Consolidated Financial Results for FY2023
(February 1, 2023 through January 31, 2024)

March 7, 2024

Company name	: **Sekisui House, Ltd.** (URL https://www.sekisuihouse.co.jp/english/)
Listed exchanges	: Tokyo, Nagoya
Stock code	: 1928
Representative	: Yoshihiro Nakai, Representative Director of the Board, President, Executive
Inquiries	: Hiroyuki Kawabata, Operating Officer, Head of Investor Relations Department Tel +81 6 6440 3111
Date of scheduled general shareholders' meeting	: April 25, 2024
Date of scheduled payment of dividends	: April 26, 2024
Date of scheduled filing of securities report	: April 26, 2024
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 FY2023 (February 1, 2023 through January 31, 2024)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Year ended January 31, 2024	3,107,242	6.1	270,956	3.6	268,248	4.3	202,325	9.6
Year ended January 31, 2023	2,928,835	13.1	261,489	13.6	257,272	11.8	184,520	19.9

(Note) Comprehensive income: Year ended Jan. 2024: ¥ 243,596 million ((7.4)%) Year ended Jan. 2023: ¥262,931 million (16.8%)

	Profit per share	Fully diluted profit per share	Return on equity	Ordinary income ratio to total assets	Operating profit ratio to net sales
	¥	¥	%	%	%
Year ended January 31, 2024	309.29	309.19	11.9	8.4	8.7
Year ended January 31, 2023	276.58	276.46	11.9	8.9	8.9

(Reference) Equity in earnings of affiliates: Year ended Jan. 2024: ¥ 1,900 million Year ended Jan. 2023: ¥(2,087) million

(2)Consolidated Financial Position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of January 31, 2024	3,352,798	1,794,052	52.3	2,707.90
As of January 31, 2023	3,007,537	1,667,546	54.3	2,466.04

(Reference) Equity capital* As of January 31, 2024: ¥1,754,585 million As of January 31, 2023: ¥1,632,830 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, 2024	15,683	(69,124)	6,483	292,901
Year ended January 31, 2023	125,464	(165,409)	(155,780)	332,747

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, 2023	-	52.00	-	58.00	110.00	73,091	39.8	4.7
Year ended January 31, 2024	-	59.00	-	64.00	123.00	79,931	39.8	4.8
Year ending January 31, 2025 (Forecast)	-	62.00	-	63.00	125.00		39.9	

3. Consolidated Results Forecast for FY2024 (February 1, 2024 through January 31, 2025)

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Year ending January 31, 2025	3,342,000	7.6	280,000	3.3	262,000	(2.3)	203,000	0.3	313.30

* 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: －
Excluded: 1 company Sekisui House No.1 (Shenyang) 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, 2024: 662,862,666shares　　As of Jan. 31, 2023: 684,683,466shares
(ii) Number of treasury stock at the end of each period:
As of Jan. 31, 2024: 14,911,673shares　　As of Jan. 31, 2023: 22,557,150shares
(iii) Average number of shares outstanding in each period:
Year ended Jan. 2024: 654,153,670 shares　　Year ended Jan. 2023: 667,154,964shares

(Reference) Summary of non-consolidated financial results

Non-Consolidated Results for the FY2023 (February 1, 2023 through January 31, 2024)

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

	Net sales		Operating profit		Ordinary profit		Net income	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Year ended January 31, 2024	1,283,433	6.6	89,777	22.9	157,460	18.6	131,332	14.0
Year ended January 31, 2023	1,203,804	4.6	73,038	(3.1)	132,806	7.8	115,222	19.7

	Net income per share	Fully diluted Net income per share
	¥	¥
Year ended January 31, 2024	200.71	200.65
Year ended January 31, 2023	172.66	172.59

(2)Non-Consolidated Financial Position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of January 31, 2024	1,557,919	938,436	60.2	1,447.77
As of January 31, 2023	1,496,839	920,510	61.5	1,389.67

(Reference) Equity capital　　As of January 31, 2024: ¥938,335 million　　As of January 31, 2023: ¥920,376 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**

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 "(1) Information Regarding Consolidated Business Results (Future Outlook)" in "1. Overview of Consolidated Business Results, etc." of the Attached Material on page 7.

(Obtaining supplementary explanatory documents)

The Company plans to hold a briefing for institutional investors and analysts on March 7, 2024. 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, 2024

¥ millions

Consolidated	FY2022	FY2023	YOY (%)	FY2024 forecast	YOY (%)
Net sales	2,928,835	3,107,242	6.1	3,342,000	7.6
Gross profit	584,297	623,745	6.8	661,000	6.0
Operating profit	261,489	270,956	3.6	280,000	3.3
Ordinary profit	257,272	268,248	4.3	262,000	(2.3)
Profit attributable to owners of parent	184,520	202,325	9.6	203,000	0.3
Total orders	2,809,277	3,196,437	13.8	3,370,000	5.4
Total order backlog	1,447,787	1,552,023	7.2	1,580,023	1.8

Key management indicators

Consolidated	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024 forecast
Earnings per share (¥)	205.79	181.18	227.37	276.58	309.29	313.30
Book-value per share (¥)	1,852.62	1,948.12	2,184.36	2,466.04	2,707.90	2,816.00
Dividends per share (¥)	81.00	84.00	90.00	110.00	123.00	125.00
Operating profit margin	8.50%	7.62%	8.89%	8.93%	8.72%	8.4%
ROE	11.54%	9.53%	10.99%	11.88%	11.95%	11.3%
ROA *	8.78%	7.30%	8.60%	9.08%	8.74%	8.2%

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

Appendix 2: Segment breakdown for the year ended January 31, 2024

<Consolidated> (reference page 23)

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

(1) Net Sales

¥ millions

		FY2022	FY2023	YOY(%)	FY2024 Forecast	YOY(%)
Built-to-order Business	Detached houses	476,416	471,056	(1.1)	473,000	0.4
	Rental housing and commercial buildings	506,307	524,121	3.5	550,000	4.9
	Architectural / civil engineering	267,317	274,653	2.7	313,000	14.0
	Subtotal	1,250,040	1,269,832	1.6	1,336,000	5.2
Supplied Housing Business	Rental housing management	617,245	646,588	4.8	672,500	4.0
	Remodeling	166,975	174,996	4.8	185,500	6.0
	Subtotal	784,221	821,584	4.8	858,000	4.4
Development Business	Real estate and brokerage	221,040	288,456	30.5	357,000	23.8
	Condominiums	97,110	109,450	12.7	96,500	(11.8)
	Urban redevelopment	86,130	133,073	54.5	86,000	(35.4)
	Subtotal	404,281	530,980	31.3	539,500	1.6
Overseas Business		521,124	511,055	(1.9)	638,000	24.8
Other Businesses		9,454	13,230	39.9	13,000	(1.7)
Eliminations and back office		(40,287)	(39,440)	–	(42,500)	–
Consolidated		2,928,835	3,107,242	6.1	3,342,000	7.6

