Consolidated Financial Results for FY2022
(February 1, 2022 through January 31, 2023)

March 9, 2023

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
Inquiries	: Atsushi Yoshida, Executive Officer, Head of Investor Relations Department Tel +81 6 6440 3111
Date of scheduled general shareholders' meeting	: April 25, 2023
Date of scheduled payment of dividends	: April 26, 2023
Date of scheduled filing of securities report	: April 26, 2023
Supplementary explanatory documents	: Yes
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 FY2022 (February 1, 2022 through January 31, 2023)

(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	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Year ended January 31, 2023	2,928,835	13.1	261,489	13.6	257,272	11.8	184,520	19.9
Year ended January 31, 2022	2,589,579	5.8	230,160	23.4	230,094	24.6	153,905	24.6

(Note) Comprehensive income: Year ended Jan. 2023: ¥ 262,931 million (16.8%) Year ended Jan. 2022: ¥225,063 million (74.3%)

	Profit per share	Fully diluted profit per share	Return on equity	Ordinary income ratio to total assets	Operating income ratio to net sales
	¥	¥	%	%	%
Year ended January 31, 2023	276.58	276.46	11.9	8.9	8.9
Year ended January 31, 2022	227.37	227.25	11.0	8.5	8.9

(Reference) Equity in earnings of affiliates: Year ended Jan. 2023: ¥ (2,087) million Year ended Jan. 2022: ¥(1,238) million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of January 31, 2023	3,007,537	1,667,546	54.3	2,466.04
As of January 31, 2022	2,801,189	1,520,959	52.6	2,184.36

(Reference) Equity capital* As of January 31, 2023: ¥1,632,830 million As of January 31, 2022: ¥1,473,940 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents as of end of period
	¥ millions	¥ millions	¥ millions	¥ millions
Year ended January 31, 2023	125,464	(165,409)	(155,780)	332,747
Year ended January 31, 2022	118,034	(113,706)	(111,701)	515,174

2. Cash Dividends

	Dividends per share (¥)					Total dividends (annual) (¥ millions)	Dividend payout ratio (Consolidated)	Dividends to net assets (Consolidated)
	1st quarter	2nd quarter	3rd quarter	Year-end	Annual			
Year ended January 31, 2022	-	43.00	-	47.00	90.00	60,768	39.6	4.4
Year ended January 31, 2023	-	52.00	-	58.00	110.00	73,091	39.8	4.7
Year ending January 31, 2024 (Forecast)	-	59.00	-	59.00	118.00		40.0	

3. Consolidated Results Forecast for FY2023 (February 1, 2023 through January 31, 2024)

(% 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, 2024	3,080,000	5.2	265,000	1.3	259,000	0.7	193,000	4.6	295.05

* Notes

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

New Consolidated Companies: 1 company Chesmar Holdings, LLC

Excluded: 2 company Sekisui House・Changcheng (Suzhou) Real Estate Development Co., Ltd.

Sekisui House (Wuxi) Co., Ltd.

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

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

(ii) Changes in accounting policies due other than (i): Not applicable

(iii) Changes in accounting estimates: Not applicable

(iv) Restatements: Not applicable

(3) Number of shares outstanding (common stock)

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

As of Jan. 31, 2023: 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 Jan. 31, 2023: 22,557,150 shares As of Jan. 31, 2022: 9,913,593 shares

(iii) Average number of shares outstanding in each period:

Year ended Jan. 2023: 667,154,964 shares Year ended Jan. 2022: 676,884,146 shares

(Reference) Summary of non-consolidated financial results

1. Non-Consolidated Results for the FY2022 (February 1, 2022 through January 31, 2023)

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

	Net sales		Operating income		Ordinary income		Net income	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Year ended January 31, 2023	1,203,804	4.6	73,038	(3.1)	132,806	7.8	115,222	19.7
Year ended January 31, 2022	1,150,364	9.0	75,379	21.7	123,196	39.3	96,279	37.5

	Net income per share	Fully diluted Net income per share
	¥	¥
Year ended January 31, 2023	172.66	172.59
Year ended January 31, 2022	142.20	142.13

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of January 31, 2023	1,496,839	920,510	61.5	1,389.67
As of January 31, 2022	1,634,066	903,230	55.3	1,337.96

(Reference) Equity capital As of January 31, 2023: ¥920,376 million As of January 31, 2022: ¥903,043 million

*** This consolidated financial results repot are outside the scope of review by a certified public accountant or an audit firm.**

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

This document contains forward-looking statements based on judgments and estimates derived from information available to the Company at the time of this release, and is therefore subject to risks and uncertainties. Actual future results may differ materially from any projections presented here due to a variety of factors, including economic conditions surrounding the business domain of the Company and Group companies, as well as market trends.

For details of results forecast, please refer to "(1) Analysis of Business Results (Future Outlook)" of "1. 1.Overview of Business Results" of the "Attached Material" on page 10.

(Obtaining supplementary explanatory documents)

The Company plans to hold a briefing for institutional investors and analysts on March 9, 2023. Relevant financial explanatory documents to be handed out at the briefing will be posted on our official website on the same day.

TABLE OF CONTENTS OF THE ATTACHED MATERIALS

Appendix 1: Results summary for the year ended January 31, 2023

¥ millions

Consolidated	FY2021	FY2022	YOY (%)	FY2023 forecast	YOY (%)
Net sales	2,589,579	2,928,835	13.1	3,080,000	5.2
Gross profit	528,877	584,297	10.5	610,000	4.4
Operating income	230,160	261,489	13.6	265,000	1.3
Ordinary income	230,094	257,272	11.8	259,000	0.7
Profit attributable to owners of parent	153,905	184,520	19.9	193,000	4.6
Total orders	2,721,734	2,809,277	3.2	3,052,000	8.6
Accumulated orders	1,512,572	1,447,787	(4.3)	1,419,787	(1.9)

Key management indicators

Consolidated	FY2018	FY2019	FY2020	FY2021	FY2022	FY2023 forecast
Profit per share (¥)	186.53	205.79	181.18	227.37	276.58	295.05
Net assets per share (¥)	1,718.82	1,852.62	1,948.12	2,184.36	2,466.04	2,618.29
Dividends per share (¥)	79.00	81.00	84.00	90.00	110.00	118.00
OP margin	8.76%	8.50%	7.62%	8.89%	8.93%	8.6%
ROE	10.82%	11.54%	9.53%	10.99%	11.88%	11.6%
ROA *	8.32%	8.78%	7.30%	8.60%	9.08%	8.8%

* ROA: Return on Assets = (Operating income + Interest and Dividends received+ Equity in earnings of affiliates) / Total assets

(Note) The Company adopted standards such as the Partial Amendments to Accounting Standard for Tax Effect Accounting (ASBJ Statement No. 28, February 16, 2018) at the beginning of the fiscal year under review, which has been applied retroactively to the key management indicators and other factors in the previous fiscal year presented in this report.

