Matters available on the website in relation to the Notice of the 68th Ordinary General Meeting of Shareholders

Sekisui House, Ltd.

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

[**Translation**: Please note that this document purports to be a translation from the Japanese original Matters available on the website in relation to the Notice of the Ordinary General Meeting of Shareholders 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.]

1. The Consolidated Financial Statements for the 68th fiscal year

List of Notes to Consolidated Financial Statements

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

1) Scope of consolidation

Consolidated subsidiaries: 264, including Sekiwa Real Estate, Ltd., Sekiwa Real Estate Kanto, Ltd., Sekiwa Real Estate Kansai, Ltd., Sekiwa Real Estate Chubu, Ltd., Sekiwa Real Estate Chugoku, Ltd., Sekiwa Real Estate Kyushu, Ltd., Sekiwa Real Estate Tohoku, Ltd. and other companies.

All 264 subsidiaries are consolidated.

Changes in scope of consolidation:

19 companies newly added as subsidiaries were established. In addition, 11 companies were excluded due to merger or liquidation.

2) Application of equity method

Affiliated companies accounted for by the equity method: 33, including Otori Holdings, Co., Ltd., Almetax Manufacturing Co., Ltd., JPF Co., Ltd. and other companies.

Investment in each of the 33 affiliated companies is accounted for by the equity method.

Changes in scope of equity method:

Investment in 8 companies were newly accounted for by the equity method. In addition, 4 company were excluded due to liquidation or sale.

3) Term-ends of consolidated subsidiaries

The end of the fiscal year is March 31 for 3, May 31 for one and November 30 for one subsidiary, respectively. When preparing consolidated financial statements, the Company utilizes the provisional financial statements compiled as of January 31.

Fiscal year ends on December 31 for SEKISUI HOUSE AUSTRALIA HOLDING PTY LIMITED and 218 other consolidated subsidiaries. When preparing the Consolidated Financial Statements, the Company uses the financial statements of those consolidated subsidiaries as of their respective balance sheet dates. For material transactions before the date of fiscal year-end of consolidated group, necessary adjustments have been implemented.

4) Summary of significant accounting standards

(1) Basis and method for valuation for significant assets

(a) Short-term investment securities:

(i) Debt securities expected to be held to maturity:

Amortized cost (straight-line) method

(ii) Other short-term investment securities:

• Securities with market value:

Based on closing market price on the last day of period (Valuation gains and losses resulting are calculated by the full net asset costing method; cost of disposal is calculated by the moving average method)

• Securities with no available market value:

At cost based on the moving average method

(b) Derivatives: Market value method

(c) Inventories:

(i) Costs on uncompleted construction, buildings for sale, land for sale in lots, and undeveloped land for sale:

At cost based on individual cost method (The book value is written down to the net realizable value in cases where there has been a material decline in value)

(ii) Other inventories:

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

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

Property, plant and equipment (excluding lease assets):

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

Intangible assets (excluding lease assets):

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

Lease assets:

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

(3) Basis for accounting for significant allowances

(a) Allowance for doubtful accounts:

The Company makes provisions for general debtors based on actual historical collection rates and for specific debtors where collection is doubtful based on estimates of the amount collectible.

(b) Provision for bonuses:

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

(c) Provision for directors' bonuses

To prepare for bonus payments to Directors and Audit & Supervisory Board Members, the Company provides for the estimated amount.

(d) Provision for compensation payments on completed works:

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

(e) Provision for directors' retirement benefits:

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

(4) Method of Accounting for Retirement Benefit Obligations

(a) Method for reflecting the expected retirement benefit in the period:

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

(b) Method of accounting for actuarial calculation differences and past service obligations:

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

(5) Basis for accounting for income and expenses

(a) Accounting standard for recognition of income and expenses of completed works:

The Company has applied percentage-of-completion method (estimate for level of completion based on the percentage of direct costs) to construction contracts meeting the following criteria; construction had been started during the consolidated fiscal year under review (except for short-period work), of which the percentage of construction completion by the end of the consolidated fiscal year can be estimated reliably. For other construction contracts, the company has adopted completed-contract method.

(b) Basis for accounting for income from finance leases:

The Company records net sales and cost of sales upon receipt of lease charges.

