Consolidated Financial Statements Summary
for the Second Quarter of FY2022 (February 1, 2022 through July 31, 2022)
(Japanese Standard)

September 8, 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	: September 13, 2022
Date of scheduled payment of dividends	: September 30, 2022
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 Six Months Ended July 31, 2022 (February 1, 2022 through July 31, 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	%
Six months ended Jul. 31, 2022	1,423,642	16.3	146,428	33.5	147,651	32.6	104,068	43.4
Six months ended Jul. 31, 2021	1,223,605	4.8	109,693	18.4	111,370	22.8	72,552	22.1

(Note) Comprehensive income:
Six months ended Jul. 31, 2022: ¥193,336 million (66.3%) Six months ended Jul. 31, 2021: ¥116,227 million (161.0%)

	Profit per share	Fully diluted profit per share
	¥	¥
Six months ended Jul. 31, 2022	155.06	155.00
Six months ended Jul. 31, 2021	106.90	106.84

(2) Consolidated Financial Position

	Total assets	Net assets	Equity capital ratio
	¥ million	¥ million	%
As of July 31, 2022	3,050,364	1,660,699	52.8
As of January 31, 2022	2,801,189	1,520,959	52.6

(Reference) Equity capital As of July 31, 2022: ¥1,609,466 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	-	52.00			
Year ending Jan. 31, 2023 (forecast)			-	52.00	104.00

(Note) Revised dividend forecast for the quarter under review: Yes

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	2,930,000	13.1	260,000	13.0	260,000	13.0	174,000	13.1	260.83

(Note) Revised forecast for the quarter under review: Yes

Notes

(1) Changes in significant subsidiaries (changes in specific subsidiaries that caused a change in scope of consolidation): Applicable

New Consolidated Companies: 1 company Chesmar Holdings, LLC

Excluded: 1 company Sekisui House・Changcheng (Suzhou) Real Estate Development Co., Ltd.

(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 Jul. 31, 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 Jul. 31, 2022: 17,964,450 shares   As of Jan. 31, 2022: 9,913,593 shares

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

Six months ended Jul. 31, 2022: 671,152,160 shares   Six months ended Jul. 31, 2021: 678,706,145 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 Qualitative Analysis" of the "Attached Material" on page 9.

(Obtaining supplementary explanatory documents)

The Company plans to hold a briefing for institutional investors and analysts on September 8, 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 Six Months Ended July 31, 2022

Consolidated

(1) Net sales

(¥ million)

		Six months ended July 31, 2021	Six months ended July 31, 2022	YOY(%)
Built-to-order Business	Custom detached houses	167,118	179,293	7.3
	Rental housing	183,069	208,952	14.1
	Architectural/Civil engineering	137,051	145,956	6.5
	Subtotal	487,239	534,203	9.6
Supplied Housing Business	Remodeling	79,764	82,844	3.9
	Real estate management fees	291,433	308,194	5.8
	Subtotal	371,197	391,038	5.3
Development Business	Houses for sale	86,173	116,150	34.8
	Condominiums	40,252	50,580	25.7
	Urban redevelopment	51,835	50,336	(2.9)
	Subtotal	178,262	217,067	21.8
Overseas Business		149,507	241,662	61.6
Other businesses		37,399	39,670	6.1
Consolidated		1,223,605	1,423,642	16.3

(2) Operating income and Operating margin

(¥ million)

		Six months ended July 31, 2021 Amount Operating margin	Six months ended July 31, 2022 Amount Operating margin	YOY(%)
Built-to-order Business	Custom detached houses	20,338 12.2%	20,561 11.5%	1.1
	Rental housing	25,846 14.1%	29,857 14.3%	15.5
	Architectural/Civil engineering	11,750 8.6%	7,562 5.2%	(35.6)
	Subtotal	57,935 11.9%	57,981 10.9%	0.1
Supplied Housing Business	Remodeling	13,250 16.6%	14,078 17.0%	6.2
	Real estate management fees	26,567 9.1%	26,238 8.5%	(1.2)
	Subtotal	39,818 10.7%	40,317 10.3%	1.3
Development Business	Houses for sale	6,838 7.9%	10,222 8.8%	49.5
	Condominiums	5,966 14.8%	9,549 18.9%	60.1
	Urban redevelopment	3,655 7.1%	6,384 12.7%	74.7
	Subtotal	16,460 9.2%	26,156 12.0%	58.9
Overseas Business		18,147 12.1%	46,184 19.1%	154.5
Other businesses		(580) (1.6%)	(245) (0.6%)	-
Eliminations and back office		(22,086)	(23,965)	-
Consolidated		109,693 9.0%	146,428 10.3%	33.5

