

Matters available on the website in relation to
the Notice of the 66th Ordinary General Meeting of Shareholders

1. **Business Report for the 66th fiscal year (Feb.1, 2016 – Jan.31, 2017)**
 2. **5) System which ensures the due execution of business
and the status of its implementation** 1
2. **The Consolidated Financial Statements for the 66th fiscal year**
 - List of Notes to Consolidated Financial Statements** 6
3. **The Non-Consolidated Financial Statements for the 66th fiscal year**
 - List of Notes to Non-Consolidated Financial Statements** 21

Sekisui House, Ltd.

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

[**Translation:** Please note that this document purports to be a translation from the Japanese original Matters available on the website in relation to the Notice of the Ordinary General Meeting of Shareholders 2017 of Sekisui House, Ltd. prepared for the convenience of foreign readers. However, in the case of any discrepancy between the translation and the Japanese original, the latter shall prevail.]

1. Business Report for the 66th fiscal year(Feb. 1, 2016– Jan.31, 2017)

2. Present Conditions of the Company as of January 31, 2017

5) System which ensures the due execution of business and the status of its implementation

1. System which ensures that execution of duties by the Directors complies with laws and ordinances and the Articles of Incorporation of the Company

- (1) In the light of achieving the corporate philosophy of the Company and materializing corporate management on the basis of the compliance with laws and ordinances and the Articles of Incorporation, the Company hereby sets forth the Conduct Code with which officers and employees of the Company shall comply.
- (2) By holding regularly lectures and training sessions for compliance towards Directors, the Company will exert to have knowledge and understanding of laws and ordinances and the Articles of incorporation, etc. required for the execution of duties by Directors penetrated into Directors.
- (3) The Board of Directors shall decide on important matters relating to the operation of business based on laws and ordinances, internal regulations and the aforesaid Conduct Code and oversee the execution of duties by Directors.
- (4) The Board of Directors shall elect and oversee Executive Officers executing assigned duties under the Representative Director's instruction and order.
- (5) The Board of Directors shall hold a meeting once per month in principle pursuant to laws and ordinances and the Regulations of the Board of Directors.
- (6) The Representative Director and Executive Officers shall make report on the status of execution of duties at the meeting of the Board of Directors.
- (7) Audit & Supervisory Board Members shall audit execution of duties by Directors and Executive Officers in accordance with the audit standard set forth pursuant to laws and ordinances and internal regulations of the Company.

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

The following documents relating to the execution of duties (including electronic records; the same applicable hereinafter) shall be duly maintained and controlled upon condition that Directors and Audit & Supervisory Board Members, etc. may inspect the same whenever necessary.

- ① Minutes and related materials of the general meeting of shareholders, the Board of Directors and important meetings which Directors attended;
- ② Important documents by which Director decided execution of duties (application document for decision making by rotation and related materials);
- ③ Important documents prepared by Director for execution of duties (contracts, memorandum, reports, etc.);
- ④ Important documents relating to execution of duties by Director.

3. Regulations regarding Control of Risk for Loss of the Company and its subsidiaries and other System

- (1) The Company shall arrange for and prepare regulations regarding risk control of the overall Company and regularly evaluate and control risks existing in the Company.
- (2) The Company shall arrange for and prepare risk control system to deal with natural calamity or any emergency which may cause the Company incurred material loss and damage and procure dissemination and penetration thereof into the Company.
- (3) The Company have its subsidiaries arrange for the system referred in two preceding paragraphs, based on the scale or type of the business, by the guidance of the Directors or Audit & Supervisory board members dispatched from the Company or the department specialized in the subsidiaries control.

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

- (1) In order for duties of Directors executed through Executive Officers and employees being implemented efficiently, the Company shall set forth regulations for assignment of duties and thereby define duties and responsibilities.
- (2) The subsidiaries shall set forth regulations for assignment of duties referred in preceding paragraph, and thereby define duties and responsibilities.

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

- (1) The Company shall set forth the Conduct Code for employees of the Company based on the Corporate Ethics of the Company and take a punitive action under internal regulations including work regulations, etc. against employees violating the same.
- (2) Through training sessions for compliance, the Company will exert to have knowledge and understanding of laws and ordinances, etc. required for the execution of duties and the aforesaid Conduct Code penetrated into employees of the Company and its subsidiaries.
- (3) The CSR Committee directly controlled by the President in which outside well informed persons participate and the CSR Office established in the Corporate Communication Department will promote CSR activities including arrangement for the compliance system.
- (4) Internal help line windows which officers and employees of the Company or its subsidiaries report to will enable the Company to immediately collect information regarding violation of laws and ordinances within the Company and its subsidiaries and take appropriate measures.
- (5) Internal Audit Department of the Company shall conduct regularly audit. Regularly audit of its subsidiaries shall be conducted by the Audit & Supervisory board members dispatched from the Company or by the Internal Audit Department of the Company cooperating with the Internal Audit Department of its subsidiaries, based on the scale or

type of the business.

