, the Company sold properties, such as the Ritz-Carlton Kyoto (part of the stake) and Prime Maison Shirokanedai Tower, a rental house it had developed, to Sekisui House Reit, Inc., based on a business policy of increasing the asset turnover ratio.

Sales in the Urban Redevelopment Business amounted to ¥173,391 million (up 67.1% from the previous fiscal year) and operating income to ¥40,403 million (up 137.7%).

(Overseas Business)

In the United States, Woodside Homes Company, LLC., which became a consolidated subsidiary in the previous fiscal year, achieved strong housing sales. In Australia, the Central Park project finished delivering condominiums, hotels and other buildings. In China, the condominiums in the city of Taicang sold out and condominiums in the city of Suzhou were steadily delivered as planned. In Singapore, sales of Seaside Residence continued to be strong.

On the other hand, there were no properties delivered in the rental housing development business in the United States and a complex development project in Australia posted a loss on valuation of inventory. As a result of factors including those mentioned above, sales in the Overseas Business amounted to ¥245,953 million (down 19.8% from the previous fiscal year), while operating income was ¥16,340 million (down 45.1%).

(Other Businesses)

In the Exterior Business, the Company worked to step up integrated proposals for houses and external facilities. The Company made aggressively proposals for building original gardens and external facilities in custom detached houses, rental houses and condominiums based on the Gohon no Ki landscaping plan through which garden trees are selected from native, non-cultivated and other plant varieties to match the local climate.

Sales in the Other Businesses amounted to ¥73,050 million (down 2.8% from the previous fiscal year), and operating loss to ¥44 million.

2) Issues that Sekisui House Group to Address

In the Japanese economy, corporate earnings, and employment and income conditions are expected to maintain a moderate improvement. However, future economic prospects, including the effects of the consumption tax hike scheduled for enforcement in October 2019, political risks in respective countries, trade issues and trends in monetary policies, remain unclear.

In the housing market, a number of government policies are likely to alleviate the effects of the consumption tax increase, although it is difficult to be optimistic about the outlook. Trends in the housing market require attention. Moreover, demand is expected to remain firm for the custom detached houses with high added values on which the Company is focusing, as well as high quality rental housing centered on urban areas with diversifying housing needs in the background. In the meantime, changes in conditions surrounding housing are definitely advancing, as demonstrated by issues such as measures to counter global warming that will cause large-scale disasters, quality and technologies sought in houses in an aging society, approaches to expanding inbound tourist demand, and the development of houses that make the most of evolving information technologies.

In this business environment, the Company is working to lay the foundations for residential-related businesses based on the Fourth Mid-Term Management Plan. The Company will expand its market share by proactively proposing houses with high added value in which intangibles are supported by its technical strengths and other tangibles. In the meantime, the Company will further reinforce the cooperation within the group and expand such businesses as remodeling, real estate management, and brokerage to promote the formation of quality housing stock. Moreover, in the overseas business, the Company will keep investment and recovery in balance by promptly grasping market conditions in each country and steadily advancing development projects.

Based on a hard look at the likely situation in 2020 and beyond, the Company will expand its business areas, including new services, to be a partner able to give residents a feeling of happiness based on safety, peace of mind and comfort. The Company will work to realize steady profit growth by strengthening its balanced earnings structure.

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

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

Millions of yen

	Orders brought forward from the previous year	Orders for the year to Jan. 2019	Net sales for the year to Jan. 2019	Orders carried forward to the following year
Custom Detached Houses Business	200,156	386,792	357,944	229,004
Rental Housing Business	398,755	424,709	416,062	407,403
Remodeling Business	23,988	148,417	141,416	30,989
Real Estate Management Fees Business	—	514,035	514,035	—
Houses for Sale Business	42,153	156,208	148,880	49,481
Condominiums Business	121,732	85,904	89,581	118,054
Urban Redevelopment Business	28,755	146,525	173,391	1,888
Overseas Business	119,721	237,535	245,953	111,303
Other Businesses	43,337	77,429	73,050	47,716
Total	978,601	2,177,557	2,160,316	995,842

Note:

Each business division is set out in 6) Major businesses.

4) Business Results and Financial Situation of Sekisui House Group

Millions of yen

	Year to Jan. 2016	Year to Jan. 2017	Year to Jan. 2018	Year to Jan. 2019
Net sales	1,858,879	2,026,931	2,159,363	2,160,316
Net income attributable to owners of parent	84,302	121,853	133,224	128,582
Net income per share (¥)	120.16	175.48	193.06	186.53
Total assets	2,029,794	2,184,895	2,419,012	2,413,053
Net assets	1,068,428	1,118,264	1,208,121	1,196,923

5) Plant-and-equipment investment and conditions of financing

The aggregate amount of plant-and-equipment investments made by the Sekisui House Group during the fiscal year under review amounted to 58,680 million yen and the main component were acquisition of the real estate for investments.

Nothing is to be especially reported about procured funds during the fiscal year.

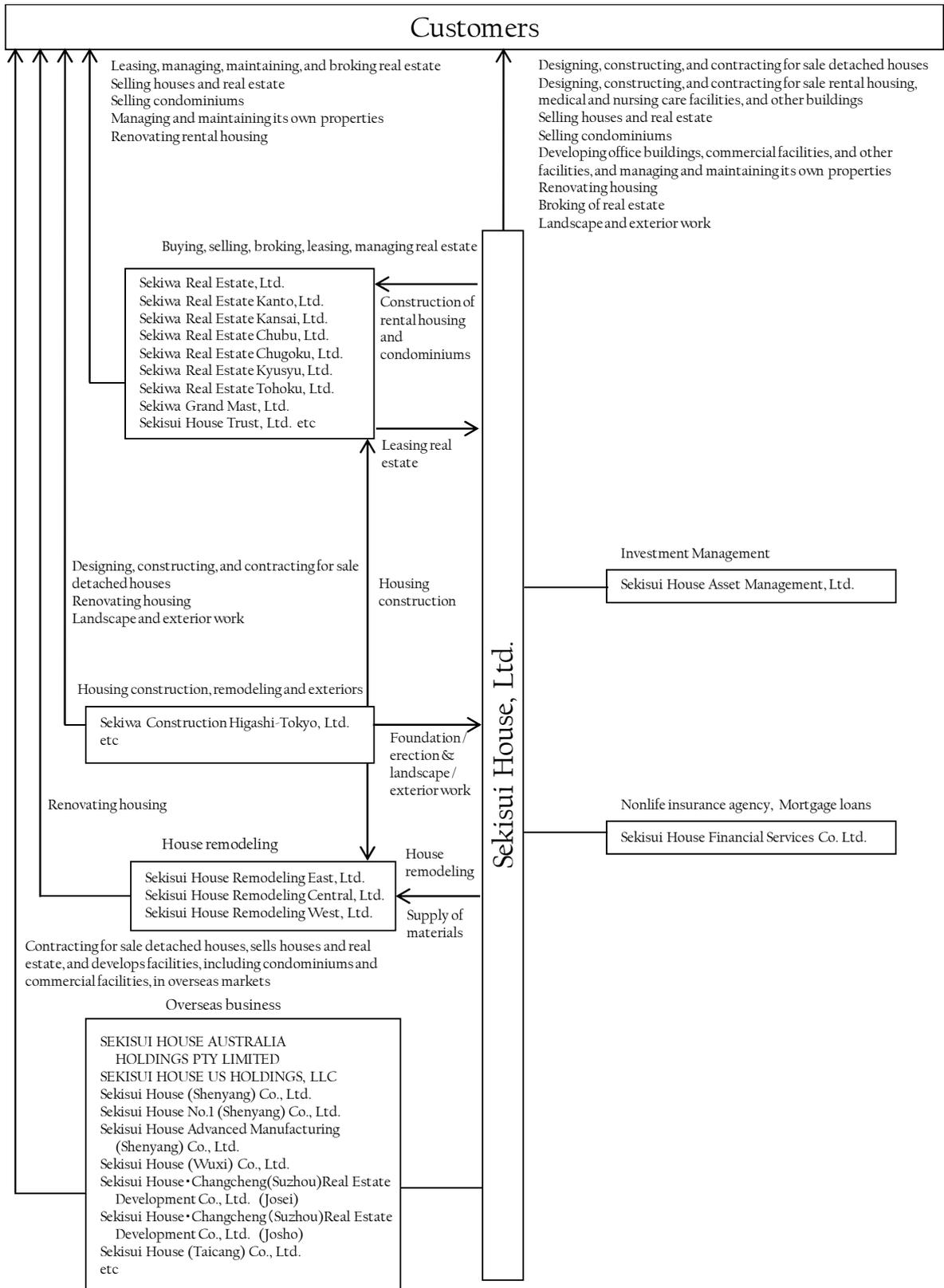
6) Major Businesses as of January 31, 2019

The Company and the Sekisui House Group companies are involved in the contract design, construction, and letting of prefabricated houses. They also buy and sell, act as agents for, lease and manage real estate.

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

Custom Detached Houses Business	Designing, constructing, and contracting for sale detached houses
Rental Housing Business	Designing, constructing, and contracting for sale rental housing, medical and nursing care facilities, and other buildings
Remodeling Business	Renovating housing
Real Estate Management Fees Business	Leasing, managing, maintaining, and brokering real estate
Houses for Sale Business	Selling houses and real estate, and designing, constructing, and contracting for sale houses on residential land for sale
Condominiums Business	Selling condominiums
Urban Redevelopment Business	Developing office buildings, commercial facilities, and other facilities, and managing and maintaining its own properties
Overseas Business	Contracting for sale detached houses, sells houses and real estate, and develops facilities, including condominiums and commercial facilities, in overseas markets
Other Businesses	Exterior business, etc.