(3) Orders

(¥ million)

		Six months ended July 31, 2021	Six months ended July 31, 2022	YOY(%)
Built-to-order Business	Custom detached houses	179,243	177,785	(0.8)
	Rental housing	192,726	202,724	5.2
	Architectural/Civil engineering	157,738	156,821	(0.6)
	Subtotal	529,707	537,330	1.4
Supplied Housing Business	Remodeling	81,123	86,530	6.7
	Real estate management fees	291,433	308,194	5.8
	Subtotal	372,557	394,724	6.0
Development Business	Houses for sale	102,447	128,257	25.2
	Condominiums	40,903	41,107	0.5
	Urban redevelopment	66,573	56,834	(14.6)
	Subtotal	209,925	226,199	7.8
Overseas Business		189,645	250,784	32.2
Other businesses		40,348	41,000	1.6
Consolidated		1,342,184	1,450,039	8.0

(4) Order backlog

(¥ million)

		As of January 31, 2022	As of July 31, 2022	YOY (%)
Built-to-order Business	Custom detached houses	183,865	182,357	(0.8)
	Rental housing	378,890	372,661	(1.6)
	Architectural/Civil engineering	434,107	444,971	2.5
	Subtotal	996,863	999,990	0.3
Supplied Housing Business	Remodeling	33,380	37,066	11.0
	Real estate management fees	-	-	-
	Subtotal	33,380	37,066	11.0
Development Business	Houses for sale	58,114	70,221	20.8
	Condominiums	84,991	75,518	(11.1)
	Urban redevelopment	25,057	31,555	25.9
	Subtotal	168,163	177,294	5.4
Overseas Business		260,455	324,055	24.4
Other businesses		53,710	55,040	2.5
Consolidated		1,512,572	1,593,447	5.3

* Order back log of the CHESMAR HOLDINGS, LLC, which was made a consolidated subsidiary during the consolidated fiscal year under review, and its subsidiaries are included in the results of the Overseas Business.

1. Quarterly Qualitative Analysis

(1) Information Regarding Consolidated Business Results

The consolidated second quarter of this fiscal year saw the global economy remain on a recovery track toward a more normal state, due to both new measures to COVID-19 countermeasures and socio-economic activities. However, the impact of global inflation and tight monetary policies in various countries, impact of geopolitical risks on raw materials and material prices, impact of COVID-19 resurgence on supply chains, and other impacts require close observation.

Domestically, in the housing market, despite stability in the number of new housing starts being sustained, increase in spending on travel and eating out due to restrictions on activities being lifted, raise in prices of daily necessities and persistent caution of spending by consumers due to the risk of COVID-19 infections resurging led to a weakening of the immediate ordering environment. In the United States, while new housing starts remained firm, the number of housing sales continued declining due to persistently high housing prices and rising mortgage rates.

In this business climate, with the aim of achieving the Global Vision of making the home the happiest place in the world, the Group has put great effort into various business strategies including high added-value proposals that integrate technologies, lifestyle design and services. With the success of these efforts, each of its business made steady progress toward achieving the revenue plan for the current fiscal year, the final year of the Fifth Mid-Term Management Plan (FY2020-FY2022). Orders in the domestic and overseas housing businesses that contribute to the performances of next fiscal year and beyond were also strong.

Net sales in the second quarter of the consolidated fiscal year under review were ¥1,423,642 million, up 16.3% year on year. Sekisui House showed operating income of ¥146,428 million, up 33.5% year on year, an ordinary income of ¥147,651 million, up 32.6% year on year, and quarterly profit attributable to owners of parent of ¥104,068 million, up 43.4% 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 Houses Business showing net sales of ¥179,293 million, up 7.3% year on year, and operating income of ¥20,561 million, up 1.1% year on year, during the second 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 Houses Business sustained a stable order driven by the Family Suite proposals for 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 home layout released last year.

(Rental Housing)

Stable construction progress contributed to increased income in the Rental Housing Business, which showed net sales of ¥208,952 million, up 14.1% year on year, and operating income of ¥29,857 million, up 15.5% year on year, during the second 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 method to achieve both a resilient structure and flexible design.