(2) Operating profit and Operating profit margin

¥ millions

		FY2022	FY2023	YOY(%)	FY2024 Forecast	YOY(%)
Built-to-order Business	Detached houses	41,474 8.7%	41,065 8.7%	(1.0)	42,500 9.0%	3.5
	Rental housing and commercial buildings	74,450 14.7%	78,016 14.9%	4.8	82,000 14.9%	5.1
	Architectural / civil engineering	11,826 4.4%	12,904 4.7%	9.1	15,000 4.8%	16.2
	Subtotal	127,751 10.2%	131,986 10.4%	3.3	139,500 10.4%	5.7
Supplied Housing Business	Rental housing management	47,585 7.7%	50,180 7.8%	5.5	53,000 7.9%	5.6
	Remodeling	22,431 13.4%	23,482 13.4%	4.7	25,000 13.5%	6.5
	Subtotal	70,016 8.9%	73,663 9.0%	5.2	78,000 9.1%	5.9
Development Business	Real estate and brokerage	17,531 7.9%	25,857 9.0%	47.5	31,000 8.7%	19.9
	Condominiums	13,762 14.2%	17,532 16.0%	27.4	11,500 11.9%	(34.4)
	Urban redevelopment	5,130 6.0%	21,430 16.1%	317.7	12,500 14.5%	(41.7)
	Subtotal	36,424 9.0%	64,821 12.2%	78.0	55,000 10.2%	(15.2)
Overseas Business		73,854 14.2%	48,898 9.6%	(33.8)	56,500 8.9%	15.5
Other Businesses		1,890 20.0%	2,654 20.1%	40.4	2,000 15.4%	(24.6)
Eliminations and back office		(48,448)	(51,067)	–	(51,000)	–
Consolidated		261,489 8.9%	270,956 8.7%	3.6	280,000 8.4%	3.3

(3) Orders

¥ millions

		FY2022	FY2023	YOY(%)	FY2024 Forecast	YOY(%)
Built-to-order Business	Detached houses	470,227	465,691	(1.0)	485,000	4.1
	Rental housing and commercial buildings	520,570	550,222	5.7	580,000	5.4
	Architectural / civil engineering	257,667	300,313	16.6	293,000	(2.4)
	Subtotal	1,248,465	1,316,227	5.4	1,358,000	3.2
Supplied Housing Business	Rental housing management	617,245	646,588	4.8	672,500	4.0
	Remodeling	170,153	173,044	1.7	185,500	7.2
	Subtotal	787,399	819,632	4.1	858,000	4.7
Development Business	Real estate and brokerage	230,218	306,875	33.3	357,000	16.3
	Condominiums	88,279	121,019	37.1	104,000	(14.1)
	Urban redevelopment	71,330	135,623	90.1	86,000	(36.6)
	Subtotal	389,829	563,518	44.6	547,000	(2.9)
Overseas Business		418,510	520,047	24.3	636,000	22.3
Other Businesses		9,518	13,193	38.6	13,000	(1.5)
Eliminations and back office		(44,445)	(36,182)	–	(42,000)	–
Consolidated		2,809,277	3,196,437	13.8	3,370,000	5.4

(4) Order backlog

¥ millions

		As of January 31, 2023	As of January 31, 2024	YOY(%)	As of January 31, 2025 forecast	YOY(%)
Built-to-order Business	Detached houses	235,362	229,996	(2.3)	241,996	5.2
	Rental housing and commercial buildings	490,349	516,450	5.3	546,450	5.8
	Architectural / civil engineering	375,637	401,297	6.8	381,297	(5.0)
	Subtotal	1,101,349	1,147,744	4.2	1,169,744	1.9
Supplied Housing Business	Rental housing management	–	–	–	–	–
	Remodeling	36,557	34,605	(5.3)	34,605	0.0
	Subtotal	36,557	34,605	(5.3)	34,605	0.0
Development Business	Real estate and brokerage	42,400	60,819	43.4	60,819	0.0
	Condominiums	77,420	88,989	14.9	96,489	8.4
	Urban redevelopment	–	2,550	–	2,550	0.0
	Subtotal	119,820	152,358	27.2	159,858	4.9
Overseas Business		212,319	236,143	11.2	234,143	(0.8)
Other Businesses		407	579	42.4	579	0.0
Eliminations and back office		(22,666)	(19,408)	–	(18,908)	–
Consolidated		1,447,787	1,552,023	7.2	1,580,023	1.8

* Order backlog of the Hubble Group, 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 backlog of AIDA Co., Ltd, which was made a consolidated subsidiary during the consolidated fiscal year under review, and its subsidiaries are included in the results of the Other Business. (Order backlog as of Jan. 31, 2024 and each item as of Jan. 31, 2025 forecast)

1. Overview of Consolidated Business Results, etc.

(1) Information Regarding Consolidated Business Results

(Overview of Business Results Overall)

The fiscal year under review saw a slowdown of rise in prices, but tight monetary policies in various countries continued due to the impact of global inflation. In addition to geopolitical risks, the impact of trends in price conditions and the international capital market continued to require close observation. Under these circumstances, the United States and some countries have shown an increase in individual consumption and employment, indicating signs of economic recovery.

There is an ongoing weakening of domestic new housing starts, attributable in part to post-COVID-19 changes in consumption behavior and higher construction costs. In the Unites States, new housing starts continue to be in an adjustment phase and the stock of second-hand houses continues to be in decline due to rising long-term interest rates. There is also strong latent demand for housing on the back of chronic shortages of housing supply with respect to the increasing population, leading to signs of recovery following a drop in mortgage rates after peaking in October 2023.

In this business climate, with the aim of achieving the Global Vision for 2050 of making home the happiest place in the world, the Group has actively promoted various high added-value proposals that integrate technologies, lifestyle design and services based on the fundamental policy of stable growth in Japan and proactive growth overseas stipulated in the Sixth Mid-Term Management Plan (fiscal 2023 to 2025).

For the consolidated fiscal year under review, Sekisui House showed net sales of ¥3,107,242 million (up 6.1% year on year), operating profit of ¥270, 956 million (up 3.6% year on year), ordinary profit of ¥268,248 million (up 4.3% year on year), and profit attributable to owners of parent of ¥202,325 million (up 9.6% year on year).

The Company has decided to acquire (hereafter, the "acquisition") all shares of American Homebuilding business operator M.D.C. Holdings, Inc. (head office: Colorado, United States; hereafter, "MDC") via SH Residential Holdings, LLC (hereafter, "SHRH"), a subsidiary of the United States business control company Sekisui House US Holdings, LLC (hereafter, "SHUSH"), and concluded a merger agreement with MDC for this acquisition dated January 18, 2024 (dated January 17, 2024 in Denver, United States). In order to achieve "proactive growth" overseas in line with its Global Vision, this merger agreement will help promote Sekisui House technologies such as providing high added value through housing technologies and lifestyle proposals developed in Japan.

Results and other achievements by business model are outlined below.

Classification of business segments has been changed from this fiscal year, and comparisons and analysis are based on the revised classification from the fiscal year under review.

Built-to-Order Business

Detached houses

During the fiscal year under review, the business showed net sales of ¥ 471,056 million (down 1.1% year on year) and operating profit of ¥ 41,065 million (down 1.0% year on year), soaring material prices continuing from the previous fiscal year.

The business has made efforts in 2nd- and 3rd-range mid- to high-end products, along with 1st range products, in order to deepen pricing range-specific strategies and strengthen our detached house brand. Orders remained strong in the Business, driven by positive reception to high-value-added proposals such as Green First ZERO for net zero energy houses (ZEH), the Family Suite with its large living room, the next-generation indoor environment control system SMART-ECS, and the PLATFORM HOUSE touch smart home service that operates in tandem with home layout.