Appendix 2: Segment breakdown for the year ended January 31, 2022

(1) Sales

¥ millions

		FY2021	FY2022	YOY(%)
Built-to-order Business	Custom detached houses	352,732	352,463	(0.1)
	Rental housing	384,022	426,116	11.0
	Architectural / civil engineering	261,930	298,777	14.1
	Subtotal	998,685	1,077,357	7.9
Supplied Housing Business	Remodeling	156,167	165,910	6.2
	Real estate management fees	584,969	619,271	5.9
	Subtotal	741,136	785,182	5.9
Development Business	Houses for Sale	191,488	238,252	24.4
	Condominiums	90,612	90,883	0.3
	Urban redevelopment	102,736	135,320	31.7
	Subtotal	384,837	464,456	20.7
Overseas Business		388,936	512,124	34.0
Other Businesses		75,984	80,715	6.2
Consolidated		2,589,579	2,928,835	13.1

(2) Operating income and OP margin

¥ millions

		FY2021	FY2022	YOY(%)
		Amount OP margin	Amount OP margin	
Built-to-order Business	Custom detached houses	42,475 12.0%	38,309 10.9%	(9.8)
	Rental housing	56,047 14.6%	58,407 13.7%	4.2
	Architectural / civil engineering	15,146 5.8%	13,214 4.4%	(12.8)
	Subtotal	113,668 11.4%	109,931 10.2%	(3.3)
Supplied Housing Business	Remodeling	25,546 16.4%	27,561 16.6%	7.9
	Real estate management fees	50,480 8.6%	50,659 8.2%	0.4
	Subtotal	76,027 10.3%	78,221 10.0%	2.9
Development Business	Houses for Sale	14,548 7.6%	20,777 8.7%	42.8
	Condominiums	12,486 13.8%	13,403 14.7%	7.3
	Urban redevelopment	11,276 11.0%	15,051 11.1%	33.5
	Subtotal	38,311 10.0%	49,233 10.6%	28.5
Overseas Business		50,147 12.9%	73,860 14.2%	47.3
Other Businesses		(1,208) (1.6%)	(439) (0.5%)	-
Eliminations and back office		(46,786)	(49,317)	-
Consolidated		230,160 8.9%	261,489 8.9%	13.6

(3) Orders

¥ millions

		FY2021	FY2022	YOY(%)
Built-to-order Business	Custom detached houses	353,299	344,040	(2.6)
	Rental housing	390,190	426,479	9.3
	Architectural / civil engineering	333,630	301,649	(9.6)
	Subtotal	1,077,120	1,072,170	(0.5)
Supplied Housing Business	Remodeling	160,962	169,088	5.0
	Real estate management fees	584,969	619,271	5.9
	Subtotal	745,931	788,359	5.7
Development Business	Houses for Sale	201,897	249,648	23.7
	Condominiums	83,952	84,278	0.4
	Urban redevelopment	98,891	112,859	14.1
	Subtotal	384,741	446,786	16.1
Overseas Business		432,773	418,510	(3.3)
Other Businesses		81,167	83,450	2.8
Consolidated		2,721,734	2,809,277	3.2

(4) Accumulated orders

¥ millions

		As of January 31, 2022	As of January 31, 2023	YOY(%)
Built-to-order Business	Custom detached houses	183,865	175,442	(4.6)
	Rental housing	378,890	379,253	0.1
	Architectural / civil engineering	434,107	436,979	0.7
	Subtotal	996,863	991,675	(0.5)
Supplied Housing Business	Remodeling	33,380	36,557	9.5
	Real estate management fees	-	-	-
	Subtotal	33,380	36,557	9.5
Development Business	Houses for Sale	58,114	69,510	19.6
	Condominiums	84,991	78,386	(7.8)
	Urban redevelopment	25,057	2,596	(89.6)
	Subtotal	168,163	150,493	(10.5)
Overseas Business		260,455	212,319	(18.5)
Other Businesses		53,710	56,740	5.6
Consolidated		1,512,572	1,447,787	(4.3)

* 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.
* Order back log of the MARUHON INC, which was made a consolidated subsidiary during the consolidated fiscal year under review, and its subsidiaries are included in the results of the Other Businesses.

<Forecast figures for consolidated results>

Due to a review of reportable segments, the following reportable segments will be changed from the fiscal year ending January 2024. The breakdown by segment for the fiscal year ending January 31, 2023 shows figures after reclassification.

(1) Sales

¥ millions

		FY2022	FY2023 Forecast	YOY(%)
Built-to-order Business	Detached houses	476,416	482,000	1.2
	Rental housing and commercial buildings	506,307	535,000	5.7
	Architectural / civil engineering	267,317	273,000	2.1
	Subtotal	1,250,040	1,290,000	3.2
Supplied Housing Business	Rental housing management	617,245	638,000	3.4
	Remodeling	166,975	179,000	7.2
	Subtotal	784,221	817,000	4.2
Development Business	Real estate and brokerage	221,040	279,000	26.2
	Condominiums	97,110	110,000	13.3
	Urban redevelopment	86,130	124,000	44.0
	Subtotal	404,281	513,000	26.9
Overseas Business		521,124	482,500	(7.4)
Other Businesses		9,454	11,000	16.3
Eliminations and back office		(40,287)	(33,500)	-
Consolidated		2,928,835	3,080,000	5.2

(2) Operating income and OP margin

¥ millions

		FY2022 Amount OP margin	FY2023 Forecast Amount OP margin	YOY(%)
Built-to-order Business	Detached houses	41,747 8.7%	44,000 9.1%	5.4
	Rental housing and commercial buildings	74,450 14.7%	82,000 15.3%	10.1
	Architectural / civil engineering	11,826 4.4%	10,000 3.7%	(15.4)
	Subtotal	127.751 10.2%	136,000 10.5%	6.5
Supplied Housing Business	Rental housing management	47,585 7.7%	49,000 7.7%	3.0
	Remodeling	22,431 13.4%	24,000 13.4%	7.0
	Subtotal	70,016 8.9%	73,000 8.9%	4.3
Development Business	Real estate and brokerage	17,531 7.9%	23,000 8.2%	31.2
	Condominiums	13,762 14.2%	16,000 14.5%	16.3
	Urban redevelopment	5,130 6.0%	18,000 14.5%	250.9
	Subtotal	36,424 9.0%	57,000 11.1%	56.5
Overseas Business		73,854 14.2%	49,000 10.2%	(33.7)
Other Businesses		1,890 20.0%	1,000 9.1%	(47.1)
Eliminations and back office		(48,448)	(51,000)	-
Consolidated		261,489 8.9%	265,000 8.6%	1.3

(3) Orders

¥ millions

		FY2022	FY2023 Forecast	YOY(%)
Built-to-order Business	Detached houses	470,227	485,000	3.1
	Rental housing and commercial buildings	520,570	550,000	5.7
	Architectural / civil engineering	257,667	249,000	(3.4)
	Subtotal	1,248,465	1,284,000	2.8
Supplied Housing Business	Rental housing management	617,245	638,000	3.4
	Remodeling	170,153	182,000	7.0
	Subtotal	787,399	820,000	4.1
Development Business	Real estate and brokerage	230,218	280,000	21.6
	Condominiums	88,279	90,000	1.9
	Urban redevelopment	71,330	124,000	73.8
	Subtotal	389,829	494,000	26.7
Overseas Business		418,510	476,500	13.9
Other Businesses		9,518	11,000	15.6
Eliminations and back office		(44,445)	(33,500)	-
Consolidated		2,809,277	3,052,000	8.6

