Matters available on the website in relation to the Notice of the 71st Ordinary General Meeting of Shareholders

Sekisui House, Ltd.

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

I. Outlines of Stock Acquisition Rights

Outlines of stock acquisition rights granted in consideration of the performance of duties as of January 31, 2022

・ Number of stock acquisition rights

171 units

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

171,000 common shares of the Company (1,000 shares per unit)

・ Current situation of stock acquisition rights held by posts

Category (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. 4 Stock Acquisition Rights (Stock compensation-type stock option) (From June 10, 2009 to June 9, 2029)	–	–	–	–	–	–	1	1
No. 5 Stock Acquisition Rights (Stock compensation-type stock option) (From June 17, 2010 to June 16, 2030)	–	–	–	–	1	2	2	4
No. 6 Stock Acquisition Rights (Stock compensation-type stock option) (From June 15, 2011 to June 14, 2031)	–	–	–	–	1	3	4	13
No. 7 Stock Acquisition Rights (Stock compensation-type stock option) (From June 14, 2012 to June 13, 2032)	2	6	1	3	1	2	4	9
No. 8 Stock Acquisition Rights (Stock compensation-type stock option) (From June 14, 2013 to June 13, 2033)	2	2	1	1	1	1	7	8
No. 9 Stock Acquisition Rights (Stock compensation-type stock option) (From June 14, 2014 to June 13, 2034)	5	11	1	2	1	2	6	11
No. 10 Stock Acquisition Rights (Stock compensation-type stock option) (From June 13, 2015 to June 12, 2035)	5	7	1	1	1	1	6	7
No. 11 Stock Acquisition Rights (Stock compensation-type stock option) (From June 15, 2016 to June 14, 2036)	5	7	3	3	1	2	8	11
No. 12 Stock Acquisition Rights (Stock compensation-type stock option) (From June 15, 2017 to June 14, 2037)	5	10	3	3	1	1	9	10
No. 13 Stock Acquisition Rights (Stock compensation-type stock option) (From June 15, 2018 to June 14, 2038)	6 (1)	16 (1)	7	8	1	1	1	2

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.

II. 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) With the aim of achieving the Corporate Philosophy of the Company and materializing corporate management that comply 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 and will strive to disseminate them to all officers and employees of the Group (the Company and its consolidated subsidiaries), including overseas subsidiaries.

(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 Directors.

(5) The Board of Directors of the Company shall establish the ESG Promotion Committee, which includes outside experts, and promote ESG management with the aim of contributing to the building of a sustainable society.

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.

(3) The Board of Directors of the Company shall establish an Information Security Policy and establish an appropriate information asset management system in order to safely protect and manage information assets and to fulfill the trust of the Group's customers and other stakeholders.

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) The Board of Directors of the Company or its subsidiaries or Management Meeting of the Company shall actively exchange opinions on important matters to ensure appropriate decision-making.

(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 (including electronic methods).

(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) The departments managing subsidiaries of the Company will require subsidiaries to report on their management status and the execution of important duties. In addition, specialized departments 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 their independence to ensure they are kept outside line of control or orders of their own departments 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 meetings such as the Board of Directors meetings, 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 to each other through exchange of opinions and cooperate with each other so that audit by each body 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 makes efforts 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 that contain these therein (including electronic methods).

・ The Company holds regular training sessions on compliance and risk management for officers and employees of the Company and its subsidiaries.

・ According to a risk map based on two perspectives: the frequency of risk occurrence and the degree of impact on the entire Group, the Risk Management Committee identifies priority risk items, summarizes and verifies the status of risk management system for each item, provides necessary advice, and reports these activities to the Board of Directors. During the fiscal year under review, meetings of the Risk Management Committee were convened 10 times.

・ As the whistleblowing system to report to internal or external help lines, the Company has set up Sekisui House Group Compliance Helpline for the Company and its subsidiaries in Japan, as well as Sekisui House Global Helpline for its overseas subsidiaries.

(2) Initiatives for ensuring efficient execution of duties

- Meetings of the Board of Directors are generally convened monthly, and the 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 the Board of Directors meetings' resolution. During the fiscal year under review, the Management Meetings were held nine times.

(3) Initiatives to ensure the due execution of duties in the Group

- The departments managing subsidiaries of the Company require irregular or regular reporting of the status of the business execution of each subsidiary and develop operational and other standards in collaboration with other relevant departments of the Company.
- 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. Furthermore, 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 engage in necessary assistance work and follow-ups in order for Audit & Supervisory Board Members to execute duties such as management of the meetings of Audit & Supervisory Board and demands of audit report.