In addition, “life knit design,” a new design proposal system that offers housing design closely aligned with the sensibilities of the residents, was launched in Japan in June, 2023 with the aim of strengthening the attachment to high-quality housing stocks and providing customers houses where happiness grows in an era of 100-year lifespan. To boost interior proposals aimed at having customers gain a sense of attachment as part of these efforts, we acquired all the common stock of order-made wooden furniture manufacturer AIDA Co., Ltd. effective December 2023, which, combined with the buyout of MARUHON INC., an interior design building materials manufacturer, in 2022, boosted our capability for integrated interior design proposals of "space and design," "construction materials" and "furniture." In addition to offering this system nationwide, we have also begun operating our "SI Business,* which is aimed at contributing to the formation of high-quality housing stocks in Japan by broadly disseminating the technology for safe, secure earthquake resistance that Sekisui House has cultivated since its founding. It is the first joint construction business of its kind in the industry, in which Sekisui House Construction undertakes construction of the foundations and structural frames of wooden houses, which are then built by local partner companies, and in which partner companies are also primarily responsible for the exterior and interior design.

*Skeleton and infill: A construction method involving clearly distinct building skeletons (building frames) and infill (interiors, room layouts, etc.)

Rental housing and commercial buildings

During the fiscal year under review, the business showed net sales of ¥ 524,121 million (up 3.5% year on year) and operating profit of ¥ 78,016 million (up 4.8% year on year).

To supply high-value-added properties based on our area-specific strategies and further enhance the Sha Maison brand, the business concentrated on expanding sales of three- and four-story rental houses built using an original Sekisui House construction method, and on the proliferation of Sha Maison ZEH net zero energy rental housing. With photovoltaic panels connected to each residence, Sha Maison ZEH has been well received as a method for selling electricity, appealing to residents' ethical orientation and letting them experience the merits of saving on utility costs. Among orders for rental housing, ZEH housing comprised 76% of the number of orders for rental housing.

In addition to these high added-value proposals, the Company's urban area-focused price leader strategy, which achieves high occupancy and rent rates, has successfully led to ongoing strong orders.

Orders in the corporate real estate (CRE) and public real estate (PRE) businesses remained strong through greater land purchases for increasing income-producing real estate and strengthening proposals for ESG solutions.

Architectural / civil engineering

During the fiscal year under review, the business showed net sales of ¥274,653 million (up 2.7 % year on year), and operating profit of ¥12,904 million (up 9.1 % year on year).

Both architectural and civil engineering businesses had strong orders owing to the increase in profitability from securing additional modification construction in the architectural business, as well as the return of appetite for capital investment in the private sector.

Supplied Housing Business

Rental housing management

During the fiscal year under review, the business showed net sales of ¥646,588 million (up 4.8% year on year), and operating profit of ¥50,180 million (up 5.5% year on year).

The business steadily increased the number of housing units under management through the supply of high-quality, high-performance Sha Maison rental housing built in prime locations. The business maintained high occupancy rates and rent prices, which in turn contributed to higher earnings, by providing excellent services that include the creation of a blockchain-based, one-stop move-in process for residents, and the strengthening of relations and diverse solutions aimed at maximizing asset value for owners.

Remodeling

During the fiscal year under review, the business showed net sales of ¥174,996 million (up 4.8% year on year), and operating profit of ¥23,482 million (up 4.7 % year on year), with favorable orders in the previous fiscal year and stable construction progress contributing to increased earnings.

To enhance the asset value of housing stock and extend its life, the business focused on proposal-based remodeling such as remodeling proposals that update how people live and environment-based remodeling with thermal insulation renovation and introduces latest energy-conserving, energy-producing, and energy-storing equipment, etc. In rental housing, the business is also making efforts in remodeling proposals that enhance asset value to maintain high occupancy rates and high rental prices. Under such initiatives, orders remained favorable.

Development Business

Real estate and brokerage

During the fiscal year under review, the business showed net sales of ¥ 288,456 million (up 30.5% year on year), and operating profit of ¥ 25,857 million (up 47.5% year on year), with steady progress in sales of real estate centered on residential land by Sekisui House Real Estate companies contributing to increased earnings.

While focusing on strengthening information routes to increase inquiries from customers, the business also actively purchased prime residential land in line with area-specific marketing and made efforts with activities aimed at customers who are considering purchase beginning with land acquisition, resulting in continued favorable orders.

Condominiums

For the consolidated fiscal year under review, the business showed net sales of ¥109,450 million (up 12.7% year on year), and operating profit of ¥17,532 million (up 27.4% year on year).

The completion of the delivery of Grande Maison Ohori Koen The Tower (Chuo-ku, Fukuoka City) and steady progress with the delivery of Grande Maison Mizonokuchi no Mori (Takatsu-ku, Kawasaki City), among others, contributed to higher income thanks to the as-scheduled progress of deliveries.

The business also carefully selected development sites to further enhance the Grande Maison brand of high-value-added condominiums in commercial districts in Tokyo, Nagoya, Osaka, and Fukuoka, and made all units ZEH for properties sold from 2023 in order to contribute to decarbonization in the household sector. These initiatives were well-received, with sales at Grande Maison Kitahorie Residence (Nishi-ku, Osaka City) and Grande Maison Fukuoka The Central Luxe (Chuo-ku, Fukuoka City) remaining strong.

Urban Redevelopment

During the fiscal year under review, the business showed net sales of ¥133,073 million (up 54.5% year on year), and operating profit of ¥21,430 million (up 317.7% year on year).

Earnings increased due to steady progress in the sales of properties as planned. The occupancy rate of Sekisui House Group properties, such as Prime Maison rental housing, also remained strong. In addition, the operation of owned hotels has shown a recovery trend mainly with urban type hotels.

Overseas Business

During the fiscal year under review, the business showed net sales of ¥511,055 million (down 1.9% year on year), and operating profit of ¥48,898 million (down 33.8% year on year).

In the United States, the Homebuilding Business and the Master-planned Community Business were affected by a decrease in order backlog associated with the rise in mortgage rates during the previous fiscal year, but orders remained on a recovery trend under strong demand for new high-quality housing. Furthermore, Woodside Homes Company, LLC, a subsidiary in the United States, acquired Hubble Group, LLC, a housing sales company in Idaho, to further expand our housing sales area and extend the outreach of the Sekisui House technologies. To promote the SHAWOOD business, a model building was opened in Sommers Bend (California) in November 2023 and sales was started in January 2024. Number of visitors and orders are showing favorable progress. In the Multifamily Business, delivery of St. Andrews (Los Angeles) and The Society Margo building (San Diego, third building out of a total of four buildings) were completed as planned.

In Australia, although there was a decline in the number of detached houses sold, there was smooth progress in the condominium development business, with the delivery of a portion of the commercial West Village (Brisbane) building property, and of condominiums at Melrose Park (Sydney), in addition to other planned development properties.

In Singapore, the transfer of equity interest in the Waterway Point commercial facility in Punggol was completed.

In China, the transfer of equity interest in the Le Meridien Shenyang Heping hotel was completed in September 2023, and liquidation of Sekisui Housing (Taicang) Co., Ltd. was completed in December of the same year, as part of progress towards the completion of business in China.

Other

During the fiscal year under review, Other Businesses showed net sales of ¥ 13,230 million (up 39.9% year on year), and an operating profit of ¥2,654 million (up 40.4% year on year).

ESG Management

With the aim of becoming a leading company in ESG management, and with “Helping resolve environmental issues through residences,” “Making employees' autonomy a growth driver,” and “Innovation and communication” set as fundamental policies in the Sixth Mid-Term Management Plan, the Sekisui House Group is advancing its own form of ESG management with participation by all employees.

