

Attached Documents of
the Notice of the 69th Ordinary General Meeting of Shareholders

I . The Business Report for the 69th fiscal year	1
II . The Consolidated Financial Statements for the 69th fiscal year	33
III . The Non-Consolidated Financial Statements for the 69th fiscal year	37
IV . Audit Report	40

Sekisui House, Ltd.

[**Translation:** Please note that this document purports to be a translation from the Japanese original Attached Documents of the Notice of the 69th Ordinary General Meeting of Shareholders 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.]

The Business Report
for the 69th fiscal year (February 1, 2019 – January 31, 2020)

1. Business Conditions of the Corporate Group

(1) Progress and Results of Sekisui House Group

During the fiscal year under review, the Japanese economy saw a moderate recovery, reflecting improvements in capital spending and the employment environment, although corporate earnings appeared weak mainly in the manufacturing industry. In the domestic housing market, the construction of custom detached houses and built for houses such as condominiums increased. However, the number of new housing starts decreased, reflecting a significant downturn in the number of rental housing starts attributable mainly to the tightened lending attitude of financial institutions. In terms of the order environment, the amount of orders received continued to fall short of the year-ago level due to the impact of the consumption tax hike and natural disasters, among other factors.

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 (FY2017–FY2019) of “building the foundation for the residential-related businesses toward BEYOND 2020” in the final year of that Plan, while the Sekisui House Group overall pursued the value that housing can provide to the society. It continued to develop the Platform House to assist happiness in the era of the 100-year lifespan with a focus on “health”, “connectedness” and “learning”, while simultaneously building “HED-Net”, the world’s first in-home early detection network, to realize the concept of a health nurturing home. The Company has also started a long-term research collaboration on in-home wellness monitoring with the Institute of Medical Engineering and Science, a research institute of the Massachusetts Institute of Technology (MIT).

In addition to these initiatives, it continued its efforts to facilitate “the Trip Base Michi-no-Eki Stations Project”, a regional revitalization project, and commenced the construction of roadside hotels that will open in 15 locations in six prefectures from autumn 2020, as the first stage.

It also worked to reform the Group’s organization to expand the business area and enhance brand awareness. The Company also converted Otori Holdings, Co., Ltd. (a holding company of Konoike Construction Co., Ltd.) into a consolidated subsidiary in October. It will ensure that the conversion leads to further growth by strengthening its collaboration with Konoike Construction Co., Ltd. and creating business synergies. Furthermore, it established Sekisui House noie Limited, a new company, and sought to expand the Custom Detached Houses Business by strengthening sales systems for secondary brands. It also changed the trade name of Sekiwa Real Estate companies to Sekisui House Real Estate companies. By unifying trade names to feature the Sekisui House brand, the Company will enhance efforts for business promotion and accelerate its growth on a group-wide basis.

On top of this, the Company also worked on ESG (environment, society, governance), one of the key management issues, with the aim of becoming a leading company in ESG management. The Company was selected for “the Silver Class” in the Homebuilding category of the “SAM Sustainability Award 2019”, a sustainability assessment undertaken by “RobecoSAM”, a global class assessor of social responsibility investment (SRI).

Net sales for the fiscal year under review amounted to ¥2,415,186 million (up 11.8% year on year). Operating income amounted to ¥205,256 million (up 8.5 % year on year), ordinary income to ¥213,905 million (up 9.6% year on year) and net income attributable to owners of parent to ¥141,256 million (up 9.9% year on year).

Business results by segments are as follows.

Custom Detached Houses Business

In the Custom Detached Houses Business, the Company promoted marketing activities for “the Family Suite”, a living room with a large area for maintaining a comfortable sense of distance among family members. The Family Suite was created based on the achievements of a study of “houses where the more you live, the happier you will be,” and advanced technologies. Recently, it has been adopted by half of our customers. In addition, to offer a new concept on urban lifestyles, it released “the REGNUM COURT”, an urban-type, steel-frame, three- or four-story housing unit that secures privacy and creates a lifestyle in which the residents feel at one with nature. The Company also promoted sales of “Green First Zero”, its net zero energy house (ZEH) that achieves an energy balance by saving and creating energy while maintaining a comfortable life. Its adoption rate rose to surpass 80%, or the target for 2020.

However, orders received decreased year on year.

Sales in the Custom Detached Houses Business amounted to ¥390,995 million (up 9.2% year on year), and operating income to ¥45,942 million (up 8.7% year on year).

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. As a result, sales progressed solidly for non-housing segments. In addition, the Company facilitated the promotion of ZEH, which had been believed to be difficult in apartment complexes.

Thanks to these efforts, orders received increased year on year.

Sales in the Rental Housing Business amounted to ¥410,622 million (down 1.3% year on year), and operating income to ¥48,938 million (down 2.9% year on year).

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 September, the Company launched “the Family Suite Renovation” incorporating the Family Suite concept in housing renovation for existing houses. In addition, it stepped up its efforts to propose large-scale remodeling such as “Idokoro Dan-netsu”, which is remodeling based on the Green First Renovation concept, spotlighting the heat insulation-based renovation of the LDK areas coupled with comfortable facilities. As a result, orders received increased year on year.

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.

Sales in the Remodeling Business amounted to ¥152,729 million (up 8.0% year on year), and operating income to ¥23,535 million (up 11.5% year on year).

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 under management is commissioned achieved solid growth through a group-based collaboration with Sekiwa Real Estate (currently Sekisui House Real Estate) companies. Under this condition, the Company maintained high occupancy rates by meeting demand for high-quality rental houses featuring hotel-like specifications. It also sought to strengthen the brokerage business in real estate trading.

Sales in the Real Estate Management Fees Business amounted to ¥534,876 million (up 4.1% year on year), and operating income to ¥41,054 million (up 4.2% year on year).

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.

Sales in the Houses for Sale Business amounted to ¥151,268 million (up 1.6% year on year), and operating income to ¥12,259 million (up 10.6% year on year).

Condominiums Business

In the Condominiums Business, the Company continued to implement its thorough area-specific strategies and advanced its brand strategies by integrating homebuilding knowhow gained through custom detached houses. In addition, it commenced the construction of “Grande Maison Uemachi 1-chome Tower (tentative name)” (Chuo-ku, Osaka), a property adopted as a high-rise ZEH-M project in FY2019. On the sales side, “Grande Maison Shin Umeda Tower THE CLUB RESIDENCE” (Kita-ku, Osaka) and “Grande Maison Hisaya Odori” (Higashi-ku, Nagoya) continued to record strong sales performance. With respect to deliveries, progress was made as planned for “Grande Maison Shinagawa Seaside no Mori” (Shinagawa-ku, Tokyo) and “Grande Maison Uemachidai the Tower” (Chuo-ku, Osaka), among other properties.

Sales in the Condominiums Business amounted to ¥103,984 million (up 16.1 % year on year), and operating income to ¥10,134 million (up 56.4% year on year).

Urban Redevelopment Business

In the Urban Redevelopment Business, 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. Meanwhile, the Company sold office buildings and rental properties to Sekisui House Reit, Inc., including “Akasaka Garden City” (part of the stake) and “Prime Maison Hongo”.

Sales in the Urban Redevelopment Business amounted to ¥131,920 million (down 23.9% year on year), and operating income to ¥17,045 million (down 57.8% year on year).

Overseas Business

In the United States, the Company sold a total of seven properties, including “Union Denver” (in Denver), “Sofia” (in Los Angeles), “The Griffin” (in Los Angeles) and “The Grace” (in Los Angeles) in the multifamily business. The master-planned community business and the homebuilding business of Woodside Homes Company, LLC remained firm during the period. In China, condominium sales remained strong in Suzhou and Taicang, while in Australia, it sold equities in the commercial facility in “Central Park” (Sydney).

The Company announced a move into the UK housing market, forming partnership with Homes England and Urban Splash House Holdings Ltd.

Sales in the Overseas Business amounted to ¥389,866 million (up 58.5% year on year), and operating income to ¥44,551 million (up 172.6% year on year).

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 species to match the local climate.

The results include revenues and profits posted on October 1, 2019 and beyond by Otori Holdings Co.,Ltd., which was converted into a consolidated subsidiary.