(4) Accumulated orders

¥ millions

		As of January 31, 2023	As of January 31, 2024 forecast	YOY(%)
Built-to-order Business	Detached houses	235,362	238,362	1.3
	Rental housing and commercial buildings	490,349	505,349	3.1
	Architectural / civil engineering	375,637	351,637	(6.4)
	Subtotal	1,101,349	1,095,349	(0.5)
Supplied Housing Business	Rental housing management	-	-	-
	Remodeling	36,557	39,557	8.2
	Subtotal	36,557	39,557	8.2
Development Business	Real estate and brokerage	42,400	43,400	2.4
	Condominiums	77,420	57,420	74.2
	Urban redevelopment	-	-	-
	Subtotal	119,820	100,820	(15.9)
Overseas Business		212,319	206,319	(2.8)
Other Businesses		407	407	0.0
Eliminations and back office		(22,666)	(22,666)	-
Consolidated		1,447,787	1,419,787	(1.9)

Major changes due to the review of reportable segments are as follows.

1.Architectural/civil engineering:

Changed Sekisui House's built-to-order business to "rental housing and commercial buildings.

"No change of Konoike Construction's built-to-order business from "architectural/civil engineering.

2.Real estate management fees

Changed the rental housing management business to "rental housing management."

Brokerage business changed to "real estate and brokerage."

3.Houses for sale

Changed the building business to "detached houses."

Changed the land business to "real estate and brokerage."

4.Condominiums, Urban redevelopment

The real estate business handled by the Sekisui House Real Estate Group became "real estate and brokerage."

5.Other businesses

Changed exteriors to "detached houses" and "rental housing and commercial buildings" depending on the building applications.

1. Overview of Business Results

(1) Analysis of Business Results
(Overview of Business Results Overall)

The consolidated fiscal year under review saw continued signs of recovery in the global economy amid a return to normalcy in socio economic activities under coexistence with COVID-19. However, the impact of global inflation, tight monetary policies in various countries and foreign exchange fluctuations and impact of geopolitical risks on raw materials, material prices and supply chains continue to require close observation.

Domestically, in the housing market, the number of new housing starts remained stable. At the same time, orders received trended downward against a background of an increase in spending on travel and eating out due to the lifting of restrictions on activities in March of last year, as well as persistent caution in spending by consumers due to the rise in prices of goods in the second half of the year. In the United States, the number of new housing starts and the number of houses sold declined due to persistently high housing prices and rising mortgage rates, despite strong latent demand for housing.

In this business climate, with the aim of achieving the Global Vision to make 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. All businesses made solid progress as a result, and orders that will contribute to business performance in the next fiscal year and beyond remained robust.

In business results for the consolidated fiscal year under review, which is the last year of the Fifth Mid-Term Management Plan (fiscal 2020 to 2022), Sekisui House showed net sales of ¥ 2,928,835 million, up 13.1 % year on year, operating income of ¥ 261,489 million, up 13.6 % year on year, ordinary income of ¥ 257,272 million, up 11.8 % year on year, and fiscal year profit attributable to owners of parent of ¥ 184,520 million, up 19.9 % year on year. These results represent record highs for net sales and income.

Results for the three years of the Fifth Mid-Term Management Plan considerably exceeded values in the initial plan.

Business results by segment are outlined below.

<Built-to-Order Business>
(Custom detached houses)

The Custom Detached Houses Business showing net sales of ¥ 352,463 million, down 0.1 % year on year, and operating income of ¥ 38,309 million, down 9.8 % year on year, during the consolidated fiscal year under review.

Great effort had been put into mid- to high-end products by means of high added-value proposals that integrate technologies and lifestyle design. Orders remained stable in the Custom Detached Housing Business, driven by proposals for new lifestyles with the Family Suite large living room, Green First ZERO for net zero energy housing (ZEH), and the SMART-ECS Next-Generation Indoor Environment System, as well as the popularity of the PLATFORM HOUSE smart home service that operates in tandem with home layout.

(Rental housing)

Stable construction progress contributed to increased income in the Rental Housing Business, which showed net sales of ¥ 426,116 million, up 11.0 % year on year, and operating income of ¥ 58,407 million, up 4.2 % year on year, during 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 u sing 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 contributes 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 65% (15,064, cumulative of 27,371 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 recorded net sales of ¥ 298,777 million, up 14.1 % year on year, and operating income of ¥ 13,214 million, down 12.8 % year on year, during 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 construction, impacts of rising material prices, and impacts from the receipt of 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 recording net sales of ¥ 165,910 million, up 6.2 % year on year, and operating income of ¥ 27,561 million, up 7.9 % year on year, during 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 increase property value to achieve high occupancy rate and high rental prices. Under such initiatives, orders trended upward.

(Real estate management fees)

The Real Estate Management Fees Business showed net sales of ¥ 619,271 million, up 5.9 % year on year, and operating income of ¥ 50,659 million, up 0.4 % year on year, during 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. Sekisui House Real Estate Holdings, Ltd. advanced business aimed at further sustainable growth and maximization of corporate value for the Sekisui House Real Estate Group. It maintained high occupancy rates and rent prices, which in turn contributed to higher earnings, by providing high quality building management that supports long-term stable management and services that enhance the lives of residents.

<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 ¥ 238,252 million, up 24.4 % year on year, and operating income of ¥ 20,777 million, up 42.8 % year on year, during 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 favorable trend in orders.

(Condominiums)

For the consolidated fiscal year under review, the Condominiums Business recorded net sales of ¥ 90,883 million, up 0.3 % year on year, and operating income of ¥ 13,403 million, up 7.3 % year on year. The business progressed according to plans and contributed to higher income, thanks to the completion of delivery of Grande Maison Shin-Umeda Tower THE CLUB RESIDENCE (Kita-ku, Osaka City) as well as steady progress in the delivery of Grande 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.

Sekisui House has also set ZEH specifications for every Grande Maison condominium unit for sale from 2023, with the aim of contributing to decarbonization in the household sector. In addition to high-added value condominium development in prime land centering on the four metropolises of Tokyo, Nagoya, Osaka, and Fukuoka, our environmental efforts were met with acclaim that yielded ongoing strong sales, including the sales of all units in Grande Maison Shirokane-Takanawa Park Front (Minato-ku, Tokyo) and Grande Maison Ohori Koen The Tower (Chuo-ku, Fukuoka City).

(Urban redevelopment)

The Urban redevelopment Business showed net sales of ¥ 135,320 million, up 31.7 % year on year, and operating income of ¥ 15,051 million, up 33.5 % year on year, during the consolidated fiscal year under review.

Sales of properties progressed according to schedule, including the sale of Prime Maison Egota no Mori (Nakano-ku, Tokyo), Prime Maison Waseda Dori (Shinjuku-ku, Tokyo), etc. to Sekisui House Reit, Inc. and the sale of equity in Akasaka Garden City Bldg. (Minato-ku, Tokyo). The segment continues to maintain high occupancy rate of Sekisui House Group properties, such as the Sekisui House Prime Maison rental housing.