In terms of the environment, the ratio of ZEH detached houses against total new housing starts in fiscal 2022 hit a new record high of 93%, while also promoting ZEH in housing complexes including Sha Maison rental housing and Grande Maison condominiums. Furthermore, we started a demonstration experiment of first hydrogen housing for housing manufacturers (according to our studies) that generates, stores, and makes use of hydrogen at home with the aim of achieving zero carbon in preparation for its commercialization in the summer of 2025. We have also begun incorporating electric vehicles with zero CO2 emissions into our Group business vehicle fleet in efforts aimed at rapidly achieving a 75% reduction in CO2 emitted by our business activities, which is one of our greenhouse gas reduction targets. To contribute to the preservation of biodiversity through the housing business, the Company strengthened proposals that integrate housing and exteriors in custom detached houses and rental housing. It also further advanced the Gohon no ki landscaping project that proposes tree planting focusing on native tree species with a high affinity with the local climate, birds, butterflies, and other natural features, as well as signed a partnership agreement with Think Nature Inc. to cooperate in achieving net increase in biodiversity and standardization of calculation method through the use of biodiversity big data and AI.

With regard to promoting the active participation of female employees, one of our key management strategies, we continued and promoted the Sekisui House Women’s College training for female managerial candidates begun in 2014, alongside the creation of role models for career development (Number of female employees in managerial positions as of the end of January 2024: 336). Regarding our childcare leave program begun in 2018 for male employees with children under the age of three, we continued to maintain 100% utilization of one-month or longer leaves across the Group. We also implemented IKUKYO.PJT, a project in which companies and organizations that agree with the promotion of male childcare leave consider the matter together. Sekisui House Construction has decided to significantly reinforce development and hiring of crafters (skilled housing construction professionals) by introducing a new personnel evaluation system and other measures in order to contribute to nurturing workers for building high-quality housing stocks as well as creating local employment opportunities, in response to social issues of aging workers decline of young workers in construction sites, and other factors. Furthermore, the Sekisui House Carpentry Competition WAZA 2023 to determine the leading carpenter underpinning the high quality provided by Sekisui House was held with the aim of paying respects to the outstanding skills of carpenters engaged in construction at Sekisui House projects supporting the Group's core competencies of "technology" and "construction capabilities" as well as enhancing branding by highlighting the appeal of the work they do through pitting their skills against one another.

With regard to corporate governance, following the policies of the Sixth Mid-Term Management Plan that seek to advance the efficacy of both top management and business management, we are working toward enhancement of the functions of the Board of Directors based on third-party evaluations of its effectiveness, and toward further increases in the level of our information disclosure, while extending our Group governance into the fast-growing United States business and elsewhere globally. We have also renamed the Human Relations Office within our Legal Department the "Human Rights and Compliance Promotion Office" in order to more clearly express its status as a body specially tasked with advancing our global implementation of human rights and compliance. In addition to this, in order to enhance and expand our construction capabilities—one of the core competencies of our group—we adopted the policy of transitioning Sekisui House Construction Group to an intermediate holding company structure and implemented a corporate split in February 2024 between the intermediate holding company Sekisui House Construction Holdings, Ltd. As we aim to expand our domain of business, we will strive to provide safe, high-quality construction work with consideration for the community-based nature of Sekisui House construction companies. Together with our implementation of flexible personnel system reforms, the delegation of authority to an intermediate holding company and clarification of responsibilities will enable us to realize growth strategies and strengthen governance.

With the inclusion of these initiatives, the fruits of promoting ESG management led the Company's environmental efforts receiving the highest "A-list" rating in all criteria of "Climate Change," "Forests" and "Water Security" from the international environmental non-profit organization CDP. In terms of improvement of social value, the Company received the Minister in charge of Policies Related to Children Award under the 17th Kids Design Award sponsored by the non-profit organization Kids Design Association. With regards to governance, the Company was ranked first for the third consecutive year under the "Awards for Excellence in Corporate Disclosure" run 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 continued high level of 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, soaring construction costs, driven by rising material and labor costs, are placing downward pressure on demand. Yet demand for high-quality housing, including those with high energy-saving performance and those that balance safety and security as well as comfort and eco-friendliness, is expected to grow 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, and the review of the long-life quality housing certification system and the revision of the Building Energy Efficiency Act. In light of this, there is a growing need to respond to the diversifying demands of customers.

Looking at the US housing market, new housing starts are in an adjustment phase due to the impact of mortgage rates that continue to remain at high levels. However, latent demand is strong due to stable population growth and 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 prices and interest rate levels stabilize.

Based on our recognition of these business issues, the Company formulated and announced the Sixth Mid-Term Management Plan (fiscal 2023 to 2025) in March 2023 with "domestic stable growth and active growth overseas" as its basic policies toward achieving our Global Vision of "To make home the happiest place in the world" by the year 2050.

The Group will work to deepen and expand its existing businesses leveraging its core competence covering three strengths (technical capabilities, construction capabilities, and customer base) and our unique value chain in which the Group undertakes all processes related to homebuilding, from product and technology development to sales, design, construction work, and after-sales services.

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

In Japan, the three brand strategies have been enhanced with a view to enhancing the detached housing brand, and initiatives have been implemented for the new "SI Business" to strengthen the 1st range. We will also focus on stable growth of our domestic businesses by building on the high value-added "Sha Maison" brand based on a comprehensive area strategy, as well as expanding our business domains through strengthening our corporate real estate (CRE) and public real estate (PRE) businesses. We will also continue promoting the creation of new businesses, such as promoting the "Platform House Concept," which was launched with the Fifth Mid-Term Management Plan that makes home a platform for happiness focusing on health, connectedness and learning, as well as utilizing IoT. New efforts will also be made to incorporate services and management operations utilizing DX, with the view to expanding new businesses by leveraging international business as Sekisui House Technology.

In February 2024, a new company, Sekisui House Innovation & Communication, Ltd. was established with the focus of creating businesses through open innovation. The aim is to enhance the value of our human resources through the creation of businesses that reform the future, while also aiming to resolve social issues related to "housing and living."

In this way, the Sixth Mid-Term Management Plan will focus on implementing both domestic and overseas growth strategies as we implement a two-pronged approach of "expanding and strengthening businesses" in order to further enhance corporate value.

Furthermore, through initiatives such as support for independent career formation of our employees, alignment of vectors and the promotion of diversity, equity and inclusion, we will enhance the value of our Group's human resources and accelerate 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 strengthening 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 human resources, IT, DX, R&D, and M&A. We will continue to manage our finances with a basis on financial soundness and credit ratings, and focus on balancing our growth and financial strategies. Looking at shareholder returns, we are aiming to achieve a medium-term average dividend payout ratio of 40% or more, and to further implement stable shareholder returns, we have set the minimum annual dividend per share for the period of the Sixth Mid-Term Management Plan at 110 yen (FY2022 results), as well as seek to boost shareholder value through flexible implementation of share repurchases.

