Consolidated Financial Statements Summary
for the First Quarter of FY2022 (February 1, 2022 through April 30, 2022)
(Japanese Standard)

June 9, 2022

Company name	: Sekisui House, Ltd. (URL https://www.sekisuihouse.co.jp)
Listed exchanges	: Tokyo, Nagoya
Stock code	: 1928
Representative	: Yoshihiro Nakai, Representative Director of the Board, President & Executive Officer,CEO
Inquiries	: Atsushi Yoshida, Executive Officer, Head of Investor Relations Department Tel +81 6 6440 3111
Filing date of quarterly securities report	: June 13, 2022
Date of scheduled payment of dividends	: -
Quarterly earnings supplementary explanatory documents	: Yes
Quarterly earnings results briefing	: Yes (for institutional investors and analysts, in Japanese)

(Amounts are rounded down to the nearest million yen.)

1. Consolidated Results for the Three Months Ended April 30, 2022 (February 1, 2022 through April 30, 2022)

(1) Consolidated Financial Results (% figures represent changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Three months ended Apr. 30, 2022	743,671	22.2	87,769	60.5	86,120	54.8	57,485	58.9
Three months ended Apr. 30, 2021	608,590	1.8	54,684	7.5	55,636	16.9	36,171	18.1

(Note) Comprehensive income:
Three months ended Apr. 30, 2022: ¥94,086 million (25.4%) Three months ended Apr. 30, 2021: ¥75,044 million (-%)

	Profit per share	Fully diluted profit per share
	¥	¥
Three months ended Apr. 30, 2022	85.40	85.36
Three months ended Apr. 30, 2021	53.20	53.17

(2) Consolidated Financial Position

	Total assets	Net assets	Equity capital ratio
	¥ million	¥ million	%
As of April 30, 2022	2,850,645	1,567,542	53.3
As of January 31, 2022	2,801,189	1,520,959	52.6

(Reference) Equity capital As of April 30, 2022: ¥1,519,368 million As of January 31, 2022: ¥1,473,940 million

2. Cash Dividends

	Cash dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	¥	¥	¥	¥	¥
Year ended Jan. 31, 2022	-	43.00	-	47.00	90.00
Year ending Jan. 31, 2023	-				
Year ending Jan. 31, 2023 (forecast)		47.00	-	47.00	94.00

(Note) Revised dividend forecast for the quarter under review: None

3. Consolidated Results Forecast for FY2022 (February 1, 2022 through January 31, 2023)

(% figures represent changes from the same period of the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Profit per share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Year ending January 31, 2023	2,787,000	7.6	236,000	2.5	234,000	1.7	158,000	2.7	236.99

(Note) Revised forecast for the quarter under review: None

Notes

(1) Changes in significant subsidiaries (changes in specific subsidiaries that caused a change in scope of consolidation): Not applicable

New Consolidated Companies: - Excluded: -

(2) Application of accounting treatment specific to the preparations for consolidated quarterly financial statements: Not applicable

(3) Changes in accounting policies, accounting estimates and restatements

(a) Changes in accounting policies due to amendment of accounting standards: Applicable

(b) Changes in accounting policies due other than (a): Not applicable

(c) Changes in accounting estimates: Not applicable

(d) Restatements: Not applicable

(4) Number of shares outstanding (common stock)

(i) Number of shares outstanding at the end of each period (including treasury stock):

As of Apr. 30, 2022: 684,683,466 shares As of Jan. 31, 2022: 684,683,466 shares

(ii) Number of treasury stock at the end of each period:

As of Apr. 30, 2022: 14,828,682 shares As of Jan. 31, 2022: 9,913,593 shares

(iii) Average number of shares outstanding in each period (cumulative quarterly consolidated accounting period):

Three months ended Apr. 30, 2022: 673,152,410 shares Three months ended Apr. 30, 2021: 679,859,755 shares

*** This quarterly financial results report is exempt from quarterly review.**

*** Notes Regarding the Appropriate Use of Results Forecasts and Other Important Matters**

Descriptions regarding forward-looking statements, etc. contained in these materials are based on information currently available to the Company and certain assumptions judged reasonable. The Company makes no warranty as to the feasibility of its projections. Future results may differ materially from projections due to various factors. For the assumptions underlying the earnings forecast, please see "(3) Information Regarding Consolidated Results Forecast" in "1. Qualitative Information Regarding the Consolidated Results for the Three Months under Review" of the "Attached Material" on page 9.

