Matters available on the website in relation to the Notice of the 70th 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.

[**Translation**: Please note that this document purports to be a translation from the Japanese original available on the website in relation to the Notice of the 70th 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.]

Ⅰ. The Business Report for the 70th fiscal year

Outlines of Stock Acquisition Rights

Outlines of Stock Acquisition Rights

Outlines of stock acquisition rights granted in consideration of the performance of duties as of January 31, 2021

・ Number of stock acquisition rights

514 units

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

514,000 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. 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)	3	19	–	–	–	–	–	–
No. 4 Stock Acquisition Rights (Stock compensation-type stock option) (From June 10, 2009 to June 9, 2029)	3	22	–	–	–	–	1	1
No. 5 Stock Acquisition Rights (Stock compensation-type stock option) (From June 17, 2010 to June 16, 2030)	3	23	1	2	2	4	5	10
No. 6 Stock Acquisition Rights (Stock compensation-type stock option) (From June 15, 2011 to June 14, 2031)	3	29	1	3	2	6	5	15
No. 7 Stock Acquisition Rights (Stock compensation-type stock option) (From June 14, 2012 to June 13, 2032)	5	37	5	14	2	4	5	16
No. 8 Stock Acquisition Rights (Stock compensation-type stock option) (From June 14, 2013 to June 13, 2033)	5	17	5	5	2	2	7	8
No. 9 Stock Acquisition Rights (Stock compensation-type stock option) (From June 14, 2014 to June 13, 2034)	9 (1)	33 (2)	7	14	2	4	8	17
No. 10 Stock Acquisition Rights (Stock compensation-type stock option) (From June 13, 2015 to June 12, 2035)	9 (1)	21 (1)	7	9	2	2	7	10
No. 11 Stock Acquisition Rights (Stock compensation-type stock option) (From June 15, 2016 to June 14, 2036)	9 (1)	21 (2)	9	12	2	3	8	11
No. 12 Stock Acquisition Rights (Stock compensation-type stock option) (From June 15, 2017 to June 14, 2037)	9 (1)	25 (1)	9	10	2	2	8	9
No. 13 Stock Acquisition Rights (Stock compensation-type stock option) (From June 15, 2018 to June 14, 2038)	10 (2)	36 (2)	15	21	–	–	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.

Ⅱ. The Consolidated Financial Statements for the 70th fiscal year

List of Notes to Consolidated Financial Statements

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

1) Scope of consolidation

(1) Status of consolidated subsidiaries

The consolidated subsidiaries: 280, including 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., Sekisui House Real Estate Tohoku, Ltd. and other companies.

Changes in scope of consolidation:

18 companies newly added as of establishment. In addition, 14 companies were excluded due to liquidation or merger.

(2) Status of non-consolidated subsidiaries

The names of major non-consolidated subsidiaries: GEO DYNAMIC co., ltd. and 4 other subsidiaries.

The reason for excluding from the scope of consolidation:

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

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

The affiliates to which the equity method is applied: 33, including Almetax Manufacturing Co., Ltd., JPF Co., Ltd. and other companies.

Changes in scope of equity method:

1 company to which the equity method is applied newly added as of investments. In addition, 1 company was excluded due to liquidation.

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

The name of major companies, etc.: GEO DYNAMIC co., ltd. and 5 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.

(3) 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 3 consolidated subsidiaries whose fiscal year ends on November 30 and 234 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.

In addition, in the current consolidated fiscal year under review, Konoike Construction Co., Ltd. and its 3 consolidated subsidiaries changed their fiscal year-end from September 30 to December 31, and to November 30, respectively, which are included in the aforementioned number of companies. In the previous fiscal year, the Company used the financial statements based on tentative annual closing as of December 31, and implemented necessary adjustments for material transactions before the consolidated fiscal year-end. As a result, the impact on the current consolidated fiscal year under review is immaterial.

4) Summary of significant accounting standards

(1) Basis and method of valuation of significant assets

(a) Short-term investment securities:

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

Amortized cost (straight-line) method

(ii) Other short-term investment securities:

・ Securities with market value:

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:

(i) 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)

(ii) Other inventories:

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

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

Property, plant and equipment (excluding lease assets):

The Company applies the straight-line method to buildings (excluding attached structures) and facilities attached to buildings and structures acquired on and after April 1, 2016, and 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.

(3) 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.

(4) Method of accounting for retirement benefit obligations

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

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

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

In conjunction with actuarial calculation differences, 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.

(5) 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.

(6) 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.

(7) Main hedge accounting methods

(a) Hedge accounting methods:

The Company accounts for hedging activities under deferral hedge accounting. Furiate-shori (accounting method in which the current and forward rate difference is allocated by period length for the 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.

(8) Accounting for consumption taxes

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

(9) Basis for 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.