The outline of the major business of the Sekisui House Group is set out below:



7) Major Operations of Sekisui House Group as of January 31, 2019

1. Location of Major Operations of the Company

Head office:	1-88, Oyodonaka 1-chome, Kita-ku, Osaka	
Sales and project headquarters:		<u>City</u>
International Business Department		Osaka
Development Department		Osaka
Condominium Headquarters		Osaka
East Japan Building Sales Administration Headquarters		Shibuya-ku, Tokyo
West Japan Building Sales Administration Headquarters		Osaka
Tohoku Sales Administration Headquarters		Sendai
Tokyo Sales Administration Headquarters		Shibuya-ku, Tokyo
Kanagawa Sales Administration Headquarters		Yokohama
Saitama Sales Administration Headquarters		Saitama
Higashi Kanto Sales Administration Headquarters		Chiba
Kita Kanto Sales Administration Headquarters		Utsunomiya
Chubu Daiichi Sales Administration Headquarters		Nagoya
Chubu Daini Sales Administration Headquarters		Shizuoka
Kansai Daiichi Sales Administration Headquarters		Osaka
Kansai Daini Sales Administration Headquarters		Kyoto
Chugoku Shikoku Sales Administration Headquarters		Hiroshima
Kyushu Sales Administration Headquarters		Fukuoka
Branches:	111 Branches	
Sales Offices:	4 Sales Offices	
Customer Service Centers:	29 Customer Service Centers	
Factories:		
Tohoku Factory	Shikama-cho, Kami-gun, Miyagi Prefecture	
Kanto Factory	Koga-City, Ibaraki Prefecture	
Shizuoka Factory	Kakegawa-City, Shizuoka Prefecture	
Yamaguchi Factory	Yamaguchi-City	
Hyogo Factory	Kato-City, Hyogo Prefecture	
R&D Institute		
Comprehensive Housing R&D Institute	Kizugawa- City, Kyoto Prefecture	

Notes:

1. Tokyo office was abolished on March 31, 2018.
2. On “Sales and project headquarters”, Broking and Leasing Business Headquarters (Osaka) and Shinetsu Sales Administration Headquarters (Nagano) has been established on February 1, 2019.
3. Development Department has transferred to Shinjuku-ku, Tokyo on March 1, 2019.

2. Address of Major Operations of subsidiaries

Sekiwa Real Estate, Ltd.	Head office: 1-1, Yoyogi 2-chome, Shibuya-ku, Tokyo
Sekiwa Real Estate Kantou, Ltd.	Head office: 1-1, Yoyogi 2-chome, Shibuya-ku, Tokyo
Sekiwa Real Estate Kansai, Ltd.	Head office: 1-30, Oyodonaka 1-chome, Kita-ku, Osaka
Sekiwa Real Estate Chubu, Ltd.	Head office: 24-16, Meieki 4-chome, Nakamura-ku, Nagoya
Sekiwa Real Estate Chugoku, Ltd.	Head office: 1-25, Komachi, Naka-ku, Hiroshima
Sekiwa Real Estate Kyushu, Ltd.	Head office: 2-1, Hakataekimae 3-chome, Hakata-ku, Fukuoka
Sekiwa Real Estate Tohoku, Ltd.	Head office: 16-10, Honcho 2-chome, Aoba-ku, Sendai
Sekiwa Grand Mast, Ltd.	Head office: 1-1, Yoyogi 2-chome, Shibuya-ku, Tokyo
Sekisui House Remodeling East, Ltd.	Head office: 4-1, Nishishinjuku 2-chome, Shinjuku-ku, Tokyo
Sekisui House Remodeling Central, Ltd.	Head office: 1-90, Oyodonaka 1-chome, Kita-ku, Osaka
Sekisui House Remodeling West, Ltd.	Head office: 16-6, Nishihara 5-chome, Asaminami-ku, Hiroshima
Sekisui House Financial Services Co., Ltd.	Head office: 1-90, Oyodonaka 1-chome, Kita-ku, Osaka
Sekisui House Asset Management, Ltd.	Head office: 15-1, Akasaka 4-chome, Minato-ku, Tokyo
Sekisui House Trust, Ltd.	Head office: 1-1, Yoyogi 2-chome, Shibuya-ku, Tokyo
SEKISUI HOUSE AUSTRALIA HOLDINGS PTY LIMITED	Head office: New South Wales, Australia
SEKISUI HOUSE US HOLDINGS, LLC	Head office: Virginia, U.S.A.
NORTH AMERICA SEKISUI HOUSE, LLC	Head office: Virginia, U.S.A.
SH RESIDENTIAL HOLDINGS, LLC	Head office: California, U.S.A.
WOODSIDE HOMES COMPANY, LLC	Head office: Utah, U.S.A
Sekisui House (Shenyang) Co., Ltd	Head office: Liaoning Shenyang City, China
Sekisui House No.1(Shenyang) Co., Ltd.	Head office: Liaoning Shenyang City, China
Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd.	Head office: Liaoning Shenyang City, China
Sekisui House (Wuxi) Co., Ltd	Head office: Jiangsu Wuxi City, China
Sekisui House Changcheng (Suzhou) Real Estate Development Co., Ltd. (Josei)	Head office: Jiangsu Suzhou City, China
Sekisui House Changcheng (Suzhou) Real Estate Development Co., Ltd. (Josho)	Head office: Jiangsu Suzhou City, China
Sekisui House (Taicang) Co., Ltd.	Head office: Jiangsu Taicang City, China

8) Outline of main subsidiaries

Company Name	Capital <i>Millions of yen</i>	Percentage owned	Main business
Sekiwa Real Estate, Ltd.	1,758	100.0%	Houses for Sale Business, Real Estate Management Fees Business
Sekiwa Real Estate Kantou Ltd.	480	100.0%	Houses for Sale Business, Real Estate Management Fees Business
Sekiwa Real Estate Kansai, Ltd.	5,829	100.0%	Houses for Sale Business, Real Estate Management Fees Business
Sekiwa Real Estate Chubu, Ltd.	1,368	100.0%	Houses for Sale Business, Real Estate Management Fees Business
Sekiwa Real Estate Chugoku, Ltd.	379	100.0%	Houses for Sale Business, Real Estate Management Fees Business
Sekiwa Real Estate Kyushu, Ltd.	263	100.0%	Houses for Sale Business, Real Estate Management Fees Business
Sekiwa Real Estate Tohoku, Ltd.	200	100.0%	Houses for Sale Business, Real Estate Management Fees Business
Sekiwa Grand Mast, Ltd.	400	100.0%	Real Estate Management Fees Business
Sekisui House Remodeling East, Ltd.	100	100.0%	Remodeling Business
Sekisui House Remodeling Central, Ltd.	100	100.0%	Remodeling Business
Sekisui House Remodeling West, Ltd.	100	100.0%	Remodeling Business
Sekisui House Financial Services Co., Ltd.	100	100.0%	Other Businesses
Sekisui House Asset Management, Ltd.	400	100.0%	Real Estate Management Fees Business
Sekisui House Trust, Ltd.	450	95.0%	Real Estate Management Fees Business
SEKISUI HOUSE AUSTRALIA HOLDINGS PTY LIMITED	1,087 (Millions of AUD)	100.0%	Overseas Business
SEKISUI HOUSE US HOLDINGS, LLC	1,364 (Millions of USD)	100.0%	Overseas Business
NORTH AMERICA SEKISUI HOUSE, LLC	1,184 (Millions of USD)	100.0%※	Overseas Business
SH RESIDENTIAL HOLDINGS, LLC	475 (Millions of USD)	100.0%※	Overseas Business
WOODSIDE HOMES COMPANY, LLC	199 (Millions of USD)	100.0%※	Overseas Business
Sekisui House (Shenyang) Co., Ltd.	219 (Millions of USD)	100.0%	Overseas Business
Sekisui House No.1(Shenyang) Co., Ltd.	1,568 (Millions of CNY)	100.0%	Overseas Business
Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd.	105 (Millions of USD)	100.0%	Overseas Business
Sekisui House (Wuxi) Co.,Ltd	265 (Millions of USD)	100.0%	Overseas Business
Sekisui House Changcheng (Suzhou) Real Estate Development Co., Ltd. (Josei)	421 (Millions of USD)	99.3%	Overseas Business

Sekisui House Changcheng (Suzhou) Real Estate Development Co., Ltd. (Josho)	340 (Millions of USD)	99.5%	Overseas Business
Sekisui House (Taicang) Co., Ltd.	258 (Millions of USD)	99.9%	Overseas Business

Notes:

1. There are 264 consolidated subsidiaries, and 33 companies to which equity method of accounting is applied.
2. “※” includes indirect ownership.
3. Sekisui House Investment Advisors, Ltd. has merged with Sekisui House Asset Management, Ltd. on May 1, 2018, and has changed its name to Sekisui House Asset Management, Ltd.