Our efforts also included promoting zero energy Sha Maison ZEH rental housing that boosts profitability and contribute to decarbonization. Distributing electricity generated by photovoltaic power generation systems to each house has allowed tenants to use and sell electricity, which proved a popular and ethical option allowing them to feel the benefits of ZEH. ZEH housing comprised 61% (7,317, cumulative of 19,624 units) of the number of orders for rental housing.

In addition to the high-added value proposals above, property management by Sekisui House Real Estate companies which achieve high occupancy and rent prices has led to a favorable trend in B-to-B rental businesses and orders.

(Architectural / Civil Engineering)

The Architectural / Civil Engineering Business showed net sales of ¥145,956 million, up 6.5% year on year, and operating income of ¥7,562 million, down 35.6% year on year, during the second quarter of the consolidated fiscal year under review.

Earnings increased as sales from several large projects were recorded. However, orders declined due to the decline in demand for large-scale constructions, impact of rising material prices and impact from receiving several large-scale projects in the previous fiscal year.

<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 ¥82,844 million, up 3.9% year on year, and operating income of ¥14,078 million, up 6.2% year on year, during the second 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.

(Real Estate Management Fees)

The Real Estate Management Fees Business showed net sales of ¥308,194 million, up 5.8% year on year, and operating income of ¥26,238 million, down 1.2% year on year, during the second 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 housing 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 in February 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 ¥116,150 million, up 34.8% year on year, and operating income of ¥10,222 million, up 49.5% year on year, during the second quarter of the consolidated fiscal year under review.

As a result of the active acquisition of prime land and creating an appealing city scape, area-specific marketing and efforts toward sales promotions for customers considering purchase from land has resulted in a stable trend in orders.

(Condominiums)

The Condominiums Business contributed to higher income thanks to the as-scheduled delivery of Grand Maison Shin-Umeda Tower THE CLUB RESIDENCE (Kita-ku, Osaka City) in February, with net sales in the second quarter of the consolidated fiscal year under review reaching ¥50,580 million, up 25.7% year on year, and operating income of ¥9,549 million, up 60.1% year on year.

Moreover, Sekisui House also has set ZEH specifications for every Grande Maison condominium for sale from 2023, helping decarbonization in the household sector. In addition to the high-added value condominium development in prime land centering on the four metropolises (Tokyo, Nagoya, Osaka, Fukuoka), our environmental efforts were acclaimed and the sales of Grand Maison Uemachi 1-chome Tower (Chuo-ku, Osaka City), a super high-rise tower residence, that conforms to ZEH standards while also offering convenience and comfort remained strong.

(Urban Redevelopment)

The Urban Redevelopment Business showed net sales of ¥50,336 million, down 2.9% year on year, and operating income of ¥6,384 million, up 74.7% year on year, during the second quarter of the consolidated fiscal year under review.

Plans for selling properties including concluding sale and purchase agreements with Sekisui House Reit, Inc. for Prime Maison Egota no Mori (Nakano-ku, Tokyo) and Prime Maison Waseda Dori (Shinjuku-ku, Tokyo) remained on course. 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.

In June, we opened The Westin Hotel Yokohama (Nishi-ku, Yokohama), a hotel featuring a spa facility, a comprehensive wellness floor and various other facilities to promote customer wellbeing and enable a trip to become healthy.

<Overseas Business>

The Overseas Business showed net sales of ¥241,662 million, up 61.6% year on year, and operating income of ¥46,184 million, up 154.5% year on year, during the second quarter of the consolidated fiscal year under review.

In the United States, there were favorable upward trends in the Homebuilding business and Master-planned community business, and in the Multifamily Business, there was an increase in earnings with the delivery of Volta on Pine (Long Beach) and Bromwell (Denver) in the first quarter. In Australia, revenue was boosted with the delivery of the Residences condominium building at "Melrose Park" (Sydney) and the sale of land at "Gledswood Hills" (Sydney) in the first quarter. 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 ¥39,670 million, up 6.1% year on year, but an operating loss of ¥245 million during the second 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 in April.

< 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 was a record high of 92%, while also promoting ZEH in housing complexes including rental housing and condominiums. Due to such initiatives, in comparison to fiscal 2013, a 55% reduction in annual CO2 for housing provided in fiscal 2021 was achieved. Building on this, we have revised our 2030 target for reducing CO2 emissions in our business activities upward from 50% to 75% by promoting initiatives such as the electrification of vehicles using in business activities and converting our business sites to net zero-energy buildings (ZEB).