(10) Inclusion of interest paid in acquisition cost

In conformity with the accounting standards of relevant countries, overseas consolidated subsidiaries include interest paid with regard to borrowed funds for the real estate development business in acquisition cost. At the end of period, interest expenses of ¥6,913 million, ¥9,827 million and ¥436 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 spread of COVID-19 has impacted the business activities of the Group, but it is extremely difficult to predict how it will spread in the future and when it will be contained. The determination of the collectability of deferred tax assets and the recognition of impairment loss is estimated based on the assumption that the impact of COVID-19 will continue in the next consolidated fiscal year but gradually be mitigated based on information available when preparing consolidated financial statements.

2. 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)	1,366	Liabilities of the subsidiary	—
Buildings for sale and land for sale in lots	81,084	Borrowing from financial institutions Deposits on contract with establishment of leasehold	42,266 25
Land Buildings and structures	5,186 1,546	Borrowing from financial institutions Deposits on contract with establishment of leasehold Long-term lease and guarantee deposited	10,943 794 180
Total	89,184	Total	54,210

Note: Apart from that stated above, the Company deposited cash and deposits of ¥8,880 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 ¥269,740 million

3) Liabilities guaranteed:

(1) Liabilities guaranteed for repayment (for persons to have housing mortgage) ¥105,202 million

(2) Liabilities guaranteed for repayment
(for affiliated companies to borrow from the financial institutions) ¥28,698 million

(3) Security on liabilities guaranteed for borrowings of clients from banks ¥86 million

(4) The guarantee for repayment of deposit on sales contracts of condominium of clients
¥474 million

(Additional information)

Changes in holding purpose of assets:

Real estate for sale of ¥481 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 ¥41,468 million, that appeared under noncurrent assets as at the end of the previous consolidated fiscal year, have been reclassified under inventories.

3. Notes to the Consolidated Statements of Income

Loss related to COVID-19

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

4. 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:

(1) Dividends paid to shareholders:

(a) Matters related to the dividends paid pursuant to the resolution of the 69th Ordinary General Meeting of Shareholders held on April 23, 2020:

Total amount of dividends:	¥28,029 million
Dividends per share:	¥41.00
Record date:	Jan. 31, 2020
Effective date:	Apr. 24, 2020

(b) Matters related to the dividends (interim dividends) paid pursuant to the resolution of the meeting of the Board of Directors held on September 10, 2020:

Total amount of dividends:	¥30,696 million
Dividends per share:	¥45.00
Record date:	Jul. 31, 2020
Effective date:	Sep. 30, 2020

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

The following proposal for dividends will be submitted to the 70th Ordinary General Meeting of Shareholders to be held on April 27, 2021:

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

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 514,000 shares

5. Notes to Financial Instrument

1) Matters related to the state of financial instruments

(1) Policy with regard to financial instruments activities:

The Company and its consolidated subsidiaries (the 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.

(2) Contents and risks of financial instruments:

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

Short-term and long-term 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, (7) Main hedge accounting methods* above.

(3) 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)

Accounting and 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, 2021 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	600,284	600,284	—
(2) Notes receivable, accounts receivable from completed construction contracts	144,253		
Allowance for doubtful accounts (*1)	(308)		
	143,945	143,945	—
(3) Short-term investment securities and long-term investment securities			
1) Securities of subsidiaries and affiliates	2,539	1,401	(1,138)
2) Other securities	103,394	103,394	—
Total assets	850,163	849,025	(1,138)
(1) Notes payable, accounts payable for construction contracts	104,972	104,972	—
(2) Electronically recorded obligations-operating	97,780	97,780	—
(3) Short-term loans payable	166,019	166,019	—
(4) Bonds payable	200,000	200,553	553
(5) Long-term loans payable	189,186	190,860	1,674
Total liabilities	757,958	760,186	2,227
Derivative transaction (*2)	0	0	—

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

*2. Net claims and debts arising from derivative transactions are shown at net value.

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.

Derivative transaction

The fair value of derivative transaction is the prices quoted by counterparty financial institutions.

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

Millions of yen

Category	Amount stated in consolidated balance sheets
Unlisted shares	57,570
Investment to SPC	14,316
Preferred securities	999
Investment to LPS	969
Investment in anonymous association	659
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 bonds and current portion of long-term loans payable are included in amount stated in consolidated balance sheets and fair value of bonds and long-term loans payable.

6. 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
433,407	535,435

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.

7. Notes to the Information per Share:

1) Net assets per share	¥1,948.12
2) Net income per share	¥181.18

8. Notes to Significant Subsequent Event:

Share repurchase

At the Board of Directors meeting held on March 4, 2021, the Company resolved to acquire its own shares under the provisions of Article 156 of the Companies Act, as applied pursuant to Article 165 (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 8,000,000 shares

(4) Aggregate price of shares to be repurchased
Up to ¥15,000 million

(5) Period for share repurchase
From March 5, 2021 to January 31, 2022

(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.