(Obtaining supplementary explanatory documents)

The Company plans to hold a briefing for institutional investors and analysts on June 9, 2022. Relevant financial explanatory documents to be handed out at the briefing will be posted on our official website on the same day.

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Appendix: Segment breakdown for the Three Months Ended April 30, 2022

Consolidated

(1) Net sales (¥ million)

		Three months ended April 30, 2021	Three months ended April 30, 2022	YOY(%)
Built-to-order Business	Custom detached houses	74,671	84,646	13.4
	Rental housing	89,370	105,352	17.9
	Architectural/Civil engineering	74,062	72,373	(2.3)
	Subtotal	238,103	262,372	10.2
Supplied Housing Business	Remodeling	34,433	36,054	4.7
	Real estate management fees	146,843	155,145	5.7
	Subtotal	181,277	191,199	5.5
Development Business	Houses for sale	40,309	52,992	31.5
	Condominiums	20,748	36,557	76.2
	Urban redevelopment	41,764	33,805	(19.1)
	Subtotal	102,822	123,355	20.0
Overseas Business		68,300	146,300	114.2
Other businesses		18,087	20,444	13.0
Consolidated		608,590	743,671	22.2

(2) Operating income and Operating margin (¥ million)

		Three months ended April 30, 2021 Amount Operating margin	Three months ended April 30, 2022 Amount Operating margin	YOY(%)
Built-to-order Business	Custom detached houses	9,314 12.5%	10,444 12.3%	12.1
	Rental housing	11,315 12.7%	15,026 14.3%	32.8
	Architectural/Civil engineering	6,881 9.3%	4,636 6.4%	(32.6)
	Subtotal	27,511 11.6%	30,107 11.5%	9.4
Supplied Housing Business	Remodeling	5,221 15.2%	5,692 15.8%	9.0
	Real estate management fees	15,095 10.3%	14,892 9.6%	(1.3)
	Subtotal	20,317 11.2%	20,584 10.8%	1.3
Development Business	Houses for sale	3,125 7.8%	4,673 8.8%	49.5
	Condominiums	3,299 15.9%	8,657 23.7%	162.4
	Urban redevelopment	4,412 10.6%	6,501 19.2%	47.3
	Subtotal	10,837 10.5%	19,832 16.1%	83.0
Overseas Business		7,109 10.4%	28,639 19.6%	302.8
Other businesses		(249) (1.4%)	(12) (0.1%)	-
Eliminations and back office		(10,841)	(11,383)	-
Consolidated		54,684 9.0%	87,769 11.8%	60.5

(3) Orders

(¥ million)

		Three months ended April 30, 2021	Three months ended April 30, 2022	YOY(%)
Built-to-order Business	Custom detached houses	82,448	87,614	6.3
	Rental housing	96,104	95,748	(0.4)
	Architectural/Civil engineering	84,160	83,326	(1.0)
	Subtotal	262,713	266,689	1.5
Supplied Housing Business	Remodeling	39,987	41,402	3.5
	Real estate management fees	146,843	155,145	5.7
	Subtotal	186,831	196,548	5.2
Development Business	Houses for sale	47,030	65,391	39.0
	Condominiums	20,254	21,487	6.1
	Urban redevelopment	14,240	13,678	(3.9)
	Subtotal	81,525	100,557	23.3
Overseas Business		96,750	156,286	61.5
Other businesses		16,628	16,519	(0.7)
Consolidated		644,448	736,601	14.3

(4) Order backlog

(¥ million)

		As of January 31, 2022	As of April 30, 2022	YOY (%)
Built-to-order Business	Custom detached houses	183,865	186,833	1.6
	Rental housing	378,890	369,285	(2.5)
	Architectural/Civil engineering	434,107	445,060	2.5
	Subtotal	996,863	1,001,180	0.4
Supplied Housing Business	Remodeling	33,380	38,728	16.0
	Real estate management fees	-	-	-
	Subtotal	33,380	38,728	16.0
Development Business	Houses for sale	58,114	70,513	21.3
	Condominiums	84,991	69,921	(17.7)
	Urban redevelopment	25,057	4,930	(80.3)
	Subtotal	168,163	145,365	(13.6)
Overseas Business		260,455	270,442	3.8
Other businesses		53,710	49,785	(7.3)
Consolidated		1,512,572	1,505,502	(0.5)

1. Quarterly Qualitative Analysis

(1) Information Regarding Consolidated Business Results

The global economy showed signs of recovery during the first quarter of the consolidated fiscal year under review due to COVID-19 countermeasures and socio-economic activity, although the situation varied depending on the country, region and industry. However, the impact of financial capital market fluctuations and increasing geopolitical tension on raw materials, material prices and supply chains requires close observation.