Sales in the Other Businesses amounted to ¥148,922 million(up 103.9% year on year), and operating income to ¥4,229 million.

(2) Issues to Be Addressed by Sekisui House Group

The Japanese economic outlook is increasingly uncertain, given the trade tensions and geopolitical risks faced by foreign countries, the impact of Brexit, and the spread of the COVID-19 coronavirus. Meanwhile, in Japan, the impact that the trend in consumer confidence following the consumption tax hike will have on the housing market also needs to be borne in mind.

In this business environment, to mark the 60th anniversary of its founding, the Company has adopted “making home the happiest place in the world” as its global vision for the next 30 years, and has set itself the goal of becoming a global housebuilder that provides a fusion of the tangible, the intangible and services. It has also formulated a new Fifth Mid-Term Management Plan (FY2020-FY2022) and, over the three years from FY2020, it will conduct business in line with basic direction of “Further strengthening core businesses and embarking on new businesses.”

In the Built-to-Order Business, the Company will pursue high added value housing and living environments and, in the Custom Detached Houses segment, it will widen its pricing brackets and strengthen and promote product development according to the price bracket. In Rental Housing, the Company will continue thoroughly implementing area marketing focused on prime areas and will also seek to strengthen proposals for the effective utilization of commercial real estate (CRE) and public real estate (PRE) by utilizing the strengths of its original β system construction method in a wide range of applications and increasing synergies with Konoike Construction Co., Ltd., which it made into a consolidated subsidiary. In the Supplied Housing Business, the Company will actively expand proposal-based eco-friendly remodeling and seek to strengthen the sublease and brokerage businesses of Sekisui House Real Estate companies. In the Development Business, the Company will ensure stable profits by improving asset turnover and acquiring prime land in line with its area marketing strategy. In the Overseas Business, the Company will enter a new stage of deploying Sekisui House technologies in each country, thereby putting in place a structure for sustainable growth.

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

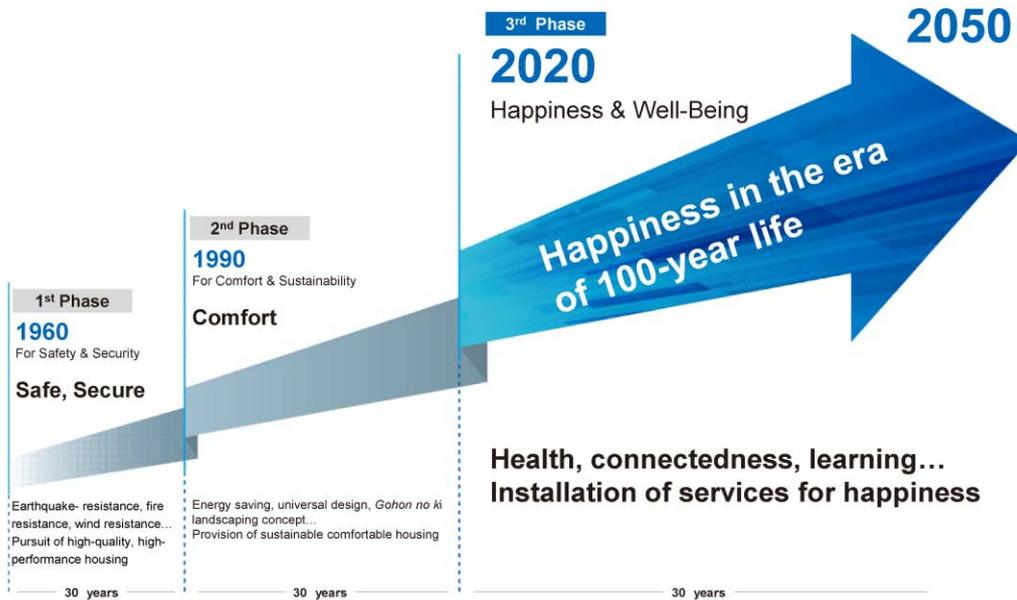
(3) Breakdown of Orders Received and Net Sales of Sekisui House Group*Millions of yen*

	Orders brought forward from the previous year	Orders for the fiscal year ended January 31, 2020	Net sales for the fiscal year ended January 31, 2020	Orders carried forward to the following year
Custom Detached Houses Business	229,004	346,293	390,995	184,302
Rental Housing Business	407,403	435,513	410,622	432,294
Remodeling Business	30,989	149,716	152,729	27,976
Real Estate Management Fees Business	—	534,876	534,876	—
Houses for Sale Business	49,481	143,300	151,268	41,513
Condominiums Business	118,054	73,692	103,984	87,762
Urban Redevelopment Business	1,888	160,645	131,920	30,613
Overseas Business	111,303	500,886	389,866	222,324
Other Businesses	47,716	135,140	148,922	381,661
Total	995,842	2,480,066	2,415,186	1,408,448

Notes:

1. Each business division is set out in (6) Major businesses.
2. The values of the items of Otori Holdings, Co., Ltd., which became a consolidated subsidiary of the Company in October, are included in the “Other Businesses” segment of each indicator. Orders for the fiscal year ended January 31, 2020 and net sales for the fiscal year ended January 31, 2020 include figures after the consolidation, and orders carried forward to the following year include orders before said consolidation.

NEXT 30 Years



Three-phase Vision



Fifth Mid-Term Management Plan

Management Direction

Deployment of growth strategies focused on the residential business domain

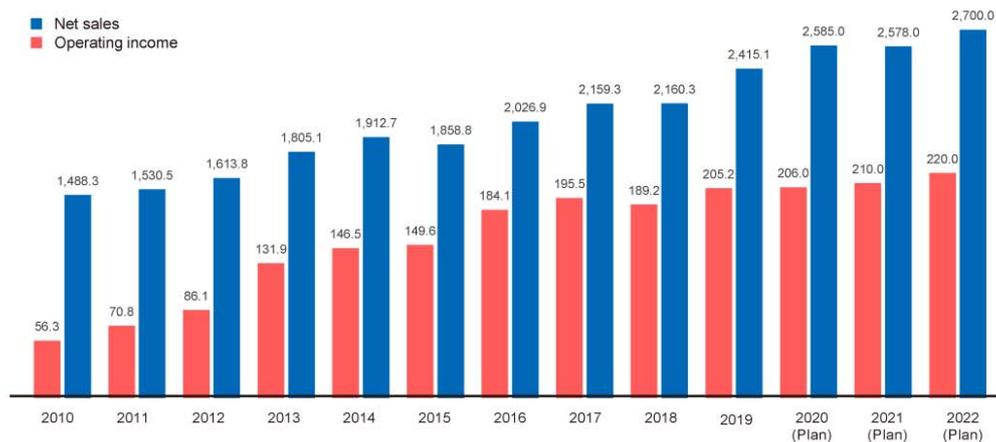
Core policy of Fifth Mid-Term Management Plan

Further strengthening core businesses and embarking on new businesses

Earnings Plan Fifth Mid-Term Management Plan

Aim to achieve record-high income in FY2022

(billion yen)



Built-to-order business [Business strategies]

Custom Detached Houses Business

Implementation of three brand strategies



Rental Housing, Architectural / Civil Engineering Business

Promotion of focused S and A Area Marketing

- 1 Strengthen the CRE (corporate real estate) and PRE (public real estate) businesses
- 2 Supply added-value Sha-Maison rental housing and price leader strategy
- 3 Strengthen mid-rise and high-rise buildings focusing on the Company's β system construction method



Supplied housing business [Business strategies]

Remodeling Business

Active Deployment of proposal-based and environment-based remodeling

- 1 Sekisui House Detached Houses
<Three Sekisui House Remodeling companies>
- 2 Sha-Maison rental housing
<Six Sekisui House Real Estate companies>
- 3 General houses built by others
<17 Sekiwa Construction companies>



Real Estate Management Fees Business

Strengthen rental housing management and brokerage business through change in company name to "Sekisui House Real Estate"