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

- (1) The subsidiaries shall report information regarding execution of duties by the Directors regularly through the Directors or Audit & Supervisory board members dispatched from the Company , its department specialized in the subsidiaries control or its department concerned.
- (2) The subsidiaries shall report to the Company immediately in an emergency.

7. Matters related to employees to assist duties of the Audit & Supervisory Board Members when the Audit & Supervisory Board Members request to do so

Employees shall be selected to assist Audit & Supervisory Board Members in their duties when Audit & Supervisory Board Members so request. Selection of employees, etc. shall be determined upon respecting intention of the Board of Audit & Supervisory Board Members and mutual consultation.

8. Matters concerning measure for ensuring that the employees of item 7 remain independent from Directors and the effectiveness of the instructions to such employees.

Employees selected to assist Audit & Supervisory Board Members in their duties shall not be under instruction and order of the senior person with respect to the duties requested by Audit & Supervisory Board Members and transfer, evaluation and disciplinary action with respect to the employee shall be determined while respecting opinions of the Board of Audit & Supervisory Board Members.

9. 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 subsidiaries.
- (3) The person in charge in internal help line windows shall report to the Audit & Supervisory Board Members of the Company whenever any report of the fact which might cause material loss and damage to the subsidiaries by directors or employees of the subsidiaries
- (4) Persons who report according to the two preceding paragraphs are not treated disadvantageously due to such report by the Company and its subsidiaries.
- (5) Documents by which decision was made, minutes of important meeting such as the Board of Directors, audit report prepared by the Internal Audit Department, other

important documents related to audit of Audit & Supervisory Board Members shall be forwarded to Audit & Supervisory Board Members.

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

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

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

- (1) Audit & Supervisory Board Members and the Internal Audit Department shall keep close contact through exchange of opinions and cooperate each other so that audit by each party shall be conducted efficiently and effectively.
- (2) Audit & Supervisory Board Members and Accounting Auditors shall have meetings regularly and cooperate each other so that audit duties of each shall be conducted efficiently and effectively.

12. The status of the system to ensures the due execution of duties

(1) Compliance and Risk Management

- The Company has set forth and published “Sekisui House, Ltd. Basic Policy on Corporate Governance”, in which the Company sets forth the basic concept and frameworks of corporate governance.
- To ensure the effectiveness of the appropriate establishment and operation of risk management systems, the Company has established “Risk Management Committee” as a consultative body to the Board of Directors.
- The Company exerts to have directors and employees of the Company and its subsidiaries understand and observe the Corporate Philosophy, the Conduct Code, the Corporate Conduct Guidelines and the Corporate Ethics of Sekisui House Group by distributing booklets on which the codes written.
- The Company hold regularly training sessions for risk management which employees of the Company and directors and employees of its subsidiaries receive.
- The Company has established the International Internal Control Promotion Office in Accounting & Finance Department, and proceeds to arrange.
- As the internal help line system for whistleblowers to report to internal or external help line, the Company has set up “Sekisui House Group Company Ethics Helpline(SCS System: Sekisui House Group Compliance Support System)” and “Sekisui House Group Business Partners Company Ethics Helpline”.

(2) Ensuring efficient execution of duties

- The Company appoints Executive Officers to ensure mobile execution of duties and clarify responsibilities. The Executive Officers report the status of their duties to the Board of Directors quarterly.
- Meetings of the Board of Directors were held 11 times, and passed a written resolution under the Companies Act and the Article of Incorporation of the Company during this fiscal year

(3) Audit by the Audit & Supervisory Board Members

- Audit & Supervisory Board Members plan audit, and execute audits of branch and listening investigation to the Directors and the Executive Officers about risk and problem of their duties as planned.
- The Company has selected some employees who assist Audit & Supervisory Board Members, and they do the necessary for Audit & Supervisory Board Members to execute duties as management of the Meeting of Audit & Supervisory Board Members or demands of audit report, etc.

(4) Ensuring the due execution of duties in the subsidiaries

- Departments of the Company guide and supervise the subsidiaries, and the Company dispatch directors or Audit & Supervisory Board Members to supervise and audit the execution of duties of some subsidiaries.
- The Company has established a department specialized in the subsidiaries control, and it demands irregularly or regularly report of the status of the execution of duties of each subsidiaries and arrange standards of the business.

2. The Consolidated Financial Statements for the 66th fiscal year

List of Notes to Consolidated Financial Statements

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

1) Scope of consolidation

Consolidated subsidiaries: 225, including Sekiwa Real Estate, Ltd., Sekiwa Real Estate Kanto, Ltd., Sekiwa Real Estate Kansai, Ltd., Sekiwa Real Estate Chubu, Ltd., Sekiwa Real Estate Chugoku, Ltd., Sekiwa Real Estate Kyushu, Ltd., Sekiwa Real Estate Tohoku, Ltd. and other companies.

All 225 subsidiaries are consolidated.

Changes in scope of consolidation

27 companies increased as subsidiaries were established or otherwise. In addition 7 companies were decreased due to merger or liquidation.