Domestically, in the housing market, stability in the number of new housing starts has been sustained, but the impact of travel restrictions due to another increase in infections led to a weakening of the immediate ordering environment. In the United States, while there was a sustained increase in new housing starts, the number of housing sales continued to decrease month-on-month due to the high price of housing and the increase in mortgage interest rates.

In this business climate, with the aim of achieving the global vision of “make home the happiest place in the world”, the Group has put great effort into various high added-value proposals that integrate technologies, lifestyle design and services based on the business strategy in the Fifth Mid-Term Management Plan (fiscal 2020 to 2022). As a result, there has been favorable progress in all businesses, including upward trends in orders in homebuilding business in Japan and the United States.

Net sales in the first quarter of the consolidated fiscal year under review were ¥743,671 million, up 22.2% year on year. Sekisui House showed operating income of ¥87,769 million, up 60.5% year on year, ordinary income of ¥86,120 million, up 54.8% year on year, and quarterly profit attributable to owners of parent of ¥57,485 million, up 58.9% year on year.

Business results by segment are outlined below.

<Built-to-Order Business>

(Custom Detached Houses)

Favorable orders in the previous term and stable construction progress contributed to increased income, with the Custom Detached Housing Business showing net sales of ¥84,646 million, up 13.4% year on year, and operating income of ¥10,444 million, up 12.1% year on year, during the first quarter of the consolidated fiscal year under review.

Great effort has been put into mid- to high-end products by means of high added-value proposals that integrate technologies and lifestyle design . The Custom Detached Housing Business sustained a favorable order trend driven by the Family Suite Ouchi Premium proposals for new lifestyles, Green First ZERO for net zero energy housing (ZEH), and the next-generation indoor environment control system SMART-ECS, as well as the popularity of PLATFORM HOUSE touch connectivity service that operates in tandem with the floor plan released last year.

(Rental Housing)

Stable construction progress contributed to increased income in the Rental Housing Business, which showed net sales of ¥105,352 million, up 17.9% year on year, and operating income of ¥15,026 million, up 32.8% year on year, during the first quarter of the consolidated fiscal year under review.

Adhering to the urban-centered area-specific marketing strategy, the business concentrated on the promotion of three- and four-story rental houses built using an original Sekisui House construction that method to achieve both a resilient structure and flexible design. With the success of Sekisui House Real Estate companies in providing high-added value proposals such as “Sha Maison ZEH” housing that is environmentally-conscious while also increasing profits and achieving resident satisfaction, as well as property management that achieved a high occupancy rate and rent prices, there was a sustained favorable upward trend in orders, including B-to-B projects.

(Architectural / Civil Engineering)

The Architectural/Civil Engineering Business showed net sales of ¥72,373 million, down 2.3% year on year, and operating income of ¥4,636 million, down 32.6% year on year, during the first quarter of the consolidated fiscal year under review.

While construction projects progressed as planned, there was a decrease in income due to the difference in the number of constructions in comparison to the previous term.

<Supplied Housing Business>

(Remodeling)

Favorable orders in the previous term and stable construction progress contributed to increased income, with the Remodeling Business showing net sales of ¥36,054 million, up 4.7% year on year, and operating income of ¥5,692 million, up 9.0% year on year, during the first quarter of the consolidated fiscal year under review.

In detached homes, there was an increase in the ratio of orders for large-scale remodeling, including favorable trends for Family Suite Renovation and other proposal-type remodeling, and environment-based remodeling including Idokoro Dannetsu location-based heating and energy-saving remodeling. Also, in rental housing, effort is being placed into remodeling proposals that will maintain property value while achieving high occupancy rate and high rental prices. Due to such initiatives, the favorable upward trend in orders was sustained.

(Real Estate Management Fees)

The Real Estate Management Fees Business showed net sales of ¥155,145 million, up 5.7% year on year, and operating income of ¥14,892 million, down 1.3% year on year, during the first quarter of the consolidated fiscal year under review.