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 ¥ 521,124 million, up 34.0 % year on year, and operating income of ¥ 73,860 million, up 47.3 % year on year, during the consolidated fiscal year under review.

In the United States, deliveries of the strong orders that were received through the first half of the fiscal year progressed steadily in the Homebuilding businesses. The Master-planned community business remained strong. In the Multifamily Business, earnings increased thanks to the delivery of Volta on Pine (Long Beach), Bromwell (Denver), and The Society (San Diego; two of four buildings). Conversely, the ordering environment in the Homebuilding businesses declined due to rising mortgage rates and other factors. Under the policy of promoting Sekisui House technologies overseas, we acquired full equity in Texas-based housing sales company Chesmar Homes, LLC and worked to expand the business scale and area of coverage.

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. In China, delivery of condominiums sold in Phase 2 in Taicang City was completed.

<Other>

Other businesses showed net sales of ¥ 80,715 million, up 6.2 % year on year, but an operating loss of ¥ 439 million during the consolidated fiscal year under review.

The Exterior Business contributed to the preservation of biodiversity through the Gohon no Ki Project (cumulative number of trees planted: 18.1 million). This initiative strengthens proposals that integrate housing and exteriors in custom detached houses and rental housing, while proposing tree planting with a focus on native tree species with high affinity with the local climate, natural features, birds, butterflies, etc.

Based on the Fifth Mid-Term Management Plan policy of actively conducting M&A and alliances to create new businesses and innovations, we completed a buyout of MARUHON INC., an interior design building materials manufacturer active in the import, planning, manufacture and sales of wood building materials focused on unmixed wood interior materials, with strengths in high quality and high added-value products. 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 under the three themes of participation by all employees, leading initiatives, and improved external evaluation, while also working toward the resolution of three newly identified material issues.

In terms of the environment, the ratio of ZEH housing against total new housing starts was a record high of 92% (fiscal 2021), 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 CO_2 for housing provided in fiscal 2021 was achieved. Together with partners including the Kubota Laboratory at the University of the Ryukyus, the Group also conducted joint verification of the results of the Gohon no Ki Project and built the world's first mechanism for the quantitative evaluation of urban biodiversity, which we released as a nature-positive methodology. Drawing on this, we have embarked upon new collaborations and initiatives with a number of companies, organizations, government bodies, and schools.

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. We also promoted diversity and inclusion through means including advancement of the Think About Childcare Leave Project together with other companies and organizations that endorse an increase in men taking childcare leave.

With regard to corporate governance, at the 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. We also strengthened governance of the Group through means including restructuring of the Sekisui House Real Estate Group, with the aim of delegating authority and clarifying responsibilities through an intermediate holding company structure.

As a result of ESG management promotion through these and other initiatives, in the area of the environment, we were awarded highest-level A List ratings for both the Climate Change and Forests categories by international environmental non-profit organization Carbon Disclosure Project (CDP). In the area of improvement of social value, we achieved first place in the Community Engagement and Partnerships category of the WEPs AWARDS 2022 sponsored by the UN Women Regional Office for Asia and the Pacific. In the area of governance, we were selected by domestic fund management institutions of the Government Pension Investment Fund (GPIF) for inclusion in the "Excellent Corporate Governance Report." We also received high external evaluations including a first-place award for the second consecutive year in the Awards for Excellence in Corporate Disclosure conducted by the Securities Analysts Association of Japan.

(Future Outlook)

Looking at the global economy, a situation that requires close attention to the potential impacts of the effects of ongoing inflation and monetary tightening policies in numerous countries, as well as effects of foreign exchange rate fluctuations and geopolitical risks on energy and raw material prices and procurement costs is expected to continue.

In the domestic housing market, high-quality housing, including housing with high energy-saving performance, that balances safety and security as well as comfortable and ecofriendly is expected to increase, and diversifying customer needs must be met against the backdrop of the advent of the era of the 100-year lifespan, the diversification of lifestyles and values in the days during and after the COVID-19 pandemic, increasingly sever natural disasters under climate change, as well as the review of the long-life quality housing certification system and the revision of the Building Energy Efficiency Act .

Looking at the US housing market, the market is in an adjustment phase due to the effect of inflation and rising interest rates. However, latent demand is strong because of a shortage in the supply of high-quality housing. Therefore, it is required to respond to the emergence of demand for new houses, which is expected to recover as the economic environment stabilizes.

Based on our recognition of these business issues and under our Global Vision "To make home the happiest place in the world" aimed at the year 2050, the Company has formulated the Sixth Mid-Term Management Plan (fiscal 2023 to 2025) with "Stable domestic growth and Active Growth Overseas" as its basic policies.

The Sekisui House Group will work to deepen and expand its existing businesses based on the core competence consisting of technical capabilities, construction capabilities, and customer base, and through utilizing our unique value chain in which the Sekisui House Group undertakes all processes related to homebuilding, from product and technology development to sales, design, construction work, and after-sales services.

We will also develop and expand new business through our overseas business by transplanting Sekisui House technologies cultivated in Japan, as well as by adapting to changes in society and the operating environment and making use of digital technologies.

Furthermore, through initiatives such as support for independent career formation and the promotion of diversity and inclusion, we will further enhance the value of our human resources and align the vectors to accelerate our growth as a global company.

Looking at finances, based on our recognition of the importance of maintaining a balance between financial soundness and capital efficiency-conscious investment for growth, we aim to improve our corporate value by achieving synergies between the promotion of ESG management and ROE enhancement through strengthened capabilities for generation of cash return.

We will aggressively carry out investment for growth in real estate in Japan and overseas, and in foundations for growth, including IT, DX, human resources, R&D, and M&A. In terms of financial soundness, we work to secure investment capacity aimed at further growth, while maintaining a domestic credit rating of AA and an overseas credit rating of A by controlling our D/E ratio and debt redemption period (Net Debt/EBITDA ratio) at appropriate levels. Looking at shareholder returns, in addition to our existing medium-term average dividend payout ratio of 40% or higher, we will implement a lower limit for the dividends per share of ¥110 per year (fiscal 2022 results) as stipulated in the Sixth Mid-Term Management Plan to further improve the stability of shareholder returns as well as flexibly repurchase company shares to raise value for the shareholders.

Looking at our consolidated financial results forecast for the fiscal year ending in January 2024, we expect net sales of ¥3,080,000 million yen (up 5.2% year on year), operating income of ¥265,000 million yen (up 1.3% year on year), ordinary income of ¥259,000 million yen (up 0.7% year on year), and profit attributable to owners of parent of ¥193,000 million yen (up 4.6% year on year). In addition, we plan to pay out an interim dividend of ¥59, a year-end dividend of ¥59, totaling ¥118 for the full year.

