

Consolidated Financial Statements

SEKISUI HOUSE, LTD.

*Year ended January 31, 2024
with Independent Auditor's Report*

Consolidated Financial Statements

Year ended January 31, 2024

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Consolidated balance sheet

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
Assets			
Current assets			
Cash and deposits	¥ 332,903	¥ 293,152	\$ 1,986,798
Notes receivable, accounts receivable from completed construction contracts and others	*1 157,123	*1 176,466	*1 1,195,974
Costs on construction contracts in progress	17,202	17,351	117,594
Buildings for sale	*4,*6,*8 534,391	*4,*6,*8 774,297	*4,*6,*8 5,247,692
Land for sale in lots	*4,*6,*8 723,941	*4,*6 856,404	*4,*6 5,804,161
Undeveloped land for sale	*4 177,095	233,197	1,580,461
Other inventories	*2 12,160	*2 12,474	*2 84,541
Other	*5,*6 140,200	*5,*6 134,627	*5,*6 912,416
Allowance for doubtful accounts	(1,136)	(1,026)	(6,954)
Total current assets	2,093,883	2,496,947	16,922,718
Non-current assets			
Property, plant and equipment			
Buildings and structures	*4,*6 388,523	*4,*6 321,467	*4,*6 2,178,699
Machinery, equipment and vehicles	*4 75,108	*4 73,927	*4 501,030
Tools, furniture and fixtures	*4 39,657	*4 40,740	*4 276,110
Land	*4,*6 277,568	*4,*6 252,548	*4,*6 1,711,610
Leased assets	19,746	23,313	158,001
Construction in progress	*4 32,080	*4 52,173	*4 353,595
Accumulated depreciation	(278,123)	(267,916)	(1,815,764)
Total property, plant and equipment	554,562	496,253	3,363,287
Intangible assets			
Goodwill	31,406	17,808	120,691
Industrial property	716	3,032	20,549
Leasehold interests in land	2,292	2,057	13,941
Software	14,807	*4 15,779	*4 106,940
Right to use facilities	*4 172	*4 145	*4 983
Telephone subscription right	258	238	1,613
Other	1,462	1,326	8,987
Total intangible assets	51,117	40,388	273,724
Investments and other assets			
Investment securities	*3,*6 191,500	*3,*6 198,437	*3,*6 1,344,880
Long-term loans receivable	*6 5,636	3,971	26,913
Retirement benefit asset	32,501	35,440	240,190
Deferred tax assets	18,219	20,242	137,187
Other	*5 62,321	*5 62,989	*5 426,899
Allowance for doubtful accounts	(2,206)	(1,872)	(12,687)
Total investments and other assets	307,973	319,208	2,163,389
Total non-current assets	913,653	855,851	5,800,413
Total assets	¥ 3,007,537	¥ 3,352,798	\$ 22,723,131