(6) Amortization of goodwill

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

(7) Inclusion of interest paid in acquisition cost

In conformity with the accounting standards of relevant countries, overseas consolidated subsidiaries include interest paid with regard to borrowed funds for the real estate development business in acquisition cost. At the end of period, interest expenses of ¥9,174 million, ¥8,018 million and ¥733 million are included in “Buildings for sale”, “Land for sale in lots” and “Undeveloped land for sale” respectively.

2. Notes to the Consolidated Balance Sheet

1) Collateralized assets and secured liabilities:

Millions of yen

Collateralized assets		Secured liabilities	
Type	Book value at the end of year	Details	Balance at the end of year
Investment securities	321	Liabilities of the subsidiary	—
Buildings for sale and Land for sale in lots	107,142	Borrowing from financial institutions	41,214
		Deposits on contract with establishment of leasehold	25
Buildings	478	Long-term lease and guarantee deposited	180
Land	2,649	Deposits on contract with establishment of leasehold	930
		Borrowings of clients from banks	88
Total	110,591	Total	42,439

Note:

Apart from stated above, the Company deposited cash and deposits of 7,743 million yen in accordance with Act on Assurance of Performance of Specified Housing Defect Warranty and the like.

2) Accumulated depreciation of property, plant and equipment 241,718 million yen

3) Liabilities guaranteed:

(1) Liabilities guaranteed for repayment (for persons to have housing mortgage) 103,207 million yen

(2) Security on things for borrowings of clients from banks 88 million yen

(3) Security on liabilities guaranteed for borrowings of clients from banks 129 million yen

(Additional information)

Changes in holding purpose of assets:

Real estate for sale of 463 million yen, that appeared under inventories as at the end of the previous consolidated fiscal year, has been reclassified under noncurrent assets. In addition, real estate for investments of 43,046 million yen, that appeared under noncurrent assets as at the end of the previous consolidated fiscal year, have been reclassified under inventories.

3. Notes to the Consolidated Statement Changes in Net Assets

1) Type and total number of shares issued:

Common shares 690,683,466 shares

2) Matters related to dividends:

(1) Dividends paid to shareholders:

a. Matters related to the dividends paid pursuant to the resolution of the 67th ordinary general meeting of shareholders held on April 26, 2018:

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

b. Matters related to the dividends (interim dividends) paid pursuant to the resolution of the meeting of the Board of Directors held on September 6, 2018:

- Total amount of dividends; 26,921 million yen
- Dividends per share: 39.00 yen
- Record date: Jul. 31, 2018
- Effective date: Sep. 28, 2018

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

The following proposal for dividends will be submitted to the 68th ordinary general meeting of shareholders to be held on April 25, 2019:

- Total amount of dividends; 27,533 million yen
- Source of funds for dividends; Retained earnings
- Dividends per share: 40.00 yen
- Record date: Jan. 31, 2019
- Effective date: Apr. 26, 2019

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

Common shares 879,000 shares

4. Notes to Financial Instrument

1） Matters related to the state of financial instruments

(1) Policy with regard to financial instruments activities:

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

(2) Contents and risks of financial instruments:

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

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

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

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

(3) Content of financial risk management systems:

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

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

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

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

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

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

Accounting & Finance Department of the Company and responsible divisions of each subsidiary make and renew financing plan timely based on reports from each branch and manage liquidity risk to maintain short-tem liquidity. In addition, the Companies secure several steady financing means by setting commitment line and maximum limit of issuing bonds.

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

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

The Companies calculate the fair value of financial instruments based on market prices, or by using reasonable estimates when market prices are not available. These estimates include variable factors, and are subject to fluctuation due to changes in the underlying assumptions.

2) Matters related to the Fair Value of Financial Instruments

Amounts stated in consolidated balance sheets, fair value and their differences as of January 31, 2019 are as follows. For your information, accounting items for which an accurate grasp of fair value is recognized as extremely difficult are not stated in the following table (Please refer to Notes 2).