9) Employees as of January 31, 2019

1. Outline of Sekisui House Group

Number of employees	Change compared to the previous year
24,775	384 (increased)

2. Outline of Sekisui House, Ltd.

Number of employees	Change compared to the previous year	Average age	Average length of employment
15,848	163 (increased)	43.1 years old	17.1years

Note:

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

10) Principal Lenders as of January 31, 2019

Millions of yen

Name of lenders	Amount of loan
Sumitomo Mitsui Banking Corporation	114,806
Mizuho Bank, Ltd.	101,170
MUFG Bank, Ltd.	97,695
Sumitomo Mitsui Trust Bank, Limited	50,613
Resona Bank, Ltd.	4,500

Note:

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

2. Present Conditions of the Company

1) Description of Common Shares of the Company as of January 31, 2019

1	Total number of shares authorized to be issued	1,978,281,000 shares
2	Total number of shares issued (Including treasury stock)	690,683,466 shares (2,347,941 shares)
3	Share unit number	100
4	Total number of shareholders	123,242
5	Details of main shareholders are as follows:	
	Name	Number of shares held (thousands)
	Ratio of shareholding	
	The Master Trust Bank of Japan, Ltd. (Trust account)	63,026
	9.16%	
	Sekisui Chemical Co., Ltd.	42,168
	6.13%	
	Japan Trustee Services Bank, Ltd. (Trust account)	36,648
	5.32%	
	Sekisui House <i>Ikushikai</i>	16,194
	2.35%	
	SMBC Nikko Securities Inc.	16,079
	2.34%	
	MUFG Bank, Ltd.	13,624
	1.98%	
	Japan Trustee Services Bank, Ltd. (Trust account 5)	13,482
	1.96%	
	The Dai-ichi Life Insurance Company, Limited	12,158
	1.77%	
	NORTHERN TRUST CO.(AVFC) SUB A/C NON TREATY	11,009
	1.60%	
	Japan Trustee Services Bank, Ltd. (Trust account 7)	10,526
	1.53%	
	Notes:	
	1. Sekisui House <i>Ikushikai</i> is the Company's employee stock holding association.	
	2. The ratio of shareholding is calculated deducting shares of treasury stock from the total number of shares issued.	
6	Other important matters concerning shares The Company acquired 2,000,000 shares of common stock of the Company, pursuant to the resolution at the meeting of the Board of Directors held on September 6, 2018.	

2) Outlines of Stock Acquisition Rights

1. Outlines of Stock Acquisition Rights granted in consideration of the performance of duties as of January 31, 2019

• Number of stock acquisition rights

879 units

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

879,000 common shares of the Company (1,000 shares per unit)

• Current situation of stock acquisition rights held by posts

Posts (Exercise period)	Directors (Outside Directors)		Executive Officers		Audit & Supervisory Board Members		Others	
	Number of holders	Number of stock acquisition rights	Number of holders	Number of stock acquisition rights	Number of holders	Number of stock acquisition rights	Number of holders	Number of stock acquisition rights
No.1 Stock Acquisition Rights (Stock compensation-type stock option) (From April 28, 2006 to April 27, 2026)	3	6	—	—	—	—	2	11
No.2 Stock Acquisition Rights (Stock compensation-type stock option) (From June 8, 2007 to June 7, 2027)	3	7	—	—	—	—	2	12
No.3 Stock Acquisition Rights (Stock compensation-type stock option) (From June 7, 2008 to June 6, 2028)	4	21	—	—	—	—	6	31
No.4 Stock Acquisition Rights (Stock compensation-type stock option) (From June 10, 2009 to June 9, 2029)	4	24	—	—	—	—	5	28
No.5 Stock Acquisition Rights (Stock compensation-type stock option) (From June 17, 2010 to June 16, 2030)	4	25	2	4	2	4	11	46
No.6 Stock Acquisition Rights (Stock compensation-type stock option) (From June 15, 2011 to June 14, 2031)	4	31	2	6	2	6	10	57
No.7 Stock Acquisition Rights (Stock compensation-type stock option) (From June 14, 2012 to June 13, 2032)	7 (1)	44 (3)	6	17	2	4	15	70
No.8 Stock Acquisition Rights (Stock compensation-type stock option) (From June 14, 2013 to June 13, 2033)	7 (1)	21 (2)	7	8	2	2	13	32
No.9 Stock Acquisition Rights (Stock compensation-type stock option) (From June 14, 2014 to June 13, 2034)	10 (2)	36 (4)	11	23	2	4	11	37
No.10 Stock Acquisition Rights (Stock compensation-type stock option) (From June 13, 2015 to June 12, 2035)	10 (2)	23 (2)	11	13	2	2	11	25
No.11 Stock Acquisition Rights (Stock compensation-type stock option) (From June 15, 2016 to June 14, 2036)	10 (2)	24 (4)	14	18	2	3	9	21
No.12 Stock Acquisition Rights (Stock compensation-type stock option) (From June 15, 2017 to June 14, 2037)	10 (2)	26 (2)	14	16	2	2	9	20
No.13 Stock Acquisition Rights (Stock compensation-type stock option) (From June 15, 2018 to June 14, 2038)	11 (3)	38 (3)	21	31	—	—	—	—

Notes:

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

2. Outlines of Stock Acquisition Rights granted in consideration of the performance of duties during the fiscal year under review

·Name of stock acquisition rights

No.13 Stock Acquisition Rights (Stock compensation-type stock option)

·Number of stock acquisition rights

69 units

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

69,000 common shares of the Company (1,000 shares per unit)

·Issuance price

1,283 yen per share

·Amount to be paid in upon exercise of each stock acquisition right

1 yen per share

·Exercise period of stock acquisition rights

Between June 15, 2018 and June 14, 2038.

·Conditions for exercise of stock acquisition rights

(i) Holders of stock acquisition rights can exercise stock acquisition rights from the day following the day on which they lose their positions as Directors of the Company or its consolidated subsidiaries (including corporate officers in a case where the Company turns into "company with nominating committees, etc" in the future); Audit & Supervisory Board Member, or Executive Officers (the "start date of exercise of stock acquisition rights").

(ii) Notwithstanding the description in the above item (i), if either of the following two cases (a) or (b) occurs, holders of stock acquisition rights can exercise their stock acquisition rights within the periods specified (provided, however, that with respect to (b), the foregoing shall not be applied to a case in which stock acquisition rights of the reorganized company are assigned newly to the holders of stock acquisition rights).

(a) Holders of stock acquisition rights are unable to have the start date of exercise of stock acquisition rights commencing before June 14, 2037:

Between June 15, 2037 and June 14, 2038

(b) The general meeting of shareholders of the Company approves a resolution for a merger contract in which the Company becomes a dissolving company or a resolution for a share exchange or transfer contract or plan in which the Company becomes a wholly-owned subsidiary (in case of resolution of the general meeting of shareholders of the Company being not required, a resolution of the Board of Directors will substitute therefor):

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

(iii) If holders of stock acquisition rights waive their rights, they cannot exercise the rights.

(iv) No partial exercise of a single stock acquisition right is allowed.

(v) The terms and conditions of the stock acquisition rights other than the above shall be provided for in the Stock Acquisition Rights Allotment Agreement entered into between the Company and each of the officers to whom stock acquisition rights were allotted.

·Terms and conditions for acquisition of stock acquisition rights:

If the general meeting of shareholders of the Company approves proposals (1), (2), (3), (4) and (5) below, the Company may acquire the stock acquisition rights without compensation on a date separately determined by the Board of Directors (if an approval of the general meeting of shareholders is not required, then, the day on which the Board of Directors of the Company adopts a resolution).

(1) a proposal for approval of a merger contract in which the Company is to be dissolved;

(2) a proposal for approval of a corporate division agreement or plan under which the Company becomes a split company;

(3) a proposal for approval of a share exchange or transfer contract or plan in which the Company becomes a wholly-owned subsidiary;

- (4) a proposal for approval of changes in the Articles of Incorporation to establish the provisions that the Company's approval is required for acquisition by transfer of any shares issued by the Company;
- (5) a proposal for approval of changes in the Articles of Incorporation to establish the provisions that the Company's approval is required for acquisition by transfer of shares to be issued upon exercise of stock acquisition rights, or that the Company shall acquire all shares of a specified type by resolution of its general meeting of shareholders.

· Current situation of stock acquisition rights held by posts

Posts	Directors (Outside Directors)		Executive Officers	
	Number of holders	Number of stock acquisition rights	Number of holders	Number of stock acquisition rights
	11 (3)	38 (3)	21	31

Note:

The number of Executive Officers stated in the above table does not include Executive Officers who concurrently hold the post of Directors.

3) Directors and Audit & Supervisory Board Members

1. Names and posts of Directors and Audit & Supervisory Board Members as of January 31, 2019

Chairman & Representative Director:	
Toshinori Abe	
Vice Chairman & Representative Director:	
Shiro Inagaki	Management of Investor Relation Division
President & Representative Director:	
Yoshihiro Nakai	
Executive Vice President & Representative Director:	
Takashi Uchida	Management of Administration Division
Directors:	
Teruyuki Saegusa	
Shiro Wakui	
Yukiko Yoshimaru	
Fumiyasu Suguro	Senior Managing Officer, General Manager of International Business Department
Kunpei Nishida	Senior Managing Officer, General Manager of West Japan Building Sales Administration Headquarters
Yosuke Horiuchi	Senior Managing Officer, In Charge of Transaction Promotion Division and of East Japan Building Sales Administration
Toshiharu Miura	Managing Officer, In Charge of Technology Division
Standing Audit & Supervisory Board Members:	
Haruyuki Iwata	
Hisao Yamada	
Audit & Supervisory Board Members:	
Yoshinori Shinohara	
Takashi Kobayashi	
Hisako Makimura	
Ryuichi Tsuruta	

Notes:

- Names and Posts of Directors and Audit & Supervisory Board Members who retired during the fiscal year under review are stated below.