(2) Analysis on Financial Position

Total assets increased ¥206,348 million, to ¥3,007,537 million, at the end of the consolidated fiscal year ended January 31, 2022. This was primarily attributable to increase in real estate for sale. Liabilities increased ¥59,761 million to ¥1,339,990 million, despite decreases in the redemption of bonds, mainly due to the increase in borrowings. Net assets increased ¥146,586 million, to ¥1,667,546 million, reflecting the posting of profit attributable to owners of parent.

Cash flows from operating activities increased by ¥125,464 million (a year-on-year increase of ¥7,429 million in net cash provided), primarily due to posting of profit before income taxes.

Cash flows used in investing activities decreased by ¥165,409 million (a year-on-year decrease of ¥51,702 million in net cash provided), mainly reflecting the purchase of property.

Cash flows used in financing activities decreased by ¥155,780 million (a year-on-year decrease of ¥44,078 million in net cash provided), due to payment of dividends and redemption of bonds.

As a result the balance of cash and cash equivalents for the current fiscal year decreased ¥182,426 million from the end of the previous fiscal year to ¥332,747 million.

2. Basic Approach to the Selection of Accounting Standards

The Sekisui House Group has been compiling its consolidated financial statements according to the Japanese standards. It will adopt international accounting standards appropriately in the future, factoring in the situations both in Japan and abroad.

4. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(¥ millions)

	As of January 31, 2022	As of January 31, 2023
Assets		
Current assets		
Cash and deposits	515,283	332,903
Notes receivable, accounts receivable from completed construction contracts	132,471	-
Notes receivable, accounts receivable from completed construction contracts and other	-	157,123
Costs on uncompleted construction contracts	18,299	17,202
Buildings for sale	436,973	534,391
Land for sale in lots	589,879	723,941
Undeveloped land for sale	149,828	177,095
Other inventories	9,501	12,160
Other	101,672	140,200
Less allowance for doubtful accounts	(1,179)	(1,136)
Total current assets	1,952,729	2,093,883
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	365,224	388,523
Machinery, equipment and vehicles	71,333	75,108
Tools, furniture and fixtures	37,007	39,657
Land	284,788	277,568
Lease assets	5,157	19,746
Construction in progress	49,597	32,080
Less accumulated depreciation	(272,397)	(278,123)
Total property, plant and equipment	540,711	554,562
Intangible assets		
Goodwill	250	31,406
Industrial property	31	716
Leasehold right	2,575	2,292
Software	14,586	14,807
Right of using facilities	201	172
Telephone subscription right	308	258
Other	34	1,462
Total intangible assets	17,988	51,117
Investments and other assets		
Investments in securities	190,334	191,500
Long-term loans receivable	5,793	5,636
Asset for retirement benefits	7,206	32,501
Deferred income taxes	24,091	18,219
Other	62,626	62,321
Less allowance for doubtful accounts	(294)	(2,206)
Total investments and other assets	289,759	307,973
Total noncurrent assets	848,459	913,653
Total assets	2,801,189	3,007,537

(¥ millions)

	As of January 31, 2022	As of January 31, 2023
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	111,022	124,420
Electronically recorded obligations-operating	96,635	102,416
Short-term loans	219,218	305,503
Short-term bonds	-	30,000
Current portion of long-term loans payable	16,235	71,664
Accrued income taxes	43,021	34,641
Advances received on construction projects in progress	207,798	192,236
Accrued employees' bonuses	31,270	36,497
Accrued directors' and corporate auditors' bonuses	1,385	1,019
Provision for warranties for completed construction	3,897	4,906
Other	137,416	141,337
Total current liabilities	867,903	1,044,643
Long-term liabilities		
Bonds payable	170,000	200,000
Long-term loans payable	136,556	157,372
Guarantee deposits received	59,079	59,535
Deferred income taxes	464	933
Accrued retirement benefits for directors and corporate auditors	864	692
Liabilities for retirement benefits	30,733	29,286
Other	14,626	27,525
Total long-term liabilities	412,325	295,347
Total liabilities	1,280,229	1,339,990
Net assets		
Shareholders' equity		
Common stock	202,591	202,591
Capital surplus	258,989	259,864
Retained earnings	940,135	1,056,475
Less treasury stock, at cost	(20,975)	(50,656)
Total shareholders' equity	1,380,740	1,468,274
Accumulated other comprehensive income		
Net unrealized holding gain on securities	41,488	40,449
Deferred (loss) gain on hedges	141	623
Translation adjustments	47,245	99,689
Retirement benefits liability adjustments	4,323	23,793
Total accumulated other comprehensive income	93,199	164,556
Stock subscription rights	186	134
Non-controlling interests	46,832	34,581
Total net assets	1,520,959	1,667,546
Total liabilities and net assets	2,801,189	3,007,537

(2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income
(Consolidated Statements of Income)

(¥ millions)

	Feb. 1, 2021 – Jan. 31, 2022	Feb. 1, 2022 – Jan. 31, 2023
Net sales	2,589,579	2,928,835
Cost of sales	2,060,702	2,344,537
Gross profit	528,877	584,297
Selling, general and administrative expenses		
Selling expenses	56,031	54,787
General and administrative expenses	242,684	268,020
Total selling, general and administrative expenses	298,716	322,808
Operating income	230,160	261,489
Non-operating income		
Interest income	2,604	2,284
Dividends income	1,904	2,096
Foreign exchange gain	1,134	-
Other	3,446	4,526
Total non-operating income	9,088	8,907
Non-operating expenses		
Interest expenses	3,836	5,317
Share of loss of entities accounted for using equity method	1,238	2,087
Foreign exchange loss	-	723
Other	4,080	4,995
Total non-operating expenses	9,155	13,124
Ordinary income	230,094	257,272
Extraordinary income		
Gain on liquidation of subsidiaries and associates	3,088	16,813
Gain on step acquisitions	1,166	397
Gain on sale of shares of subsidiaries and associates	2,246	5
Total extraordinary income	6,501	17,216
Extraordinary loss		
Loss on impairment of fixed assets	539	2,898
Provision of allowance for doubtful accounts	-	1,991
Loss on sales or disposal of fixed assets	1,629	1,759
Loss on sales of investment securities	51	128
Loss on revaluation of investments in securities	21	-
Loss related to COVID-19	19	-
Total extraordinary losses	2,261	6,778
Profit before income taxes	234,334	267,710
Income taxes-current	75,789	77,214
Income taxes-deferred	(5,470)	(831)
Total income taxes	70,319	76,383
Profit	164,015	191,327
Profit attributable to non-controlling interests	10,109	6,806
Profit attributable to owners of parent	153,905	184,520

(Consolidated Statements of Comprehensive Income)

(¥ millions)

	Feb. 1, 2021 – Jan. 31, 2022	Feb. 1, 2022 – Jan. 31, 2023
Profit attributable to owners of parent	164,015	191,327
Other comprehensive income (loss)		
Net unrealized holding gain on securities	862	(703)
Translation adjustments	40,766	44,957
Retirement benefits liability adjustments	15,103	19,373
Share of other comprehensive gain (loss) of affiliates accounted for by the equity method	4,315	7,976
Total other comprehensive income	61,048	71,604
Comprehensive income	225,063	262,931
Comprehensive income attributable to		
Owners of the parent	215,253	255,876
Non-controlling interests	9,810	7,054