The Real Estate Management Fees Business steadily increased the number of housing units under management through the supply of Sha Maison high-quality and high-performance rental homes built in prime locations. The Real Estate Management Fees Business maintained high occupancy rates and rent prices, which in turn contributed to higher earnings, by providing high-quality building management to support long-term management stability and services enhancing the lives of residents.

In addition, Sekisui House Real Estate Holdings, Ltd. has started to promote business with a view toward the expansion of business areas with the aim of the further sustained growth of the Sekisui House Real Estate Group and the maximization of corporate value.

<Development Business>

(Houses for Sale)

Favorable orders in the previous term and stable construction progress contributed to increased income, with the Houses for Sale Business showing net sales of ¥52,992 million, up 31.5% year on year, and operating income of ¥4,673 million, up 49.5% year on year, during the first quarter of the consolidated fiscal year under review.

As a result of the active acquisition of prime land in line with area-specific marketing and efforts toward sales promotions for customers considering purchase from land, there has been a sustained favorable upward trend in orders.

(Condominiums)

The Condominiums Business contributed to higher income thanks to the as-scheduled progress of the delivery of Grand Maison Shin-Umeda Tower THE CLUB RESIDENCE (Kita-ku, Osaka City), with net sales in the first quarter of the consolidated fiscal year under review reaching ¥36,557 million, up 76.2% year on year, and operating income of ¥8,657 million, up 162.4% year on year.

Also, with the success of high-added value condominium development in prime land centering on the four metropolises, there was a favorable upward trend in sales of Grande Maison Uemachi 1-chome Tower (Chuo-ku, Osaka City) and Island City Ocean & Forest Tower Residence (Higashi-ku, Fukuoka City).

(Urban Redevelopment)

The Urban Redevelopment Business showed net sales of ¥33,805 million, down 19.1% year on year, and operating income of ¥6,501 million, up 47.3% year on year, during the first quarter of the consolidated fiscal year under review.

As a result of the sale as planned of Prime Maison Nakameguro (Meguro-ku, Tokyo) and Prime Maison Itabashi (Itabashi-ku, Tokyo) to Sekisui House Reit, Inc., there was an increase in income. The segment is gradually increasing the occupancy rate of Sekisui House Group properties, such as the Sekisui House office buildings and Prime Maison rental housing.

<Overseas Business>

The Overseas Business showed net sales of ¥146,300 million, up 114.2% year on year, and operating income of ¥28,639 million, up 302.8% year on year, during the first quarter of the consolidated fiscal year under review.

In the United States, the Master-planned community business and Homebuilding business remained strong, and in the Multifamily Business, there was an increase in earnings with the delivery of Volta on Pine (Long Beach) and Bromwell (Denver). In Australia, there was an increase in earnings following the delivery of the Residences building at the Melrose Park (Sydney) and the progress of the land sale of Gledswood Hills (Sydney). Also, in China, there was an increase in earnings due to the as-planned progress in the delivery of condominiums sold in Phase 2 in Taicang City.

<Other>

Other businesses showed net sales of ¥20,444 million, up 13.0% year on year, and an operating loss of ¥12 million during the first quarter of the consolidated fiscal year under review.

In addition to strengthening its proposals for the integration of housing and exteriors for both detached homes and rental housing, the Exterior Business continued to promote the Gohon no Ki Project that contributes to the preservation of biodiversity by encouraging the use of native vegetation.

In addition, the Company opened the Suite Concier website that introduces carefully-selected living services that are useful in daily life and that increase happiness for detached home and rental housing owners.

< ESG Management>

With the aim of becoming a leader in ESG management, the Company is promoting ESG management with the three themes of employee engagement, leading initiatives and improved external evaluation.

In terms of the environment, the ratio of ZEH housing against total new housing starts in fiscal 2021 was a record high of 92%, with a total number of 69,163 buildings. Also, ZEH is being promoted in all housing complexes, including rental housing and condominiums, and the number of orders for zero energy Sha Maison rental housing in fiscal 2021 was 8,501 (cumulative of 12,307), an approximately 300% year-on-year increase. Regarding Grande Maison condominiums, the target has been set for all housing sold in fiscal 2023 to be ZEH. Due to such initiatives, in comparison to fiscal 2013, a 55% reduction in annual CO_2 for housing provided in fiscal 2021 was achieved.