III. Consolidated Financial Statements for the 71st Fiscal Year

Consolidated Statements of Changes in Net Assets (From February 1, 2021 to January 31, 2022)

Millions of yen

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total
Balance at the beginning of current period	202,591	258,989	839,985	(6,883)	1,294,682
Changes of items during the period					
Dividends from surplus	–	–	(55,608)	–	(55,608)
Net income attributable to owners of parent	–	–	153,905	–	153,905
Purchase of treasury stock	–	–	–	(15,015)	(15,015)
Disposal of treasury stock	–	–	(361)	923	562
Change in scope of consolidation	–	–	2,214	–	2,214
Purchase of shares of consolidated subsidiaries	–	(0)	–	–	(0)
Net changes of items other than shareholders' equity	–	–	–	–	–
Total changes of items during the period	–	(0)	100,149	(14,091)	86,057
Balance at the end of current period	202,591	258,989	940,135	(20,975)	1,380,740

	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	Remeasure-ments of defined benefit plans	Total accumulated other comprehensive income			
Balance at the beginning of current period	40,174	(45)	2,355	(10,631)	31,852	508	41,842	1,368,887
Changes of items during the period								
Dividends from surplus	–	–	–	–	–	–	–	(55,608)
Net income attributable to owners of parent	–	–	–	–	–	–	–	153,905
Purchase of treasury stock	–	–	–	–	–	–	–	(15,015)
Disposal of treasury stock	–	–	–	–	–	–	–	562
Change in scope of consolidation	–	–	–	–	–	–	–	2,214
Purchase of shares of consolidated subsidiaries	–	–	–	–	–	–	–	(0)
Net changes of items other than shareholders' equity	1,314	187	44,890	14,955	61,347	(322)	4,989	66,014
Total changes of items during the period	1,314	187	44,890	14,955	61,347	(322)	4,989	152,072
Balance at the end of current period	41,488	141	47,245	4,323	93,199	186	46,832	1,520,959

Note:
Amounts of the 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.

IV. Consolidated Financial Statements for the 71st Fiscal Year

Notes to the Consolidated Financial Statements

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

(1) Scope of consolidation

(i) Status of consolidated subsidiaries

- The consolidated subsidiaries: 335, including Sekisui House Real Estate Tohoku, Ltd., Sekisui House Real Estate Tokyo, Ltd., Sekisui House Real Estate Kansai, Ltd., Sekisui House Real Estate Chubu, Ltd., Sekisui House Real Estate Chugoku & Shikoku, Ltd., Sekisui House Real Estate Kyushu, Ltd. and other companies.
- Changes in scope of consolidation:
  64 companies were newly added due to new establishment or acquisition, while 9 companies were excluded due to merger, liquidation or sale.

(ii) Status of non-consolidated subsidiaries

- The names of major non-consolidated subsidiaries: Otori Insurance Service Co., Ltd. and 3 other subsidiaries
- The reason for not consolidating these subsidiaries:
  As each of the non-consolidated subsidiaries is a small company and their total assets, net sales, profit and loss (the equity portion) and retained earnings (the equity portion) and others do not have a significant impact on the Consolidated Financial Statements, they are excluded from the scope of consolidation.

(2) Application of equity method

(i) The non-consolidated subsidiaries and affiliates to which the equity method is applied

- The affiliates to which the equity method is applied: 34, including Almetax Manufacturing Co., Ltd., JPF Co., Ltd. and other companies.
- Changes in scope of equity method:
  3 companies were newly added due to application of the equity method to investments or other reasons. In addition, 2 companies were excluded due to liquidation.

(ii) Status of the non-consolidated subsidiaries and affiliates to which the equity method is not applied

- The name of major companies, etc.: Otori Insurance Service Co., Ltd. and 4 other subsidiaries
- The reason for not applying the equity method:
  As profit and loss (the equity portion), retained earnings (the equity portion) and others of the non-consolidated subsidiaries and affiliates do not have a significant impact on the Consolidated Financial Statements and are insignificant, they are not applied and excluded from the scope of equity method.

(iii) Status of non-affiliates even though the Company holds at least 20% and up to 50% of the voting rights on its own account

The name of these companies, etc.: Shiei community service co., ltd. and another company.

The reason for not regarding these companies as affiliates:

As the Company indirectly holds at least 20% and up to 50% of voting rights of the companies above but have no material impact, they are excluded from the scope of affiliates.

(3) Term-ends of consolidated subsidiaries

The end of the fiscal year is March 31 for 3 consolidated subsidiaries, May 31 for 1 consolidated subsidiary, and November 30 for 1 consolidated subsidiary. For those consolidated subsidiaries, when preparing the Consolidated Financial Statements, the Company performs tentative annual closing as of January 31, and uses their financial statements.

For 4 consolidated subsidiaries whose fiscal year ends on November 30 and 289 consolidated subsidiaries whose fiscal year ends on December 31, when preparing the Consolidated Financial Statements, the Company uses their financial statements as of their respective fiscal year-end. For material transactions before the consolidated fiscal year-end, necessary adjustments have been implemented.