Millions of yen

	Amount stated in consolidated balance sheets	Fair value	Variance
(1) Cash and deposits	343,358	343,358	—
(2) Notes receivable and accounts receivable from completed construction contracts	42,503		
Allowance for doubtful accounts(※1)	(402)		
	42,101	42,101	—
(3) Short-term investment securities and Long-term investment securities			
1) Securities of subsidiaries and affiliates	3,213	1,686	(1,526)
2) Other securities	80,823	80,823	—
Assets amount	469,496	467,969	(1,526)
(1) Notes payable, accounts payable for construction contracts	94,001	94,001	—
(2) Electronically recorded obligations-operating	53,427	53,427	—
(3) Short-term loans payable	239,472	239,472	—
(4) Bonds payable	235,000	236,429	1,429
(5) Long-term loans payable	158,310	157,844	(466)
Liabilities amount	780,211	781,174	962

Note※:

1. Amount of notes receivable and accounts receivable from completed construction contracts deduct amount of allowance for doubtful accounts.

Notes

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

Assets

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

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

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

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

Liabilities

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

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

(4) Bonds payable

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

(5) Long-term loans payable

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

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

Millions of yen

Category	Amount stated in consolidated balance sheets
Unlisted shares	62,191
Investment to SPC	7,710
Investment in anonymous association	1,472
Preferred securities	999
Investment to LPS	429
Unlisted stocks	120

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

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

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

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

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

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

Millions of yen

Amount stated in consolidated balance sheets	Fair value
443,736	547,839

Notes:

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

6. Notes to the Information per Share:

1. Net assets per share ¥1,718.82
2. Net income per share ¥186.53

7. Notes to significant subsequent event:

Change of equity method affiliate (consolidation)

The Company decided at the Board of Directors Meeting held on March 7, 2019 that the Company will consolidate Otori Holdings, Co., Ltd. (“Otori Holdings”) (Note), an affiliate accounted for by the equity method.

Class A Preferred Shares issued by Otori Holdings, which the Company currently owns, include an option to convert the preferred shares into common shares, exercisable on or after October 1, 2019. When fully exercised, the option will give the Company common shares converted from the preferred shares, and the percentage of the Company’s voting rights in Otori Holdings can increase to 45.7%, including common shares (33.3% of all voting rights) held already. Furthermore, the Company will acquire common shares held by its existing shareholders in such a way that the resulting percentage of the Company’s voting rights will be in excess of 50% when the conversion option is fully exercised for the Class A Preferred Shares, to make Otori Holdings a consolidated subsidiary of the Company.
Note: Otori Holdings is a holding company that owns outstanding shares issued by Konoike Construction Co., Ltd. (“Konoike Construction”).

(1) Reasons for consolidation

The Sekisui House Group has been taking consistent actions with the aim of building the foundation for the residential-related business toward BEYOND 2020, a basic policy for the fourth mid-term management plan ending in the fiscal year to January 2020, in view of business developments that are expected to unfold in the years beyond 2020.

Konoike Construction is a well-established general contractor that will mark its 150th year in business in 2021, and has shown consistent growth in business leveraging its highly sophisticated expertise and technical knowhow that have been developed over a number of years. Konoike Construction is taking forward-looking steps based on the customer trust and achievements that have been accumulated to date.

The Company concluded a business partnership agreement with Konoike Construction on November 2015, and has succeeded in producing synergies in a number of collaborative areas, including condominium and hotel development projects as well as joint initiatives to acquire subcontractor contracts by sharing market intelligence. The two companies have been working together, leveraging the combination of the Company's management resources related to the residential-related business and the expertise possessed by Konoike Construction in the construction and civil engineering business. The Company will step up its collaborative initiatives with Konoike Construction, seeking to respond quickly to business opportunities in the coming years. The initiatives will include not only the Development-oriented projects that have played a primary part of the partnership business, but also our Built-to-Order-oriented projects seeking to grow the CRE/PRE strategic solution business, helping to further bolster the value of real estate assets owned by corporations and public organizations.

Given this situation, the Company has decided to consolidate Otori Holdings (and its subsidiary Konoike Construction), believing that it will be necessary for the Company to strengthen the existing business partnership in order to develop and expand the collaborative relationship between the two companies.

With the affiliate consolidation, the Company aims to achieve further enhancement in the partnership with Konoike Construction in pursuit of further growth of the Sekisui House Group, promoting group-wide initiatives aimed at producing synergistic results in business along with streamlining measures.