2) Application of equity method

Affiliated companies accounted for by the equity method: 26, including Otori Holdings, Co., Ltd., Almetax Manufacturing Co., JPF Co. and other companies.

Investment in each of the 26 affiliated companies is accounted for by the equity method.

Changes in scope of equity method

Investment in 5 companies are accounted for by the equity method. In addition, 2 companies were decreased due to sale or liquidation.

3) Term-ends of consolidated subsidiaries

The end of the fiscal year is March 31 for Sekisui House SI Asset Management, Ltd. and other 2 subsidiaries. In addition, there are 2 companies whose fiscal years end on May 31 and November 30, respectively. When preparing consolidated financial statements, the Company utilizes the provisional financial statements compiled as of January 31.

Fiscal year ends on December 31 for SEKISUI HOUSE AUSTRALIA HOLDING PTY LIMITED and 178 other consolidated subsidiaries. When preparing consolidated financial statements, the Company uses the financial statements of those consolidated subsidiaries as of their respective balance sheet dates. For material transactions before the date of fiscal year-end of consolidated group, necessary adjustments have been implemented.

4) Summary of significant accounting standards

(1) Basis and method for valuation for significant assets

(a) Short-time investment securities:

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

(ii) Other short-time investment securities:

- Securities with market value:

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

- Securities with no available market value:

At cost based on the moving average method

(b) Derivatives: Market value method

(c) Inventories:

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

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

(ii) Other inventories: At cost based on moving average method

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

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

Property, plant and equipment (excluding lease assets):

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

Intangible assets (excluding lease assets):

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

Lease assets:

With respect to leased assets for finance lease transactions other than those involving a transfer of ownership, the Company applies the straight-line method to such finance leases, where the useful lives of the assets are the terms of leases and the residual values of the assets are deemed zero. Finance lease transactions other than those involving a transfer of ownership that began prior to January 31, 2009 are accounted for using the same method as ordinary operating leases.

(3) Basis for accounting for significant allowances

(a) Allowance for doubtful accounts:

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

(b) Provision for bonuses:

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

(c) Provision for directors' bonuses

To prepare for bonus payments to directors and audit & supervisory board members, the Company provides for the estimated amount.

- (d) Provision for compensation payments on completed works:

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

- (e) Provision for directors' retirement benefits:

To allow for retirement payments to directors and audit & supervisory board members, the Company provides the required amounts at the end of the current term based on internal regulations.

(4) Method of Accounting for Retirement Benefit Obligations

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

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

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

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

(5) Basis for accounting for income and expenses

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

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

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

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

(6) Amortization of goodwill

Goodwill are amortized over 5 years using the straight-line method, beginning in the consolidated fiscal year in which they arise, except for cases where useful life can be estimated, in which case they are amortized over the estimated useful life based on a

substantive analysis by the Company, and with the exception of minor amounts, which are charged to income as it accrues.

(7) 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 calculation for the accounting period) is applied to forward foreign exchanges contracts which conform to the requirements of such hedge accounting.

(b) Hedging instruments and targets:

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

(ii) Interest swaps are used as an instrument to hedge targeted borrowings.

(c) Hedging policies:

The Company uses derivatives transactions with the aim of avoiding losses from fluctuations in exchange or interest rates, etc. The use of exchange forward contracts does not exceed the amount of import transactions. The assumed principal balance subject to interest-swap transaction does not exceed the relevant interest bearing debts outstanding.

(d) Methods 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 conditions 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 translating significant 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 consolidated balance sheet date. 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 minority 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 ¥7,321 million, ¥2,287 million, ¥515 million, and ¥526 million are included in “Buildings for sale”, “Land for sale in lots”, “Undeveloped land for sale”, and “Construction in progress” respectively.

5) Changes in accounting policies

Application of accounting standard for business combinations, etc.

The Accounting Standard for Business Combinations (ASBJ Statement No.21 of September 13, 2013, hereinafter, the “Business Combinations Accounting Standard”), the Accounting Standard for Consolidated Financial Statements (ASBJ Statement No. 22 of September 13, 2013, hereinafter, the “Consolidated Financial Statements Accounting Standard”), etc. and the Accounting Standard for Business Divestitures (ASBJ Statement No. 7 of September 13, 2013, hereinafter, the “Business Divestitures Accounting Standard”) were applied from the first quarter of the consolidated fiscal year under review. As a result, the Company has changed accounting methods, so that differences arising from changes in the equity interests of the Company in subsidiaries under continuing control are recorded as capital surplus, and acquisition-related costs are recorded as expenses in the consolidated fiscal year when the costs arose. For business combinations to be implemented after the beginning of the first quarter of the consolidated fiscal year under review, the Company has changed its accounting method, so that revisions to the allocation amount of acquisition costs due to the fixation of provisional accounting treatment are reflected in the quarterly consolidated financial statements for the quarter to which the date of business combination belongs. The Company has also changed the method of presenting net income, etc. and changed the presentation of minority interests to non-controlling interests.