Executive Vice President & Director	Tetsuo Iku	Executive Vice President & Executive Officer, Management of Technology and of Environment improving	Retired on April 26, 2018
Executive Advisor & Director	Isami Wada		Retired on April 26, 2018
Standing Audit & Supervisory Board Member	Sumio Wada		Resigned on April 26, 2018
Standing Audit & Supervisory Board Member	Kengo Yoshida		Retired on April 26, 2018
Audit & Supervisory Board Member	Kouichi Kunisada		Resigned on April 26, 2018

- Directors Ms. Yukiko Yoshimaru and Mr. Toshiharu Miura, Standing Audit & Supervisory Board Members Mr. Haruyuki Iwata and Mr. Hisao Yamada, Audit & Supervisory Board Members Ms. Hisako Makimura and Mr. Ryuichi Tsuruta were newly elected at the 67th Ordinary General Meeting of Shareholders held on April 26, 2018 and assumed the office.
- Directors Mr. Teruyuki Saegusa, Mr. Shiro Wakui and Ms. Yukiko Yoshimaru are Outside Directors as prescribed in Article 2, Item 15 of the Companies Act.
- Audit & Supervisory Board Members Mr. Yoshinori Shinohara, Mr. Takashi Kobayashi, Ms. Hisako Makimura and Mr. Ryuichi Tsuruta are Outside Audit & Supervisory Board Members as prescribed in Article 2, Item 16 of the Companies Act.
- Audit & Supervisory Board Member Mr. Yoshinori Shinohara is a certified public accountant and is acquainted with knowledge and information on finance and accounting to the reasonable extent.
- The Company designated each of Directors Mr. Teruyuki Saegusa, Mr. Shiro Wakui, Ms. Yukiko Yoshimaru, Audit & Supervisory Board Members Mr. Yoshinori Shinohara, Mr. Takashi Kobayashi, Ms. Hisako Makimura and Mr. Ryuichi Tsuruta as "Independent Officers" and submitted notification to that effect to the Tokyo Stock Exchange, Inc (as of March 2019).

7. In order to promote prompt management through a clear distinction between the decision-making and the business operations of the management system and to create a management structure that can accurately meet the needs of a volatile economic and market environment, the Company has adopted an Executive Officer System. In addition to the Executive Officers mentioned above, who simultaneously serve as Directors, the Company has 21 full-time Executive Officers.
8. Directors and Audit & Supervisory Board Members who concurrently hold the important post of other companies are stated below.

Directors:		
Name	Company in which Directors and Audit & Supervisory Board Members of the Company hold an concurrent post	Post
Shiro Inagaki	Sekisui House Financial Services Co., Ltd.	President & Representative Director
Teruyuki Saegusa	Saegusa Circulation Research Co., Ltd Shinki Bus Co., Ltd	Representative Director Audit & Supervisory Board Member
Shiro Wakui	Tokyo City University Sekisui Jushi Corporation	Distinguished Professor Director
Fumiyasu Suguro	SEKISUI HOUSE AUSTRALIA HOLDINGS PTY LIMITED SEKISUI HOUSE US HOLDINGS, LLC NORTH AMERICA SEKISUI HOUSE, LLC WOODSIDE HOMES COMPANY, LLC Sekisui House Advanced Manufacturing (Shenyang) Co., Ltd	President & Director Chairman & CEO Chairman & CEO Director Chairman & Representative Director
Audit & Supervisory Board Members:		
Name	Company in which Directors and Audit & Supervisory Board Members of the Company hold an concurrent post	Post
Yoshinori Shinohara	Shinohara Yoshinori CPA Accounting Firm Shinohara Management and Economics Research Institute, Ltd TSI HOLDINGS Co., Ltd Iwatani Coporation	Certified Public Accountant Representative Director Director Audit & Supervisory Board Member
Takashi Kobayashi	Ono-Kobayashi Law Office Sanyo Special Steel Co., Ltd	Lawyer Director
Hisako Makimura	The Kansai Electric Power Company, Incorporated	Audit & Supervisory Board Member
	The Institute of Religion and Culture of Kyoto Women's University	Visiting Scholar
	Kansai University	Visiting Professor
Ryuichi Tsuruta	ZUIKO CORPORATION	Audit & Supervisory Board Member

9. The charge of the Director changed on the same day as set forth below on February 1, 2019:
- Director Fumiyasu Suguro Senior Managing Officer, In Charge of International Business Department
- Director Kunpei Nishida Senior Managing Officer, In Charge of West Japan Building Sales Administration and General Manager of Broking and Leasing Business Headquarters

2. Remunerations paid for Directors and Audit & Supervisory Board Members

	Directors (Outside Directors)		Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)		Total (Outside Officers)	
	Number of people	Remunerations (Millions of yen)	Number of people	Remunerations (Millions of yen)	Number of people	Remunerations (Millions of yen)
Remunerations based on a general meeting of shareholders' resolution	13 (3)	454 (60)	9 (5)	129 (75)	22 (8)	583 (136)
Stock compensation-type stock options (stock acquisition rights)	13 (3)	49 (3)	—	—	13 (3)	49 (3)
Directors' bonuses accounted for as costs	8	460	—	—	8	460

Notes:

- In those above, remunerations and Stock compensation-type stock options (stock acquisition rights) based on the general meeting of shareholders' resolution include 2 Directors and 3 Audit & Supervisory Board Members, including one Outside Audit & Supervisory Board Member, resigned at the day of the close of the 67th Ordinary General Meeting of Shareholders held on April 26, 2018.
- Remunerations based on the general meeting of shareholders' resolution to the Directors (43 million yen or less per month for all Directors as a group) were within the limit fixed pursuant to resolution of the 43rd Ordinary General Meeting of Shareholders held on April 27, 1994, and also to Audit & Supervisory Board Members (15 million yen or less per month for all Audit & Supervisory Board Members as a group) were within the limit fixed pursuant to resolution of the 67th Ordinary General Meeting of Shareholders held on April 26, 2018.
- Stock compensation-type stock options (stock acquisition rights) were within the limit fixed pursuant to resolution of the 56th Ordinary General Meeting of Shareholders held on April 26, 2007 (the maximum amount and number are 90 million yen and 90 stock acquisition rights per year).
- Directors' bonuses accounted for as costs in the above table are made in consideration for the services rendered during the fiscal year under review and are scheduled to be paid based on a resolution to be adopted at the 68th Ordinary General Meeting of Shareholders that will be held on April 25, 2019.
- Apart from the above, the Company paid 266 million yen of Retirement Benefits for Executives to 2 retired Directors and 7 million yen to one retired Audit & Supervisory Board Member based on the general meeting of shareholders' resolution of the 55th Ordinary General Meeting of Shareholders held on April 27, 2006 for Payment of Adjusted Amount resulting from the Abolition of Retirement Benefits System for Executives.

3. Matters concerning Outside Officers

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

Post	Name	Principal performance
Director	Teruyuki Saegusa	Mr. Saegusa attended all 12 meetings of the Board of Directors. He stated timely opinions based on his abundant knowledge and experience accumulated through engagement in other company's management.
Director	Shiro Wakui	Mr. Wakui attended 11 meetings out of 12 meetings of the Board of Directors. He stated timely opinions based on his abundant knowledge and experience of environmental issues and others and his wide knowledge as a university professor and other company's officer.
Director	Yukiko Yoshimaru	Ms. Yoshimaru attended all 9 meetings of the Board of Directors. She stated timely opinions based on achievement and experience as an executive of another company such as promoting diversity and inclusion, etc.
Audit & Supervisory Board Member	Yoshinori Shinohara	Mr. Shinohara attended all 12 meetings of the Board of Directors and all 18 meetings of the Audit & Supervisory Board. He stated timely opinions based on his professional knowledge of finance and accounting as a certified public accountant and his knowledge and experience accumulated through engagement in other company's outside director.
Audit & Supervisory Board Member	Takashi Kobayashi	Mr. Kobayashi attended all 12 meetings of the Board of Directors and all 18 meetings of the Audit & Supervisory Board. He stated timely opinions from a legal viewpoint as a retired public prosecutor and a lawyer and based on his abundant knowledge and experience.
Audit & Supervisory Board Member	Hisako Makimura	Ms. Makimura attended all 9 meetings of the Board of Directors and all 11 meetings of the Audit & Supervisory Board. She stated timely opinions based on her abundant knowledge and experience of Environment Studies, Sociology and others and experience as a university professor and an outside Audit & Supervisory Board member in another company.
Audit & Supervisory Board Member	Ryuichi Tsuruta	Mr. Tsuruta attended all 9 meetings of the Board of Directors and all 11 meetings of the Audit & Supervisory Board. He stated timely opinions based on his abundant knowledge and experience through finance, accounting, disclosure, audit, overseas business and others and his experience as an outside Audit & Supervisory Board Member.

- Outlines of agreement to limit Outside Director's liability and Audit & Supervisory Board Member's liability:

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

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

There is no special relationship between companies in which Outside Officers hold significant concurrent position as described above in "3) Directors and Audit & Supervisory Board Members, 1. Names and posts of Directors and Audit & Supervisory Board Members, Notes:8" and the Company.

4) Outline of Accounting Auditor

1. Name Ernst & Young ShinNihon LLC

2. Amount of Remuneration

	Remuneration
The aggregate amount of remuneration payable to Accounting Auditor by the Company for the fiscal year under review	¥165 million
The aggregate amount of remuneration payable to Accounting Auditor by the Company and its consolidated companies	¥236 million

Notes:

1. The amount of remuneration for auditing made pursuant to the Companies Act and the amount of remuneration pursuant to the Financial Instrument and Exchange Act are not divided in the Auditing Agreement, which both the Company and the Accounting Auditor agreed to. Also, since it is impossible to state separately in practice, the amount represents the aggregate amount of the remuneration paid by the Company.
2. Audit & Supervisory Board of the Company had received necessary materials and reports from Directors, relevant departments and Accounting Auditor, and had inspected and discussed about correctness of audit plan of Accounting Auditor, of the situation of audit and of grounds for calculating Remuneration. As a result, the Audit & Supervisory Board has agreed on amounts of Remuneration, etc.
3. SEKISUI HOUSE AUSTRALIA HOLDINGS PTY LIMITED and other important overseas subsidiaries were audited by other audit corporations.