(3) Consolidated Statements of Changes in Net Assets

Previous consolidated fiscal year (February 1, 2021 to January 31, 2022)

(¥ millions)

	Equity capital				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Shareholders' equity
Balance at the end of previous period	202,591	258,989	839,985	(6,883)	1,294,682
Cumulative effects of changes in accounting policies	-	-	-	-	-
Restated balance	202,591	258,989	839,985	(6,883)	1,294,682
Changes of items during the period					
Cash dividends	-	-	(55,608)	-	(55,608)
Profit attributable to owners of parent	-	-	153,905	-	153,905
Repurchases of company stock	-	-	-	(15,015)	(15,015)
Sales of treasury stock	-	-	(361)	923	562
Change in scope of consolidation	-	-	2,214	-	2,214
Purchase of shares of consolidated subsidiaries	-	(0)	-	-	(0)
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes of items during the period	-	(0)	100,149	(14,091)	86,057
Balance at the end of current period	202,591	258,989	940,135	(20,975)	1,380,740

	Accumulated other comprehensive income					Stock subscription rights	Non-controlling interests	Total net assets
	Net unrealized holding gain on securities	Deferred gain (loss) on hedges	Translation adjustment	Retirement benefits liability adjustments	Total accumulated other comprehensive income			
Balance at the end of previous period	40,174	(45)	2,355	(10,631)	31,852	508	41,842	1,368,887
Cumulative effects of changes in accounting policies	-	-	-	-	-	-	-	-
Restated balance	40,174	(45)	2,355	(10,631)	31,852	508	41,842	1,368,887
Changes of items during the period								
Cash dividends	-	-	-	-	-	-	-	(55,608)
Profit attributable to owners of parent	-	-	-	-	-	-	-	153,905
Repurchases of company stock	-	-	-	-	-	-	-	(15,015)
Sales of treasury stock	-	-	-	-	-	-	-	562
Change in scope of consolidation	-	-	-	-	-	-	-	2,214
Purchase of shares of consolidated subsidiaries	-	-	-	-	-	-	-	(0)
Net changes of items other than shareholders' equity	1,314	187	44,890	14,955	61,347	(322)	4,989	66,014
Total changes of items during the period	1,314	187	44,890	14,955	61,347	(322)	4,989	152,072
Balance at the end of current period	41,488	141	47,245	4,323	93,199	186	46,832	1,520,959

Current consolidated fiscal year (February 1, 2022 to January 31, 2023) (¥ millions)

	Equity capital				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Shareholders' equity
Balance at the end of previous period	202,591	258,989	940,135	(20,975)	1,380,740
Cumulative effects of changes in accounting policies	-	-	(1,715)	-	(1,715)
Restated balance	202,591	258,989	938,419	(20,975)	1,379,025
Changes of items during the period					
Cash dividends	-	-	(66,400)	-	(66,400)
Profit attributable to owners of parent	-	-	184,520	-	184,520
Repurchases of company stock	-	-	-	(30,014)	(30,014)
Sales of treasury stock	-	-	(64)	333	269
Change in scope of consolidation	-	-	-	-	-
Purchase of shares of consolidated subsidiaries	-	(874)	-	-	(874)
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes of items during the period	-	(874)	118,055	(29,680)	89,249
Balance at the end of current period	202,591	259,864	1,056,475	(50,656)	1,468,274

	Accumulated other comprehensive income					Stock subscription rights	Non-controlling interests	Total net assets
	Net unrealized holding gain on securities	Deferred gain (loss) on hedges	Translation adjustment	Retirement benefits liability adjustments	Total accumulated other comprehensive income			
Balance at the end of previous period	41,488	141	47,245	4,323	93,199	186	46,832	1,520,959
Cumulative effects of changes in accounting policies	-	-	-	-	-	-	-	(1,715)
Restated balance	41,488	141	47,245	4,323	93,199	186	46,832	1,519,243
Changes of items during the period								
Cash dividends	-	-	-	-	-	-	-	(66,400)
Profit attributable to owners of parent	-	-	-	-	-	-	-	184,520
Repurchases of company stock	-	-	-	-	-	-	-	(30,014)
Sales of treasury stock	-	-	-	-	-	-	-	269
Change in scope of consolidation	-	-	-	-	-	-	-	-
Purchase of shares of consolidated subsidiaries	-	-	-	-	-	-	-	874
Net changes of items other than shareholders' equity	(1,039)	481	52,443	19,470	71,356	(52)	(12,250)	59,053
Total changes of items during the period	(1,039)	481	52,443	19,470	71,356	(52)	(12,250)	148,302
Balance at the end of current period	40,449	623	99,689	23,793	164,556	134	34,581	1,667,546

(4) Consolidated Statements of Cash Flows

(¥ millions)

	Feb. 1, 2021 – Jan. 31, 2022	Feb. 1, 2022 – Jan. 31, 2023
Cash flows from operating activities		
Profit before income taxes	234,334	267,710
Depreciation and amortization	24,069	26,711
Loss on impairment of fixed assets	539	2,898
Increase (decrease) in liability for retirement benefits	3,382	980
Increase in asset for retirement benefits	158	112
Interest and dividend income	(4,508)	(4,380)
Interest expense	3,836	5,317
Equity in earnings of affiliates	1,238	2,087
Loss (gain) on sales of investment securities	(1,114)	(269)
Loss (gain) on valuation of investments in securities	21	-
Loss (gain) on liquidation of subsidiaries and associates	(3,088)	(16,813)
Gain on sales of shares of subsidiaries and affiliates	(2,246)	(5)
Provision of allowance for doubtful accounts	-	1,991
Decrease (increase) in notes and accounts receivable-trade	13,462	(24,158)
Decrease (increase) in inventories	(85,515)	(38,493)
Increase (decrease) in notes and accounts payable-trade	17,640	8,276
Increase (decrease) in advances received on construction projects in progress	(7,059)	(20,526)
Other, net	(16,001)	3,887
Subtotal	179,149	215,326
Interest and dividends income received	8,151	11,437
Interest expenses paid	(4,530)	(6,812)
Income taxes paid	(64,735)	(94,487)
Net cash provided by (used in) operating activities	118,034	125,464
Cash flows from investing activities		
Purchase of property, plant and equipment	(82,951)	(92,162)
Proceeds from sales of property, plant and equipment	727	2,843
Purchases of investments in securities	(11,487)	(5,163)
Proceeds from sales and redemption of investments in securities	3,670	3,010
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(35,701)	(69,595)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	87	-
Increase in loans receivable	(2,187)	(753)
Collection of loans receivable	11,669	1,014
Other, net	2,467	(4,604)
Net cash provided by (used in) investing activities	(113,706)	(165,409)
Cash flows from financing activities		
Increase (decrease) in short-term loans, net	33,219	37,357
Proceeds from long-term debt	26,748	66,291
Repayment of long-term debt	(64,168)	(21,768)
Redemption of bonds	(30,000)	(120,000)
Cash dividends paid	(55,608)	(66,400)
Purchases of treasury stock	(15,015)	(30,014)
Purchase of shares of subsidiary that do not result in change in scope of consolidation	(0)	(15,956)
Other, net	(6,876)	(5,288)

(¥ millions)

	Feb. 1, 2021 – Jan. 31, 2022	Feb. 1, 2022 – Jan. 31, 2023
Net cash provided by (used in) financing activities	(111,701)	(155,780)
Effect of exchange rate changes on cash and cash equivalents	20,124	13,298
Net increase (decrease) in cash and cash equivalents	(87,248)	(182,426)
Cash and cash equivalents at beginning of period	600,234	515,174
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	2,188	-
Cash and cash equivalents at end of period	515,174	332,747

(5) Notes to Consolidated Financial Statements

(Notes Regarding Assumption of Going Concerns)

Not applicable

(Changes in accounting policies)

(Adoption of the Accounting Standard for Revenue Recognition)

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 current consolidated fiscal year under review, was adjusted to retained earnings at the beginning of the current consolidated fiscal year under review, and the Company has applied the new policy to the balance at the beginning of the fiscal year.