With respect to the application of the Business Combinations Accounting Standard, etc., the Company follows the transitional treatments set forth in Clause 58-2 (4) of the Business Combinations Accounting Standard, Clause 44-5 (4) of the Consolidated Financial Statements Accounting Standard and Clause 57-4 (4) of the Business Divestitures Accounting Standard, and they are applied from the beginning of the first quarter of the previous fiscal year under review. These changes have no influence on the consolidated financial statements.

Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016

In line with the revised Corporation Tax Act, the Company adopted the “Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016” (ASBJ

PITF No.32, June 17, 2016) in the second quarter of the fiscal year under review and changed the depreciation method for facilities attached to buildings and structures acquired on and after April 1, 2016 from the declining balance method to the straight line method. The impact of this change on the income of the consolidated fiscal year under review is immaterial.

6) Additional Information

Effects due to Changes in Corporate Tax Rates

According to the enactment by the Diet of the “Act for Partial Revision of the Income Tax Act (Act No.15 of 2016)” and the “Act for Partial Revision of the Local Tax Act (Act No.13 of 2016)” on March 29, 2016, and the “Act for Partial Revision to the Partial Revision, etc. of Consumption Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources, etc. for Social Security (Act No.85 of 2016)” and the “Act for Partial Revision to the Partial Revision, etc. of Local Tax Act and Local Allocation Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources, etc. for Social Security (Act No.86 of 2016)” on November 18, 2016, the effective legal tax rates used for calculating deferred tax assets and deferred tax liabilities were changed from 32.1% to 30.7%, pertaining to temporary differences that are expected to be eliminated in the consolidated fiscal year starting from February 1, 2017 and February 1 2018, and to 30.5%, pertaining to temporary differences that are expected to be eliminated in a consolidated fiscal year starting from February 1, 2019.

As a result of the change in tax rates, deferred tax assets (the amount after deducting deferred tax liabilities) decreased ¥909 million, while income taxes-deferred, valuation difference on available-for-sale securities, and remeasurements of retirement benefits increased ¥2,204 million, ¥787 million, and ¥506 million, respectively.

2. Notes to the Consolidated Balance Sheet

1) Collateralized assets and secured liabilities:

Millions of yen

Collateralized assets		Secured liabilities	
Type	Book value at the end of year	Details	Balance at the end of year
Investment securities	1,226	Liabilities of the subsidiary	—
Buildings for sale and Land for sale in lots	94,601	Borrowing from financial institutions	56,719
		Deposits on contract with establishment of leasehold	25
Buildings	510	Long-term lease and guarantee deposited	180
Land	2,970	Deposits on contract with establishment of leasehold	1,078
		Borrowings of clients from banks	198
Total	99,310	Total	58,202

Note:

Apart from stated above, the Company deposited short-term investment securities, investment securities, cash and deposits of 6,631 million yen in accordance with Act on Assurance of Performance of Specified Housing Defect Warranty and the like.

2) **Accumulated depreciation of property, plant and equipment** 237,919 million yen

3) Liabilities guaranteed:

(1) Liabilities guaranteed for repayment (for persons to have housing mortgage) 102,605 million yen

(2) Security on things for borrowings of clients from banks 198 million yen

(3) Security on liabilities guaranteed for borrowings of clients from banks 172 million yen

(Additional information)

Changes in holding purpose of assets:

Real estate for sale of 10,270 million yen, that appeared under inventories as at the end of the previous consolidated fiscal year, has been reclassified under noncurrent assets. In addition, real estate for investments and the like of 50,238 million yen, that appeared under noncurrent assets as at the end of the previous consolidated fiscal year, have been reclassified under inventories.

3. Notes to the Consolidated Statement Changes in Net Assets

1) **Type and total number of shares issued:**

Common shares 709,683,466 shares

2) **Matters related to dividends:**

(1) Dividends paid to shareholders:

a. Matters related to the dividends paid pursuant to the resolution of the 65th ordinary general meeting of shareholders held on April 27, 2016:

- Total amount of dividends; 18,932 million yen
- Dividends per share: 27.00 yen
- Record date: Jan. 31, 2016
- Effective date: Apr. 28, 2016

b. Matters related to the dividends (interim dividends) paid pursuant to the resolution of the meeting of the Board of Directors held on September 8, 2016:

- Total amount of dividends; 22,154 million yen
- Dividends per share: 32.00 yen
- Record date: Jul. 31, 2016
- Effective date: Sep. 30, 2016

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

The following proposal for dividends will be submitted to the 66th ordinary general meeting of shareholders to be held on April 27, 2017:

- Total amount of dividends; 22,088 million yen
- Source of funds for dividends; Retained earnings
- Dividends per share: 32.00 yen
- Record date: Jan. 31, 2017
- Effective date: Apr. 28, 2017

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

Common shares 844,000 shares

4. Notes to Financial Instrument

1) **Matters related to the state of financial instruments**

(1) Policy with regard to financial instruments activities:

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

(2) Contents and risks of financial instruments:

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

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

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

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

(3) Content of financial risk management systems

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

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

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

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

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

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

Accounting & Finance Department of the Company and responsible divisions of each subsidiary make and renew financing plan timely based on reports from each branch and manage liquidity risk to maintain short-term liquidity. In addition,

the Companies secure several steady financing means by setting commitment line and maximum limit of issuing bonds.