3. Details of Non-Audit Service

The Company commissions the Accounting Auditor to support writing Sustainability Report, which is not any audit service specified in Article 2, Paragraph 1 of the Certified Public Accountants Act.

4. Dismissal or Non-reappointment of Accounting Auditor

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

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

5) System to ensure the due execution of duties and the status of its implementation

① System to ensure the due execution of duties

1. System which ensures that execution of duties by the Directors and Executive Officers complies with laws and regulations 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 regulations and the Articles of Incorporation, the Company hereby sets forth the Corporate Code of Conduct and the Corporate Ethics Guidelines of Sekisui House Group.
 - (2) The Company will provide regular training and make thorough efforts to ensure that Directors and Executive Officers comply with laws and regulations, the Articles of Incorporation and other corporate ethics.
 - (3) Audit & Supervisory Board Members shall audit the execution of duties by Directors and Executive Officers in accordance with laws and regulations, and the internal rules of the Company.

- (4) The Board of Directors will supervise the execution of duties by Directors and Executive Officers, and ensure the fairness and transparency of decisions with regard to personnel and compensation matters such as appointments and dismissals, respecting the results of deliberations by the Personnel Affairs and Remuneration Committee, the majority of whose members comprises Outside Officers.
- (5) The CSR Committee in which outside well informed persons participate will promote CSR activities.

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

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

- ① Minutes of the general meeting of shareholders, the Board of Directors' meetings, Management Meetings, and other important meetings;
- ② Important documents by which Directors and Executive Officers decided the execution of duties (approval documents, etc.); and
- ③ Other important documents relating to execution of duties by Directors and Executive Officers.

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

- (1) The Board of Directors oversees the establishment and operation of risk management systems at the Company and its subsidiaries through the Risk Management Committee established as a consultative body to the Board of Directors.
- (2) The Company shall prepare response manuals and make them known to officers and employees with regard to the risk control system to deal with natural calamity or any emergency which may cause the Company incurred material loss and damage.

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

- (1) Based on the understanding that its main role is establishing management policies, strategies and plans, the Board of Directors shall delegate decision-making on the execution of specific operations to Directors and Executive Officers where possible.
- (2) Important matters shall be brought to the Management Meeting for appropriate decision-making based on active discussions before approvals at the meetings of the Board of Directors of the Company or its subsidiaries or through the collective decision making system.
- (3) Rules will be established and implemented for approvals through the collective decision making system that maintain effective screenings and swift decision-making functions.
- (4) Set forth internal regulations for assignment of duties and thereby define duties and responsibilities.

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

- (1) The Company will make efforts to have employees of the Company or by Directors etc., of its subsidiaries understand and observe the Corporate Philosophy, the Corporate Conduct Guidelines and the Corporate Ethics Guidelines of Sekisui House Group by distributing booklets that contain these therein.
- (2) The Company will provide them with regular training to ensure complete compliance with laws and regulations, the Articles of Incorporation and other corporate ethics.
- (3) Internal Audit Departments of the Company and its subsidiaries shall regularly audit the operations of the Company and its subsidiaries.
- (4) Establish internal reporting systems internally and externally for officers and employees of the Company and its subsidiaries and of building contractor partners and other business partners who have ongoing transactions with the Group.

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

- (1) Department for Administrative Control of Subsidiary & Affiliated Companies will require subsidiaries to report on management status and the execution of important duties. In addition, departments specialized in subsidiaries controls will request reports as needed from subsidiaries regarding matters they are in charge of.

- (2) Subsidiaries shall report information regarding management status and execution of important duties, through the Directors or Audit & Supervisory Board members dispatched from the Company.
- (3) Subsidiaries shall report to the Company immediately in an emergency.

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

- (1) The Company shall set up the Office of Audit & Supervisory Board Members to support the duties of Audit & Supervisory Board Members and allocate several staff members including full-time one(s).
- (2) Selection of employees, etc. for Office of Audit & Supervisory Board Members shall be determined upon respecting intention of Audit & Supervisory Board Members and mutual consultation.
- (3) Employees assigned concurrently to the Office of Audit & Supervisory Board Members shall maintain independence to ensure they are kept outside line of control or orders of their department in terms of their duties at the Office of Audit & Supervisory Board Members and personnel treatment of these employees shall respect the opinions of Audit & Supervisory Board members.

8. System under which Directors 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 its subsidiaries.
- (3) The secretariat of the internal reporting system shall immediately report to the Audit & Supervisory Board Members of the Company whenever receiving any report of the fact which might cause material loss and damage to the Company or its subsidiaries.
- (4) Persons who report according to the two preceding paragraphs are not treated disadvantageously due to such report by the Company and its subsidiaries.
- (5) Documents by which approval was made, minutes of important meeting such as the Board of Directors, audit report prepared by the Internal Audit Department, and other important documents related to audit of Audit & Supervisory Board Members shall be forwarded to Audit & Supervisory Board Members.

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

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

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

- (1) Audit & Supervisory Board Members and the Internal Audit Department shall keep close 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.

② The status of the system to ensure the due execution of duties

(1) Initiatives for compliance and risk management

- 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 Guidelines of Sekisui House Group by distributing booklets on which the codes written.
- The Company holds regular training sessions for risk management and compliance which directors and employees of the Company and its subsidiaries receive.

- The Risk Management Committee discusses important issues along with understanding and verifying the development of risk management systems by each division. During this fiscal year, meetings of the Risk Management Committee were convened 9 times and the details of these meetings were reported to the Board of Directors.
 - As the internal reporting system for whistleblowers to report to internal or external help lines, the Company has set up Sekisui House Group Company Ethics Helpline and Sekisui House Group Business Partners Company Ethics Helpline.
- (2) Initiatives for ensuring efficient execution of duties
- With the aim of ensuring flexible business execution and clarifying operational responsibilities, the Company has introduced an Executive Officer system.
 - Meetings of the Board of Directors are convened monthly in principle, and meetings were held 12 times during this fiscal year.
 - Important matters are brought to the Management Meeting for appropriate decision-making based on active discussions before approvals at the meetings of the Board of Directors or through the collective decision making system. During this fiscal year, the Management Meeting was held 8 times.
- (3) Initiatives to ensure the due execution of duties in the Group
- The Department for Administrative Control of Subsidiary & Affiliated Companies requires irregular or regular reporting of the status of the business execution of each subsidiary and develops operational and other standards.
 - Each department of the Company guides and supervises the subsidiaries, and the Company dispatches directors or Audit & Supervisory Board Members to supervise and audit the execution of duties of some subsidiaries.
- (4) Audit by the Audit & Supervisory Board Members
- The Audit & Supervisory Board establishes the audit plan and systematically carries out interviews with Directors, Executive Officers, heads of main branches, and Directors of subsidiaries, etc., concerning risks and issues of their respective operations, based on the audit plan. Also, it conducts field audits of each branch as needed.
 - The 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.

Note:

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

(Reference) Corporate Governance System

① Basic Concept of Corporate Governance

Corporate governance is an aggregate of corporate governance frameworks that are necessary to increase the corporate value sustainably earning the trust of shareholders, investors and other all stakeholders. In accordance with the Corporate Philosophy espousing the underpinning philosophy of “Love of Humanity” that embraces “Truth and Trust”, “Superior Quality and Leading Technology” and “Comfortable Housing and Ecologically Sound Communities”, the Group considers corporate governance as one of the major management challenges and has put in place a system that enables speedy management marked with integrity. The Company discloses to its stakeholders “Sekisui House, Ltd. Basic Policy on Corporate Governance”, in which the fundamental concept and the framework of the Company’s corporate governance is established. The Company has positioned 2018 as “the Year One of Governance Reforms” and adopting “Six Items for Strengthening Its Corporate Governance System.” It has moved forward to healthy work environments by promoting specific measures and making adequate judgments in a timely manner; (1) Introduction of a mandatory retirement age of 70 for representative directors, (2) Appointment of women as outside officers, (3) Transparency and invigoration of Board of Director meeting operations, (4) Establishment of the Management Meeting, (5) Clarification of departments under the control of directors, (6) Evaluation of the Board of Directors efficacy. Going forward, the Company will review and assess the Basic Policy on Corporate Governance continuously and regularly, in order to deepen and enhance its corporate governance more substantially.

② Board of Directors

The Board of Directors consists of 11 Directors including 3 Outside Directors (two male Directors and one female Director) and meet once per month in principle. In order to increase the corporate values of the Company over the medium-and long-term, the Board of Directors has the responsibility to develop business policies and strategies and management plans, make decisions on important business execution, and establish systems, etc. for securing the sound management of the Company such as the supervision and evaluation of the duties performed by Directors and Executive Officers, internal control systems and risk management systems. In order to facilitate constructive discussions and exchanges of opinions in the meetings of the Board of Directors, one of the Directors shall not act in principle s both of the chairperson and the convener of the meetings of the Board of Directors. Therefore, Vice Chairman & Representative Director of the Company (Mr. Shiro Inagaki) serves as the chairperson and Chairman & Representative Director (Mr. Toshinori Abe) serves as the convener.

③ Audit & Supervisory Board

The Audit & Supervisory Board consists of 6 members including 4 Outside Audit & Supervisory Board Members (three male Members and one female Member). The Board establishes the audit plan and systematically carries out interviews with Directors, Executive Officers, heads of main branches, and Directors of subsidiaries, etc., concerning risks and issues of their respective operations, based on the audit plan. Also, it conducts field audits of each branch as needed. In addition, Audit & Supervisory Board members exchange opinions and work in close coordination with the Internal Audit Department, hold regular meetings with Accounting Auditors and engages in mutual cooperation to ensure all audit activities are carried out efficiently and effectively. The Office of Audit & Supervisory Board Members was established as a dedicated organization to which several employees including full-time staff are allocated for assisting Audit & Supervisory Board operations.