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
Liabilities			
Current liabilities			
Notes payable and accounts payable for construction contracts	¥ 124,420	¥ 134,026	\$ 908,343
Electronically recorded obligations – operating	102,416	103,266	699,871
Short-term borrowings	305,503	440,075	2,982,548
Current portion of bonds payable	30,000	16	108
Current portion of long-term borrowings	*6,*8 71,664	*6 21,611	*6 146,466
Income taxes payable	34,641	39,777	269,583
Advances received on construction contracts in progress	*9 192,236	*9 210,030	*9 1,423,450
Provision for bonuses	36,497	36,699	248,722
Provision for bonuses for directors (and other officers)	1,019	2,553	17,303
Provision for warranties for completed construction	4,906	6,152	41,694
Other	141,337	143,827	974,768
Total current liabilities	<u>1,044,643</u>	<u>1,138,038</u>	<u>7,712,897</u>
Non-current liabilities			
Bonds payable	20,000	50,008	338,922
Long-term borrowings	*6,*8 157,372	*6,*8 239,089	*6,*8 1,620,393
Long-term leasehold and guarantee deposits received	*6 59,535	*6 58,659	*6 397,553
Deferred tax liabilities	933	6,111	41,416
Provision for retirement benefits for directors (and other officers)	692	707	4,792
Retirement benefit liability	29,286	30,716	208,174
Other	27,525	35,415	240,020
Total non-current liabilities	<u>295,347</u>	<u>420,707</u>	<u>2,851,284</u>
Total liabilities	<u>1,339,990</u>	<u>1,558,745</u>	<u>10,564,182</u>
Net assets			
Shareholders' equity			
Share capital	202,591	202,854	1,374,815
Capital surplus	259,864	260,126	1,762,968
Retained earnings	1,056,475	1,132,275	7,673,839
Treasury shares	(50,656)	(40,979)	(277,730)
Total shareholders' equity	<u>1,468,274</u>	<u>1,554,276</u>	<u>10,533,894</u>
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	40,449	44,597	302,250
Deferred gains or losses on hedges	623	–	–
Foreign currency translation adjustment	99,689	132,895	900,678
Remeasurements of defined benefit plans	23,793	22,816	154,632
Total accumulated other comprehensive income	<u>164,556</u>	<u>200,309</u>	<u>1,357,567</u>
Share acquisition rights	134	100	678
Non-controlling interests	34,581	39,366	266,798
Total net assets	<u>1,667,546</u>	<u>1,794,052</u>	<u>12,158,943</u>
Total liabilities and net assets	<u>¥ 3,007,537</u>	<u>¥ 3,352,798</u>	<u>\$ 22,723,131</u>

Corresponding footnote items are included in Note 6 “Notes related to consolidated balance sheet.”

Consolidated statement of income

	(Millions of yen)		(Thousands of U.S. dollars)	
	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024	Fiscal year ended January 31, 2024	
Net sales	*1 ¥ 2,928,835	*1 ¥ 3,107,242	*1 \$ 21,058,909	
Cost of sales	*2,*6 2,344,537	*2,*6 2,483,496	*2,*6 16,831,555	
Gross profit	584,297	623,745	4,227,347	
Selling, general and administrative expenses				
Selling expenses	*3 54,787	*3 58,936	*3 399,431	
General and administrative expenses	*3,*6 268,020	*3,*6 293,852	*3,*6 1,991,542	
Total selling, general and administrative expenses	322,808	352,789	2,390,979	
Operating profit	261,489	270,956	1,836,367	
Non-operating income				
Interest income	2,284	2,947	19,973	
Dividend income	2,096	2,191	14,849	
Foreign exchange gains	–	4,293	29,095	
Share of gain of entities accounted for using equity method	–	1,900	12,877	
Other	4,526	4,284	29,034	
Total non-operating income	8,907	15,618	105,849	
Non-operating expenses				
Interest expenses	5,317	12,371	83,843	
Share of loss of entities accounted for using equity method	2,087	–	–	
Foreign exchange losses	723	–	–	
Other	4,995	5,954	40,352	
Total non-operating expenses	13,124	18,325	124,195	
Ordinary profit	257,272	268,248	1,818,014	
Extraordinary income				
Gain on sale of shares of subsidiaries and affiliates	5	10,519	71,291	
Gain on liquidation of subsidiaries and affiliates	16,813	9,778	66,269	
Gain on sale of investment securities	397	5,735	38,868	
Reversal of allowance for doubtful accounts	–	632	4,283	
Total extraordinary income	17,216	26,666	180,725	
Extraordinary losses				
Loss on liquidation of business	–	*7 4,023	*7 27,265	
Loss on sale and retirement of non-current assets	*5 1,759	*5 1,398	*5 9,475	
Impairment losses	*4 2,898	*4 484	*4 3,280	
Loss on sale of shares of subsidiaries and affiliates	–	41	278	
Loss on valuation of investment securities	–	8	54	
Provision of allowance for doubtful accounts	1,991	–	–	
Loss on sale of investment securities	128	–	–	
Total extraordinary losses	6,778	5,956	40,366	
Profit before income taxes	267,710	288,958	1,958,373	
Income taxes – current	77,214	79,648	539,803	
Income taxes – deferred	(831)	1,784	12,091	
Total income taxes	76,383	81,433	551,901	
Profit	191,327	207,525	1,406,472	
Profit attributable to non-controlling interests	6,806	5,199	35,236	
Profit attributable to owners of parent	¥ 184,520	¥ 202,325	\$ 1,371,230	

Corresponding footnote items are included in Note 7 “Notes related to consolidated statement of income.”