As outlined, we decided to acquire the American custom detached houses business operator MDC via SHRH, a subsidiary of the United States business control company SHUSH, and entered into a merger agreement with MDC for this acquisition. Note that this acquisition is subject to approval of the merger at a General Meeting of Shareholders to be convened by MDC, obtaining necessary approvals from the relevant authorities, and other preconditions stipulated in the merger agreement being satisfied. The acquisition is planned to be financed through bridge financing and other means using borrowings from financial institutions. Given the increase in interest-bearing debt including these borrowings, the Company expects to temporarily fall short of the financial indicators targeted in the Sixth Mid-Term Management Plan. After the Acquisition is concluded, we will consider the most appropriate means of financing in anticipation of the bridge financing becoming permanent, factoring in the impact on our shareholders and our financial soundness, as well as the Company's management, financial situation and market trends.

Looking at our consolidated financial results forecast for the fiscal year ending in January 2025, we expect net sales of ¥3,342,000 million yen (up 7.6% year on year), operating profit of ¥280,000 million yen (up 3.3% year on year), ordinary profit of ¥262,000 million yen (down 2.3 % year on year), and profit attributable to owners of parent of ¥203,000 million yen (up 0.3% year on year). Dividends are planned to be set at 62 yen for the interim and a year-end dividend of 63 yen, totaling 125 yen for the full year.

Our consolidated financial results forecast for the fiscal year ending in January 2025 does not take into account the impact of this acquisition on the Group's business results, as the timing of the completion of this acquisition of MDC is yet to be determined.

(2) Information Regarding Consolidated Financial Conditions

Total assets increased ¥345,261 million, to ¥3,352,798 million, at the end of the consolidated fiscal year ended January 31, 2024. This was primarily attributable to increase in real estate for sale. Liabilities increased ¥218,754 million to ¥1,558,745 million, mainly due to the increase in borrowings. Net assets increased ¥126,506 million, to ¥1,794,052 million, reflecting the posting of profit attributable to owners of parent.

Cash flows from operating activities increased by ¥15,683 million (a year-on-year decrease of ¥109,780 million in net cash provided), primarily due to posting of profit before income taxes.

Cash flows used in investing activities decreased by ¥69,124 million (a year-on-year increase of ¥96,284 million in net cash provided), mainly reflecting the purchase of property.

Cash flows used in financing activities increased by ¥6,483 million (a year-on-year increase of ¥162,263 million in net cash provided), due to increase of short-term borrowings and other.

As a result, the balance of cash and cash equivalents for the current fiscal year decreased ¥39,846 million from the end of the previous fiscal year to ¥292,901 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.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥ millions)

	As of January 31, 2023	As of January 31, 2024
Assets		
Current assets		
Cash and deposits	332,903	293,152
Notes receivable, accounts receivable from completed construction contracts and other	157,123	176,466
Costs on construction contracts in progress	17,202	17,351
Buildings for sale	534,391	774,297
Land for sale in lots	723,941	856,404
Undeveloped land for sale	177,095	233,197
Other inventories	12,160	12,474
Other	140,200	134,627
Allowance for doubtful accounts	(1,136)	(1,026)
Total current assets	2,093,883	2,496,947
Non-current assets		
Property, plant and equipment		
Buildings and structures	388,523	321,467
Machinery, equipment and vehicles	75,108	73,927
Tools, furniture and fixtures	39,657	40,740
Land	277,568	252,548
Lease assets	19,746	23,313
Construction in progress	32,080	52,173
Accumulated depreciation	(278,123)	(267,916)
Total property, plant and equipment	554,562	496,253
Intangible assets		
Goodwill	31,406	17,808
Industrial property	716	3,032
Leasehold interests in land	2,292	2,057
Software	14,807	15,779
Right to use facilities	172	145
Telephone subscription right	258	238
Other	1,462	1,326
Total intangible assets	51,117	40,388
Investments and other assets		
Investment securities	191,500	198,437
Long-term loans receivable	5,636	3,971
Retirement benefit asset	32,501	35,440
Deferred tax assets	18,219	20,242
Other	62,321	62,989
Allowance for doubtful accounts	(2,206)	(1,872)
Total investments and other assets	307,973	319,208
Total non-current assets	913,653	855,851
Total assets	3,007,537	3,352,798

(¥ millions)

	As of January 31, 2023	As of January 31, 2024
Liabilities		
Current liabilities		
Notes payable and accounts payable for construction contracts	124,420	134,026
Electronically recorded obligations-operating	102,416	103,266
Short-term borrowings	305,503	440,075
Current portion of bonds payable	30,000	16
Current portion of long-term borrowings	71,664	21,611
Income taxes payable	34,641	39,777
Advances received on construction contracts in progress	192,236	210,030
Provision for bonuses	36,497	36,699
Provision for bonuses for directors (and other officers)	1,019	2,553
Provision for warranties for completed construction	4,906	6,152
Other	141,337	143,827
Total current liabilities	1,044,643	1,138,038
Non-current liabilities		
Bonds payable	20,000	50,008
Long-term borrowings	157,372	239,089
Long-term leasehold and guarantee deposits received	59,535	58,659
Deferred taxes liabilities	933	6,111
Provision for retirement benefits for directors (and other officers)	692	707
Retirement benefit liability	29,286	30,716
Other	27,525	35,415
Total non-current liabilities	295,347	420,707
Total liabilities	1,339,990	1,558,745
Net assets		
Shareholders' equity		
Share capital	202,591	202,854
Capital surplus	259,864	260,126
Retained earnings	1,056,475	1,132,275
Treasury shares	(50,656)	(40,979)
Total shareholders' equity	1,468,274	1,554,276
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	40,449	44,597
Deferred gains or losses on hedges	623	—
Foreign currency translation adjustment	99,689	132,895
Remeasurements of defined benefits plans	23,793	22,816
Total accumulated other comprehensive income	164,556	200,309
Share acquisition rights	134	100
Non-controlling interests	34,581	39,366
Total net assets	1,667,546	1,794,052
Total liabilities and net assets	3,007,537	3,352,798

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

(Consolidated Statements of Income)

(¥ millions)

	Feb. 1, 2022 – Jan. 31, 2023	Feb. 1, 2023 – Jan. 31, 2024
Net sales	2,928,835	3,107,242
Cost of sales	2,344,537	2,483,496
Gross profit	584,297	623,745
Selling, general and administrative expenses		
Selling expenses	54,787	58,936
General and administrative expenses	268,020	293,852
Total selling, general and administrative expenses	322,808	352,789
Operating profit	261,489	270,956
Non-operating income		
Interest income	2,284	2,947
Dividends income	2,096	2,191
Foreign exchange gain	—	4,293
Share of profit of entities accounted for using equity method	—	1,900
Other	4,526	4,284
Total non-operating income	8,907	15,618
Non-operating expenses		
Interest expenses	5,317	12,371
Share of loss of entities accounted for using equity method	2,087	—
Foreign exchange losses	723	—
Other	4,995	5,954
Total non-operating expenses	13,124	18,325
Ordinary profit	257,272	268,248
Extraordinary income		
Gain on sale of shares of subsidiaries and affiliates	5	10,519
Gain on liquidation of subsidiaries and affiliates	16,813	9,778
Gain on sale of investment securities	397	5,735
Reversal of allowance for doubtful accounts	—	632
Total extraordinary income	17,216	26,666
Extraordinary loss		
Loss on business liquidation	—	4.023
Loss on sale and retirement of non-current assets	1,759	1,398
Impairment losses	2,898	484
Gain on sale of shares of subsidiaries and associates	—	41
Loss on valuation of investment securities	—	8
Provision of allowance for doubtful accounts	1,991	—
Loss on sale of investment securities	128	—
Total extraordinary losses	6,778	5,956
Profit before income taxes	267,710	288,958
Income taxes-current	77,214	79,648
Income taxes-deferred	(831)	1,784
Total income taxes	76,383	81,433
Profit	191,327	207,525
Profit attributable to non-controlling interests	6,806	5,199
Profit attributable to owners of parent	184,520	202,325