④ Personnel Affairs and Remuneration Committee

As a consultative body to the Board of Directors, the Personnel Affairs and Remuneration Committee provides opinions on matters relating to the Directors and Executive Officers and their remuneration to ensure the fairness and transparency. Moreover, half or more of the Committee members shall be Outside Directors or Outside Audit & Supervisory Board Members. The Committee currently consists of 3 Representative Directors, 2 Outside Directors and 2 Outside Audit and Supervisory Board Members. President & Representative Director (Mr. Yoshihiro Nakai) serves as the Chairman of the Committee.

⑤ **CSR Committee**

CSR Committee has been established in order to promote CSR management, honestly incorporating requests from all stakeholders surrounding the Company, and deliberate, develop and promote important policies required to fulfill social responsibilities of the Company. The Committee is comprised of Directors, some Executive Officers, 2 external members (corporate managers and formerly public officials) and etc.

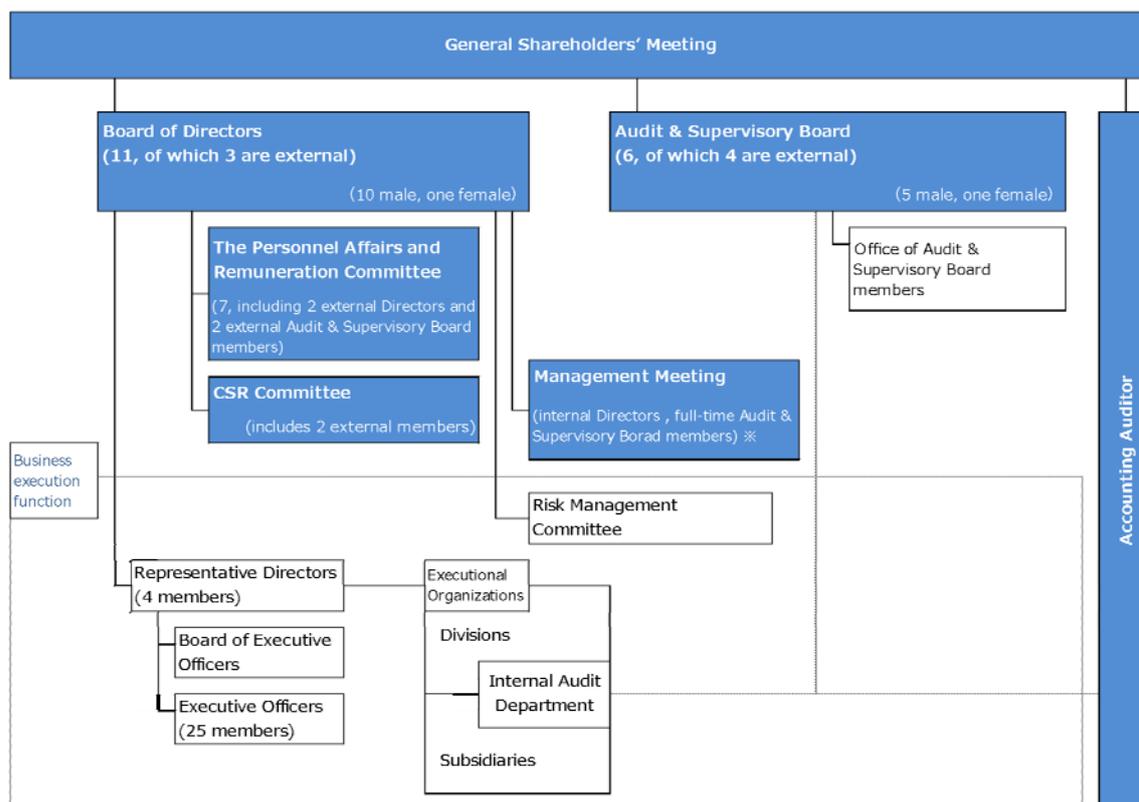
⑥ **Management Meeting**

The Management Meeting was established with the aim of facilitating appropriate decision-making within the execution of important business matters through the vigorous exchange of opinions from the standpoint of appropriateness with respect to management policies and strategies before approvals at the meetings of the Board of Directors or through the collective decision making system regarding vital matters including important investment conditions and the formulation of Group-wide management policies, strategies and plans. Directors and Standing Audit & Supervisory Board Members attend the meetings, but External Directors or External Audit & Supervisory Board Members can also attend the meetings, if they wish.

⑦ **Risk Management Committee**

As a consultative body to the Board of Directors, the Risk Management Committee creates appropriate risk management systems and provides opinions to the Board of Directors on matters relating to the maintenance of risk management systems with the aim of ensuring effective operating conditions. The Committee, headed by the Executive Vice President & Representative Director (Mr. Takashi Uchida), takes various measures to address (1) compliance with labor laws, (2) compliance with operational rules, and (3) operational monitoring etc. of important divisions with respect to IT security and other issues, and it also keeps abreast of and verifies the operational status of risk management systems in each of the divisions.

Corporate Governance System as of January 31, 2019



(Reference) ESG initiatives toward sustainable growth

The Company aims to be a leading company in ESG management which resolves social issues through housing and is indispensable presence in society.

Environment Management (E)

<Eco-first Promise>

- Global warming prevention
- Ecosystem preservation
- Resource recycling

- Joined the RE100 global initiative (first in the Japanese construction industry)
- To be recognized by the SBT Initiative for greenhouse gas reduction (first in the Japanese housing industry)

Improvement in Sociability (S)

<Workstyle Innovation >

“Creating the thrilling and exciting workplaces”

- Fair evaluation and visualization
- Higher operational efficiency using IT
- Childcare leave for male employees at least one month
- Achievement of a work-life balance Higher productivity

<Promotion of Diversity >

- Promotion of active participation by women
- Support for the satisfaction of both work and childrearing
- Support for the satisfaction of both work and nursing care
- Creation of a pleasant workplace for disabled people

<Health and Productivity Management>

- Health promotion
- Separation of smoking areas / Non-smoking promotion
- Prevention of metabolic syndrome
- Making exercise habits

Governance (G)

<Corporate Governance Reforms >

- Introduction of a mandatory retirement age of 70 for Representative Directors
- Establishment of the Management Meeting
- Appointment of women as Outside Officers
- Clarification of departments under the control of Directors
- Transparency and invigoration of the meeting of the Board of Directors' operations
- Evaluation of Board of Director efficacy

<Innovation & Communication >

Outside assessments of ESG initiatives by the Sekisui House Group

February 2018

- Selected by RobecoSAM, a world-class assessor of socially responsible investment (SRI), as “Gold Class” (the highest position), again for 3 years in a row (※), and selected as an “Industry Mover” in the RobecoSAM Sustainability Award 2018.

(※) In February 2019, selected as “Silver Class”

in the RobecoSAM Sustainability Award 2019.



- “Sustainability Report 2017” won “Minister of the Environment Award” in the Environmental Report Category of Environmental Communication Awards, again for 2 years in a row.
- Received the Minister of Health, Labour and Welfare’s “Eruboshi” certification based on the Act on Promoting Women’s Participation and Advancement in the Workplace.

March 2018

- Selected as a Nadeshiko Brand 2018 by the Ministry of Economy, Trade and Industry and the Tokyo Stock Exchange (Only company in the housing and architecture industry to be selected five times)



April 2018

- Certified by the Science Based Targets (SBT) Initiative for Sekisui House’s greenhouse gas reduction goal levels as scientifically sound in terms of compliance with the Paris Agreement’s two degrees Celsius limit. This made us the first Japanese housing manufacturer in the Japanese housing industry to receive such distinction.



September 2018

- Selected for inclusion in the Dow Jones Sustainability Indices World Index (DJSI) World for 3 years in a row. Also selected for inclusion in the Dow Jones Sustainability Indices Asia Pacific Index (DJSI Asia Pacific), again.



October 2018

- Included in a new environmental stock index selected by Japan’s Government Pension Investment Fund (GPIF). Included in all 4 ESG indices selected by the GPIF for passive investment.



2018 Constituent
MSCI ジャパンESG
セレクト・リーダーズ指数



2018 Constituent
MSCI日本株
女性活躍指数 (WIN)



December 2018

- Presented the Award of Minister of the Environment’s 2018 Commendation for Global Warming Prevention Activities, in recognition of efforts by the Group to reduce the level of CO2 gas emission from the commercial vehicles the Group owns.

January 2019

- The Group’s excellent environmental activities were recognized by CDP (formerly Carbon Disclosure Project) and included in CDP A LIST for 2018.



(Reference) Basic stance for cross-shareholdings

- (1) The Company shall not enter into cross-shareholdings with business partners unless it judges that it will be helpful to medium- and long-term increases in the corporate value through the stable maintenance and strengthening of relationships with them.
- (2) The Company shall analyze the appropriateness of cross-shareholdings at the meeting of the Board of Directors based on the minimum holdings required from a perspective of increasing capital and asset efficiency each year. At the meeting of the Board of Directors, members shall comprehensively analyze the medium- and long-term economic rationality of each individual stock based on holding objectives and risk and return. As a result, the Company shall sell any stock which is no longer meaningful to continue holding after considering the market environment. Even for stocks considered appropriate to hold, the Company may sell all or some shares after considering its capital policies and the market environment.
- (3) An overview of the analysis at the meeting of the Board of Directors regarding cross-shareholdings shall be disclosed as appropriate in the Corporate Governance Report, etc.
- (4) When companies holding the Company's shares as cross-shareholdings express an intention to sell such shares, the Company shall not prevent the sale by, for example, insinuating a reduction in their business relationship.