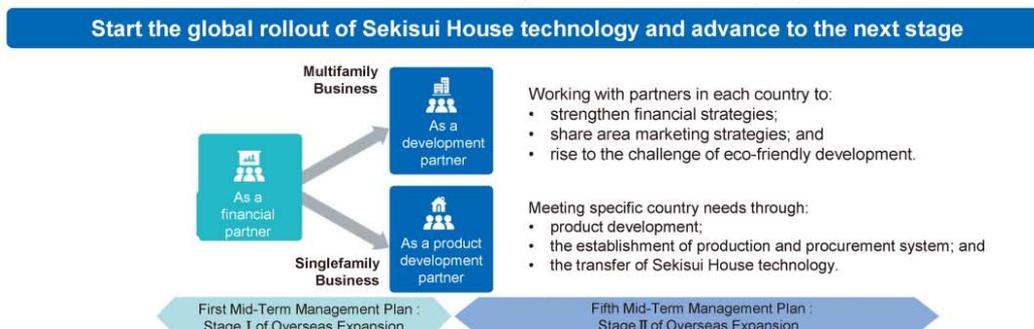
- 1 Strengthen relations with owners of rental apartments
- 2 Improve the levels of tenant services



Development Business [Business strategies]



Overseas Business [Business strategies]



Earnings Plan Fifth Mid-Term Management Plan

(billion yen)

	FY2017	FY2018	FY2019	FY2020 Plan	FY2021 Plan	FY2022 Plan
Net sales	2,159.3	2,160.3	2,415.1	2,585.0	2,578.0	2,700.0
Operating income	195.5	189.2	205.2	206.0	210.0	220.0
Ordinary income	203.6	195.1	213.9	205.0	208.0	219.0
Net income	133.2	128.5	141.2	137.0	138.0	147.0
OP margin	9.1%	8.8%	8.5%	8.0%	8.1%	8.1%
EPS(yen)	¥193.06	¥186.53	¥205.79	¥202.52	¥204.00	¥217.31
ROE	11.6%	10.8%	11.5%	10.6%	Stably generate the 10% and higher	

ESG Strategy: Initiatives for a Carbon-free Society

1 Strengthen and expand net-zero energy housing (ZEH)

ZEH (Detached House) **85%***  

*At the end of January 2020

Japan's First rental housing where all units meet ZEH qualifications (Kanazawa City)

(1) Strengthen resilience (2) Promote net-zero energy and expand net-zero energy properties

2 Promote RE 100 through "Sekisui House Owner Denki"

Total electricity generated by PV solar systems installed by Sekisui House: **Approx. 700 GWh/yr.h**

Purchase excess electricity from post-FIT homeowners of Sekisui House for use in the Group corporate operations.

Electricity consumption of the Sekisui House Group business: **Approx. 120 GWh/yr.h**

Office, Plant, Display homes

Purchase at ¥11/kWh

Excess electricity from PV systems

Achieve RE100 targets

Effective use of electricity for corporate activities

積水ハウスオーナーでんき (SEKISUI HOUSE OWNER DENKI)

3 Be a global ESG leader

 Listed on the CDP's "Climate Change A List"

 MEMBER OF Dow Jones Sustainability Indices

 In Collaboration with RobecoSAM

DJSI World Index

*Selected for inclusion for a second consecutive year in 2019

*Selected four inclusion for a fourth consecutive year in 2019

ESG Strategy: Improvement of Value in Society and Personnel Strategies

- 1 Build pipeline of human resources to strategically develop into next-generation managers and leaders**
- In a VUCA* world ,where there is no guarantee that experiences and skills built up in the past will continue to hold good in the future, the agility to adapt quickly to environmental changes and the ability to create change itself is required. We will focus on building a pipeline of human resources who will be systematically selected and developed as candidates for (i) branch manager , (ii) sales administrative manager and (iii) director, starting with young employees under 35.
- *VUCA stands for Volatility, Uncertainty, Complexity and Ambiguity.
-
- 2 Strengthen recruitment ability and secure a range of talent for new business domains**
- Expand graduate recruitment channels including year-round recruitment, referral recruitment and internships in collaboration with different sectors
 - Secure a range of talent including hiring as manager-candidates from other sectors human resources with a STEM (science, technology, engineering and math)background, and highly skilled IT engineers.
-
- 3 Promote Diversity – Create workplaces that demonstrate the power of diversity**
- Promote women's participation and advancement in the workplace women (provide support for women's participation and career advancement by job type, expand scope of work and appoint women to managerial positions)
 - Promote support for diverse human resources (persons with disabilities, LGBT, foreign workers, etc.)
-
- 4 Implement workstyle reforms – Increase growth generated by intangible assets**
- Continue to achieve 100% take rate of one month or more of childcare leave among male employees (introduction of "Ikumen Leave": (creation of value for individuals and organization))
 - Support employees in balancing work with childcare, nursing care or medical treatment (retain talent)
 - Promote teleworking (utilize IoT to enable flexible working styles according to work characteristics and life/career stage).
 - Promote health management (utilization of AI , improvement of health through walking, etc.).
-
- 5 Tackle social issues – Help to create a society that delivers maximum value to customers and achieve the SDGs**
- Help tackle issues such as an aged society, regional revitalization, education support for children, Industry, Government, Academia Collaboration through our businesses and CSR activities

ESG Strategy: Governance Reforms

Implement governance reforms both at senior management level and business management level.
 -Create organization climate for the realization of Innovation & Communication-

Initiative 1 Senior management level

1 Reform corporate governance systems and strengthen their effectiveness

Aim to reform management through collaboration (collaborative creation) and the creation of a fair and healthy tension with outside directors.

(1) Review grand design of governance systems

- i Review the Personnel Affairs and Remuneration Committee system (chairperson and composition) to strengthen its effectiveness)
- ii Review the role of the Management Meeting in the business execution system.
- iii Reform the Executive Officer system and develop candidates for the senior management team.

(2) Implement PDCA cycle that utilizes third-party reviews and draws on outside expertise.

2 Enhance information disclosure and promote dialogue with stakeholders

Gain trust of stakeholders through honest and fair information disclosure.

- i Produce "Integrated Report"- Tell corporate story.
- ii Further enhance opportunities for dialogue with institutional investors and individual shareholders.

Initiative 2 Business management level

1 Increase integrity at business management level

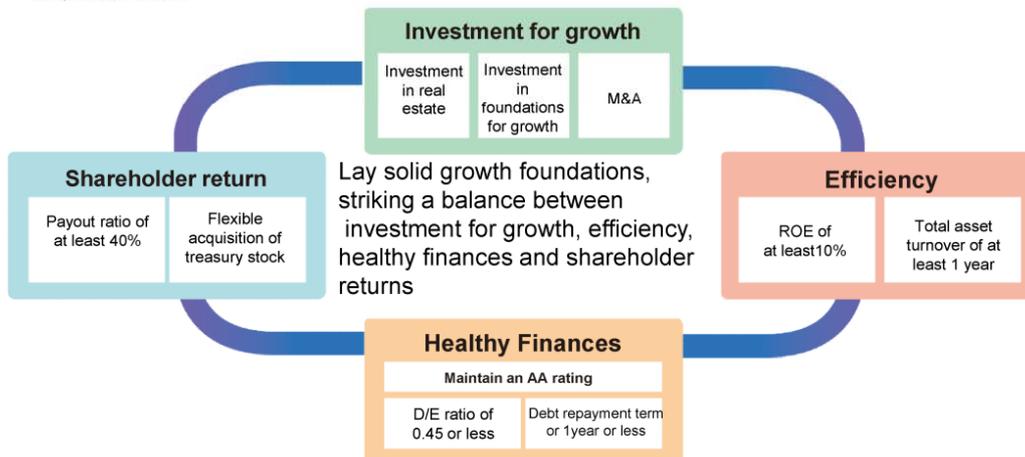
Achieve governance based on mutual trust by managers with integrity

2 Strengthen Group governance systems

Foster mutual trust between Group companies based on corporate philosophy

Financial Strategy: Fundamental Policy

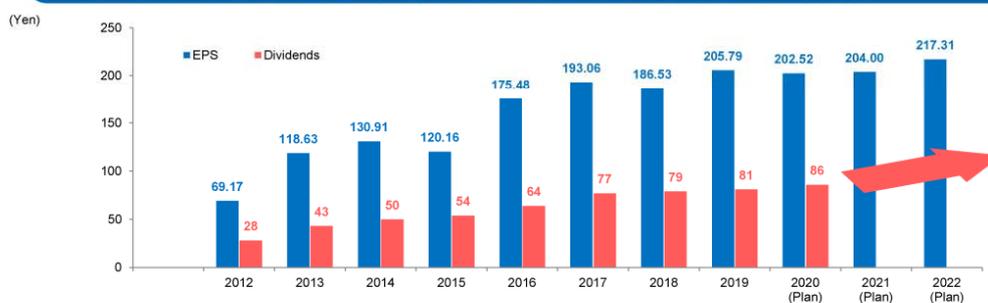
- 1 Lay growth foundations with eye on Three-phase Management Vision and how the Group should be in 10 years
- 2 Build a strong financial position to response flexibly and agilely to growth opportunities
- 3 Promote investment for growth and strengthen shareholder returns for sustainable improvement in corporate value



Financial Strategy: Shareholder Returns

Aim for a medium-term dividend payout ratio of at least 40% and continuous dividend growth. Seek improvement of shareholder value through the flexible acquisition of treasury stock.