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 current consolidated fiscal year under review, was adjusted to retained earnings at the beginning of the current 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 current 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 current 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 the current consolidated fiscal year under review.

The impact on the consolidated statement of income for the current consolidated 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 current 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 current 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 current 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.

(Additional Information)

(Impact of the COVID-19 pandemic when making accounting estimates)

While the prolonging of the COVID-19 pandemic has had certain impacts on business operations of the Group, there have not been significant impacts. Determination of the recoverability of deferred tax assets, recognition of impairment losses, etc. are based on information available at the time of preparation of the consolidated financial statements, and are estimated on the assumption that, while certain effects will continue in the next consolidated fiscal year, gradual recovery will occur.

(Notes to Consolidated Statements of Income)

Loss on impairment of fixed assets

Impairment loss of the following group of assets was recorded.

Previous consolidated fiscal year (February 1, 2021 – January 31, 2022)

Location	Usage	Type
Saganakadai, Kizugawa City, etc.	Training facilities, etc.	Land, etc.

The Sekisui House Group recognizes impairment loss by grouping investment properties by project and grouping other assets by operating unit, which allow us to manage gains and losses in a rational manner. As a result, for the group of real estate for leasing, the book value was impaired down to the recoverable value, and this decrease was recorded as impairment loss under Extraordinary loss.

(Breakdown of impairment loss)

Type	Amount (¥ millions)
Machinery and equipment	61
Land	466
Other	11
Total	539

For these assets, the Company calculates the recoverable value of the relevant assets based on their use value or net selling prices. The use value is determined based on future cash flows, and the net selling price is determined based on the real estate appraisal value and other.

Current consolidated fiscal year (February 1, 2022 – January 31, 2023)

Location	Usage	Type
Shenyang, Liaoning, China, etc.	Real estate for leasing, etc.	Buildings, etc.

The Sekisui House Group recognizes impairment loss by grouping investment properties by project and grouping other assets by operating unit, which allow us to manage gains and losses in a rational manner. As a result, for the group of real estate for leasing, the book value was impaired down to the recoverable value, and this decrease was recorded as impairment loss under Extraordinary loss.

(Breakdown of impairment loss)

Type	Amount (¥ millions)
Buildings and structures	2,146
Land	346
Machinery and equipment	72
Other	333
Total	2,898

For these assets, the Company calculates the recoverable value of the relevant assets based on their use value or net selling prices. The use value is determined based on future cash flows, and the net selling price is determined based on the real estate appraisal value and other.

(Segment Information)

Segment Information

1. Summary of reportable segments

The reportable segments of the Sekisui House Group are its constituent units for which separate financial information is obtained and examined on a regular basis by its manager to determine the allocation of management resources and evaluate business performance.

Setting the global vision of Make home the happiest place in the world, and the management direction of deploying growth strategies focused on the residential business domain, the Group conducts business activities by drawing up strategies for each business area, with the aim of becoming a global company that offers proposals of technologies, lifestyle design and services.

The Group comprises segments by product and service based on their business areas, and its reportable segments are Custom detached houses, Rental housing, Architectural/civil engineering, Remodeling, Real estate management fees, Houses for sale, Condominiums, Urban redevelopment and Overseas Business other than business areas in Other Businesses.

Details of the reportable segments are as follows:

Custom detached houses Business:	Designing, constructing, and contracting for sale detached houses
Rental housing Business:	Designing, constructing, and contracting for sale rental housing, medical and nursing care facilities, and other buildings
Architectural / civil engineering Business:	Designing, constructing, and contracting for rental housing and buildings for business use, etc. of reinforced-concrete (RC) structure, and contracting for design and execution of civil engineering works
Remodeling Business:	Renovating housing
Real estate management fees Business:	Leasing, managing, maintaining, and brokering real estate.
Houses for sale Business:	Selling houses and real estate, and designing, constructing, and contracting for sale houses on residential land for sale
Condominiums Business:	Selling condominiums
Urban redevelopment Business:	Developing office buildings, commercial facilities, and other facilities, and managing and maintaining its own properties
Overseas Business:	Contracting for sale detached houses, sells houses and real estate, and develops facilities, including condominiums and commercial facilities, in overseas markets

2. Method of calculation for sales, income and loss, asset, liabilities and other items by each segment

The accounting treatment used for all reporting segments is basically the same as that stated in “Basic Important Matters for Preparation of Consolidated Financial Statements.”

As described in the changes in accounting policies, Accounting Standard for Revenue Recognition was applied from the beginning of the fiscal year ended March 31, 2023. As the accounting method regarding the revenue recognition is changed, calculation method for the profit and loss of business segments are change accordingly.

The impact of these changes on the consolidated financial statements for the fiscal year ended March 31, 2023 is immaterial.

3. Segment information on sales, income or loss, assets, liabilities and other items by reporting segment

Previous consolidated fiscal year (February 1, 2021 to January 31, 2022)

(¥ millions)

	Reportable Business Segments						
	Custom Detached Houses	Rental Housing	Architectural / civil Engineering	Remodeling	Real Estate Management Fees	Houses for Sale	Condominiums
Sales							
(1) Sales to third parties	352,732	384,022	261,930	156,167	584,969	191,488	90,612
(2) Inter-group sales and transfers	-	3,324	8,846	566	3,538	-	-
Net sales	352,732	387,347	270,776	156,733	588,507	191,488	90,612
Operating income (loss)	42,475	56,047	15,146	25,546	50,480	14,548	12,486
Assets	53,782	43,486	239,315	17,596	125,055	174,079	226,803
Other items							
Depreciations	3,519	1,765	1,400	110	804	1,271	46
Net increase in property, plant and equipment, and intangible assets	5,592	2,010	4,050	61	931	1,546	215

	Reportable Business Segments			Other Businesses (Note: 1)	Total	Adjustments (Note:2)	Amounts on the consolidated financial statements (Note: 3)
	Urban Redevelopment	Overseas Business	Total				
Sales							
(1) Sales to third parties	102,736	388,936	2,513,595	75,984	2,589,579	-	2,589,579
(2) Inter-group sales and transfers	648	-	16,923	6,828	23,752	(23,752)	-
Net sales	103,384	388,936	2,530,519	82,812	2,613,331	(23,752)	2,589,579
Operating income (loss)	11,276	50,147	278,155	(1,208)	276,946	(46,786)	230,160
Assets	565,506	1,022,182	2,467,808	13,528	2,481,336	319,852	2,801,189
Other items							
Depreciations	9,023	1,573	19,515	661	20,177	3,891	24,069
Net increase in property, plant and equipment, and intangible assets	67,931	1,477	83,817	76	83,893	5,618	89,512

Notes

1. Other Businesses principally include the exterior business.
2. Adjustments are as follows:

   (1) An adjustment of ¥46,786 million for segment income (loss) includes an elimination of inter-segment transactions of ¥3,484 million and corporate expenses of ¥43,301 million that have not been allocated to each segment. Corporate expenses mainly include selling, general and administration expenses and experiment and research expenses that do not belong to any reportable segments.