Consolidated statement of comprehensive income

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024	Fiscal year ended January 31, 2024
Profit	¥ 191,327	¥ 207,525	\$ 1,406,472
Other comprehensive income			
Valuation difference on available-for-sale securities	(703)	4,408	29,875
Foreign currency translation adjustment	44,957	29,999	203,314
Remeasurements of defined benefit plans, net of tax	19,373	(932)	(6,317)
Share of other comprehensive income of entity accounted for using equity method	7,976	2,595	17,587
Total other comprehensive income	*1 71,604	*1 36,071	*1 244,466
Comprehensive income	¥ 262,931	¥ 243,596	\$ 1,650,939
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	¥ 255,876	¥ 238,079	\$ 1,613,548
Comprehensive income attributable to non-controlling interests	7,054	5,517	37,391

Corresponding footnote items are included in Note 8 “Notes related to consolidated statement of comprehensive income.”

Consolidated statement of changes in equity

Fiscal year ended January 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of year	¥ 202,591	¥ 258,989	¥ 940,135	¥ (20,975)	¥ 1,380,740
Cumulative effects of changes in accounting policies	–	–	(1,715)	–	(1,715)
Restated balance at beginning of year	202,591	258,989	938,419	(20,975)	1,379,025
Changes during year					
Issuance of new shares	–	–	–	–	–
Dividends of surplus	–	–	(66,400)	–	(66,400)
Profit attributable to owners of parent	–	–	184,520	–	184,520
Purchase of treasury shares	–	–	–	(30,014)	(30,014)
Disposal of treasury shares	–	–	(64)	333	269
Cancellation of treasury shares	–	–	–	–	–
Purchase of shares of consolidated subsidiaries	–	874	–	–	874
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during year	–	874	118,055	(29,680)	89,249
Balance at end of year	¥ 202,591	¥ 259,864	¥ 1,056,475	¥ (50,656)	¥ 1,468,274

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of year	¥ 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 at beginning of year	41,488	141	47,245	4,323	93,199	186	46,832	1,519,243
Changes during year								
Issuance of new shares	–	–	–	–	–	–	–	–
Dividends of surplus	–	–	–	–	–	–	–	(66,400)
Profit attributable to owners of parent	–	–	–	–	–	–	–	184,520
Purchase of treasury shares	–	–	–	–	–	–	–	(30,014)
Disposal of treasury shares	–	–	–	–	–	–	–	269
Cancellation of treasury shares	–	–	–	–	–	–	–	–
Purchase of shares of consolidated subsidiaries	–	–	–	–	–	–	–	874
Net changes in items other than shareholders' equity	(1,039)	481	52,443	19,470	71,356	(52)	(12,250)	59,053
Total changes during year	(1,039)	481	52,443	19,470	71,356	(52)	(12,250)	148,302
Balance at end of year	¥ 40,449	¥ 623	¥ 99,689	¥ 23,793	¥ 164,556	¥ 134	¥ 34,581	¥ 1,667,546

Fiscal year ended January 31, 2024

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of year	¥ 202,591	¥ 259,864	¥ 1,056,475	¥ (50,656)	¥ 1,468,274
Cumulative effects of changes in accounting policies	–	–	–	–	–
Restated balance at beginning of year	202,591	259,864	1,056,475	(50,656)	1,468,274
Changes during year					
Issuance of new shares	263	263	–	–	526
Dividends of surplus	–	–	(76,864)	–	(76,864)
Profit attributable to owners of parent	–	–	202,325	–	202,325
Purchase of treasury shares	–	–	–	(40,018)	(40,018)
Disposal of treasury shares	–	–	(41)	75	34
Cancellation of treasury shares	–	–	(49,619)	49,619	–
Purchase of shares of consolidated subsidiaries	–	(1)	–	–	(1)
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during year	263	261	75,799	9,676	86,002
Balance at end of year	¥ 202,854	¥ 260,126	¥ 1,132,275	¥ (40,979)	¥ 1,554,276