(2) Name, business line and scale of the affiliated company to be changed

(a) Company name	Otori Holdings, Co., Ltd.
(b) Business line	Holding company (that owns all outstanding shares issued by Konoike Construction)
(c) Scale	Consolidated net assets: 80,669 million yen Consolidated total assets: 210,061 million yen (As of Year ended September 2018)

Note:

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

2．The Non-Consolidated Financial Statements for the 68th fiscal year

List of Notes to Non-Consolidated Financial Statements

1. Summary of Significant Accounting Policies

1）　Basis and method of valuation of assets:

(1) Short-term investment securities:

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

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

(iii) Other short-term investment securities:

- Securities with market value:

  Based on closing market price on the last day of period (Valuation gains and losses resulting are calculated by the full capital costing method; cost of disposal is calculated by the moving average method)

- Securities with no available market value:

  At cost based on the moving average method

(2) Derivatives: Market value method

(3) Inventories:

(i) Costs on uncompleted construction contracts, buildings for sale, land for sale in lot, and undeveloped land for sale: At cost based on individual cost method

(The book value is written down to the net realizable value in cases where there has been a material decline in value)

(ii) Semi-finished goods and work in process, raw material and supplies: At cost based on moving average method

(The book value is written down to the net realizable value in cases where there has been a material decline in value)

2）　Depreciation of noncurrent assets:

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

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

(ii) Intangible assets (excluding lease assets):

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

(iii) Lease assets:

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

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

(a) Allowance for doubtful accounts:

The Company makes provisions for general debtors based on actual historical collection rates and for specific debtors where collection is doubtful based on estimates of the amount collectible.

(b) Provision for bonuses:

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

(c) Provision for directors' bonuses:

To prepare for bonus payments to directors, the Company provides for the estimated amount.

(d) Provision for warranties for completed construction:

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

(e) Provision for retirement benefits:

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

(i) Method for reflecting the expected retirement benefit in the period:

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

(ii) Method of accounting for actuarial calculation differences and past service obligations

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

4) Basis for accounting for income and expenses:

(i) Accounting standard for recognition of income and expenses of completed works:

The Company has applied percentage-of-completion method (estimate for level of completion based on the percentage of direct costs) to construction contracts meeting the following criteria; construction had been started during the fiscal year under review (except for short-period work), of which the percentage of construction completion by the end of the fiscal year can be estimated reliably. For other construction contracts, the company has adopted completed-contract method.

(ii) Basis for accounting for income from finance leases:

The Company records net sales and cost of sales upon receipt of lease charges.

5) Main hedge accounting methods:

(i) Hedge accounting methods:

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

(ii) Hedging instruments and targets:

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

(iii) Hedging policies:

The Company uses derivatives transactions with the aim of avoiding losses from fluctuations in exchange rates. The use of exchange forward contracts does not exceed the amount of import transactions.

(iv) Methods of assessing hedge effectiveness:

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

6) Accounting for consumption taxes

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

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

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

2. Notes to the Balance Sheets

1) Collateralized assets and secured liabilities

Millions of yen

Collateralized assets		Secured liabilities	
Type	Book value at the end of year	Details	Balance at the end of year
Investment securities	321	Liabilities of the subsidiary	—
Land	2,457	Deposits on contract with establishment of leasehold	930
Total	2,778	Total	930

Note:

Apart from stated above, the Company deposited investment securities, cash and deposits of 6,630 million yen in accordance with Act on Assurance of Performance of Specified Housing Defect Warranty and the like.

2) Accumulated depreciation of property, plant and equipment 194,569 million yen

3) Liabilities guaranteed

Liabilities guaranteed for repayment (for persons to have housing mortgage) 102,576 million yen

Liabilities guaranteed for repayment
(for affiliated companies to borrow from the financial institutions) 278,379 million yen

4) Pecuniary claims and debts to affiliated companies

Millions of yen

Short-term pecuniary claims to subsidiaries	7,800
Long-term pecuniary claims to subsidiaries	41,701
Short-term pecuniary debts to subsidiaries	141,472

(Additional information)

Changes in holding purpose of assets:

Real estate for investments of 35,722 million yen, that appeared under noncurrent assets as at the end of the previous fiscal year, have been reclassified under inventories.