In connection to the improvement of social value, in order to support autonomous career development, the Company has carried out personnel system reforms to achieve career course selection and the early creation of management opportunities. Also, we are embedding personnel system reforms throughout the Group and strengthening talent management systems by newly establishing a Human Resource Development Department.

With regard to corporate governance, at the April General Meeting of Shareholders, the ratio of outside directors was set at 50%, enhancing the independence and diversity of the Board of Directors and further strengthening the management supervision functions of the Board of Directors.

(2) Information Regarding Consolidated Financial Conditions

Total assets increased by ¥49,456 million to ¥2,850,645 million at the end of the first quarter of the consolidated fiscal year under review, primarily owing to the increases in real estate for sale and Property, plant and equipment. Liabilities decreased ¥2,874 million to ¥1,283,103 million, despite an decreases in income taxes payment, mainly due to the increase in loans payable. Net asset, increased ¥46,582 million to ¥1,567,542 million, mainly due to posting profit attributable to owners of parent and an increase in translation adjustment.

(3) Information Regarding Consolidated Results Forecast

The consolidated results forecast for the fiscal year ending January 31, 2023 remained unchanged from the plan announced on March 10, 2022, considering the progress in improvements in the respective business segments.

2. Consolidated Quarterly Financial Statements and Notes

(1) Consolidated Quarterly Balance Sheet

(¥ million)

	As of January 31, 2022	As of April 30, 2022
Assets		
Current assets		
Cash and deposits	515,283	520,330
Notes receivable, accounts receivable from completed construction contracts	132,471	－
Notes receivable, accounts receivable from completed construction contracts and other	－	144,306
Costs on uncompleted construction contracts	18,299	21,663
Buildings for sale	436,973	423,778
Land for sale in lots	589,879	605,065
Undeveloped land for sale	149,828	164,014
Other inventories	9,501	10,426
Other	101,672	112,989
Less allowance for doubtful accounts	(1,179)	(1,103)
Total current assets	1,952,729	2,001,470
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	187,272	188,367
Machinery, equipment and vehicles	9,278	10,632
Land	284,788	289,332
Construction in progress	49,597	53,033
Other, net	9,774	11,269
Total property, plant and equipment	540,711	552,636
Intangible assets	17,988	18,119
Investments and other assets		
Investment in securities	190,334	184,377
Long-term loans receivable	5,793	6,142
Asset for retirement benefits	7,206	7,879
Deferred tax assets	24,091	20,060
Other	62,626	62,199
Less allowance for doubtful accounts	(294)	(2,240)
Total investments and other assets	289,759	278,419
Total noncurrent assets	848,459	849,175
Total assets	2,801,189	2,850,645

(¥ million)

	As of January 31, 2022	As of April 30, 2022
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	111,022	123,728
Electronically recorded obligations-operating	96,635	86,786
Short-term loans	219,218	234,997
Current portion of long-term loans payable	16,235	46,021
Accrued income taxes	43,021	15,070
Advances received on construction contracts in progress	207,798	193,554
Accrued employees' bonuses	31,270	24,905
Accrued directors' and corporate auditors' bonuses	1,385	108
Provision for warranties for completed construction	3,897	4,175
Other	137,416	130,153
Total current liabilities	867,903	859,503
Long-term liabilities		
Bonds payable	170,000	170,000
Long-term loans payable	136,556	144,845
Guarantee deposits received	59,079	59,735
Deferred income taxes	464	614
Accrued retirement benefits for directors and corporate auditors	864	613
Liabilities for retirement benefits	30,733	30,925
Other	14,626	16,865
Total long-term liabilities	412,325	423,600
Total liabilities	1,280,229	1,283,103
Net assets		
Shareholders' equity		
Common stock	202,591	202,591
Capital surplus	258,989	258,989
Retained earnings	940,135	964,166
Treasury shares	(20,975)	(32,299)
Total shareholders' equity	1,380,740	1,393,447
Accumulated other comprehensive income		
Net unrealized holding gain on securities	41,488	35,709
Deferred (loss) gain on hedges	141	386
Translation adjustments	47,245	84,911
Retirement benefits liability adjustments	4,323	4,913
Total accumulated other comprehensive income	93,199	125,920
Stock subscription rights	186	169
Non-controlling interests	46,832	48,003
Total net assets	1,520,959	1,567,542
Total liabilities and net assets	2,801,189	2,850,645