(Consolidated Statements of Comprehensive Income)

(¥ millions)

	Feb. 1, 2022 – Jan. 31, 2023	Feb. 1, 2023 – Jan. 31, 2024
Profit	191,327	207,525
Other comprehensive income		
Valuation difference on available-for-sale securities	(703)	4,408
Foreign currency translation adjustment	44,957	29,999
Remeasurement of defines benefit plans, net of tax	19,373	(932)
Share of other comprehensive income of entity accounted for using equity method	7,976	2,595
Total other comprehensive income	71,604	36,071
Comprehensive income	262,931	243,596
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	255,876	238,079
Comprehensive income attributable to non-controlling interests	7,054	5,517

(3) Consolidated Statements of Changes in Net Assets

Previous 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					
Issuance of new shares	—	—	—	—	—
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
Disposal of treasury shares	—	—	—	—	—
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

(¥ millions)

	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								
Issuance of new shares	—	—	—	—	—	—	—	—
Cash dividends	—	—	—	—	—	—	—	(66,400)
Profit attributable to owners of parent	—	—	—	—	—	—	—	184,520
Repurchases of company stock	—	—	—	—	—	—	—	(30,014)
Sales of treasury stock	—	—	—	—	—	—	—	269
Disposal of treasury shares	—	—	—	—	—	—	—	—
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

Current consolidated fiscal year (February 1, 2023 to January 31, 2024) (¥ millions)

	Equity capital				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Shareholders' equity
Balance at the end of previous period	202,591	259,864	1,056,475	(50,656)	1,468,274
Cumulative effects of changes in accounting policies	—	—	—	—	—
Restated balance	202,591	259,864	1,056,475	(50,656)	1,468,274
Changes of items during the period					
Issuance of new shares	263	263	—	—	526
Cash dividends	—	—	(76,864)	—	(76,864)
Profit attributable to owners of parent	—	—	202,325	—	202,325
Repurchases of company stock	—	—	—	(40,018)	(40,018)
Sales of treasury stock	—	—	(41)	75	34
Disposal of treasury shares	—	—	(49,619)	49,619	—
Purchase of shares of consolidated subsidiaries	—	(1)	—	—	(1)
Net changes of items other than shareholders' equity	—	—	—	—	—
Total changes of items during the period	263	261	75,799	9,676	86,002
Balance at the end of current period	202,854	260,126	1,132,275	(40,979)	1,554,276

(¥ millions)

	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	40,449	623	99,689	23,793	164,556	134	34,581	1,667,546
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—
Restated balance	40,449	623	99,689	23,793	164,556	134	34,581	1,667,546
Changes of items during the period								
Issuance of new shares	—	—	—	—	—	—	—	526
Cash dividends	—	—	—	—	—	—	—	(76,864)
Profit attributable to owners of parent	—	—	—	—	—	—	—	202,325
Repurchases of company stock	—	—	—	—	—	—	—	(40,018)
Sales of treasury stock	—	—	—	—	—	—	—	34
Disposal of treasury shares	—	—	—	—	—	—	—	—
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	—	(1)
Net changes of items other than shareholders' equity	4,148	(623)	33,205	(977)	35,753	(33)	4,784	40,504
Total changes of items during the period	4,148	(623)	33,205	(977)	35,753	(33)	4,784	126,506
Balance at the end of current period	44,597	—	132,895	22,816	200,309	100	39,366	1,794,052

(4) Consolidated Statements of Cash Flows

(¥ millions)

	Feb. 1, 2022 – Jan. 31, 2023	Feb. 1, 2023 – Jan. 31, 2024
Cash flows from operating activities		
Profit (loss) before income taxes	267,710	288,958
Depreciation	26,711	27,745
Impairment losses	2,898	484
Increase (decrease) in retirement benefit liability	980	(2,143)
Decrease (increase) in retirement benefit asset	112	(702)
Interest and dividend income	(4,380)	(5,139)
Interest expense	5,317	12,371
Share of loss (profit) of entities accounted for using equity method	2,087	(1,900)
Loss (gain) on sale of investment securities	(269)	(5,735)
Loss (gain) on valuation of investment securities	—	8
Loss (gain) on liquidation of subsidiaries and associates	(16,813)	(9,778)
Loss (gain) on sale of shares of subsidiaries and associates	(5)	(10,478)
Loss on business liquidation	—	4,023
Provision of allowance for doubtful accounts	1,991	—
Reversal of allowance for doubtful accounts	—	(632)
Decrease (increase) in trade receivables	(24,158)	(19,109)
Decrease (increase) in inventories	(38,493)	(217,996)
Increase (decrease) in trade payables	8,276	8,303
Increase (decrease) in advances received on construction contracts in progress	(20,526)	17,056
Other, net	3,887	6,951
Subtotal	215,326	92,286
Interest and dividends received	11,437	5,764
Interest paid	(6,812)	(16,440)
Income taxes paid	(94,487)	(77,255)
Income taxes refund	—	11,327
Net cash provided by (used in) operating activities	125,464	15,683
Cash flows from investing activities		
Purchase of property, plant and equipment	(92,162)	(76,937)
Proceeds from sale of securities	2,843	437
Purchase of investment securities	(5,163)	(6,820)
Proceeds from sale and redemption of investment securities	3,010	26,317
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(69,595)	(14,618)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	74
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	3,718
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	—	(841)
Loan advances	(753)	(749)
Proceeds from collection of loans receivable	1,014	3,343
Other, net	(4,604)	(3,050)
Net cash provided by (used in) investing activities	(165,409)	(69,124)

Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	37,357	155,886
Proceeds from long-term borrowings	66,291	55,536
Repayments of long-term borrowings	(21,768)	(85,621)
Proceeds from issuance of bonds	—	30,000
Redemption of bonds	(120,000)	(30,000)
Dividends paid	(66,400)	(76,864)
Purchase of treasury shares	(30,014)	(40,018)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(15,956)	(21)
Other, net	(5,288)	(2,412)
Net cash provided by (used in) financing activities	(155,780)	6,483
Effect of exchange rate change on cash and cash equivalents	13,298	7,112
Net increase (decrease) in cash and cash equivalents	(182,426)	(39,846)
Cash and cash equivalents at beginning of period	515,174	332,747
Cash and cash equivalents at end of period	332,747	292,901

(5) Notes to Consolidated Financial Statements

(Notes Regarding Assumption of Going Concerns)

Not applicable

(Changes in accounting policies)

(Adoption of Implementation Guidance on Accounting Standard for Fair Value Measurement)

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No. 31, July 17, 2021, 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 Implementation Guidance on Accounting Standard for Fair Value Measurement, in accordance with the transitional measurement in Article 27-2 of Implementation Guidance Accounting Standard for Fair Value Measurement. There is no impact to the consolidated financial statements.

(Notes to Consolidated Statements of Income)

(1) Loss on business liquidation

Losses estimated to be incurred related to termination of transport system Sky Rail (Hiroshima City, Hiroshima Prefecture) operated by the Company's consolidate subsidiary Sky Rail Service Co., Ltd. have been recorded.

(2) Loss on impairment of fixed assets

Impairment loss of the following group of assets was recorded.

Previous 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.