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 in February.

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 ¥249,175 million to ¥3,050,364 million at the end of the second quarter of the consolidated fiscal year under review, primarily owing to the increases in real estate for sale, plant and equipment. Liabilities increased ¥109,435 million to ¥1,389,665 million, despite an decreases in income taxes payment, mainly due to the increase in loans payable. Net asset, despite payments of dividends, increased ¥139,739 million to ¥1,660,699 million, mainly due to posting profit attributable to owners of parent and a increased Foreign currency translation adjustment.

(3) Information Regarding Consolidated Results Forecast

(i) Consolidated results forecast

The consolidated results forecast for the fiscal year ending January 31, 2023 was revised because of the Company's previous forecast on March 10, 2022. Reasons for the revision mainly reflected improvements financial results in the first six months of the consolidated fiscal year under review and conditions in the domestic and overseas housing businesses.

	Net sales	Operating income	Ordinary income	Profit attributable to owners of parent	Profit per share
	¥ millions	¥ millions	¥ millions	¥ millions	¥
Initial plan (A)	2,787,000	236,000	234,000	158,000	236.99
Revised plan for the current term (B)	2,930,000	260,000	260,000	174,000	260.83
Amount changed (B-A)	143,000	24,000	26,000	16,000	
Change (%)	5.1%	10.2%	11.1%	10.1%	
Reference Previous period results FY2021	2,589,579	230,160	230,094	153,905	227.37

(ii) Dividend forecast

The Company regards the maximization of shareholder value as one of its most important management issues. Accordingly, it will strive to increase earnings per share through sustainable business growth, and will also seek to invest in growth and enhance shareholder returns, taking into comprehensive account the status of profits and cash flows in each fiscal year and future business development, among other factors. In light of this, the Company established a basic policy of maintaining a medium-term payout ratio of at least 40%, while also flexibly repurchasing its own stock in an effort to improve shareholder value.

With this basic policy in mind, the Company had decided to pay out an interim dividend of ¥47 per share and a year-end dividend of ¥47 per share for the fiscal year ending January 31, 2023. However, in light of the improvements in financial results in the first six months of the current consolidated fiscal year, we have decided to upwardly revise the interim dividend to ¥52 per share, up ¥5 from the previous plan. Also, the Company has increased its year-end dividend forecast for the fiscal year ending January 31, 2023 by ¥5, from ¥47 to ¥52, and revised its annual dividend forecast to ¥104.

	Cash dividends per share		
	End of second quarter	Year-end	Annual
Initial dividend plan	¥ 47.00	¥ 47.00	¥ 94.00
Revised dividend plan		52.00	104.00
Dividends to be paid in the current fiscal year ending January 31, 2022	52.00		
Dividends paid in the previous fiscal year ended January 31, 2022	43.00	47.00	90.00

2. Consolidated Quarterly Financial Statements and Notes

(1) Consolidated Quarterly Balance Sheet

(¥ million)

	As of January 31, 2022	As of July 31, 2022
Assets		
Current assets		
Cash and deposits	515,283	472,995
Notes receivable, accounts receivable from completed construction contracts	132,471	－
Notes receivable, accounts receivable from completed construction contracts and other	－	138,944
Costs on uncompleted construction contracts	18,299	20,399
Buildings for sale	436,973	540,495
Land for sale in lots	589,879	692,739
Undeveloped land for sale	149,828	160,411
Other inventories	9,501	10,635
Other	101,672	127,058
Less allowance for doubtful accounts	(1,179)	(1,126)
Total current assets	1,952,729	2,162,552
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	187,272	210,956
Machinery, equipment and vehicles	9,278	11,566
Land	284,788	282,714
Construction in progress	49,597	19,864
Other, net	9,774	24,505
Total property, plant and equipment	540,711	549,607
Intangible assets		
Goodwill	250	32,039
Other	17,738	18,858
Total intangible assets	17,988	50,897
Investments and other assets		
Investment in securities	190,334	191,729
Long-term loans receivable	5,793	6,133
Asset for retirement benefits	7,206	8,374
Deferred tax assets	24,091	21,164
Other	62,626	62,184
Less allowance for doubtful accounts	(294)	(2,279)
Total investments and other assets	289,759	287,306
Total noncurrent assets	848,459	887,811
Total assets	2,801,189	3,050,364