(4) Summary of significant accounting standards

(i) Basis and method of valuation of significant assets

a. Short-term investment securities:

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

Amortized cost (straight-line) method

(b) Other short-term investment securities:

・ Securities with market value:

Market value method mainly based on the fiscal year-end closing market price (Valuation gains and losses resulting are calculated by the full net asset costing method; cost of disposal is calculated by the moving average method)

・ Securities with no available market value:

At cost based on the moving average method

b. Derivatives: Market value method

c. Inventories:

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

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

(b) Other inventories:

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

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

Property, plant and equipment (excluding lease assets):

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

Intangible assets (excluding lease assets):

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

Lease assets:

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

(iii) Basis for accounting for significant allowances

Allowance for doubtful accounts:

To provide for losses on doubtful accounts, the Company makes provisions for general debtors based on actual historical collection rates and for specific debtors where collection is doubtful based on estimates of the amount collectible.

Provision for bonuses:

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

Provision for directors’ bonuses:

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

Provision for warranties for completed construction:

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

Provision for directors’ retirement benefits:

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

(iv) Method of accounting for retirement benefit obligations

a. Method for reflecting the expected retirement benefit in the period:

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

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

In conjunction with actuarial calculation differences, pro rata amounts calculated from the 5-year to 14-year fixed amount method are to be reflected as expenses in the year following the consolidated fiscal year in which such expenses are accrued. As for past service obligations, pro rata amounts calculated from the 5-year to 13-year fixed amount method are to be reflected as expenses in the consolidated fiscal year in which such expenses are accrued.

(v) Basis for accounting for significant income and expenses

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

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

b. Basis for accounting for income from finance leases:

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

(vi) Method and period for amortization of goodwill

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

(vii) Main hedge accounting methods

a. Hedge accounting methods:

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

b. Hedging instruments and targets:

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

The Company hedges loans with interest-rate swap.

c. Hedging policies:

The Company uses derivatives transactions with the aim of avoiding losses from fluctuations in exchange and interest rates. The use of exchange contracts does not exceed the amount of foreign currency transactions. The assumed principal balance subject to interest-swap transactions does not exceed the relevant interest bearing debts outstanding.

d. Method of assessing hedge effectiveness:

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

(viii) Accounting for consumption taxes

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

(ix) Basis for converting significant foreign currency-denominated assets and liabilities into yen

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

(x) Inclusion of interest paid in acquisition cost

In conformity with the accounting standards of relevant countries, overseas consolidated subsidiaries include interest paid with regard to borrowed funds for the real estate development business in acquisition cost. At the end of period, interest expenses of ¥7,872 million, ¥9,295 million and ¥430 million are included in "Buildings for sale," "Land for sale in lots" and "Undeveloped land for sale," respectively.

(5) Additional information

(Impact of COVID-19 in making accounting estimates)

The prolonged COVID-19 pandemic has had certain impacts on business operations of the Group, but they have not been significant. The recoverability of deferred tax assets, recognition of impairment losses, etc. are determined based on information available at the time of preparation of the consolidated financial statements, and are estimated on the assumption that the impacts will continue into the next fiscal year to some extent, but will be gradually mitigated.

2. Notes to Changes in Presentation Method

The Company has adopted the "Accounting Standard for Disclosure of Accounting Estimates" (ASBJ Statement No. 31, March 31, 2020) from the consolidated financial statements for the fiscal year under review, and includes "Notes to Accounting Estimates" in the Notes to the Consolidated Financial Statements.

3. Notes to Accounting Estimates

(1) Valuation of real estate for sale

(i) Amount recorded in the consolidated financial statements for the fiscal year under review.

Millions of yen

	Amount
Buildings for sale	436,973
Land for sale in lots	589,879
Undeveloped land for sale	149,828
Amount of loss on valuation (Cost of sales)	10,032

(ii) Information on the nature of significant accounting estimates for identified items

a. Method of calculation of the amount recorded in the consolidated financial statements for the fiscal year under review

For real estate for sale, if the net selling price at the end of the fiscal year is less than the book value, the book value is reduced to the net selling price and the reduction is recognized as a valuation loss. The net selling price is estimated based on the selling price of each individual property, future business plans, and other factors.

b. Key assumptions

Key assumptions used in the calculation of the net selling price are future earnings and construction costs. These figures for the business plan are estimated based on the location, size, and merchantability of the property, transactions of similar properties, real estate market conditions, and other factors.

c. Effect on the consolidated financial statements for the next fiscal year ending January 31, 2023

If there are unexpected events such as deterioration in the economic environment and market conditions and any subsequent changes in key assumptions in the next fiscal year, the Group could report additional valuation losses.