Current consolidated fiscal year (February 1, 2023 – January 31, 2024)

Location	Usage	Type
Osaka City, Osaka, 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	293
Land	102
Machinery and equipment	87
Other	0
Total	484

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 Detached houses, Rental housing and commercial buildings, Architectural / civil engineering, Rental housing management, Remodeling, Real estate and brokerage, Condominiums, Urban redevelopment and Overseas Business other than business areas in Other Businesses.

Details of the reportable segments are as follows:

Detached houses:	Designing, constructing, and contracting for sale detached houses (Main companies: Sekisui House, Ltd., Sekisui House Construction Group, Sekisui House noie Limited)
Rental housing and commercial buildings:	Designing, Construction contract, and Sales for rental housing, buildings for business use, and other buildings (Main company: Sekisui House, Ltd., Sekisui House Construction Group)
Architectural / civil engineering:	Designing, constructing, and contracting buildings for business use, etc. and contracting for design and execution of civil engineering works (Main company: Konoike Construction Group)
Rental housing management:	Leasing and management operations for rental housing and other buildings (Main company: Sekisui House Real Estate Group)
Remodeling:	Remodeling of detached houses, rental housing, and other buildings (Main companies: Sekisui House Remodeling, Ltd., Sekisui House Real Estate Group, Sekisui House Construction Group)
Development Business:	Consists of the three following businesses. Real estate and brokerage Business: Brokerage and sales of land for housing, existing homes, real estate for profit, etc. (Main companies: Sekisui House, Ltd., Sekisui House Real Estate Group) Condominiums: Development, sales and management of condominiums (Main companies: Sekisui House, Ltd., SEKISUI HOUSE GM PARTNERS, LTD.,) Urban redevelopment: Development, management, and operation of office buildings, hotels, and rental condominiums (Main companies: Sekisui House, Ltd., SH Hotel Management Co., Ltd.)
Overseas Business:	Sales of detached houses, development and sales of residential land, and development of condominiums for sales and rent, in overseas market (Main companies: SEKISUI HOUSE US HOLDINGS, LLC SEKISUI HOUSE AUSTRALIA HOLDINGS PTY LIMITED)

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.”

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

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

(¥ millions)

	Reportable Business Segments					
	Detached houses	Rental housing and commercial buildings	Architectural / civil engineering	Rental housing management	Remodeling	Development Business
Sales						
(1) Net Sales to third parties	476,363	500,075	255,024	614,610	165,910	386,202
(2) Inter-group sales and transfers	52	6,231	12,292	2,635	1,065	18,079
Net sales	476,416	506,307	267,317	617,245	166,975	404,281
Operating profit	41,474	74,450	11,826	47,585	22,431	36,424
Assets	42,666	40,045	238,410	113,357	25,433	986,270
Other items						
Depreciations	3,497	373	1,400	415	141	8,926
Net increase in property, plant and equipment, and intangible assets	2,340	391	1,418	632	106	79,627

	Reportable Business Segments		Other Businesses (Note: 1)	Total	Adjustments (Note:2)	Amounts on the consolidated financial statements (Note: 3)
	Overseas Business	Total				
Sales						
(1) Sales to third parties	521,124	2,919,311	5,640	2,924,952	3,883	2,928,835
(2) Inter-group sales and transfers	–	40,356	3,814	44,170	(44,170)	–
Net sales	521,124	2,959,668	9,454	2,969,123	(40,287)	2,928,835
Operating profit	73,854	308,047	1,890	309,937	(48,448)	261,489
Assets	1,245,581	2,691,766	17,877	2,709,643	297,893	3,007,537
Other items						
Depreciations	2,768	17,524	97	17,621	9,090	26,711
Net increase in property, plant and equipment, and intangible assets	1,875	86,392	151	86,543	8,787	95,330

Notes

1. Others Business are not included in the reporting segments.
2. Adjustments are as follows:
   (1) An adjustment of ¥(48,448) million for segment profit includes an elimination of inter-segment transactions of ¥(419) million and corporate expenses of ¥(48,029) 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 ¥297,893 million for assets is corporate assets. Corporate assets are mainly parent compa An adjustment of ¥48,448 million for segment profit includes an elimination of inter-segment transactions of ¥419 million and corporate expenses of ¥48,029 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.ny 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 ¥9,090 million for depreciation and amortization is depreciation related to corporate assets.
   (4) An adjustment of ¥8,787 million for increases in property, plant, and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.
3. Operating profit by business segment is adjusted to correspond to operating profit in the consolidated statements of profit.

Current consolidated fiscal year (February 1, 2023 to January 31, 2024)

(¥ millions)

	Reportable Business Segments					
	Detached houses	Rental housing and commercial buildings	Architectural / civil engineering	Rental housing management	Remodeling	Development Business
Sales						
(1) Net Sales to third parties	470,782	518,971	269,456	640,704	173,194	511,107
(2) Inter-group sales and transfers	274	5,150	5,196	5,883	1,801	19,872
Net sales	471,056	524,121	274,653	646,588	174,996	530,980
Operating profit	41,065	78,016	12,904	50,180	23,482	64,821
Assets	40,112	42,895	267,865	92,067	23,487	1,068,691
Other items						
Depreciations	3,546	437	1,300	459	160	8,226
Net increase in property, plant and equipment, and intangible assets	1,061	325	1,697	412	144	68,729

	Reportable Business Segments		Other Businesses (Note: 1)	Total	Adjustments (Note:2)	Amounts on the consolidated financial statements (Note: 3)
	Overseas Business	Total				
Sales						
(1) Sales to third parties	511,055	3,095,273	7,656	3,102,929	4,312	3,107,242
(2) Inter-group sales and transfers	–	38,179	5,573	43,753	(43,753)	–
Net sales	511,055	3,133,452	13,230	3,146,682	(39,440)	3,107,242
Operating profit	48,898	319,369	2,654	322,023	(51,067)	270,956
Assets	1,513,982	3,049,103	21,588	3,070,692	282,106	3,352,798
Other items						
Depreciations	4,321	18,452	206	18,659	9,086	27,745
Net increase in property, plant and equipment, and intangible assets	3,303	75,675	196	75,871	10,838	86,709

Notes

1. Others Business are not included in the reporting segments.
2. Adjustments are as follows:
   (1) An adjustment of ¥(51,067) million for segment profit includes an elimination of inter-segment transactions of ¥(2,106) million and corporate expenses of ¥(48,960) 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 ¥282,106 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 ¥9,086 million for depreciation and amortization is depreciation related to corporate assets.
   (4) An adjustment of ¥10,838 million for increases in property, plant, and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.
3. Operating profit by business segment is adjusted to correspond to operating profit in the consolidated statements of profit.

4. Items Related to Changes, etc. in Reporting Segments

Due to the revision of reporting segments, reporting segments have been changed from the consolidated fiscal year under review from nine businesses comprising Custom Detached Houses, Rental Housing, Architectural/Civil Engineering, Remodeling, Real Estate Management Fees, Houses for Sale, Condominiums, Urban Redevelopment, and Overseas, to seven businesses comprising Detached Houses, Rental Housing and Commercial Buildings, Architectural/Civil Engineering, Rental Housing Management, Remodeling, Development, and Overseas. Segment information for the previous consolidated fiscal year is created based on the categorization of the revised reporting segments.