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of year	¥ 40,449	¥ 623	¥ 99,689	¥ 23,793	¥ 164,556	¥ 134	¥ 34,581	¥ 1,667,546
Cumulative effects of changes in accounting policies	–	–	–	–	–	–	–	–
Restated balance at beginning of year	40,449	623	99,689	23,793	164,556	134	34,581	1,667,546
Changes during year								
Issuance of new shares	–	–	–	–	–	–	–	526
Dividends of surplus	–	–	–	–	–	–	–	(76,864)
Profit attributable to owners of parent	–	–	–	–	–	–	–	202,325
Purchase of treasury shares	–	–	–	–	–	–	–	(40,018)
Disposal of treasury shares	–	–	–	–	–	–	–	34
Cancellation of treasury shares	–	–	–	–	–	–	–	–
Purchase of shares of consolidated subsidiaries	–	–	–	–	–	–	–	(1)
Net changes in items other than shareholders' equity	4,148	(623)	33,205	(977)	35,753	(33)	4,784	40,504
Total changes during year	4,148	(623)	33,205	(977)	35,753	(33)	4,784	126,506
Balance at end of year	¥ 44,597	¥ –	¥ 132,895	¥ 22,816	¥ 200,309	¥ 100	¥ 39,366	¥ 1,794,052

Fiscal year ended January 31, 2024

(Thousands of U.S. dollars)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of year	\$ 1,373,033	\$ 1,761,193	\$ 7,160,115	\$ (343,314)	\$ 9,951,027
Cumulative effects of changes in accounting policies	–	–	–	–	–
Restated balance at beginning of year	1,373,033	1,761,193	7,160,115	(343,314)	9,951,027
Changes during year					
Issuance of new shares	1,782	1,782	–	–	3,565
Dividends of surplus	–	–	(520,935)	–	(520,935)
Profit attributable to owners of parent	–	–	1,371,230	–	1,371,230
Purchase of treasury shares	–	–	–	(271,217)	(271,217)
Disposal of treasury shares	–	–	(278)	508	230
Cancellation of treasury shares	–	–	(336,286)	336,286	–
Purchase of shares of consolidated subsidiaries	–	(7)	–	–	(7)
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during year	1,782	1,769	513,717	65,578	582,867
Balance at end of year	\$ 1,374,815	\$ 1,762,968	\$ 7,673,839	\$ (277,730)	\$ 10,533,894

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income			
Balance at beginning of year	\$ 274,138	\$ 4,222	\$ 675,629	\$ 161,254	\$ 1,115,256	\$ 908	\$ 234,368	\$11,301,566
Cumulative effects of changes in accounting policies	–	–	–	–	–	–	–	–
Restated balance at beginning of year	274,138	4,222	675,629	161,254	1,115,256	908	234,368	11,301,566
Changes during year								
Issuance of new shares	–	–	–	–	–	–	–	3,565
Dividends of surplus	–	–	–	–	–	–	–	(520,935)
Profit attributable to owners of parent	–	–	–	–	–	–	–	1,371,230
Purchase of treasury shares	–	–	–	–	–	–	–	(271,217)
Disposal of treasury shares	–	–	–	–	–	–	–	230
Cancellation of treasury shares	–	–	–	–	–	–	–	–
Purchase of shares of consolidated subsidiaries	–	–	–	–	–	–	–	(7)
Net changes in items other than shareholders' equity	28,113	(4,222)	225,042	(6,621)	242,311	(224)	32,423	274,510
Total changes during year	28,113	(4,222)	225,042	(6,621)	242,311	(224)	32,423	857,377
Balance at end of year	\$ 302,250	\$ –	\$ 900,678	\$ 154,632	\$ 1,357,567	\$ 678	\$ 266,798	\$12,158,943

Corresponding footnote items are included in Note 9 “Notes related to consolidated statement of changes in equity.”