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

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

The Companies calculate the fair value of financial instruments based on market prices, or by using reasonable estimates when market prices are not available. These estimates include variable factors, and are subject to fluctuation due to changes in the underlying assumptions. The contract amounts of the derivatives discussed in 2. Fair Value of Financial Instruments below are not an indicator of the market risk associated with derivatives transactions.

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, 2017 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 notes2).

Millions of yen			
	Amount stated in consolidated balance sheets	Fair value	Variance
(1) Cash and deposits	212,808	212,808	—
(2) Notes receivable and accounts receivable from completed construction contracts Allowance for doubtful accounts(※1)	49,031 (284)		
	48,747	48,747	—
(3) Short-term investment securities and Long-term investment securities			
1) Debt securities expected to be held to maturity	1,988	1,994	5
2) Securities of subsidiaries and affiliates	3,388	2,043	(1,344)
3) Other securities	90,563	90,563	—
Assets amount	357,496	356,157	(1,338)
(1) Notes payable, accounts payable for construction contracts	108,835	108,835	—
(2) Electronically recorded obligations-operating	70,202	70,202	—
(3) Short-term loans payable	150,863	150,863	—
(4) Bonds payable	170,000	168,912	(1,088)
(5) Long-term loans payable	130,729	130,728	(1)
Liabilities amount	630,631	629,542	(1,089)
Derivative transactions(※2)	328	328	—

Notes※:

- Amount of notes receivable and accounts receivable from completed construction contracts deduct amount of allowance for doubtful accounts
- Assets and liabilities from derivatives transactions are shown in the net amount.

Notes

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

Assets

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

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

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

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

Liabilities

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

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

(4) Bonds payable

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

(5) Long-term loans payable

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

Derivatives transactions

The fair value of derivatives is stated as the value presented by 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	50,810
Investment in anonymous association	2,356
Preferred securities	999
Investment to SPC	590
Unlisted stocks	120
Investment to LPS	97

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

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

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

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

The Company and some subsidiaries own houses and office buildings for leasing and the like in metropolitan 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
475,235	540,847

Notes:

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

6. Notes to the Information per Share:

- | | |
|-------------------------|-----------|
| 1. Net assets per share | ¥1,598.90 |
| 2. Net income per share | ¥175.48 |

7. Notes to significant subsequent event:

1) Acquisition of equity interests by consolidated subsidiary

At a meeting of its Board of Directors held on Feb. 22, 2017, the Company resolved to acquire all equity interests in Woodside Homes Company, LLC which is engaged in the detached house business in the United States, to carry out reorganization of the Company's subsidiaries and second-tier subsidiaries, and executed the relevant merger agreements. Under the scheme, SH Residential Holdings, LLC a subsidiary of Sekisui House US Holdings, LLC, which is a wholly owned subsidiary of the Company, conducted a merger of Crayon Special Vehicle-I, LLC, a wholly owned subsidiary of SH Residential Holdings, LLC and Woodside Homes Company, LLC (through this merger, Woodside Homes Company, LLC became the surviving company). After the merger, Woodside Homes Company, LLC became a wholly owned subsidiary of SH Residential Holdings, LLC. In addition, NORTH AMERICA SEKISUI HOUSE, LLC a wholly owned subsidiary of the Company became a wholly owned subsidiary of Sekisui House US Holdings, LLC.

With the implementation of the above measures, NORTH AMERICA SEKISUI HOUSE, LLC became a subsidiary of Sekisui House US Holdings, LLC after the Company executed in-kind contribution of all of its equity interests in NORTH AMERICA SEKISUI HOUSE, LLC to Sekisui House US Holdings, LLC on Feb. 23, 2017 (Feb. 22, 2017, time in US). In addition, the Company increased the capital of Sekisui House US Holdings, LLC on Feb. 28, 2017 (Feb. 27, 2017, time in US), in order to partially fund the purchase of equity interest in past of Woodside

Homes Company, LLC on Mar. 1, 2017 (Feb. 28, 2017, time in US) and Sekisui House US Holdings, LLC increased the capital of SH Residential Holdings, LLC, on that same day.

(1) Reason for the acquisition of equity interests:

In the housing market in the United States, the view that demand for detached houses in the suburbs will gain speed in the future has a consensus, mainly reflecting falling unemployment rates, rising wages and the mortgage rates that are still at historically low levels. The Company views this market as one of the markets that should be the focus of the Company's efforts in the Overseas Business. In the domestic market, the Company has been working to develop and popularize eco-friendly housing systems as its contribution to the solution of social problems through housing, by supplying its mainstay product, Zero Energy Houses (ZEH), and houses with rising added-value into the future. As in Japan, interest in and support for sustainable living environments is rapidly expanding in the United States, as exemplified by the State of California's new regulation that requires all newly built detached houses to be ZEH by 2020.