(2) Consolidated Quarterly Statement of Income and Consolidated Quarterly Statement of Comprehensive Income

(Consolidated Quarterly Statement of Income)

For the three months ended April 30, 2021 and 2022

(¥ million)

	Feb. 1, 2021– Apr. 30, 2021	Feb. 1, 2022 – Apr. 30, 2022
Net sales	608,590	743,671
Cost of sales	483,460	580,495
Gross profit	125,129	163,176
Selling, general and administrative expenses	70,445	75,407
Operating income	54,684	87,769
Non-operating income		
Interest income	517	388
Dividends income	46	104
Foreign exchange gains	1,053	311
Other	975	1,462
Total non-operating income	2,592	2,266
Non-operating expenses		
Interest expenses	705	806
Equity in losses of affiliates	144	1,784
Other	791	1,323
Total non-operating expenses	1,640	3,915
Ordinary income	55,636	86,120
Extraordinary loss		
Provision of allowance for doubtful accounts	－	1,888
Loss on sales or disposal of fixed assets	549	500
Loss on impairment of fixed assets	44	141
Total extraordinary losses	594	2,530
Profit before income taxes	55,042	83,589
Income taxes-current	13,578	17,610
Income taxes-deferred	3,424	4,716
Total income taxes	17,002	22,326
Profit	38,040	61,262
Profit attributable to non-controlling interests	1,868	3,777
Profit attributable to owners of parent	36,171	57,485

(Consolidated Quarterly Statement of Comprehensive Income)

For the three months ended April 30, 2021 and 2022

	Feb. 1, 2021 – Apr. 30, 2021	Feb. 1, 2022 – Apr. 30, 2022
Profit	38,040	61,262
Other comprehensive income		
Net unrealized holding gain (loss) on securities	3,616	(5,676)
Translation adjustments	29,950	34,499
Retirement benefits liability adjustments	938	588
Share of other comprehensive gain (loss) of affiliates accounted for by the equity method	2,498	3,412
Total other comprehensive income	37,004	32,823
Comprehensive income	75,044	94,086
Comprehensive income attributable to		
Owners of the parent	73,057	90,206
Non-controlling shareholders' interests	1,987	3,880

(3) Notes to Consolidated Quarterly Financial Statements

(Notes Regarding Assumption of a Going Concern)

Not applicable

(Notes on significant changes in the amount of shareholders' equity)

Not applicable

(Changes in accounting policies)

(Adoption of the Accounting Standard for Revenue Recognition)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan), from the beginning of the first quarter of the consolidated fiscal year under review. It recognizes revenues for goods or services based on the amount estimated to be received in exchange for such goods or services at the point when control of the promised goods or services is conveyed to the customer.

The Company has applied the Accounting Standard for Revenue Recognition transitionally, in accordance with the proviso in Article 84 of the standard. The cumulative effect amount, applying with the new accounting policy retrospectively prior to the first quarter of the consolidated fiscal year under review, was adjusted to retained earnings at the beginning of the first quarter of the consolidated fiscal year under review, and the Company has applied the new policy to the balance at the beginning of the fiscal year. However, applying the method stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard, the Company does not retroactively apply the new accounting policy to the contracts almost all of whose revenue was recognized in compliance with the conventional method before the beginning of the first quarter of the consolidated fiscal year under review In addition, applying the method prescribed in the note (1) for Paragraph 86 of the Revenue Recognition Accounting Standard, the Company accounts for contract changes made prior to the first quarter of the consolidated fiscal year under review based on the contract terms after reflecting all contract changes, and added or subtracted their cumulative effect to or from retained earnings at the beginning of first quarter of the consolidated fiscal year under review.

The impact on the consolidated statement of income for the first quarter of the fiscal year under review is immaterial.

Due to the application of Accounting Standard for Revenue Recognition, "Notes receivable, accounts receivable from completed construction contracts" which was included in "Current assets" in the consolidated balance sheets for the previous fiscal year, is included in "Notes receivable, accounts receivable from completed construction contracts and other" from the first quarter of the consolidated fiscal year under review. In accordance with the transitional treatment stipulated in Article 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

(Adoption of the Accounting Standard for Fair Value Measurement)

The Company has applied the "Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30, July 4, 2019, Accounting Standards Board of Japan), from the beginning of the first quarter of the consolidated fiscal year under review. The Company has prospectively applied new accounting policies based on the Accounting Standard for Fair Value Measurement, in accordance with the transitional measurement in Article 19 of Accounting Standard for Fair Value Measurement and Article 44-2 of "Accounting Standard for Financial Instruments," (ASBJ Statement No. 10, July 4, 2019). There is no impact to the consolidated financial statements.