(¥ million)

	As of January 31, 2022	As of July 31, 2022
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	111,022	130,177
Electronically recorded obligations-operating	96,635	89,598
Short-term loans	219,218	293,749
Current portion of bonds payable	—	150,000
Current portion of long-term loans payable	16,235	71,699
Accrued income taxes	43,021	23,850
Advances received on construction contracts in progress	207,798	198,962
Accrued employees' bonuses	31,270	26,327
Accrued directors' and corporate auditors' bonuses	1,385	195
Provision for warranties for completed construction	3,897	4,875
Other	137,416	129,115
Total current liabilities	867,903	1,118,553
Long-term liabilities		
Bonds payable	170,000	20,000
Long-term loans payable	136,556	133,970
Guarantee deposits received	59,079	59,334
Deferred income taxes	464	797
Accrued retirement benefits for directors and corporate auditors	864	671
Liabilities for retirement benefits	30,733	30,862
Other	14,626	25,476
Total long-term liabilities	412,325	271,112
Total liabilities	1,280,229	1,389,665
Net assets		
Shareholders' equity		
Common stock	202,591	202,591
Capital surplus	258,989	258,989
Retained earnings	940,135	1,010,736
Treasury shares	(20,975)	(39,653)
Total shareholders' equity	1,380,740	1,432,664
Accumulated other comprehensive income		
Net unrealized holding gain on securities	41,488	40,537
Deferred (loss) gain on hedges	141	544
Translation adjustments	47,245	130,310
Retirement benefits liability adjustments	4,323	5,409
Total accumulated other comprehensive income	93,199	176,801
Stock subscription rights	186	160
Non-controlling interests	46,832	51,073
Total net assets	1,520,959	1,660,699
Total liabilities and net assets	2,801,189	3,050,364

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

(Consolidated Quarterly Statement of Income)

For the six months ended July 31, 2021 and 2022

(¥ million)

	Feb. 1, 2021– Jul. 31, 2021	Feb. 1, 2022 – Jul. 31, 2022
Net sales	1,223,605	1,423,642
Cost of sales	970,896	1,121,999
Gross profit	252,709	301,642
Selling, general and administrative expenses	143,016	155,213
Operating income	109,693	146,428
Non-operating income		
Interest income	1,322	1,177
Dividends income	1,014	1,158
Foreign exchange gains	1,170	2,351
Other	1,575	2,400
Total non-operating income	5,083	7,087
Non-operating expenses		
Interest expenses	1,459	1,741
Equity in losses of affiliates	103	1,826
Other	1,843	2,297
Total non-operating expenses	3,405	5,865
Ordinary income	111,370	147,651
Extraordinary incom		
Gain on liquidation of subsidiaries and associates	—	8,336
Gain on sale of investment securities	757	—
Total extraordinary incom	757	8,336
Extraordinary loss		
Provision of allowance for doubtful accounts	—	1,922
Loss on sales or disposal of fixed assets	809	645
Loss on impairment of fixed assets	61	200
Loss on sale of investment securities	—	10
Loss on valuation of investment securities	21	—
Loss related to COVID-19	19	—
Total extraordinary losses	912	2,778
Profit before income taxes	111,216	153,208
Income taxes-current	32,138	38,829
Income taxes-deferred	1,446	4,888
Total income taxes	33,584	43,717
Profit	77,631	109,491
Profit attributable to non-controlling interests	5,079	5,422
Profit attributable to owners of parent	72,552	104,068

(Consolidated Quarterly Statement of Comprehensive Income)

For the six months ended July 31, 2021 and 2022

	Feb. 1, 2021 – Jul. 31, 2021	Feb. 1, 2022 – Jul. 31, 2022
Profit	77,631	109,491
Other comprehensive income		
Net unrealized holding gain (loss) on securities	3,945	(710)
Translation adjustments	30,214	76,011
Retirement benefits liability adjustments	1,881	1,081
Share of other comprehensive gain (loss) of affiliates accounted for by the equity method	2,553	7,461
Total other comprehensive income	38,595	83,845
Comprehensive income	116,227	193,336
Comprehensive income attributable to		
Owners of the parent	111,349	187,670
Non-controlling shareholders' interests	4,877	5,666

(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 second 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 second quarter of the fiscal year under review is immaterial.