3. Notes to the Statements of Income

Millions of yen

Transactions with subsidiaries	
Sales to subsidiaries	16,866
Purchases from subsidiaries	237,433
Non-operating transactions	27,199

4. Notes to the Statement of Change in Net Assets

Type and numbers of shares outstanding and treasury stock

Type of shares	Common shares
Outstanding shares (non-consolidated) as of Jan. 31, 2018	403,241 shares
Number of shares increased	2,006,873 shares
Number of shares decreased	62,173 shares
Outstanding shares (non-consolidated) as of Jan. 31, 2019	2,347,941 shares

Notes:

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

   Increase due to repurchases of fractional shares: 6,873 shares

   Increase due to the acquisition of treasury stock based on the Articles of Incorporation pursuant to Article 165 (2) of the Companies Act: 2,000,000 shares

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

   Decrease due to requests for additional purchases of fractional shares: 173 shares

   Decrease due to exercise of stock options: 62,000 shares

5. Notes of Tax Effect Accounting

1) Significant components of deferred tax assets and liabilities

Millions of yen

Deferred tax assets	
Loss on valuation of real estate for sale	10,873
Accumulated impairment loss	6,424
Provision for retirement benefits	6,237
Provision for bonuses	5,334
Loss on valuation of shares of subsidiaries	2,678
Loss on valuation of investment securities	1,547
Allowance for doubtful accounts	1,290
Accrued enterprise taxes	1,102
Accrued social insurance premium	778
Other	2,838
Subtotal deferred tax assets	**39,105**
Valuation allowance	**(12,341)**
Total deferred tax assets	**26,764**

Deferred tax liabilities	
Valuation difference on available-for-sale securities	(12,839)
Other	(1,363)
Total deferred tax liabilities	**(14,203)**
Net deferred tax assets and net deferred tax liabilities	**12,560**

Notes:

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

   Current assets – Deferred tax assets: 19,152 million yen

   Noncurrent assets – Deferred income taxes: 6,591 million yen

6. Notes of Transaction with related parties

1) Subsidiaries and Affiliated Companies, etc.

Type	Company name	Percentage of owning (owned) voting rights	Description of the relationship		Description of transaction	Transaction amount (million yen)	Account	Balance at January 31,2019 (million yen)
			Concurrent offices of officers	Business relationship				
Subsidiary	Sekisui House(Wuxi) Co., Ltd.	(owning) Directly 100	Holding concurrent offices	Underwriting of the bonds by the Company	Redemption of the bonds	16,190 (※1)	—	—
Subsidiary	NASH FINANCING, LLC	(owning) Indirectly 100	Holding concurrent offices	Guarantee of the loan liabilities by the Company	Guarantee of the loan liabilities	182,059	—	—
Subsidiary	WOODSIDE HOMES COMPANY, LLC	(owing) Indirectly 100	Holding concurrent offices	Guarantee of the loan liabilities by the Company	Guarantee of the loan liabilities	44,673	—	—
Subsidiary	SEKISUI HOUSE US HOLDINGS, LLC	(owning) Directly 100	Holding concurrent offices	Guarantee of the loan liabilities by the Company	Guarantee of the loan liabilities	32,688	—	—

Note※:

1. Transaction amount does not include foreign exchange gain and loss. And the bonds were fully redeemed.

2) Directors and Major individual shareholders, etc.

Type	Name or Company name	Percentage of owning (owned) voting rights	Description of the relationship	Description of transaction	Transaction amount (million yen)	Account	Balance at January 31,2019 (million yen)
Officer	Isami Wada	(owned) Directly 0.04	Former Executive Advisor & Director of the Company (※1)	Sale of a condominium (※2)	150	—	—

Notes※:

1. On April 26, 2018, he retired as the Executive Advisor & Director, and the above shows the transaction during his term of office.
2. The price of the sale is determined in usual way.

7. Notes to the Information per Share

1. Shareholders' equity per share	¥1,247.50
2. Net income per share	¥115.60

8. Notes to significant subsequent event:

Change of equity method affiliate (consolidation)

The Company decided at the Board of Directors Meeting held on March 7, 2019 that the Company will consolidate Otori Holdings, Co., Ltd., an affiliate accounted for by the equity method.

For details, refer to *List of Notes to Consolidated Financial Statements for the 68th fiscal year, 7. Notes to significant subsequent event.*

Note:

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