(2) Valuation of noncurrent assets

(i) Amount recorded in the consolidated financial statements for the fiscal year under review.

Millions of yen

	Amount
Total property, plant and equipment	540,711
Total intangible assets	17,988
Impairment loss	539

(ii) Information on the nature of significant accounting estimates for identified items

a. Method of calculation of the amount recorded in the consolidated financial statements for the fiscal year under review

Real estate assets for investments are grouped by project, while other assets are grouped by operating unit, which allow us to manage gains and losses in a rational manner. Impairment is assessed for assets or groups of assets that show indications of impairment such as incurring consecutive operating losses or negative cash flows, a significant decline in market prices, or a change in use. When it is determined that an impairment loss should be recognized, the book value of the asset is reduced to its recoverable amount and the amount of the reduction is recognized as an impairment loss. The recoverable amount is the higher of the net selling price or the value in use. The net selling price for major real estate for investments is calculated by subtracting the estimated disposal cost from the appraised value obtained from a real estate appraiser. The net selling price of other assets is calculated by subtracting the estimated disposal cost from the appraised value calculated in accordance with the Real Estate Appraisal Standard or similar methods. The value in use is calculated by discounting the estimated future cash flows to the present value.

b. Key assumptions

Key assumptions used in estimating future cash flows and calculating recoverable amounts are rent, average daily rate (ADR), vacancy rate, occupancy rate, discount rate, and cap rate. Among them, rent, ADR, vacancy and occupancy rates are determined by comprehensively taking into account market trends, transactions of similar properties, past performance, and other factors. The discount rate is determined based on similar transactions, interest rate trends, etc. Cap rates for major real estate for investments are obtained from real estate appraisers and utilized. Estimates are made based on the assumptions that the impacts of the COVID-19 pandemic will continue into the next fiscal year to some extent, but will be gradually mitigated.

c. Effect on the consolidated financial statements for the next fiscal year ending January 31, 2023

If there are unexpected events such as deterioration in the economic environment and market conditions and any subsequent changes in key assumptions in the next fiscal year, the Group could report additional impairment losses.

4. Notes to the Consolidated Balance Sheets

(1) Collateralized assets and secured liabilities:

Millions of yen

Collateralized assets		Secured liabilities	
Type	Book value at the end of year	Details	Balance at the end of year
Investment securities Long-term loans receivable Others (Short-term loans receivable)	337	Liabilities of the subsidiary	—
Buildings for sale and land for sale in lots	78,668	Borrowing from financial institutions Deposits on contract with establishment of leasehold	47,674 25
Land Buildings and structures	5,129 1,551	Borrowing from financial institutions Deposits on contract with establishment of leasehold Long-term lease and guarantee deposited	12,293 760 180
Total	85,686	Total	60,933

Note: In addition to those stated above, the Company deposited cash of ¥8,622 million in accordance with Act on Assurance of Performance of Specified Housing Defect Warranty and the like.

(2) Accumulated depreciation of property, plant and equipment ¥272,397 million

(3) Liabilities guaranteed:

(1) Liabilities guaranteed for repayment (for persons to have housing mortgage) ¥116,912 million

(2) Liabilities guaranteed for repayment
(for affiliated companies to borrow from the financial institutions) ¥30,489 million

(3) Security on liabilities guaranteed for borrowings of clients from banks ¥64 million

(Additional information)

Changes in holding purpose of assets:

Real estate for sale of ¥1,096 million, that appeared under inventories as at the end of the previous consolidated fiscal year, has been reclassified under noncurrent assets. In addition, real estate for investments of ¥53,869 million, that appeared under noncurrent assets as at the end of the previous consolidated fiscal year, has been reclassified under inventories.

5. Notes to the Consolidated Statements of Income

Loss related to COVID-19

As a loss related to COVID-19, fixed costs such as depreciation costs that arose during the period when operating facilities were temporarily closed are recorded under extraordinary loss.

6. Notes to the Consolidated Statements of Changes in Net Assets

(1) Type and total number of shares issued at the end of the consolidated fiscal year under review:

Common shares	684,683,466 shares

(2) Matters related to dividends:

(i) Dividends paid to shareholders:

a. Matters related to the dividends paid pursuant to the resolution of the 70th Ordinary General Meeting of Shareholders held on April 27, 2021:

Total amount of dividends:	¥26,562 million
Dividends per share:	¥39.00
Record date:	Jan. 31, 2021
Effective date:	Apr. 28, 2021

b. Matters related to the dividends (interim dividends) paid pursuant to the resolution of the meeting of the Board of Directors held on September 9, 2021:

Total amount of dividends:	¥29,045 million
Dividends per share:	¥43.00
Record date:	Jul. 31, 2021
Effective date:	Sep. 30, 2021