- We will determine returns flexibly in light of our financial health, the balance between returns and investments in growth, the level of ROE, the market environment and dialogue with investors
- We plan to pay a commemorative dividend of 5 yen to mark the 60th anniversary of our foundation in FY2020 and aim to continue steadily increasing dividends thereafter



	2012	2013	2014	2015	2016	2017	2018	2019	2020 (Plan)	2021 (Plan)	2022 (Plan)
EPS (Yen)	69.17	118.63	130.91	120.16	175.48	193.06	186.53	205.79	202.52	204.00	217.31
Dividends per share (Yen)	28.00	43.00	50.00	54.00	64.00	77.00	79.00	81.00	86.00	Medium-term payout ratio of at least 40%	
Payout ratio	40.5%	36.2%	38.2%	44.9%	36.5%	39.9%	42.4%	39.4%	42.5%		

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

Millions of yen

	Fiscal year ended January 31, 2017	Fiscal year ended January 31, 2018	Fiscal year ended January 31, 2019	Fiscal year ended January 31, 2020
Net sales	2,026,931	2,159,363	2,160,316	2,415,186
Net income attributable to owners of parent	121,853	133,224	128,582	141,256
Net income per share (yen)	175.48	193.06	186.53	205.79
Total assets	2,184,895	2,419,012	2,413,035	2,634,748
Net assets	1,118,264	1,208,121	1,196,923	1,306,850

Note:

Effective from the fiscal year under review, the Company applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018). Accordingly, the Company changed the presentation of deferred tax assets and deferred tax liabilities, such that deferred tax assets and deferred tax liabilities are presented under investments and other assets and noncurrent liabilities, respectively. The figures for the previous fiscal year represent those after the reclassification.

(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 ¥73,255 million and the main component was 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, 2020

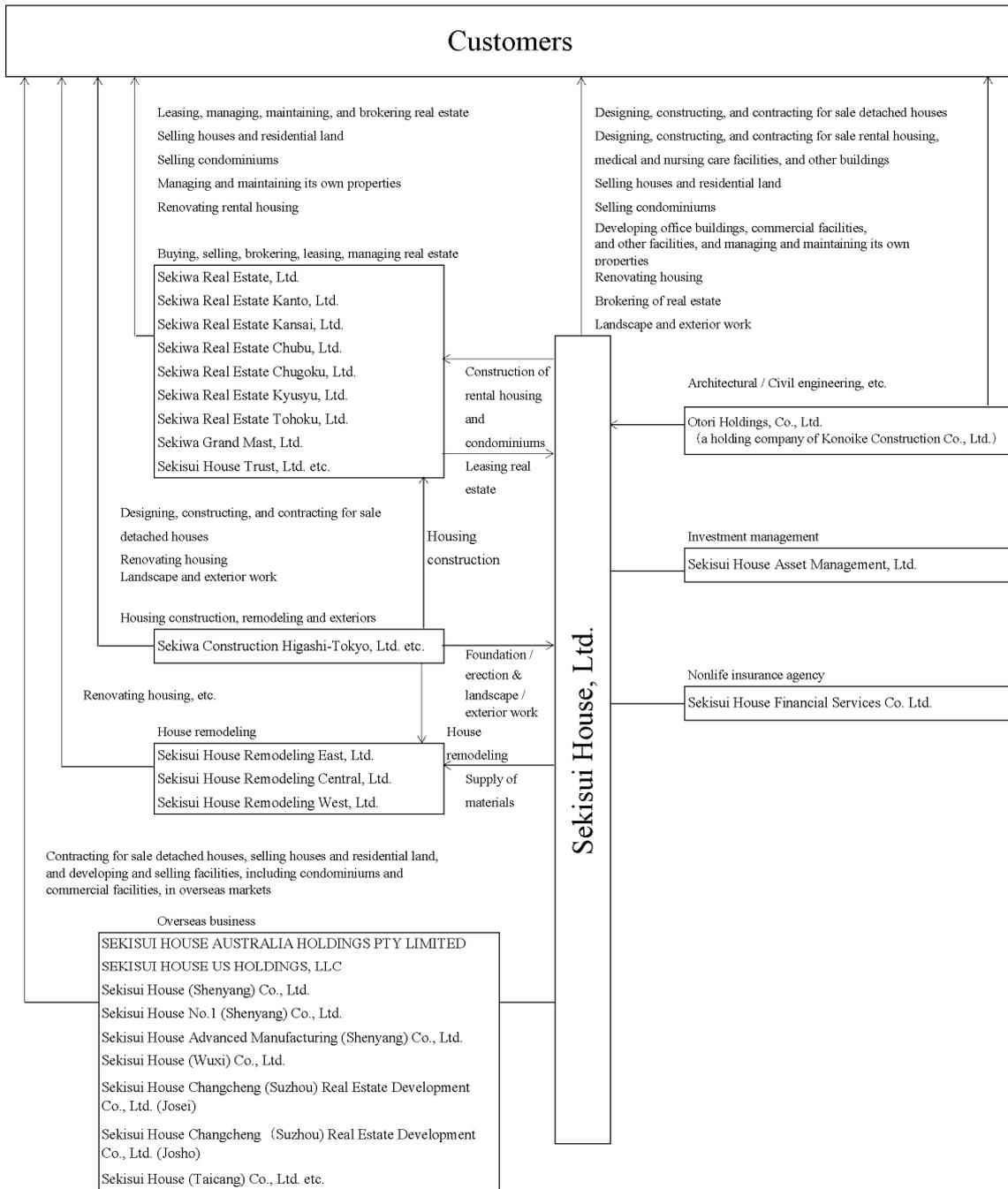
The Company and the Sekisui House Group companies are involved in the design, construction, and contracting of prefabricated houses.

They also buy and sell, brokering, lease and manage real estate, and carry out related business activities.

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, selling houses and residential land, and developing and selling facilities, including condominiums and commercial facilities, in overseas markets
Other Businesses	Exterior business, etc.

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



(7) Major Operations of Sekisui House Group as of January 31, 2020

(i) Location of major operations of the Company

Head office:	1-88, Oyodonaka 1-chome, Kita-ku, Osaka	
Sales and project headquarters:		<u>City</u>
Broking and Leasing Business Headquarters		Osaka
International Business Department		Osaka
Development Department		Shibuya-ku, Tokyo
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
Shinetsu Sales Administration Headquarters		Nagano
Chubu Daiichi Sales Administration Headquarters		Nagoya
Chubu Daini Sales Administration Headquarters		Shizuoka
Kansai Daiichi Sales Administration Headquarters		Osaka
Kansai Daini Sales Administration Headquarters		Kyoto
Chugoku Shikoku Sales Administration Headquarters		Hiroshima
Kyushu Sales Administration Headquarters		Fukuoka
Branches:	111 Branches	
Sales Offices:	7 Sales Offices	
Customer Service Centers:	30 Customer Service Centers	
Factories:		
Tohoku Factory	Shikama-cho, Kami-gun, Miyagi	
Kanto Factory	Koga, Ibaraki	
Shizuoka Factory	Kakegawa, Shizuoka	
Yamaguchi Factory	Yamaguchi	
Hyogo Factory	Kato, Hyogo	
R&D Institutes:		
Comprehensive Housing R&D Institute	Kizugawa, Kyoto	
Human Life R&D Institute	Osaka	