Consolidated statement of cash flows

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024	Fiscal year ended January 31, 2024
Cash flows from operating activities			
Profit before income taxes	¥ 267,710	¥ 288,958	\$ 1,958,373
Depreciation	26,711	27,745	188,038
Impairment losses	2,898	484	3,280
Increase (decrease) in retirement benefit liability	980	(2,143)	(14,524)
(Increase) decrease in retirement benefit asset	112	(702)	(4,758)
Interest and dividend income	(4,380)	(5,139)	(34,829)
Interest expenses	5,317	12,371	83,843
Share of (profit) loss of entities accounted for using equity method	2,087	(1,900)	(12,877)
(Gain) loss on sale of investment securities	(269)	(5,735)	(38,868)
(Gain) loss on valuation of investment securities	–	8	54
(Gain) loss on liquidation of subsidiaries and affiliates	(16,813)	(9,778)	(66,269)
(Gain) loss on sale of shares of subsidiaries and affiliates	(5)	(10,478)	(71,013)
Loss on liquidation of business	–	4,023	27,265
Provision of allowance for doubtful accounts	1,991	–	–
Reversal of allowance for doubtful accounts	–	(632)	(4,283)
(Increase) decrease in trade receivables	(24,158)	(19,109)	(129,509)
(Increase) decrease in inventories	(38,493)	(217,996)	(1,477,438)
Increase (decrease) in trade payables	8,276	8,303	56,272
Increase (decrease) in advances received on construction contracts in progress	(20,526)	17,056	115,595
Other, net	3,887	6,951	47,109
Subtotal	215,326	92,286	625,456
Interest and dividends received	11,437	5,764	39,065
Interest paid	(6,812)	(16,440)	(111,420)
Income taxes paid	(94,487)	(77,255)	(523,585)
Income taxes refund	–	11,327	76,767
Net cash provided by (used in) operating activities	125,464	15,683	106,289
Cash flows from investing activities			
Purchase of property, plant and equipment	(92,162)	(76,937)	(521,430)
Proceeds from sale of property, plant and equipment	2,843	437	2,962
Purchase of investment securities	(5,163)	(6,820)	(46,222)
Proceeds from sale and redemption of investment securities	3,010	26,317	178,360
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 (69,595)	(14,618)	(99,072)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	–	74	502
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	–	3,718	25,198
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	–	(841)	(5,700)
Loan advances	(753)	(749)	(5,076)
Proceeds from collection of loans receivable	1,014	3,343	22,657
Other, net	(4,604)	(3,050)	(20,671)
Net cash provided by (used in) investing activities	(165,409)	(69,124)	(468,478)

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024	Fiscal year ended January 31, 2024
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	37,357	155,886	1,056,496
Proceeds from long-term borrowings	66,291	55,536	376,388
Repayments of long-term borrowings	(21,768)	(85,621)	(580,285)
Proceeds from issuance of bonds	–	30,000	203,321
Redemption of bonds	(120,000)	(30,000)	(203,321)
Dividends paid	(66,400)	(76,864)	(520,935)
Purchase of treasury shares	(30,014)	(40,018)	(271,217)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(15,956)	(21)	(142)
Other, net	(5,288)	(2,412)	(16,347)
Net cash provided by (used in) financing activities	(155,780)	6,483	43,938
Effect of exchange rate change on cash and cash equivalents	13,298	7,112	48,201
Net increase (decrease) in cash and cash equivalents	(182,426)	(39,846)	(270,051)
Cash and cash equivalents at beginning of year	515,174	332,747	2,255,147
Cash and cash equivalents at end of year	*1 ¥ 332,747	*1 ¥ 292,901	*1 \$ 1,985,097

Corresponding footnote items are included in Note 10 “Notes related to consolidated statement of cash flows.”

Notes to consolidated financial statements

1. Significant accounting policies for preparation of consolidated financial statements

(1) Basis of presentation

The accompanying consolidated financial statements of Sekisui House, Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”) have been compiled from the consolidated financial statements prepared by the Company in Japanese as required by the Financial Instruments and Exchange Act of Japan, which are different in certain respects as to the application and disclosure requirements of International Financial Reporting Standards (“IFRS”).