(ii) Dividends whose record date belongs to the fiscal year under review but whose effective date belongs to the next fiscal year:

The following proposal for dividends will be submitted to the 71st Ordinary General Meeting of Shareholders to be held on April 26, 2022:

Total amount of dividends:	¥31,722 million
Source of funds for dividends:	Retained earnings
Dividends per share:	¥47.00
Record date:	Jan. 31, 2022
Effective date:	Apr. 27, 2022

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

Common shares	171,000 shares

7. Notes to Financial Instrument

(1) Matters related to the state of financial instruments

(i) Policy with regard to financial instruments activities:

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

(ii) Contents and risks of financial instruments:

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

Short-term and long-term investment securities, primarily stock and investments in SPC and partnerships, are exposed to the risk associated with issuing entities' credit and market value fluctuations.

Notes payable, electronically recorded obligations-operating, accounts payable for construction contracts and the like are due within one year.

We use borrowed money and bond issues to finance operations and capital investment. Loans payable, which are mainly financed with variable interest rates, are exposed to the risk associated with interest rate fluctuations.

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

(iii) Content of financial risk management systems:

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

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

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

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

With regard to short-term and long-term investment securities, the Group manages this risk by periodically examining market prices and financial condition of the issuing entities.

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

Finance Departments of the Company and responsible divisions of each subsidiary make and renew financing plan timely based on reports from each branch and manage liquidity risk to maintain short-term liquidity. In addition, the Group secures several steady financing means by setting commitment lines and overdrafts. The Group establishes systems to supply funds to consolidated subsidiaries expeditiously by using cash management system and the like.

d. Supplemental information on the fair value of financial instruments

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

(2) Matters related to the fair value of financial instruments

Amounts stated in consolidated balance sheets, fair value and their differences as of January 31, 2022 are as follows. For your information, accounting items for which an accurate grasp of fair value is recognized as extremely difficult are not stated in the following table (Please refer to Notes 2).

Millions of yen

	Amount stated in consolidated balance sheets	Fair value	Difference
(1) Cash and deposits	515,283	515,283	–
(2) Notes receivable, accounts receivable from completed construction contracts	132,471		
Allowance for doubtful accounts (*1)	(440)		
	132,030	132,030	–
(3) Short-term investment securities and long-term investment securities			
1) Securities of subsidiaries and affiliates	3,053	1,398	(1,654)
2) Other securities	102,031	102,031	–
Total assets	752,398	750,743	(1,654)
(1) Notes payable, accounts payable for construction contracts	111,022	111,022	–
(2) Electronically recorded obligations-operating	96,635	96,635	–
(3) Short-term loans payable	219,218	219,218	–
(4) Bonds payable	170,000	170,283	283
(5) Long-term loans payable	152,791	153,309	517
Total liabilities	749,669	750,470	800

*1. Allowance for doubtful accounts is deducted from notes receivable, accounts receivable from completed construction contracts.

Notes

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

Assets

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

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

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

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

Liabilities

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

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

(4) Bonds payable

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

(5) Long-term loans payable

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

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

Millions of yen

Category	Amount stated in consolidated balance sheets
Unlisted shares	68,278
Investment to SPC	13,126
Investment to LPS	1,567
Investment in anonymous association	1,158
Preferred securities	999
Unlisted bonds	120

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

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

8. Notes to Leasehold Properties and Other Types of Real Estate

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

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

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

Millions of yen

Amount stated in consolidated balance sheets	Fair value
436,946	519,730

Notes:

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

9. Notes to the Information per Share

(1) Net assets per share ¥2,184.36

(2) Net income per share ¥227.37

10. Notes to Significant Subsequent Event

Share repurchase

At the Board of Directors meeting held on March 10, 2022, the Company resolved to acquire its own shares under the provisions of Article 156 of the Companies Act, as applied pursuant to Article 165, Paragraph 3 of the Companies Act.

(1) Reason for share repurchase

To implement flexible capital policies in accordance with the business environment and to increase shareholder value through improvement in capital efficiency

(2) Type of shares

Common stock of Sekisui House, Ltd.

(3) Aggregate number of shares to be repurchased

Up to 15,000,000 shares

(4) Aggregate price of shares to be repurchased

Up to ¥30,000 million

(5) Period for share repurchase

From March 11, 2022 to January 31, 2023

(6) Method of share repurchase

Market purchases (including Off-Auction Own Share Repurchase Trading (N-NET3) of the Nagoya Stock Exchange)

Note: Amounts of the Consolidated Financial Statements are given in the stated unit of the presentation, by disregarding any amount less than the stated unit of the presentation.