(2) An adjustment of ¥319,852 million for assets is corporate assets. Corporate assets are mainly parent company surplus operating funds (cash and short-term investment securities), long-term investment funds (investment securities) and assets of the administration division.

(3) An adjustment of ¥3,891 million for depreciation and amortization is depreciation related to corporate assets.

(4) An adjustment of ¥5,618 million for increases in property, plant, and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.

3. Operating income (loss) by business segment is adjusted to correspond to operating income in the consolidated statements of income.

Current consolidated fiscal year (February 1, 2022 to January 31, 2023)

(¥ millions)

	Reportable Business Segments						
	Custom Detached Houses	Rental Housing	Architectural / civil Engineering	Remodeling	Real Estate Management Fees	Houses for Sale	Condominiums
Sales							
(1) Sales to third parties	352,463	426,116	298,777	165,910	619,271	238,252	90,883
(2) Inter-group sales and transfers	-	4,591	9,586	752	3,881	-	-
Net sales	352,463	430,708	308,364	166,663	623,153	238,252	90,883
Operating income (loss)	38,309	58,407	13,214	27,561	50,659	20,777	13,403
Assets	56,678	46,114	242,686	18,881	153,738	232,472	215,181
Other items							
Depreciations	3,628	2,106	1,422	115	776	1,313	75
Net increase in property, plant and equipment, and intangible assets	3,847	2,342	1,272	60	1,338	899	288

	Reportable Business Segments			Other Businesses (Note: 1)	Total	Adjustments (Note:2)	Amounts on the consolidated financial statements (Note: 3)
	Urban Redevelopment	Overseas Business	Total				
Sales							
(1) Sales to third parties	135,320	521,124	2,848,120	80,715	2,928,835	-	2,928,835
(2) Inter-group sales and transfers	145	-	18,957	7,505	26,463	(26,463)	-
Net sales	135,466	521,124	2,867,078	88,221	2,955,299	(26,463)	2,928,835
Operating income (loss)	15,051	73,860	311,246	(439)	310,806	(49,317)	261,489
Assets	567,538	1,244,977	2,778,269	18,406	2,796,676	210,860	3,007,537
Other items							
Depreciations	9,431	2,768	21,638	721	22,360	4,351	26,711
Net increase in property, plant and equipment, and intangible assets	78,319	1,875	90,246	134	90,381	4,949	95,330

Notes

1. Other Businesses principally include the exterior business.
2. Adjustments are as follows:

(1) An adjustment of ¥49,317 million for segment income (loss) includes an elimination of inter-segment transactions of ¥3,933 million and corporate expenses of ¥45,384 million that have not been allocated to each segment. Corporate expenses mainly include selling, general and administration expenses and experiment and research expenses that do not belong to any reportable segments.

(2) An adjustment of ¥210,860 million for assets is corporate assets. Corporate assets are mainly parent company surplus operating funds (cash and short-term investment securities), long-term investment funds (investment securities) and assets of the administration division.

(3) An adjustment of ¥4,351 million for depreciation and amortization is depreciation related to corporate assets.

(4) An adjustment of ¥4,949 million for increases in property, plant, and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.

3. Operating income (loss) by business segment is adjusted to correspond to operating income in the consolidated statements of income.

(Per Share Information)

	Feb. 1, 2021 – Jan. 31, 2022	Feb. 1, 2022 – Jan. 31, 2023
Net assets per share	¥2,184.36	¥2,466.04
Profit per share	¥227.37	¥276.58
Fully diluted Profit per share	¥227.25	¥276.46

(Note) Basis for Calculation

1. Net assets per share

¥ millions, except where noted	As of January 31, 2022	As of January 31, 2023
Net assets recorded on balance sheet	1,520,959	1,667,546
Difference between net assets in consolidated balance sheet and net assets attributable to ordinary shares	47,018	34,715
Subscription rights to shares	186	134
Minority interests	46,832	34,581
Net assets attributable to ordinary shares	1,473,940	1,632,830
Number of ordinary shares outstanding (1,000 shares)	684,683	684,683
Number of ordinary shares held in treasury (1,000 shares)	9,913	22,557
Number of ordinary shares used to calculate shareholders' equity per share (1,000 shares)	674,769	662,126

2. Profit per share and fully diluted income per share

¥ millions, except where noted	Previous fiscal year (Feb. 1, 2021 - Jan. 31, 2022)	Current fiscal year (Feb. 1, 2022 - Jan. 31, 2023)
Profit per share		
Profit attributable to owners of parent	153,905	184,520
Amount not attributable to ordinary shares	-	-
Profit attributable to ordinary shares	153,905	184,520
Average number of ordinary shares outstanding during period (1,000 shares)	676,884	667,154
Fully diluted profit per share		
Adjustment to profit attributable to owners of parent	-	-
Number of ordinary shares increased (shares)		
Subscription rights to shares	264	147
Performance linked stock remuneration	103	143
Overview of residual securities not included in the calculation of fully diluted profit per share as they have no dilutive effect	-	-

(Significant Subsequent Event)

(Cancellation of Treasury Stock)

At the Board of Directors meeting held on March 9, 2023, the Company resolved to cancel treasury stock pursuant to Article 178 of the Corporate 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
22,000,000 shares (3.21% of total outstanding shares)
(5) Scheduled date of cancellation
April 26, 2023
(6) Total number of outstanding shares after cancellation
662,683,466 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 25, 2023.

(Share Repurchase)

At the Board of Directors meeting held on March 9, 2023, the Company resolved to acquire its own shares under the provisions of Article 156 of the Companies Act, as applied pursuant to Article 165 (3) of the Companies Act.

(1) Reason for share repurchase
To implement flexible capital policies in accordance with the business environment and to improve capital efficiency to increase shareholder value
(2) Type of shares
Common stock of Sekisui House, Ltd.
(3) Aggregate number of shares to be repurchased
Up to 18,000,000 shares
(4) Aggregate price of shares to be repurchased
Up to 40,000 million yen
(5) Period for share repurchase
From March 10, 2023 to January 31, 2024
(6) Method of share repurchase
Market purchases (including Off-Auction Own Share Repurchase Trading (N-NET3) of the Nagoya Stock Exchange)