(ii) Address of major operations of subsidiaries

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: 26-29, 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
Otori Holdings, Co., Ltd.	Head office: 6-1, Kitakyuhojimachi 3-chome, Chuo-ku, Osaka
SEKISUI HOUSE AUSTRALIA HOLDINGS PTY LIMITED	Head office: New South Wales, Australia
SEKISUI HOUSE US HOLDINGS, LLC	Head office: 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

Notes:

- Effective from February 1, 2020, Sekiwa Real Estate, Ltd. merged with Sekiwa Real Estate Kantou, Ltd. and changed the company name to Sekisui House Real Estate Tokyo, Ltd. In addition, five other Sekiwa Real Estate companies changed their names respectively as follows: Sekiwa Real Estate Kansai, Ltd. changed to Sekisui House Real Estate Kansai, Ltd.; Sekiwa Real Estate Chubu, Ltd. changed to Sekisui House Real Estate Chubu, Ltd.; Sekiwa Real Estate Chugoku, Ltd. changed to Sekisui House Real Estate Chugoku & Shikoku, Ltd.; Sekiwa Real Estate Kyushu, Ltd. changed to Sekisui House Real Estate Kyushu, Ltd.; and Sekiwa Real Estate Tohoku, Ltd. changed to Sekisui House Real Estate Tohoku, Ltd.
- Effective from October 1, 2019, Otori Holdings, Co., Ltd. became the Company's consolidated subsidiary.

(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
Otori Holdings, Co., Ltd.	100	51.8%	Other Businesses
SEKISUI HOUSE AUSTRALIA HOLDINGS PTY LIMITED	1,087 (Millions of AUD)	100.0%	Overseas Business
SEKISUI HOUSE US HOLDINGS, LLC	1,398 (Millions of USD)	100.0%	Overseas Business
NORTH AMERICA SEKISUI HOUSE, LLC	1,233 (Millions of USD)	100.0%*	Overseas Business
SH RESIDENTIAL HOLDINGS, LLC	475 (Millions of USD)	100.0%*	Overseas Business
WOODSIDE HOMES COMPANY, LLC	201 (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

Company name	Capital <i>Millions of yen</i>	Percentage owned	Main business
Sekisui House Changcheng (Suzhou) Real Estate Development Co., Ltd. (Josei)	276 (Millions of USD)	100.0%	Overseas Business
Sekisui House Changcheng (Suzhou) Real Estate Development Co., Ltd. (Josho)	340 (Millions of USD)	100.0%	Overseas Business
Sekisui House (Taicang) Co., Ltd.	258 (Millions of USD)	99.9%	Overseas Business

Notes:

- There are 276 consolidated subsidiaries, and 33 companies to which equity method of accounting is applied.
- “*” includes indirect ownership.
- Effective from February 1, 2020, Sekiwa Real Estate, Ltd. merged with Sekiwa Real Estate Kantou, Ltd. and changed the company name to Sekisui House Real Estate Tokyo, Ltd. In addition, five other Sekiwa Real Estate companies changed their names respectively as follows: Sekiwa Real Estate Kansai, Ltd. changed to Sekisui House Real Estate Kansai, Ltd.; Sekiwa Real Estate Chubu, Ltd. changed to Sekisui House Real Estate Chubu, Ltd.; Sekiwa Real Estate Chugoku, Ltd. changed to Sekisui House Real Estate Chugoku & Shikoku, Ltd.; Sekiwa Real Estate Kyushu, Ltd. changed to Sekisui House Real Estate Kyushu, Ltd.; and Sekiwa Real Estate Tohoku, Ltd. changed to Sekisui House Real Estate Tohoku, Ltd.
- Effective from October 1, 2019, Otori Holdings, Co., Ltd. became the Company’s consolidated subsidiary.

(9) Employees as of January 31, 2020

(i) Outline of Sekisui House Group

Number of employees	Change compared to the previous year
27,397	2,622 (increased)

(ii) Outline of Sekisui House, Ltd.

Number of employees	Change compared to the previous year	Average age	Average length of employment
15,945	97 (increased)	43.3 years old	17.2 years

Note:

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

(10) Principal Lenders as of January 31, 2020

Name of lenders	<i>Millions of yen</i>	
	Amount of loan	
Sumitomo Mitsui Banking Corporation	120,942	
MUFG Bank, Ltd.	88,989	
Mizuho Bank, Ltd.	78,741	
Sumitomo Mitsui Trust Bank, Limited	37,003	
Resona Bank, Limited	4,311	

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 Shares as of January 31, 2020

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 (7,037,973 shares)	
3	Share unit number	100	
4	Total number of shareholders	84,580	
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)	63,568	9.30%
	Japan Trustee Services Bank, Ltd. (Trust account)	37,394	5.47%
	Sekisui Chemical Co., Ltd.	37,168	5.44%
	SMBC Nikko Securities Inc.	16,806	2.46%
	Sekisui House Ikushikai	16,347	2.39%
	Japan Trustee Services Bank, Ltd. (Trust account 5)	13,913	2.04%
	MUFG Bank, Ltd.	13,624	1.99%
	Japan Trustee Services Bank, Ltd. (Trust account 7)	12,929	1.89%
	NORTHERN TRUST CO. (AVFC) SUB A/C NON TREATY	12,310	1.80%
	The Dai-ichi Life Insurance Company, Limited	12,158	1.78%
	Notes:		
	1. Sekisui House Ikushikai 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 5,000,000 shares of common stock of the Company, pursuant to the resolution at the meeting of the Board of Directors held on September 5, 2019.		

(2) Outlines of Stock Acquisition Rights

Outlines of stock acquisition rights granted in consideration of the performance of duties as of January 31, 2020

· Number of stock acquisition rights

624 units

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

624,000 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	–	–	–	–	–	–
No.2 Stock Acquisition Rights (Stock compensation-type stock option) (From June 8, 2007 to June 7, 2027)	3	7	–	–	–	–	–	–
No.3 Stock Acquisition Rights (Stock compensation-type stock option) (From June 7, 2008 to June 6, 2028)	4	21	–	–	–	–	1	1
No.4 Stock Acquisition Rights (Stock compensation-type stock option) (From June 10, 2009 to June 9, 2029)	4	24	–	–	–	–	2	3
No.5 Stock Acquisition Rights (Stock compensation-type stock option) (From June 17, 2010 to June 16, 2030)	4	25	1	2	2	4	7	18
No.6 Stock Acquisition Rights (Stock compensation-type stock option) (From June 15, 2011 to June 14, 2031)	4	31	1	3	2	6	8	24
No.7 Stock Acquisition Rights (Stock compensation-type stock option) (From June 14, 2012 to June 13, 2032)	7 (1)	44 (3)	5	14	2	4	10	35
No.8 Stock Acquisition Rights (Stock compensation-type stock option) (From June 14, 2013 to June 13, 2033)	7 (1)	21 (2)	5	5	2	2	10	16
No.9 Stock Acquisition Rights (Stock compensation-type stock option) (From June 14, 2014 to June 13, 2034)	10 (2)	36 (4)	8	16	2	4	11	26
No.10 Stock Acquisition Rights (Stock compensation-type stock option) (From June 13, 2015 to June 12, 2035)	10 (2)	23 (2)	8	10	2	2	12	18
No.11 Stock Acquisition Rights (Stock compensation-type stock option) (From June 15, 2016 to June 14, 2036)	10 (2)	24 (4)	10	13	2	3	10	15
No.12 Stock Acquisition Rights (Stock compensation-type stock option) (From June 15, 2017 to June 14, 2037)	10 (2)	26 (2)	10	12	2	2	10	13
No.13 Stock Acquisition Rights (Stock compensation-type stock option) (From June 15, 2018 to June 14, 2038)	11 (3)	38 (3)	16	23	–	–	2	4

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 per share.

(3) Directors and Audit & Supervisory Board Members

(i) Names and posts of Directors and Audit & Supervisory Board Members as of January 31, 2020

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, in charge of International Business Department
Kunpei Nishida	Senior Managing Officer, in charge of West Japan Building Sales Administration and General Manager of Broking and Leasing Business 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:

1. 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.
2. 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.
3. 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.
4. 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 2020).
5. 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 concurrently serve as Directors, the Company has 18 full-time Executive Officers.