V. Non-Consolidated Financial Statements for the 71st Fiscal Year

Non-Consolidated Statements of Changes in Net Assets (From February 1, 2021 to January 31, 2022)

Millions of yen

	Shareholders' equity							
	Capital stock	Capital surplus		Retained earnings				
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings			Total retained earnings
					Reserve for dividends	General reserve	Retained earnings brought forward	
Balance at the beginning of current period	202,591	258,344	258,344	23,128	18,000	260,800	77,821	379,750
Changes of items during the period								
Dividends from surplus	–	–	–	–	–	–	(55,608)	(55,608)
Net income	–	–	–	–	–	–	96,279	96,279
Purchase of treasury stock	–	–	–	–	–	–	–	–
Disposal of treasury stock	–	–	–	–	–	–	(361)	(361)
Provision of general reserve	–	–	–	–	–	15,000	(15,000)	–
Net changes of items other than shareholders' equity	–	–	–	–	–	–	–	–
Total changes of items during the period	–	–	–	–	–	15,000	25,309	40,309
Balance at the end of current period	202,591	258,344	258,344	23,128	18,000	275,800	103,131	420,059

	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	(6,713)	833,972	40,626	40,626	508	875,107
Changes of items during the period						
Dividends from surplus	–	(55,608)	–	–	–	(55,608)
Net income	–	96,279	–	–	–	96,279
Purchase of treasury stock	(15,015)	(15,015)	–	–	–	(15,015)
Disposal of treasury stock	923	562	–	–	–	562
Provision of general reserve	–	–	–	–	–	–
Net changes of items other than shareholders' equity	–	–	2,227	2,227	(322)	1,905
Total changes of items during the period	(14,091)	26,217	2,227	2,227	(322)	28,122
Balance at the end of current period	(20,805)	860,190	42,853	42,853	186	903,230

Note: Amounts of the Non-Consolidated Financial Statements are given in the stated unit of the presentation, by disregarding any amount less than the stated unit of the presentation.

VI. Non-Consolidated Financial Statements for the 71st Fiscal Year

Notes to the Non-Consolidated Financial Statements

1. Summary of Significant Accounting Policies

(1) Basis and method of valuation of assets:

(i) Short-term investment securities:

- Debt securities expected to be held to maturity:
  Amortized cost (straight-line) method
- Shares held in subsidiaries or affiliated companies:
  At cost based on the moving average method
- Other short-term investment securities:
  - Securities with market value:
    Market value method mainly based on the fiscal year-end closing market price (Valuation gains and losses resulting are calculated by the full net assets costing method; cost of disposal is calculated by the moving average method)
  - Securities with no available market value:
    At cost based on the moving average method

(ii) Derivatives: Market value method

(iii) Inventories:

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

(2) Depreciation of noncurrent assets:

Property, plant and equipment (excluding lease assets):

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

Intangible assets (excluding lease assets):

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

Lease assets:

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

(3) Basis for accounting for allowances:

Allowance for doubtful accounts:

To provide for losses on doubtful accounts, the Company makes provisions for general debtors based on actual historical collection rates and for specific debtors where collection is doubtful based on estimates of the amount collectible.

Provision for bonuses:

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

Provision for directors' bonuses:

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

Provision for warranties for completed construction:

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

Provision for retirement benefits

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

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

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

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

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

(4) Basis for accounting for income and expenses:

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

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

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

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

(5) Hedge accounting methods:

(i) Hedge accounting methods:

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

(ii) Hedging instruments and targets:

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

(iii) Hedging policies:

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

(iv) Methods of assessing hedge effectiveness:

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

(6) Accounting for consumption taxes

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

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

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

(8) Additional information

(Impact of COVID-19 in making accounting estimates)

The prolonged COVID-19 pandemic has had certain impacts on business operations of the Company, but they have not been significant. The recoverability of deferred tax assets, recognition of impairment losses, etc. are determined based on information available at the time of preparation of the non-consolidated financial statements, and are estimated on the assumption that the impacts will continue into the next fiscal year to some extent, but will be gradually mitigated.

2. Notes to Changes in Presentation Method

The Company has adopted the “Accounting Standard for Disclosure of Accounting Estimates” (ASBJ Statement No. 31, March 31, 2020) from the non-consolidated financial statements for the fiscal year under review, and includes “Notes to Accounting Estimates” in the Notes to the Non-Consolidated Financial Statements.

3. Notes to Accounting Estimates

(1) Valuation of real estate for sale

(i) Amount recorded in the non-consolidated financial statements for the fiscal year under review.

Millions of yen

	Amount
Buildings for sale	68,102
Land for sale in lots	213,481
Undeveloped land for sale	37,731
Amount of loss on valuation (Cost of sales)	2,656

(ii) Information on the nature of significant accounting estimates for identified items

a. Method of calculation of the amount recorded in the non-consolidated financial statements for the fiscal year under review

For real estate for sale, if the net selling price at the end of the fiscal year is less than the book value, the book value is reduced to the net selling price and the reduction is recognized as a valuation loss.