The Company considers this market environment in the United States to be a significant business opportunity to take advantage of its environmental techniques and to make serious inroads into the homebuilding business. With this full-scale entry, the Company decided to cooperate with Woodside Homes Company, LLC, which has been developing business under the same platform and unified brand in several regions and has established a stable revenue base over the years. Based on this cooperation, the Company aims to expand business in the State of Utah where Woodside Homes Company, LLC's head office is located, the State of California and other parts of the Western United States.

Woodside Homes Company, LLC has been developing its homebuilding business mainly in the Western part of the United States. Since its foundation, it has sold a total of more than 40,000 houses and has become one of the largest homebuilders in the region. It has a broad product lineup in response to the diversity of its customers, and is also marketing eco-friendly housing. We will expand our business in the United States by leveraging the experience and know-how of the two companies.

(2) Name of counterparties from which equity interests were acquired:

Oaktree AC Invest Co 3, L.P. and certain other accounts (a total of 4 accounts.) ("Oaktree"), Stonehill Institutional Partners, L.P. ("Stonehill") and other investors (12 accounts). The two primary owners of Woodside Homes are Oaktree and Stonehill, which are both private equity US investment funds. Details of these companies are not disclosed at their request. The Company has no special capital, personnel, or business relationship with any of the counterparties in question.

(3) Name, business line and scale of the company acquired

(a) Company name Woodside Homes Company, LLC

- (b) Business line Holding company holding equity interests in companies which engage in the detached housing business and related businesses
- (c) Scale (As of December 31, 2015) Consolidated net assets: US\$340, million , Consolidated total assets: US\$831 million

(4) Acquisition date

March 1, 2017 (February 28, 2017, time in US)

(5) Number of equity interests acquired, acquisition cost, and ownership ratio after acquisition

(a) Number of equity interests acquired 21,549,342.22

(b) Acquisition cost US\$ 468 million
(merger consideration and advisory expenses, etc.)

(c) Ownership ratio after acquisition 100.0%

(6) Payment funding method

Payment funding method

2) Cancellation of Treasury Stock

At the meeting of the Board of Directors held on March 9, 2017 it resolved to cancel treasury stock pursuant to Article 178 of the Companies Act.

(1) Reason for share cancellation

To enhance the asset efficiency and the shareholder value through the reduction in the number of outstanding shares

(2) Method of share cancellation

Reduction in retained earnings

(3) Class of shares to be cancelled

Common stock

(4) Number of shares to be cancelled

19,000,000 shares (2.68% of total outstanding shares)

(5) Scheduled date of cancellation

April 28, 2017

(6) Total number of outstanding shares after cancellation

690,683,466 shares

The above cancellation of treasury stock is subject to the approval on the reversal of general reserves the Company will seek to obtain at the general meeting of shareholders of the Company, to be held on April 27, 2017.

Note:

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

3. The Non-Consolidated Financial Statements for the 66th 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-time investment securities:

- (i) Debt securities expected to be held to maturity: Amortized cost (straight-line) method
- (ii) Shares held in subsidiaries or affiliated companies: At cost based on moving average method
- (iii) Other short-time investment securities:
 - Stocks with market value:

Based on closing market price on the last day of period (Valuation gains and losses resulting are calculated by the full capital costing method; cost of disposal is calculated by the moving average method)
 - Stocks with no available market value:

At cost based on the moving average method

(2) Derivatives: Market value method

(3) Inventories:

- (i) Costs on uncompleted construction contracts, buildings for sale, land for sale in lot, and undeveloped land for sale: At cost based on individual cost method
(Cost method whereby 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
(Cost method whereby the book value is written down to the net realizable value in cases where there has been a material decline in value)..

2) Depreciation of noncurrent assets:

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

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

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

With respect to leased assets for finance lease transactions other than those involving a transfer of ownership, the Company applies the straight-line method to such finance leases, where the useful lives of the assets are the terms of leases and the residual values of the assets are deemed zero. Finance lease transactions other than those involving a transfer of ownership that began on or prior to January 31, 2009 are accounted for applying *mutatis mutandis* the ordinary operating leases.

3) Basis for accounting for allowances:

(a) Allowance for doubtful accounts:

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

(b) Provision for bonuses:

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

(c) Provision for directors' bonuses:

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

(d) Provision for warranties for completed construction:

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

(e) Provision for retirement benefits:

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

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

In conjunction with the calculation of retirement benefit obligations, benefit 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.

4) Basis for accounting for income and expenses:

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

The Company has applied percentage-of-completion method (estimate for level of completion based on the percentage of direct costs) to construction contracts meeting

the following criteria; construction had been started during the fiscal year under review (except for short-period work), of which the percentage of construction completion by the end of the fiscal year can be estimated reliably. For other construction contracts, the company has adopted completed-contract method.