<Overview of the verification on the appropriateness with regard to the maintenance of individual cross-shareholdings>

At the meeting of the Board of Directors held in October 2018, the members analyzed all listed stocks it holds as cross-shareholding (for 48 different companies) in terms of the status of shareholding, risk and return, importance of transactions and overall significance of owning them, and resolved that the Company shall sell all shares of 3 companies.

CONSOLIDATED BALANCE SHEETS			
As of January 31, 2019			
<i>Millions of yen</i>			
Assets	2,413,053	Liabilities	1,216,130
Current assets	1,594,124	Current liabilities	781,318
Cash on deposits	343,358	Notes payable, accounts payable for construction contracts	94,001
Notes receivable, accounts receivable from completed construction contracts	42,503	Electronically recorded obligations-operating	53,427
Costs on uncompleted construction contracts	12,168	Short-term loans payable	239,472
Buildings for sale	393,538	Current portion of bonds with subscription rights to shares	20,000
Land for sale in lots	579,000	Current portion of long-term loans payable	64,303
Undeveloped land for sale	106,934	Income taxes payable	33,008
Other inventories	8,546	Advances received on uncompleted construction contracts	156,605
Deferred tax assets	24,806	Provision for bonuses	25,527
Other	84,706	Provision for directors' bonuses	1,477
Allowance for doubtful accounts	(1,440)	Provision for warranties for completed construction	2,788
		Other	90,706
Noncurrent assets	818,929	Noncurrent liabilities	434,812
Property, plant and equipment	530,394	Bonds payable	215,000
Buildings and structures	188,497	Long-term loans payable	94,006
Machinery, equipment and vehicles	8,579	Long-term lease and guarantee deposited	60,701
Tools, furniture and fixtures	5,281	Deferred tax assets	1,108
Land	304,370	Provision for directors' retirement benefits	1,060
Lease assets	1,777	Net defined benefit liability	49,988
Construction in progress	21,888	Other	12,946
Intangible assets	20,566	Net assets	1,196,923
Goodwill	4,586	Shareholders' equity	1,150,888
Industrial property	357	Capital stock	202,591
Leasehold right	5,363	Capital surplus	251,563
Software	9,727	Retained earnings	700,949
Telephone subscription right	288	Treasury stock	(4,215)
Right of using facilities	237	Accumulated other comprehensive income	31,919
Other	6	Valuation difference on available-for-sale Securities	33,146
Investments and other assets	267,967	Deferred gains or losses on hedges	(56)
Investment securities	156,959	Foreign currency translation adjustment	21,269
Long-term loans receivable	24,157	Remeasurements of defined benefit plans	(22,440)
Net defined benefit asset	382	Subscription rights to shares	803
Deferred tax assets	12,939	Net income attributable to non-controlling interest	13,312
Other	73,747		
Allowance for doubtful accounts	(218)		
Total assets	2,413,053	Total liabilities and net assets	2,413,053

CONSOLIDATED STATEMENTS OF INCOME	
From February 1, 2018 to January 31, 2019	
<i>Millions of yen</i>	
Net sales	2,160,316
Cost of sales	1,715,719
Gross profit	444,596
Selling, general and administrative expenses	255,373
Operating income	189,223
Non-operating income	15,046
Interest and dividends income	4,027
Equity in earnings of affiliates	7,750
Other	3,267
Non-operating expenses	9,078
Interest expenses	4,722
Other	4,356
Ordinary income	195,190
Extraordinary income	3,275
Gain on sales of investment securities	3,094
Gain on sales of shares of subsidiaries and affiliates	181
Extraordinary loss	11,074
Loss on impairment of fixed assets	9,392
Loss on sales or disposal of fixed assets	1,606
Loss on sales of investments in securities	72
Loss on revaluation of investments in securities	2
Income before income taxes and minority interests	187,392
Total Income taxes	57,774
Income taxes-current	51,300
Income taxes-deferred	6,473
Net income	129,618
Net income attributable to non-controlling interests	1,035
Net income attributable to owners of parent	128,582

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(From February 1, 2018 to January 31, 2019)

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the end of previous period	202,591	251,563	626,961	(948)	1,080,167
Changes of items during the period					
Dividends from surplus	—	—	(54,532)	—	(54,532)
Net income attributable to owners of parent	—	—	128,582	—	128,582
Purchase of treasury stock	—	—	—	(3,376)	(3,376)
Disposal of treasury stock	—	—	(61)	109	47
Net changes of items other than Shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	—	73,988	(3,267)	70,721
Balance at the end of current period	202,591	251,563	700,949	(4,215)	1,150,888

	Accumulated other comprehensive income					Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the end of previous period	48,033	(68)	50,677	16,166	114,807	761	12,384	1,208,121
Changes of items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(54,532)
Net income attributable to owners of parent	—	—	—	—	—	—	—	128,582
Purchase of treasury stock	—	—	—	—	—	—	—	(3,376)
Disposal of treasury stock	—	—	—	—	—	—	—	47
Net changes of items other than Shareholders' equity	(14,886)	12	(29,407)	(38,606)	(82,888)	41	927	(81,919)
Total changes of items during the period	(14,886)	12	(29,407)	(38,606)	(82,888)	41	927	(11,197)
Balance at the end of current period	33,146	(56)	21,269	(22,440)	31,919	803	13,312	1,196,923

Note:

Amounts of the Consolidated Balance Sheets, Consolidated Statements of Income and Consolidated Statements of Changes in Net Assets are given in the stated unit of the presentation, by disregarding any amount less than the stated unit of the presentation.

NON-CONSOLIDATED BALANCE SHEETS			
As of January 31, 2019			
<i>Millions of yen</i>			
Assets	1,600,860	Liabilities	741,361
Current assets	545,237	Current liabilities	481,763
Cash and deposits	162,045	Notes payable-trade	9,371
Notes receivable-trade	236	Electronically recorded obligations-operating	53,427
Accounts receivable from completed construction contacts	31,276	Accounts payable-trade	19,758
Accounts receivable-real estate business	2,229	Accounts payable for construction contracts	46,085
Costs on uncompleted construction contracts	2,418	Short-term loans	1,950
Buildings for sale	62,501	Current portion of bonds	20,000
Land for sale in lots	183,631	Current portions of long-term loans payable	50,000
Undeveloped land for sale	37,043	Lease obligations	193
Semi-finished goods and work in process	4,027	Accounts payable-other	1,844
Raw materials and supplies	2,914	Accrued expenses	10,847
Advance payments-trade	297	Income taxes payable	16,795
Prepaid expenses	7,147	Accrued consumption taxes	12,227
Short-term loans receivable	2,010	Advances received on uncompleted construction contracts	68,497
Accounts receivable-other	15,745	Advances received	15,445
Deferred tax assets	19,152	Deposits received	133,863
Other	13,632	Provision for bonuses	17,491
Allowance for doubtful accounts	(1,075)	Provision for directors' bonuses	460
		Provision for warranties for completed construction	2,535
		Asset retirement obligations	695
		Other	273
Noncurrent Assets	1,055,623	Noncurrent Liabilities	259,597
Property, plant and equipment	391,754	Bonds payable	215,000
Buildings	97,927	Lease obligations	591
Structures	3,160	Long-term lease and guarantee deposited	15,572
Machinery and equipment	7,610	Provision for retirement benefits	19,936
Vehicles	80	Deferred income taxes	6,591
Tools, furniture and fixtures	2,657	Asset retirement obligations	946
Land	267,649	Other	960
Lease assets	726		
Construction in progress	11,942		
Intangible assets	10,664	Net assets	859,499
Industrial property	16	Shareholders' equity	825,926
Leasehold right	1,608	Capital stock	202,591
Software	8,862	Capital surplus	258,344
Right of using facilities	64	Legal capital surplus	258,344
Telephone subscription right	111	Retained earnings	369,026
Investments and other assets	653,204	Legal retained earnings	23,128
Investment securities	88,038	Other retained earnings	345,897
Stocks of subsidiaries and affiliates	479,560	Reserve for dividends	18,000
Investments in other securities of subsidiaries and associates	9,009	Reserve for special depreciation	341
Long-term loans receivable	30,098	General reserve	240,800
Lease and guarantee deposits	17,568	Retained earnings brought forward	86,756
Long-term prepaid expenses	754	Treasury stock	(4,035)
Prepaid pension costs	3,082	Valuation and translation adjustments	32,769
Other	28,248	Valuation difference on available-for-sale securities	32,769
Allowance for doubtful accounts	(3,157)	Subscription rights to shares	803
Total assets	1,600,860	Total liabilities and net assets	1,600,860

NON-CONSOLIDATED STATEMENTS OF INCOME	
From February 1, 2018 to January 31, 2019	
<i>Millions of yen</i>	
Net sales	1,172,519
Completed construction contracts	917,810
Real estate business	254,709
Cost of sales	925,420
Completed construction contracts	718,217
Real estate business	207,203
Gross profit	247,099
Gross profit from completed construction contracts	199,593
Gross income from real estate business	47,506
Selling, general and administrative expenses	156,177
Operating income	90,922
Non-operating income	32,166
Interest and dividends income	28,996
Other	3,170
Non-operating expenses	5,823
Interest expenses	651
Interest on bonds	1,128
Loss on reduction of noncurrent assets	669
Other	3,374
Ordinary income	117,264
Extraordinary income	3,329
Gain on sales of investment securities	3,110
Gain on sales of shares of subsidiaries and affiliates	219
Extraordinary loss	11,025
Impairment loss	7,642
Other loss on valuation of securities of subsidiaries and associates	1,725
Loss on sales and retirement of noncurrent assets	1,311
Loss on valuation of shares of subsidiaries and associates	270
Loss on sales of investments in securities	72
Loss on revaluation of investments in securities	2
Income before income taxes	109,569
Total Income taxes	29,859
Income taxes-current	21,917
Income taxes-deferred	7,942
Net income	79,710

NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(From February 1, 2018 to January 31, 2019)

Millions of yen

	Shareholders' equity								
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings				Total retained earnings
		Legal capital surplus	Total		Other retained earnings				
					Reserve for dividends	Reserve for special depreciation	General reserve	Retained earnings brought forward	
Balance at the end of previous period	202,591	258,344	258,344	23,128	18,000	511	210,800	91,469	343,909
Changes of items during the period									
Dividends from surplus	—	—	—	—	—	—	—	(54,532)	(54,532)
Reversal of reserve for special depreciation	—	—	—	—	—	(170)	—	170	—
Provision of general reserve	—	—	—	—	—	—	30,000	(30,000)	—
Net income	—	—	—	—	—	—	—	79,710	79,710
Purchase of treasury stock	—	—	—	—	—	—	—	—	—
Disposal of treasury stock	—	—	—	—	—	—	—	(61)	(61)
Net changes of items other than Shareholders' equity	—	—	—	—	—	—	—	—	—
Total changes of items during the period	—	—	—	—	—	(170)	30,000	(4,713)	25,116
Balance at the end of current period	202,591	258,344	258,344	23,128	18,000	341	240,800	86,756	369,026

	Shareholders' equity		Valuation and translation adjustments		Subscription rights to shares	Total net assets
	Treasury stock	Total	Valuation difference on available-for-sale securities	Total		
Balance at the end of previous period	(769)	804,075	47,761	47,761	761	852,599
Changes of items during the period						
Dividends from surplus	—	(54,532)	—	—	—	(54,532)
Reversal of reserve for special depreciation	—	—	—	—	—	—
Provision of general reserve	—	—	—	—	—	—
Net income	—	79,710	—	—	—	79,710
Purchase of treasury stock	(3,374)	(3,374)	—	—	—	(3,374)
Disposal of treasury stock	109	47	—	—	—	47
Net changes of items other than Shareholders' equity	—	—	(14,992)	(14,992)	41	(14,950)
Total changes of items during the period	(3,265)	21,850	(14,992)	(14,992)	41	6,900
Balance at the end of current period	(4,035)	825,926	32,769	32,769	803	859,499

Note:

Amounts of the Non-Consolidated Balance Sheets, Non-Consolidated Statements of Income and Non-Consolidated Statements of Changes in Net Assets are given in the stated unit of the presentation, by disregarding any amount less than the stated unit of the presentation.

REPORT OF INDEPENDENT ACCOUNTANTS

March 14, 2019

The Board of Directors
Sekisui House, Ltd.

From: Ernst & Young ShinNihon LLC.
Yoshio Ogawa
Designated and Engagement Partner
Certified Public Accountant
Yasuhiro Kozaki
Designated and Engagement Partner
Certified Public Accountant
Hiroshi Nakashita
Designated and Engagement Partner
Certified Public Accountant

Pursuant to Article 444, Paragraph 4 of the Companies Act, we have audited the accompanying Consolidated Financial Statements, which comprise the consolidated balance sheet, the consolidated statement of income, the consolidated statement of changes in net assets and the notes to the Consolidated Financial Statements of Sekisui House, Ltd. (the "Company") applicable to the fiscal year from February 1, 2018 through January 31, 2019.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on the 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 auditors' judgment, including the assessment of the risks of material misstatement of the Consolidated Financial Statements, whether due to fraud or error. In making those risk assessment, the auditors consider internal control 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, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 financial position and results of operations of the Sekisui House Group, which consisted of the Company and its consolidated subsidiaries in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

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

- End -

REPORT OF INDEPENDENT ACCOUNTANTS

March 14, 2019

The Board of Directors
Sekisui House, Ltd.

From: Ernst & Young ShinNihon LLC.
Yoshio Ogawa
Designated and Engagement Partner
Certified Public Accountant
Yasuhiro Kozaki
Designated and Engagement Partner
Certified Public Accountant
Hiroshi Nakashita
Designated and Engagement Partner
Certified Public Accountant

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying financial statements, which comprise the balance sheet, the statement of income, the statement of changes in net assets, the notes to the financial statements and the related supplementary schedules of Sekisui House, Ltd. (the "Company") applicable to the 68th fiscal year from February 1, 2018 through January 31, 2019.

Management's Responsibility for the Financial Statements and the Related Supplementary Schedules

Management is responsible for the preparation and fair presentation of the financial statements and the related supplementary schedules 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 financial statements and the related supplementary schedules that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on the financial statements and the related supplementary schedules 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 financial statements and the related supplementary schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the related supplementary schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements and the related supplementary schedules, whether due to fraud or error in making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the financial statements and the related supplementary schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 financial statements and the related supplementary schedules.

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 financial statements and the related supplementary schedules referred to above present fairly in all material respects, the financial position and results of operations of Sekisui House, Ltd. in conformity with accounting principles generally accepted in Japan.

Conflicts of Interest

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

- End -

AUDIT REPORT

The Audit & Supervisory Board prepared this audit report based on audit reports prepared by each Audit & Supervisory Board Member upon deliberation with respect to execution of duties by Directors for the 68th fiscal year (February 1, 2018 to January 31, 2019) and report as follows:

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

- (1) The Audit & Supervisory Board determined accounting policies and duties assigned to each Audit & Supervisory Board Member, received reports and explanations on the audit and result of audit from each Audit & Supervisory Board Member, received reports on the execution of duties of Directors and Accounting Auditor and requested additional explanations as necessary.
- (2) Each Audit & Supervisory Board Member, in conformity with standards of audit and in accordance with the audit policy set up and the duties assigned by the Audit & Supervisory Board Member, made efforts to communicate with Directors, Executive Officers, Audit Department and other employees, collect information and prepare and arrange for circumstances for audit and audited in the following method.
 1. We attended meetings of the Board of Directors and other meetings as deemed important, received reports from the Directors and Executive Officers, etc. on their performance of duties, requested additional explanation as necessary, perused the documents whereby the important decisions were made and examined the business and financial conditions at the head office and the principal offices. With respect to subsidiaries, we communicated and exchanged information with the Directors and Audit & Supervisory Board Members of the subsidiaries and received reports as necessary.
 2. With respect to the resolutions of the Board of Directors relating to establishment of the system that ensures the performance of duties by Directors is in conformity with laws and regulations, and the Articles of Incorporation, and the system that ensures appropriate business of Kabushiki Kaisha and the Corporate Group made of the Company and its subsidiaries as required under Article 100, Sections 1 and 3 of the Companies Act Enforcement Regulations and the system established under such resolutions (internal controlling system) described in the Business Report, we received reports from the Directors and Executive Officers, etc. the conditions of construction and management of them, and requested additional explanation and gave opinions as necessary.
 3. We supervised and examined that the Accounting Auditor maintained their independent position and performed due audit, and received from the Accounting Auditor reports on the execution of their duties. We requested additional explanation as necessary. We received a notice from the Accounting Auditor that they have prepared the "System to ensure due execution of audit" (matters prescribed in each item of Section 131 of the Corporate Accounting Rules) in accordance with, among other things, the "Quality Management Standards for Audit" (Business Accounting Board, October 28, 2005) and requested additional explanation as necessary.

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

2. Results of Audit

- (1) Results of audit of business reports, etc:
 1. We confirmed that the business reports and the attached schedules fairly show the position of the Company, in conformity with the relevant laws and regulations and the Articles of Incorporation.
 2. We do not find any unlawful acts to have been carried out by the Directors in the performance of their duties, nor do we find any material matters that are either unlawful or contrary to the Articles of Incorporation.
 3. We confirmed that the resolutions of the Board of Directors relating to the internal controlling system are fair. We do not find any aspects to be pointed out for the Directors' performance of duties relating to the internal controlling system.
- (2) Results of audit of the Non-Consolidated Financial Statements and attached schedules:

We confirmed that the method and the result of the audit carried out by Ernst & Young ShinNihon LLC. Accounting Auditor, are fair.
- (3) Results of audit of the Consolidated Financial Statements:

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

March 22, 2019

Audit & Supervisory Board of Sekisui House, Ltd.

Standing Audit & Supervisory Board Member	Haruyuki Iwata
Standing Audit & Supervisory Board Member	Hisao Yamada
Audit & Supervisory Board Member	Yoshinori Shinohara
Audit & Supervisory Board Member	Takashi Kobayashi
Audit & Supervisory Board Member	Hisako Makimura
Audit & Supervisory Board Member	Ryuichi Tsuruta

- End -

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

The exercise of a voting right *via* the Internet is received by 6:00 p.m. of Wednesday, April 24, 2019.

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

- ① IF you scan the QR code shown on the Voting Right Exercise Form (right-hand side), you can log in to the website for exercising votes without the log-in ID and temporary password shown on the form.

*The “QR code” is registered trademarks of DENSO WAVE INCORPORATED

- ② Please indicate whether you approve or disapprove the items on the agenda by following the instructions on the display screen.

※ Log-in using the QR code is available once only. If you are to re-exercise, please exercise in the method below.

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

- ① Please access using the following URL .

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

- ② Log in using the log-in ID and temporary password which are shown on the vote exercise form and press the login button.

- ③ Please confirm new password and press the send button.

- ④ Please indicate whether you approve or disapprove the items on the agenda by following the instructions on the display screen.

(3) If you have any inquiries in the exercise of a voting *via* the Internet, method of operation of your personal computers, smart phones or mobile phones and others, please contact the help desk below.

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Service Support: dial-in 0120 (173) 027 *

Business Hours: from 9:00 a.m. to 9:00 p.m. (call free)

Institutional investors are entitled to use the Electronic Voting Platform for Institutional investors operated by ICJ.

Note:* The service is available in Japanese only.