The net selling price is estimated based on the selling price of each individual property, future business plans, and other factors.

b. Key assumptions

Key assumptions used in the calculation of the net selling price are future earnings and construction costs. These figures for the business plan are estimated based on the location, size, and merchantability of the property, transactions of similar properties, real estate market conditions, and other factors.

c. Effect on the non-consolidated financial statements for the next fiscal year ending January 31, 2023

If there are unexpected events such as deterioration in the economic environment and market conditions and any subsequent changes in key assumptions in the next fiscal year, the Company could report additional valuation losses.

(2) Valuation of noncurrent assets

(i) Amount recorded in the non-consolidated financial statements for the fiscal year under review.

Millions of yen

	Amount
Total property, plant and equipment	387,647
Total intangible assets	15,259
Impairment loss	466

(ii) Information on the nature of significant accounting estimates for identified items

a. Method of calculation of the amount recorded in the non-consolidated financial statements for the fiscal year under review

   Real estate assets for investments are grouped by project, while other assets are grouped by operating unit, which allow us to manage gains and losses in a rational manner. Impairment is assessed for assets or groups of assets that show indications of impairment such as incurring consecutive operating losses or negative cash flows, a significant decline in market prices, or a change in use. When it is determined that an impairment loss should be recognized, the book value of the asset is reduced to its recoverable amount and the amount of the reduction is recognized as an impairment loss. The recoverable amount is the higher of the net selling price or the value in use. The net selling price for major real estate for investments is calculated by subtracting the estimated disposal cost from the appraised value obtained from a real estate appraiser. The net selling price of other assets is calculated by subtracting the estimated disposal cost from the appraised value calculated in accordance with the Real Estate Appraisal Standard or similar methods. The value in use is calculated by discounting the estimated future cash flows to the present value.

b. Key assumptions

   Key assumptions used in estimating future cash flows and calculating recoverable amounts are rent, average daily rate (ADR), vacancy rate, occupancy rate, discount rate, and cap rate. Among them, rent, ADR, vacancy and occupancy rates are determined by comprehensively taking into account market trends, transactions of similar properties, past performance, and other factors. The discount rate is determined based on similar transactions, interest rate trends, etc. Cap rates for major real estate for investments are obtained from real estate appraisers and utilized. Estimates are made based on the assumptions that the impacts of the COVID-19 pandemic will continue into the next fiscal year to some extent, but will be gradually mitigated.

c. Effect on the non-consolidated financial statements for the next fiscal year ending January 31, 2023

   If there are unexpected events such as deterioration in the economic environment and market conditions and any subsequent changes in key assumptions in the next fiscal year, the Company could report additional impairment losses.

4. Notes to the Balance Sheets

1) Collateralized assets and secured liabilities

Millions of yen

Collateralized assets		Secured liabilities	
Type	Book value at the end of year	Details	Balance at the end of year
Investment securities	321	Liabilities of the subsidiary	—
Land	2,037	Deposits on contract with establishment of leasehold	760
Total	2,358	Total	760

Note: Apart from that stated above, the Company deposited cash of ¥7,070 million in accordance with Act on Assurance of Performance of Specified Housing Defect Warranty and the like.

2) Accumulated depreciation of property, plant and equipment ¥195,836 million

3) Liabilities guaranteed

Liabilities guaranteed for repayment (for persons to have housing mortgage) ¥115,718 million

Liabilities guaranteed for repayment
(for affiliated companies to borrow from the financial institutions) ¥260,081 million

4) Pecuniary claims and debts to affiliated companies

Short-term pecuniary claims to subsidiaries ¥9,532 million

Long-term pecuniary claims to subsidiaries ¥38,693 million

Short-term pecuniary debts to subsidiaries ¥224,196 million

(Additional information)

Changes in holding purpose of assets:

Real estate for investments of ¥50,031 million, that appeared under noncurrent assets as at the end of the previous fiscal year, has been reclassified under inventories.

5. Notes to the Statements of Income

Transactions with subsidiaries

Sales to subsidiaries ¥20,192 million

Purchases from subsidiaries ¥232,446 million

Non-operating transactions ¥48,098 million

6. Notes to the Statements of Change in Net Assets

Type and numbers of treasury stock

Type of shares	Common shares
Number of treasury stock (non-consolidated) as of Jan. 31, 2021	3,581,075 shares
Number of shares increased	6,608,391 shares
Number of shares decreased	448,590 shares
Number of treasury stock (non-consolidated) as of Jan. 31, 2022	9,740,876 shares

Notes:

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

   Increase due to repurchases of fractional shares: 6,791 shares

   Increase due to the acquisition of treasury stock based on the Articles of Incorporation pursuant to Article 165 (2) of the Companies Act: 6,599,800 shares