Ⅲ. The Non-Consolidated Financial Statements for the 70th fiscal year

List of Notes to Non-Consolidated Financial Statements

1. Summary of Significant Accounting Policies

1) Basis and method of valuation of assets:

(1) Short-term investment securities:

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

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

(iii) 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

(2) Derivatives: Market value method

(3) Inventories:

(i) 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)

(ii) Semi-finished goods and work in process, raw material and supplies:
At cost based on moving average method (The book value is written down to the net realizable value in cases where there has been a material decline in value)

2) Depreciation of noncurrent assets:

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:

(1) 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.

(2) 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:

(1) 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.

(2) Hedging instruments and targets:

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

(3) 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.

(4) 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 spread of COVID-19 has impacted the business activities of the Company, but it is extremely difficult to predict how it will spread in the future and when it will be contained. The determination of the collectability of deferred tax assets and the recognition of impairment loss is estimated based on the assumption that the impact of COVID-19 will continue in the next fiscal year, but gradually be mitigated based on information available when preparing non-consolidated financial statements.

2. Notes to the Balance Sheets

1) Collateralized assets and secured liabilities

Millions of yen

Collateralized assets		Secured liabilities	
Type	Book value at the end of year	Details	Balance at the end of year
Investment securities	321	Liabilities of the subsidiary	—
Land	2,094	Deposits on contract with establishment of leasehold	794
Total	2,415	Total	794

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 ¥195,457 million

3) Liabilities guaranteed

Liabilities guaranteed for repayment (for persons to have housing mortgage) ¥104,079 million

Liabilities guaranteed for repayment
(for affiliated companies to borrow from the financial institutions) ¥238,677 million

4) Pecuniary claims and debts to affiliated companies

Short-term pecuniary claims to subsidiaries ¥16,045 million

Long-term pecuniary claims to subsidiaries ¥23,069 million

Short-term pecuniary debts to subsidiaries ¥204,112 million

(Additional information)

Changes in holding purpose of assets:

Real estate for investments of ¥22,762 million, that appeared under noncurrent assets as at the end of the previous fiscal year, have been reclassified under inventories.

3. Notes to the Statements of Income

Transactions with subsidiaries

Sales to subsidiaries ¥25,662 million

Purchases from subsidiaries ¥215,415 million

Non-operating transactions ¥30,147 million

4. 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, 2020	7,037,973 shares
Number of shares increased	2,787,803 shares
Number of shares decreased	6,244,701 shares
Number of treasury stock (non-consolidated) as of Jan. 31, 2021	3,581,075 shares

Notes:

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

   Increase due to repurchases of fractional shares: 5,403 shares

   Increase due to the acquisition of treasury stock based on the Articles of Incorporation pursuant to Article 165 (2) of the Companies Act: 2,782,400 shares

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

   Decrease due to requests for additional purchases of fractional shares: 301 shares

   Decrease due to exercise of stock options: 110,000 shares

   Decrease due to disposal of treasury stock as restricted stock remunerations 134,400 shares

   Decrease due to the cancellation of treasury stock 6,000,000 shares

5. Notes of Tax Effect Accounting

Significant components of deferred tax assets and liabilities

Millions of yen

Deferred tax assets	
Loss on valuation of shares of subsidiaries	7,652
Provision for retirement benefits	6,564
Loss on valuation of real estate for sale	5,907
Provision for bonuses	5,055
Accumulated impairment loss	3,836
Allowance for doubtful accounts	2,082
Loss on valuation of investment securities	1,427
Accrued enterprise taxes	1,055
Accrued social insurance premium	748
Other	3,767
Subtotal deferred tax assets	**38,096**
Valuation allowance	(13,927)
Total deferred tax assets	**24,169**

Deferred tax liabilities	
Valuation difference on available-for-sale securities	(16,500)
Other	(267)
Total deferred tax liabilities	**(16,768)**
Net deferred tax assets and net deferred tax liabilities	**7,401**

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

6. 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, 2021 (million yen)
			Concurrent offices of officers	Business relationship				
Subsidiary	NASH Financing, LLC	(owning) Indirectly 100%	Holding concurrent offices	Guarantee of the loan liabilities by the company	Guarantee of the loan liabilities	122,292	—	—
Subsidiary	WOODSIDE HOMES COMPANY, LLC	(owing) Indirectly 100%	Holding concurrent offices	Guarantee of the loan liabilities by the company	Guarantee of the loan liabilities	34,478	—	—
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	31,344	—	—
Subsidiary	Sekisui House (Taicang) Co., Ltd.	(owning) Directly 99.9%	Holding concurrent offices	—	Distribution of residual assets following liquidation	24,719	—	—

7. Notes to the Information per Share

1) Shareholders' equity per share	¥1,284. 09
2) Net income per share	¥102. 63

8. Notes to Significant Subsequent Event:

Share repurchase

At the Board of Directors meeting held on March 4, 2021, the Company resolved to acquire its own shares under the provisions of Article 156 of the Companies Act, as applied pursuant to Article 165 (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 8,000,000 shares

(4) Aggregate price of shares to be repurchased

Up to ¥15,000 million

(5) Period for share repurchase

From March 5, 2021 to January 31, 2022

(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.