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

Directors:		
Name	Company in which Directors 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 TOKYU LAND CORPORATION	Special Professor Director Director
Yukiko Yoshimaru	Mitsui Chemicals, Inc.	Director
Audit & Supervisory Board Members:		
Name	Company in which 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 Corporation	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 The Institute of Religion and Culture of Kyoto Women's University Research Center for Societal Safety Sciences, Faculty of Societal Safety Sciences of Kansai University	Director Visiting Scholar Visiting Scholar

7. The charge of the Director changed as set forth below on February 1, 2020:

Director	Kunpei Nishida	Senior Managing Officer, General Manager of Broking and Leasing Business Headquarters
Director	Yosuke Horiuchi	Senior Managing Officer, in charge of Investor Relations Division and Transaction Promotion Division
Director	Toshiharu Miura	Managing Officer, in charge of Technology Division and Production & Procurement Division

(ii) 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 <i>Millions of yen</i>	Number of people	Remunerations <i>Millions of yen</i>	Number of people	Remunerations <i>Millions of yen</i>
Remunerations based on a general meeting of shareholders' resolution	11 (3)	467 (72)	6 (4)	141 (84)	17 (7)	608 (156)
Stock compensation-type stock options (stock acquisition rights)	11 (3)	12 (0)	–	–	11 (3)	12 (0)
Restricted stock remuneration	8	47	–	–	8	47
Directors' bonuses accounted for as costs	8	500	–	–	8	500

Notes:

1. Remunerations based on the general meeting of shareholders' resolution to the Directors were within the limit (¥43 million or less per month for all Directors as a group) fixed pursuant to resolution of the 43rd Ordinary General Meeting of Shareholders held on April 27, 1994, and also those to Audit & Supervisory Board Members were within the limit (¥15 million or less per month for all Audit & Supervisory Board Members as a group) fixed pursuant to resolution of the 67th Ordinary General Meeting of Shareholders held on April 26, 2018.
2. 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 and 90 stock acquisition rights per year). The 68th Ordinary General Meeting of Shareholders held on April 25, 2019 resolved to introduce the restricted stock remuneration plan, and according to the resolution, the Company decided to abolish the existing stock compensation-type stock options for Directors, excluding the outstanding stock acquisition rights, and discontinue the allotment of new stock acquisition rights to them as stock compensation-type stock options in the future. No new stock options have been granted in the fiscal year under review but the amount granted in the past fiscal years that was accounted for as costs in the fiscal year under review is shown in the above table.
3. Restricted stock remuneration was within the limit fixed pursuant to resolution of the 68th Ordinary General Meeting of Shareholders held on April 25, 2019 (the maximum amount and number are ¥90 million and 90,000 shares of common stock per year).
4. 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 69th Ordinary General Meeting of Shareholders that will be held on April 23, 2020.

(iii) 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 all 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 12 meetings of the Board of Directors. She stated timely opinions based on her knowledge accumulated through her experience working overseas as well as achievement and experience as an officer of other companies.
Audit & Supervisory Board Member	Yoshinori Shinohara	Mr. Shinohara attended 11 out of 12 meetings of the Board of Directors and 13 out of 15 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 15 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 12 meetings of the Board of Directors and all 15 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 Audit & Supervisory Board Member in another company.
Audit & Supervisory Board Member	Ryuichi Tsuruta	Mr. Tsuruta attended all 12 meetings of the Board of Directors and 14 out of 15 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 Audit & Supervisory Board Member in another company.

- 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 Directors 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, Item 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: 6" and the Company.

(4) Outline of Accounting Auditor

(i) Name Ernst & Young ShinNihon LLC

(ii) Amount of Remuneration

Category	Remuneration
The aggregate amount of remuneration payable to Accounting Auditor by the Company for the fiscal year under review	¥166 million
The aggregate amount of money and other economic benefits payable to Accounting Auditor by the Company and its consolidated companies	¥266 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 appropriateness 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.

(iii) 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.

(iv) Dismissal or Non-Reappointment of Accounting Auditor

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

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

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

(i) System to ensure the due execution of duties

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, the Articles of Incorporation and other corporate ethics, the Company hereby sets forth the Corporate Conduct Guidelines and the Corporate Ethics Guidelines of Sekisui House Group.
- (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 experts 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 shall apply hereinafter) and relevant materials relating to the execution of duties upon condition that Directors and Audit & Supervisory Board Members may inspect the same whenever necessary.

- i) Minutes of the general meeting of shareholders, meetings of the Board of Directors, Management Meetings, and other important meetings;
- ii) Important documents by which Directors and Executive Officers decided the execution of duties (approval documents, etc.); and
- iii) 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 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) The Company and its subsidiaries shall 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 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 compliance with laws and regulations, the Articles of Incorporation and other corporate ethics.

- (3) Internal Audit Departments of the Company and its subsidiaries shall regularly audit the operations of the Company and its subsidiaries.
 - (4) The Company will establish internal reporting systems to report to internal or external help lines for officers and employees of the Company and its subsidiaries and of building contractor partners and other business partners who have ongoing transactions with the Group.
- 6. System under which information regarding execution of duties by the Directors, 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 preceding two paragraphs or who make an internal report shall not be treated disadvantageously due to such report by the Company and its subsidiaries.
 - (5) Approval documents, 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 proved to be unnecessary for the execution of duties.

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

- (1) Audit & Supervisory Board Members and the Internal Audit Department shall keep close 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 Auditor shall have meetings regularly and cooperate with each other so that audit duties of each shall be conducted efficiently and effectively.

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

(1) Initiatives for compliance and risk management

- The Company exerts to have officers and employees of the Company and its subsidiaries understand and observe the Corporate Philosophy, the Conduct Code, the Corporate Conduct Guidelines and the Corporate Ethics Guidelines of Sekisui House Group by distributing booklets on which the codes written (including electronic methods).
- The Company holds regular training sessions for compliance and risk management which officers 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 the fiscal year under review, meetings of the Risk Management Committee were convened 11 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 the fiscal year under review.
- 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 the fiscal year under review, the Management Meeting was held ten 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 Auditor regularly, and these three parties cooperate with each other so that audit by each party shall be conducted efficiently and effectively.

- As a system for assisting Audit & Supervisory Board Members in their duties, the Company has established the Office of Audit & Supervisory Board Members and allocate several staff members including full-time one(s), and they do the necessary for Audit & Supervisory Board Members to execute duties such as management of the meetings of Audit & Supervisory Board and demands of audit report.

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

(i) 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, beginning with “Six Items for Strengthening Its Corporate Governance System” as specific measures, the Company is steadily implementing various measures in order to build a resilient management base for the long-term and sustainable enhancement of the corporate value.

Going forward, the Company will review and assess the Basic Policy on Corporate Governance continuously and regularly, in order to further deepen and enhance its corporate governance.

(ii) Board of Directors

The Board of Directors consists of 11 Directors including three Outside Directors (two male Directors and one female Director) and meet once per month in principle. In order to increase the corporate value of the Company over the medium-and long-term, the Board of Directors has the responsibility to develop business policies and strategies and management plans, make decisions on important business execution, and establish systems, etc. for securing the sound management of the Company such as the supervision and evaluation of the duties performed by Directors 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 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.

(iii) Audit & Supervisory Board

The Audit & Supervisory Board consists of six members including four 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.

(iv) Personnel Affairs and Remuneration Committee

As a consultative body to the Board of Directors, the Personnel Affairs and Remuneration Committee provides opinions on matters relating to personnel affairs and remunerations of the Directors and Executive Officers 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 three Representative Directors, two Outside Directors and two Outside Audit & Supervisory Board Members. President & Representative Director (Mr. Yoshihiro Nakai) serves as the Chairman of the Committee.

(v) 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 and external members etc.

(vi) 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. Inside Directors and Standing Audit & Supervisory Board Members attend the meetings, but Outside Directors or Outside Audit & Supervisory Board Members can also attend the meetings, if they wish.

(vii) 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), monitors the main divisions etc. regarding the issues such as (1) compliance with labor laws, (2) compliance with building regulations, (3) office governance, (4) security, (5) overseas business, (6) subsidiaries, etc. , and it also keeps abreast of and verifies the operational status of risk management systems in each of the divisions.