   Increase due to acquisition of restricted stock: 1,800 shares

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

   Decrease due to requests for additional purchases of fractional shares: 90 shares

   Decrease due to exercise of stock options: 343,000 shares

   Decrease due to disposal of treasury stock as restricted stock remunerations 105,500 shares

7. Notes of Tax Effect Accounting

Significant components of deferred tax assets and liabilities

Millions of yen

Deferred tax assets	
Provision for retirement benefits	7,209
Loss on valuation of shares of subsidiaries	6,122
Loss on valuation of real estate for sale	6,019
Provision for bonuses	5,936
Accumulated impairment loss	3,754
Allowance for doubtful accounts	2,610
Loss on valuation of investment securities	1,335
Accrued enterprise taxes	1,082
Accrued social insurance premium	878
Other	3,080
Subtotal deferred tax assets	**38,029**
Valuation allowance	(14,718)
Total deferred tax assets	**23,311**

Deferred tax liabilities	
Valuation difference on available-for-sale securities	(17,336)
Other	(278)
Total deferred tax liabilities	**(17,615)**
Net deferred tax assets and net deferred tax liabilities	**5,695**

Note: The main valuation allowances are loss on valuation of investment securities and accumulated impairment loss that were judged non-deferrable.

8. Notes of Transaction with Related Parties

Subsidiaries and affiliated companies, etc.

Type	Company name	Percentage of owning (owned) voting rights	Description of the relationship		Description of transaction	Transaction amount (million yen)	Account	Balance at January 31, 2022 (million yen)
			Concurrent offices of officers	Business relationship				
Subsidiary	Sekisui House Real Estate Kansai, Ltd.	(owning) Directly 100%	Holding concurrent offices	Leasing and management of real estate for the Company's customers, and purchase and sale of real estate, etc.	Loan of money	(Note) 20,800	Long-term loans receivable	26,000
Subsidiary	Sekisui House Real Estate Tokyo, Ltd.	(owning) Directly 100%	Holding concurrent offices	Leasing and management of real estate for the Company's customers, and purchase and sale of real estate, etc.	Deposits through cash management systems	(Note) 3,213	Deposits received	52,834
Subsidiary	Sekisui House Real Estate Chubu, Ltd.	(owning) Directly 100%	Holding concurrent offices	Leasing and management of real estate for the Company's customers, and purchase and sale of real estate, etc.	Deposits through cash management systems	(Note) 3,267	Deposits received	20,612
Subsidiary	Sekisui House Remodeling, Ltd.	(owning) Directly 100%	Holding concurrent offices	Remodeling of houses built by the Company	Deposits through cash management systems	(Note) 6,134	Deposits received	41,248
Subsidiary	NASH Financing, LLC	(owning) Indirectly 100%	Holding concurrent offices	Guarantee of the loan liabilities by the company	Guarantee of the loan liabilities	157,449	–	–
Subsidiary	WOODSIDE HOMES COMPANY, LLC	(owing) Indirectly 100%	Holding concurrent offices	Guarantee of the loan liabilities by the company	Guarantee of the loan liabilities	38,095	–	–
Subsidiary	SEKISUI HOUSE US HOLDINGS, LLC	(owning) Directly 100%	Holding concurrent offices	Guarantee of the loan liabilities by the company	Guarantee of the loan liabilities	34,632	–	–
Subsidiary	Sekisui House Changcheng (Suzhou) Real Estate Development Co., Ltd. (Josho)	(owning) Directly 99.9%	Holding concurrent offices	–	Distribution of residual assets following liquidation	36,485	–	–

Note: The figure indicates a net increase during the period. Interest rates are reasonably determined in consideration of market interest rates.

9. Notes to the Information per Share

1)	**Shareholders' equity per share**	¥1,337.96
2)	**Net income per share**	¥142.20

10. Notes to Significant Subsequent Event

Share repurchase

At the Board of Directors meeting held on March 10, 2022, the Company resolved to acquire its own shares under the provisions of Article 156 of the Companies Act, as applied pursuant to Article 165, Paragraph 3 of the Companies Act.

(1) Reason for share repurchase

To implement flexible capital policies in accordance with the business environment and to increase shareholder value through improvement in capital efficiency

(2) Type of shares

Common stock of Sekisui House, Ltd.

(3) Aggregate number of shares to be repurchased

Up to 15,000,000 shares

(4) Aggregate price of shares to be repurchased

Up to ¥30,000 million

(5) Period for share repurchase

From March 11, 2022 to January 31, 2023

(6) Method of share repurchase

Market purchases (including Off-Auction Own Share Repurchase Trading (N-NET3) of the Nagoya Stock Exchange)

Note: Amounts of the Non-Consolidated Financial Statements are given in the stated unit of the presentation, by disregarding any amount less than the stated unit of the presentation.