(Adoption of ASU2016-02 "Leases")

Overseas subsidiaries adopting U.S. GAAP have adopted ASU2016-02 "Leases" (February 25, 2016) from the beginning of the first quarter of the consolidated fiscal year under review.

Due to the adoption, the Company principally recognizes assets and liabilities of lease as a lessee.

The impact on the consolidated statement of income for the first quarter of the fiscal year under review is immaterial.

(Significant Subsequent Event)

(Acquisition of equity interests by consolidated subsidiary)

At the Board of Directors meeting held today, Sekisui House, Ltd. ("the Company") resolved to acquire all of the equity interest in the operating company Chesmar Homes, LLC and financial services companies CLM Mortgage, Inc., N Title, Inc. and Entitled Insurance Agency, Inc. (collectively, "Chesmar") from Chesmar Group, Inc., a holding company that operates a custom detached house business in the U.S. state of Texas. The buyer will be Chesmar Holdings, LLC ("Chesmar HD"), which has been newly established as a subsidiary of SH Residential Holdings, LLC, itself a subsidiary of the Group's U.S. headquarters, Sekisui House US Holdings, LLC.

Furthermore, when Chesmar HD acquires the equity interest in Chesmar Homes, LLC, the paid-in capital of Chesmar HD will be equivalent to more than 10% of the Company's paid-in capital. As such, Chesmar HD will become a specified subsidiary of the Company.

(1) Reason for the acquisition of equity interests

In 2020, the Sekisui House Group celebrated its 60th anniversary and established its global vision for the next 30 years, to "make home the happiest place in the world." To realize this vision, we are promoting the wider adoption of Sekisui House technologies in our overseas business, particularly through the provision of higher added value through lifestyle proposals and home construction technologies cultivated in Japan.

In the United States, we made Woodside Homes Company, LLC (2,729 houses delivered in FY2021) a wholly owned subsidiary in 2017. Through Woodside, we have operated a homebuilding business in Utah, California, Arizona, and Nevada. In addition, in 2021, we made Holt Group Holdings, LLC (695 houses delivered in FY2021) a wholly owned subsidiary, expanding our homebuilding business to Oregon and Washington.

Chesmar operates in Texas, the largest housing market in the United States, and has achieved high asset efficiency and steady growth as a builder (2,082 houses delivered in FY2021). In addition, Chesmar's corporate stance is to pursue and prioritize the happiness of all stakeholders. Chesmar thus possesses a corporate culture that strongly accords with the Sekisui House Group's corporate stance and business strategies.

The Sekisui House Group has set a target of supplying 10,000 homes per year in overseas markets including that in the United States in FY2025 and will expand its operating area into Texas by making Chesmar HD a wholly owned subsidiary. In addition, by transferring Sekisui House technologies to Chesmar HD, we will endeavor to enhance value-based marketing, further bolster profitability, and improve operational efficiency as we continue providing high added value to customers and enhancing corporate value.

(2) Name of counterparty from which equity interests will be acquired

1. Chesmar Group, Inc.
2. Business A holding company that owns equity in companies that operate homebuilding businesses and other related businesses
3. Major shareholders Klein 2018 Management Trust、Employee Stock Ownership Plan、APB 5050, LLC

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

1. Company name and Business line Chesmar Homes, LLC (Homebuilding business)
CLM Mortgage, Inc. (Financial services business)
N Title, Inc. (Financial services business)
Entitled Insurance Agency, Inc. (Financial services business)
2. Scale (As of December 31, 2021) Consolidated net assets: US$225 million
Consolidated total assets: US$426 million

(4) Acquisition date

The acquisitions of the equity interests in Chesmar Homes, LLC and Entitled Insurance Agency, Inc. are planned for July 1, 2022. The acquisitions of CLM Mortgage, Inc. and N Title, Inc. are expected to be conducted on December 30, 2022, after acquiring approval from government and tax authorities.

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

1. Acquisition cost US$ 514 million
2. Ownership ratio after acquisition 100.0%

The stated acquisition cost is based on the current assumptions, and the final cost is subject to change.

(6) Payment funding method

Own resources