(Reference) Basic stance for cross-shareholdings

- (i) 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.
- (ii) The Company shall analyze the appropriateness of cross-shareholdings at the meeting of the Board of Directors based on the minimum holdings required from a perspective of increasing capital and asset efficiency each year. At the meeting of the Board of Directors, members shall comprehensively analyze the medium- and long-term economic rationality of each individual stock based on holding 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.
- (iii) 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.
- (iv) 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 with regard to cross-shareholdings>

At the meeting of the Board of Directors held in September 2019, the Company analyzed all listed stocks it holds as cross-shareholding (for 44 different companies excluding Sekisui House Reit, Inc. and companies to which equity method of accounting is applied) in terms of overall significance of owning them based on the status of shareholding, risk and return (stock price divergence, dividend yields, ratings, etc.), importance of transactions. Based on the analysis results, the Company has sold all shares of 13 companies by January 31, 2020.

CONSOLIDATED BALANCE SHEETS			
As of January 31, 2020			
<i>Millions of yen</i>			
Assets	2,634,748	Liabilities	1,327,897
Current assets	1,816,005	Current liabilities	821,866
Cash and deposits	584,635	Notes payable, accounts payable for construction contracts	125,955
Notes receivable, accounts receivable from completed construction contracts	133,978	Electronically recorded obligations-operating	93,594
Costs on uncompleted construction contracts	17,934	Short-term loans payable	166,486
Buildings for sale	342,594	Current portion of bonds	15,000
Land for sale in lots	541,524	Current portion of long-term loans payable	18,693
Undeveloped land for sale	94,827	Income taxes payable	30,980
Other inventories	8,323	Advances received on uncompleted construction contracts	241,805
Other	93,374	Provision for bonuses	27,939
Allowance for doubtful accounts	(1,186)	Provision for directors' bonuses	1,523
		Provision for warranties for completed construction	3,352
		Other	96,535
Noncurrent assets	818,742	Noncurrent liabilities	506,030
Property, plant and equipment	510,556	Bonds payable	200,000
Buildings and structures	179,449	Long-term loans payable	178,928
Machinery, equipment and vehicles	9,155	Long-term lease and guarantee deposited	59,164
Tools, furniture and fixtures	5,683	Deferred tax liabilities	2,179
Land	284,769	Provision for directors' retirement benefits	1,107
Lease assets	3,230	Net defined benefit liability	49,414
Construction in progress	28,267	Other	15,236
Intangible assets	18,661	Net assets	1,306,850
Goodwill	3,097	Shareholders' equity	1,234,509
Industrial property	194	Capital stock	202,591
Leasehold right	4,183	Capital surplus	258,994
Software	10,599	Retained earnings	786,591
Telephone subscription right	321	Treasury stock	(13,668)
Right of using facilities	197	Accumulated other comprehensive income	31,686
Other	68	Valuation difference on available-for-sale securities	39,894
Investments and other assets	289,525	Deferred gains or losses on hedges	(60)
Investment securities	157,715	Foreign currency translation adjustment	11,174
Long-term loans receivable	36,568	Remeasurements of defined benefit plans	(19,322)
Net defined benefit asset	1,502	Stock acquisition rights	609
Deferred tax assets	31,007	Non-controlling interests	40,044
Other	63,218		
Allowance for doubtful accounts	(486)		
Total assets	2,634,748	Total liabilities and net assets	2,634,748

Consolidated Statements of Income	
From February 1, 2019 to January 31, 2020	
<i>Millions of yen</i>	
Net sales	2,415,186
Cost of sales	1,937,150
Gross profit	478,036
Selling, general and administrative expenses	272,780
Operating income	205,256
Non-operating income	20,601
Interest and dividends income	5,788
Equity in earnings of affiliates	10,483
Other	4,329
Non-operating expenses	11,952
Interest expenses	4,915
Other	7,036
Ordinary income	213,905
Extraordinary income	12,956
Gain on step acquisitions	8,598
Gain on sales of shares of subsidiaries and associates	3,640
Gain on sales of investment securities	718
Extraordinary loss	15,479
Loss on impairment of fixed assets	13,552
Loss on sales or disposal of fixed assets	1,492
Loss on sales of investment securities	434
Income before income taxes	211,383
Total income taxes	62,853
Income taxes-current	60,197
Income taxes-deferred	2,656
Net income	148,529
Net income attributable to non-controlling interests	7,273
Net income attributable to owners of parent	141,256

CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(From February 1, 2019 to January 31, 2020)

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the beginning of current period	202,591	251,563	700,949	(4,215)	1,150,888
Cumulative effects of changes in accounting policies	—	—	(304)	—	(304)
Restated balance	202,591	251,563	700,645	(4,215)	1,150,584
Changes of items during the period					
Dividends from surplus	—	—	(55,077)	—	(55,077)
Net income attributable to owners of parent	—	—	141,256	—	141,256
Purchase of treasury stock	—	—	—	(10,012)	(10,012)
Disposal of treasury stock	—	—	(232)	559	327
Purchase of shares of consolidated subsidiaries	—	308	—	—	308
Change in ownership interest of parent due to transactions with non-controlling interests	—	7,122	—	—	7,122
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	—	7,430	85,946	(9,452)	83,925
Balance at the end of current period	202,591	258,994	786,591	(13,668)	1,234,509

	Accumulated other comprehensive income					Stock acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	33,146	(56)	21,269	(22,440)	31,919	803	13,312	1,196,923
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	(304)
Restated balance	33,146	(56)	21,269	(22,440)	31,919	803	13,312	1,196,619
Changes of items during the period								
Dividends from surplus	—	—	—	—	—	—	—	(55,077)
Net income attributable to owners of parent	—	—	—	—	—	—	—	141,256
Purchase of treasury stock	—	—	—	—	—	—	—	(10,012)
Disposal of treasury stock	—	—	—	—	—	—	—	327
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	—	308
Change in ownership interest of parent due to transactions with non-controlling interests	—	—	—	—	—	—	—	7,122
Net changes of items other than shareholders' equity	6,747	(4)	(10,095)	3,118	(233)	(193)	26,732	26,306
Total changes of items during the period	6,747	(4)	(10,095)	3,118	(233)	(193)	26,732	110,231

Balance at the end of current period	39,894	(60)	11,174	(19,322)	31,686	609	40,044	1,306,850
--------------------------------------	--------	------	--------	----------	--------	-----	--------	-----------

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, 2020)			
<i>Millions of yen</i>			
Assets	1,580,475	Liabilities	713,193
Current assets	556,519	Current liabilities	449,974
Cash and deposits	242,252	Notes payable-trade	8,041
Notes receivable-trade	92	Electronically recorded obligations-operating	53,493
Electronically recorded monetary claims-operating	100	Accounts payable-trade	18,020
Accounts receivable from completed construction contracts	33,340	Accounts payable for construction contracts	41,525
Accounts receivable-real estate business	2,744	Current portion of bonds	15,000
Costs on uncompleted construction contracts	2,360	Lease obligations	351
Buildings for sale	47,216	Accounts payable-other	1,929
Land for sale in lots	170,506	Accrued expenses	11,289
Undeveloped land for sale	26,224	Income taxes payable	14,630
Semi-finished goods and work in process	3,911	Accrued consumption taxes	9,689
Raw materials and supplies	3,116	Advances received on uncompleted construction contracts	68,148
Advance payments-trade	483	Advances received	11,618
Prepaid expenses	6,688	Deposits received	172,774
Short-term loans receivable	491	Provision for bonuses	18,451
Accounts receivable-other	13,745	Provision for directors' bonuses	500
Other	4,069	Provision for warranties for completed construction	2,643
Allowance for doubtful accounts	(826)	Asset retirement obligations	737
Noncurrent assets	1,023,956	Other	1,130
Property, plant and equipment	358,788	Noncurrent liabilities	263,218
Buildings	86,894	Bonds payable	200,000
Structures	3,218	Long-term loans payable	25,000
Machinery and equipment	6,133	Lease obligations	1,000
Vehicles	65	Long-term lease and guarantee deposited	13,769
Tools, furniture and fixtures	2,338	Provision for retirement benefits	19,973
Land	236,262	Asset retirement obligations	840
Lease assets	1,179	Other	2,634
Construction in progress	22,695	Net assets	867,282
Intangible assets	11,370	Shareholders' equity	827,346
Industrial property	12	Capital stock	202,591
Leasehold right	1,608	Capital surplus	258,344
Software	9,542	Legal capital surplus	258,344
Lease assets	49	Retained earnings	379,897
Right of using facilities	46	Legal Retained earnings	23,128
Telephone subscription right	111	Other retained earnings	356,769
Investments and other assets	653,796	Reserve for dividends	18,000
Investment securities	94,418	Reserve for special depreciation	170
Stocks of subsidiaries and associates	462,751	General reserve	270,800
Investments in other securities of subsidiaries and associates	10,453	Retained earnings brought forward	67,798
Long-term loans receivable	46,313	Treasury stock	(13,487)
Lease and guarantee deposits	20,216	Valuation and translation adjustments	39,326
Long-term prepaid expenses	624	Valuation difference on available-for-sale securities	39,326
Prepaid pension costs	4,663	Stock acquisition rights	609
Deferred tax assets	7,631		
Other	11,143		
Allowance for doubtful accounts	(4,421)		
Total assets	1,580,475	Total liabilities and net assets	1,580,475