(Per Share Information)

	Feb. 1, 2022 – Jan. 31, 2023	Feb. 1, 2023 – Jan. 31, 2024
Book-value per share	¥2,466.04	¥2,707.90
Earnings per share	¥276.58	¥309.29
Fully diluted Earnings per share	¥276.46	¥309.19

(Note) Basis for Calculation

1. Book-value per share

¥ millions, except where noted	As of January 31, 2023	As of January 31, 2024
Net assets recorded on balance sheet	1,667,546	1,794,052
Difference between net assets in consolidated balance sheet and net assets attributable to ordinary shares	34,715	39,466
Subscription rights to shares	134	100
Minority interests	34,581	39,366
Net assets attributable to ordinary shares	1,632,830	1,754,585
Number of ordinary shares outstanding (1,000 shares)	684,683	662,862
Number of ordinary shares held in treasury (1,000 shares)	22,557	14,911
Number of ordinary shares used to calculate shareholders' equity per share (1,000 shares)	662,126	647,950

2. Earnings per share and fully diluted income per share

¥ millions, except where noted	Previous fiscal year (Feb. 1, 2022 - Jan. 31, 2023	Current fiscal year (Feb. 1, 2023 - Jan. 31, 2024)
Earnings per share		
Profit attributable to owners of parent	184,520	202,325
Amount not attributable to ordinary shares	–	–
Profit attributable to ordinary shares	184,520	202,325
Average number of ordinary shares outstanding during period (1,000 shares)	667,154	654,153
Fully diluted profit per share		
Adjustment to profit attributable to owners of parent	–	–
Number of ordinary shares increased (1,000shares)		
Subscription rights to shares	147	100
Performance linked stock remuneration	143	119
Overview of residual securities not included in the calculation of fully diluted profit per share as they have no dilutive effect	–	–

(Significant Subsequent Event)

Sekisui House, Ltd. (the “Company”) resolved to acquire all of the shares of M.D.C. Holdings, Inc. (“MDC”) (Headquarter: Colorado, United States; CEO: David D. Mandarich; listed on the New York Stock Exchange (Ticker: MDC)), which is engaged in homebuilding business in the United States at the Board of Directors held on January 18, 2024 (Tokyo time), through SH Residential Holdings, LLC (“SHRH”), a subsidiary of Sekisui House US Holdings, LLC (“SHUSH”) and wholly owned subsidiary of the Company, and has executed the relevant merger agreements on the acquisition of MDC (January 17, 2024 (Denver time) ("the acquisition” or “the transaction”).

As a result, the amount of net assets of MDC as of the end of most recent fiscal year will be equivalent to 30% or more of the amount of Company’s net assets. As such, MDC will become a specified subsidiary of the Company. The acquisition will be executed in a friendly manner, which is unanimously approved by the board of directors of MDC. The Company and MDC also released today a joint statement which is attached as the Appendix hereto.

1. Reason for the acquisition

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

In the United States, we made Woodside Homes Company, LLC (“Woodside”) a wholly owned subsidiary in 2017 to advance into U.S. homebuilding business on a full scale. Afterwards, in pursuit of expansion of business area in the U.S., we began exploring potential group builders based on the following criteria: (i) profound resonance to the Group’s Global Vision and corporate philosophy and (ii) wealth of experience and expertise in the area, we made Holt Group Holdings, LLC and Chesmar Holdings, LLC a wholly owned subsidiary in 2021 and in 2022, respectively, expanding our homebuilding footprint in seven states including Utah, California, Arizona, Nevada, Oregon, Washington and Texas. In addition, in 2023, our U.S. subsidiary, Woodside acquired the business and relevant land assets of Hubble Group, LLC, a company operating in Idaho. The Group has continued to provide support growth of each subsidiary in a wide range of aspect and sought new M&A opportunities as expansion strategy to broaden footprint in unexplored regions with an aim to achieve our target of delivering 10,000 homes annually in overseas markets by FY2025.

MDC is a listed homebuilder headquartered in Denver, Colorado, with footprint in 34 metro areas in 16 states. MDC ranked eleventh (9,710 house closings) in the U.S. on the basis of house closings in FY2022. In its more than 50 years history, MDC, has delivered more than 240,000 quality houses strengths including diverse lineup of products to accommodate diversifying customer demand and capability to offer quality designed homes and possesses a corporate culture that strongly accords with the Group’s corporate stance and business strategies. Through the acquisition of MDC, the Group will expand its footprint in 16 states and establish ourselves as the fifth largest homebuilder (approximately 15,000 house closings) based on the number of house closings in FY2022 in the U.S. As a result, we will achieve our target of house closings in overseas market (10,000 homes by FY2025) ahead of schedule while solidifying the Group’s presence in the U.S. In addition, by transferring Sekisui House technologies to MDC, we will endeavor to increase housing value in terms of both tangible and intangible elements, which enables us to continue providing high added value to customers and enhancing corporate value.

2. Overview and Method of the Acquisition

(1) Overview and transaction scheme

The transaction will be implemented by way of “reverse triangular merger”, in which Clear Line, Inc., a wholly owned company to be established by SHRH for the purpose of the acquisition (the “Acquisition Subsidiary”), will be merged with MDC. The surviving company will be MDC and its shareholders will receive cash consideration as described below, while the surviving company will become a wholly owned company of SHRH as the Acquisition Subsidiary will merge into MDC and dissolve. This acquisition is subject to approval at a shareholders’ meeting convened by MDC, receipt of customary approvals and other permissions required from relevant authorities and satisfaction of the closing conditions specified in the merger agreement.

(2) Acquisition cost and financing

In this acquisition, shares of MDC will be purchased at US$63 per share (approximately US$4.914 billion in total, (approximately JPY687.9 billion according to the conversion rate at JPY140 for US$1.00)). The agreed per-share consideration to be paid represents a 41% premium to the 90-day volume weighted average trading price of MDC and 19% premium to the latest closing price (the closing price at as of January 17, 2024 (U.S. time)), respectively. Funds for the acquisition will be secured primarily through borrowings from Group’s main banks. Upon execution of the acquisition, we will examine optimal financing methods in consideration of potential impacts on our existing shareholders and financial soundness, as well as our operating results, financial position and capitalization in order to execute permanent financing plans for the borrowings made to fund the acquisition. Financing conditions do not constitute any requirement for conclusion of the acquisition.

3. Names of counterparties from which stock acquisition

   Larry A. Mizel, BlackRock, Inc., The Vanguard Group, David D. Mandarich, Dimensional Fund Advisors LP, and others.

   There are no notable capital, persona, or business relationships between the Company and listed counterparties.

4. Name, business, size of the acquired company

   (1) Name: M.D.C. Holdings, Inc.

   (2) Business: Sales of detached houses and related businesses

   (3) Size: Consolidated net assets: US$ 3,091 million, Consolidated total assets: $US5,363 (December 2022)

5. Date of acquisition: First half of 2024 (plan)

6. Number of shares acquired, acquisition value, and ratio of shares held after acquisition

   (1) Number of shares acquired: 74,661,296 shares

   Total number of shares of common stock and restricted stock awards as of January 15, 2024.

   (2) Acquisition value: Approximately US$4.954 billion

   Includes the full amount required to purchase all outstanding options and other securities including performance share unit awards, and the advisory fees and other expenses payable in association with the transaction (approximate amount)

   The acquisition value is a current estimate and the final acquisition value may change due to amount of price adjustment.

   (3) Ratio of shares held after acquisition: 100.0%

7. Method of financing payment: Borrowings from main banks

   Mainly borrowing from major bank