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

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

5) Main hedge accounting methods:

- (i) Hedge accounting methods:

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

- (ii) Hedging instruments and targets:

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

- (iii) Hedging policies:

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

- (iv) Methods of assessing hedge effectiveness:

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

6) Accounting for consumption taxes

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

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

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

2. Changes in Accounting Policies

Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016

In line with the revised Corporation Tax Act, the Company adopted the "Application of Practical Solution on a Change in Depreciation Method Due to Tax Reform 2016" (ASBJ PITF No.32, June 17, 2016) in the second quarter of the fiscal year under review and changed the depreciation method for facilities attached to buildings and structures acquired on and after April 1, 2016 from the declining balance method to the straight line method.

The impact of this change on the income of the consolidated fiscal year under review is immaterial.

3. 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	320	Liabilities of the subsidiary	—
Stocks of the other subsidiaries and affiliates	1,244	Liabilities of Sunshine Energy Yusui, LLC. (affiliated company)	—
Land	2,779	Deposits on contract with establishment of leasehold	1,078
Total	4,343	Total	1,078

Note:

Apart from stated above, the Company deposited short-term investment securities, investment securities, cash and deposits of 5,609 million yen in accordance with Act on Assurance of Performance of Specified Housing Defect Warranty and the like.

2) **Accumulated depreciation of property, plant and equipment** 191,962 million yen

3) Liabilities guaranteed

Liabilities guaranteed for repayment (for persons to have housing mortgage) 101,266 million yen

Liabilities guaranteed for repayment

(for affiliated companies to borrow from the financial institutions) 153,279 million yen

4) Pecuniary claims and debts to affiliated companies

Millions of yen

Short-term pecuniary claims to subsidiaries	10,031
Long-term pecuniary claims to subsidiaries	46,026
Short-term pecuniary debts to subsidiaries	128,630

(Additional information)

Changes in holding purpose of assets:

Real estate for investments of 47,634 million yen, that appeared under noncurrent assets as at the end of the previous fiscal year, have been reclassified under inventories.

4. Notes to the Statements of Income

Transactions with subsidiaries	<i>Millions of yen</i>
Sales to subsidiaries	31,646
Purchases from subsidiaries	243,651
Non-operating transactions	20,800

5. Notes to the Statement of Change in Net Assets

Type and numbers of shares outstanding and treasury stock

Type of shares	Common shares
Outstanding shares (non-consolidated) as of Jan. 31, 2016	8,490,264 shares
Number of shares increased	12,105,803 shares
Number of shares decreased	1,166,642 shares
Outstanding shares (non-consolidated) as of Jan. 31, 2017	19,429,425 shares

Notes:

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

Increase due to repurchases of fractional shares:	8,403 shares
Increase due to the acquisition of the Company's own shares pursuant to Article 165 (2) of the Companies Act	12,097,400 shares

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

Decrease due to requests for additional purchases of fractional shares:	229 shares
Decrease due to exercise of stock options:	25,000 shares
Decrease due to exercise of Zero Coupon Convertible Bonds due 2016 (bonds with stock acquisition rights):	1,141,413 shares

6. Notes of Tax Effect Accounting

1) Significant components of deferred tax assets and liabilities

Millions of yen

Deferred tax assets	
Loss on valuation of real estate for sale	13,337
Provision for retirement benefits	12,638
Provision for bonuses	6,163
Accumulated impairment loss	5,620
Loss on valuation of investment securities	2,717
Loss on valuation of shares of subsidiaries	2,473
Accrued enterprise taxes	894
Accrued social insurance premium	881
Other	3,682
Subtotal deferred tax assets	48,407
Valuation allowance	(9,766)
Total deferred tax assets	38,641

Deferred tax liabilities	
Valuation difference on available-for-sale securities	(15,017)
Other	(584)
Total deferred tax liabilities	(15,602)
Net deferred tax assets and net deferred tax liabilities	23,038

Notes:

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

Current assets – Deferred tax assets: 22,651 million yen

Noncurrent assets – Deferred tax assets: 387 million yen

2) Effects due to Changes in Corporate Tax Rates

According to the enactment by the Diet of the “Act for Partial Revision of the Income Tax Act (Act No.15 of 2016)” and the “Act for Partial Revision of the Local Tax Act (Act No.13 of 2016)” on March 29, 2016, and the “Act for Partial Revision to the Partial Revision, etc. of Consumption Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources, etc. for Social Security (Act No.85 of 2016)” and the “Act for Partial Revision to the Partial Revision, etc. of Local Tax Act and Local Allocation Tax Act for the Drastic Reform of the Taxation System for Ensuring Stable Financial Resources, etc. for Social Security (Act No.86 of 2016)” on November 18, 2016, the effective legal tax rates used for calculating deferred tax assets and deferred tax liabilities were changed from 32.1% to 30.7%, pertaining to temporary differences that are expected to be eliminated in the consolidated fiscal year starting from February 1, 2017 and February 1 2018, and to 30.5%, pertaining to temporary differences that are expected to be eliminated in a consolidated fiscal year starting from February 1, 2019.

As a result of the change in tax rates, deferred tax assets (the amount after deducting deferred tax liabilities) decreased ¥1,096 million, while income taxes-deferred, and valuation difference on available-for-sale securities increased ¥1,884 million, and ¥787 million, respectively.