Non-Consolidated Statements of Income	
From February 1, 2019 to January 31, 2020	
<i>Millions of yen</i>	
Net sales	1,202,918
Completed construction contracts	946,189
Real estate business	256,728
Cost of sales	963,281
Completed construction contracts	742,201
Real estate business	221,080
Gross profit	239,636
Gross profit from completed construction contracts	203,988
Gross profit from real estate business	35,648
Selling, general and administrative expenses	164,705
Operating income	74,930
Non-operating income	37,652
Interest and dividends income	32,331
Other	5,321
Non-operating expenses	8,604
Interest expenses	106
Interest on bonds	1,124
Loss on business of subsidiaries and associates	1,772
Land inspection and maintenance expenses	1,085
Other	4,516
Ordinary income	103,978
Extraordinary income	5,276
Gain on sales of shares of subsidiaries and associates	4,557
Gain on sales of investment securities	718
Extraordinary loss	20,725
Loss on valuation of shares of subsidiaries and associates	17,210
Loss on impairment of fixed assets	1,768
Loss on sales or disposal of fixed assets	1,311
Loss on sales of investment securities	434
Income before income taxes	88,528
Total income taxes	22,347
Income taxes-current	20,339
Income taxes-deferred	2,008
Net income	66,181

NON-CONSOLIDATED STATEMENTS OF CHANGES IN NET ASSETS

(From February 1, 2019 to January 31, 2020)

Millions of yen

	Shareholders' equity								
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings				Total retained earnings
		Legal capital surplus	Total capital surplus		Other retained earnings				
					Reserve for dividends	Reserve for special depreciation	General reserve	Retained earnings brought forward	
Balance at the beginning of current period	202,591	258,344	258,344	23,128	18,000	341	240,800	86,756	369,026
Changes of items during the period									
Dividends from surplus	—	—	—	—	—	—	—	(55,077)	(55,077)
Reversal of reserve for special depreciation	—	—	—	—	—	(170)	—	170	—
Provision of general reserve	—	—	—	—	—	—	30,000	(30,000)	—
Net income	—	—	—	—	—	—	—	66,181	66,181
Purchase of treasury stock	—	—	—	—	—	—	—	—	—
Disposal of treasury stock	—	—	—	—	—	—	—	(232)	(232)
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	—	—
Total changes of items during the period	—	—	—	—	—	(170)	30,000	(18,957)	10,871
Balance at the end of current period	202,591	258,344	258,344	23,128	18,000	170	270,800	67,798	379,897

	Shareholders' equity		Valuation and translation adjustments		Stock acquisition rights	Total net assets
	Treasury stock	Total	Valuation difference on available-for-sale securities	Total		
Balance at the beginning of current period	(4,035)	825,926	32,769	32,769	803	859,499
Changes of items during the period						
Dividends from surplus	—	(55,077)	—	—	—	(55,077)
Reversal of reserve for special depreciation	—	—	—	—	—	—
Provision of general reserve	—	—	—	—	—	—
Net income	—	66,181	—	—	—	66,181
Purchase of treasury stock	(10,012)	(10,012)	—	—	—	(10,012)
Disposal of treasury stock	559	327	—	—	—	327
Net changes of items other than shareholders' equity	—	—	6,557	6,557	(193)	6,363
Total changes of items during the period	(9,452)	1,419	6,557	6,557	(193)	7,783
Balance at the end of current period	(13,487)	827,346	39,326	39,326	609	867,282

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 AUDITOR

March 12, 2020

The Board of Directors
Sekisui House, Ltd.

From: Ernst & Young ShinNihon LLC
Yoshio Ogawa
Designated and Engagement Partner
Certified Public Accountant
Shin Ichinose
Designated and Engagement Partner
Certified Public Accountant
Yasuhiro Kozaki
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 Sheets, the Consolidated Statements of Income, the Consolidated Statements of Changes in Net Assets and the Notes to the Consolidated Financial Statements of Sekisui House, Ltd. (the "Company") applicable to the fiscal year from February 1, 2019 through January 31, 2020.

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 AUDITOR

March 12, 2020

The Board of Directors
Sekisui House, Ltd.

From: Ernst & Young ShinNihon LLC
Yoshio Ogawa
Designated and Engagement Partner
Certified Public Accountant
Shin Ichinose
Designated and Engagement Partner
Certified Public Accountant
Yasuhiro Kozaki
Designated and Engagement Partner
Certified Public Accountant

Pursuant to Article 436, Paragraph 2, Item 1 of the Companies Act, we have audited the accompanying Non-Consolidated Financial Statements, which comprise the Non-Consolidated Balance Sheets, the Non-Consolidated Statements of Income, the Non-Consolidated Statement of Changes in Net Assets, the Notes to the Non-Consolidated Financial Statements and the related supplementary schedules of Sekisui House, Ltd. (the "Company") applicable to the 69th fiscal year from February 1, 2019 through January 31, 2020.

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

Management is responsible for the preparation and fair presentation of the Non-Consolidated 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 Non-Consolidated 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 Non-Consolidated 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 Non-Consolidated 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 Non-Consolidated 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 Non-Consolidated 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 Non-Consolidated 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 Non-Consolidated 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 Non-Consolidated Financial Statements and the related supplementary schedules referred to above present fairly in all material respects, the financial position and results of operations of the Company in conformity with accounting principles generally accepted in Japan.

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 69th fiscal year (February 1, 2019 to January 31, 2020) and report as follows:

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

- (1) The Audit & Supervisory Board determined audit policy 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.
 - i) 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.
 - ii) With respect to the resolutions of the Board of Directors relating to establishment of the system that ensures the performance of duties by Directors described in the Business Report 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, Paragraphs 1 and 3 of the Regulation for Enforcement of the Companies Act and the system established under such resolutions (internal control system), we received reports from the Directors and Executive Officers, etc. the conditions of construction and management of them, and requested additional explanation as necessary and gave opinions.
 - iii) We supervised and examined that the Accounting Auditor maintained their independent position and performed due audit, received from the Accounting Auditor's reports on the execution of their duties, and requested additional explanation as necessary. We received a notice from the Accounting Auditor that they have prepared the "System to ensure due execution of audit" (matters prescribed in each item of Article 131 of the Regulation on Corporate Accounting) in accordance with, among other things, the "Quality Control Standard for Audit" (Business Accounting Council, October 28, 2005) and requested additional explanation as necessary.

In accordance with the method stated above, the Audit & Supervisory Board examined the Business Report and the 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 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 Notes to Consolidated Financial Statements) for the fiscal year under review.

2. Results of Audit

- (1) Results of audit of Business Report, etc.:
 - i) We confirmed that the Business Report and the attached schedules fairly show the position of the Company, in conformity with the relevant laws and regulations and the Articles of Incorporation.
 - ii) We do not find any unlawful acts to have been carried out by the Directors in the performance of their duties, nor do we find any material matters that are either unlawful or contrary to the Articles of Incorporation.
 - iii) We confirmed that the resolutions of the Board of Directors relating to the internal control system are fair. We do not find any aspects to be pointed out for the contents in the Business Report and the Directors' performance of duties relating to the internal control 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 19, 2020

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 -