7. Notes of Fixed Assets to use by a lease

The Company is using a portion of personal computers for business use and vehicles for business use based on finance leasing contracts other than those involving a transfer of ownership and those which began on or prior to January 31, 2009 have been accounted for applying *mutatis mutandis* the ordinary operating lease method.

8. Notes of Transaction with related parties

1) Subsidiaries and Affiliated Companies, etc.

Type	Company name	Percentage of owning (owned) voting rights	Description of the relationship		Description of transaction	Transaction amount (million yen)	Account	Balance at January 31, 2017 (million yen)
			Concurrent offices of officers	Business relationship				
Subsidiary	Sekisui House(Wuxi) Co., Ltd.	(owning) Directly 100	Holding concurrent offices	—	Underwriting of the bounds	17,130 (※1)	Bounds of subsidiaries and affiliates	16,600 (※1)
Subsidiary	NORTH AMERICA SEKISUIHO USE, LLC	(owning) Indirectly 100	Holding concurrent offices	—	Underwriting of the capital increase (※2)	30,173	—	—
Subsidiary	NASH FINANCING, LLC	(owning) Indirectly 100	Holding concurrent offices	—	Guarantee of the loan liabilities	147,966	—	—

Notes※:

- Foreign exchange gains or losses is not included in Transaction amount, but in Balance at January 31, 2017. Interest rate of the bounds is determined rationally taking into account market rate.
- The Company underwritten all the capital increase.

2) Subsidiaries and Affiliated Companies, etc.

Type	Name or Company name	Percentage of owning (owned) voting rights	Description of the relationship	Description of transaction	Transaction amount (million yen)	Account	Balance at January 31,2017 (million yen)
Officer	Isami Wada	(owned) Directly 0.04	Chairman & Representative Director of the Company	(※1)Sale of a condominium	—	Advances received	15
				Receiving a contract for remodeling of a house	11	—	—
Close relatives of officer	Close relatives of Kengo Yoshida	—	—	Receiving a contract for construction of a house	35	—	—

Notes※:

1. The condominium has been constructing, delivery is scheduled in 2018.
2. The price of the sale, remodeling, and construction is determined in usual way.

9. Notes to the Information per Share

1. Shareholders' equity per share	¥1,163.95
2. Net income per share	¥108.86

10. Notes to significant subsequent event:

1) Acquisition of equity interests by consolidated subsidiary

At a meeting of its Board of Directors held on Feb. 22, 2017, the Company resolved to acquire all equity interests in Woodside Homes Company, LLC which is engaged in the detached house business in the United States, to carry out reorganization of the Company's subsidiaries and second-tier subsidiaries, and executed the relevant merger agreements. Under the scheme, SH Residential Holdings, LLC a subsidiary of Sekisui House US Holdings, LLC, which is a wholly owned subsidiary of the Company, conducted a merger of Crayon Special Vehicle-I, LLC, a wholly owned subsidiary of SH Residential Holdings, LLC and Woodside Homes Company, LLC (through this merger, Woodside Homes Company, LLC became the surviving company). After the merger, Woodside Homes Company, LLC became a wholly owned subsidiary of SH Residential Holdings, LLC. In addition, NORTH AMERICA SEKISUI HOUSE, LLC a wholly owned subsidiary of the Company became a wholly owned subsidiary of Sekisui House US Holdings, LLC.

With the implementation of the above measures, NORTH AMERICA SEKISUI HOUSE, LLC became a subsidiary of Sekisui House US Holdings, LLC after the Company executed in-kind contribution of all of its equity interests in NORTH AMERICA SEKISUI HOUSE, LLC to Sekisui House US Holdings, LLC on Feb. 23, 2017 (Feb. 22, 2017, time in US). In addition, the

Company increased the capital of Sekisui House US Holdings, LLC on Feb. 28, 2017 (Feb. 27, 2017, time in US), in order to partially fund the purchase of equity interest in past of Woodside Homes Company, LLC on Mar. 1, 2017 (Feb. 28, 2017, time in US) and Sekisui House US Holdings, LLC increased the capital of SH Residential Holdings, LLC, on that same day. For details, please refer to “7. Notes to significant subsequent event” in “The Consolidated Financial Statements for the 66th fiscal year”.

2) **Cancellation of Treasury Stock**

At the meeting of the Board of Directors held on March 9, 2017 it resolved to cancel treasury stock pursuant to Article 178 of the Companies Act.

(1) Reason for share cancellation

To enhance the asset efficiency and the shareholder value through the reduction in the number of outstanding shares

(2) Method of share cancellation

Reduction in retained earnings

(3) Class of shares to be cancelled

Common stock

(4) Number of shares to be cancelled

19,000,000 shares (2.68% of total outstanding shares)

(5) Scheduled date of cancellation

April 28, 2017

(6) Total number of outstanding shares after cancellation

690,683,466 shares

The above cancellation of treasury stock is subject to the approval on the reversal of general reserves the Company will seek to obtain at the general meeting of shareholders of the Company, to be held on April 27, 2017.

Note:

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