As permitted by the Financial Instruments and Exchange Act of Japan, amounts of less than one million yen have been not presented, except for per share data. Consequently, the totals shown in the accompanying consolidated financial statements do not necessarily agree with the sum of the individual amounts.

The translation of Japanese yen amounts into U.S. dollars is included solely for the convenience of the readers and has been made at ¥147.55 = U.S.\$1.00, the approximate rate of exchange in effect on January 31, 2024. This translation should not be construed as a representation that the Japanese yen amounts have been, could have been, or could in the future be, converted into U.S. dollar amounts at the above or any other rate.

(2) Scope of consolidation

342 consolidated subsidiaries

24 companies were newly included in the scope of consolidation mainly through new establishments and acquisitions. In addition, 27 companies were excluded due to merger, liquidation or other reasons.

Names of major non-consolidated subsidiaries

Otori Insurance Service Co., Ltd. and six other subsidiaries

Reason for exclusion from the scope of consolidation

Non-consolidated subsidiaries are excluded from the scope of consolidation, because they were all small in scale, and any total amount in terms of their total assets, net sales and profit or loss (amount corresponding to the Company’s ownership interest) as well as retained earnings (amount corresponding to the Company’s ownership interest) and others did not significantly affect the consolidated financial statements.

(3) Application of equity method

37 companies accounted for using equity method (All are affiliates of the Company)

Two companies to which the equity method was applied were newly added mainly as investments. In addition, five companies were excluded due to sale, etc.

Names of major non-consolidated subsidiaries and affiliates not accounted for using the equity method

Non-consolidated subsidiaries and affiliates: Otori Insurance Service Co., Ltd. and seven other companies

Reason for not applying equity method

Non-consolidated subsidiaries and affiliates not accounted for using the equity method were excluded from the scope of application of equity method, because such exclusion had only an immaterial effect on the consolidated financial statements in terms of each company’s profit or loss (amount corresponding to the Company’s ownership interest) and retained earnings (amount corresponding to the Company’s ownership interest), and they were not significant as a whole.

Names of other companies not recognized as affiliates even though the Company holds at least 20% and up to 50% of the voting rights on its own account

Shiei Community Service Co., Ltd. and two other companies

Reason for not being included in affiliates

Although the Company indirectly held at least 20% and up to 50% of voting rights of the companies above, they were excluded from the scope of affiliates since the Company had no substantial influence on their decision making.

(4) Fiscal years of consolidated subsidiaries

The end of the fiscal year is March 31 for three consolidated subsidiaries. For those consolidated subsidiaries, when preparing the consolidated financial statements, the subsidiaries prepare their financial statements based on provisional settlement of accounts as of January 31.

For other three consolidated subsidiaries whose fiscal year ends on March 31, the subsidiaries prepare their financial statements based on provisional settlement of accounts as of December 31 to prepare the consolidated financial statements. For material transactions during the period from January 1 and the consolidated balance sheet date, necessary adjustments have been implemented.

For four consolidated subsidiaries whose fiscal year ends on November 30 and 303 consolidated subsidiaries whose fiscal year ends on December 31, the Company uses their financial statements as of their respective fiscal year-end. For material transactions during the respective fiscal year-end and the consolidated balance sheet date, necessary adjustments have been implemented.

2. Accounting policies

(1) Basis and methods of valuation for significant assets

(a) Securities

(i) Bonds held to maturity

Stated at amortized cost (straight-line method)

(ii) Available-for-sale securities

Securities other than shares with no market price

Stated at fair value

(Valuation differences are recorded directly in a separate component of net assets, and cost of securities sold is determined by the moving-average method)

Shares with no market price

Stated at cost determined by the moving-average method

(b) Derivatives

Stated at fair value

(c) Inventories

Stated at cost (the carrying amounts are determined based on the method of writing down the book value based on a decline in profitability)

The moving-average method is used for semi-finished goods, raw materials, and work in process and supplies, while the individual cost method is used for costs on construction contracts in progress, buildings for sale, land for sale in lots and undeveloped land for sale.

(2) Accounting methods for depreciation and amortization of significant depreciable assets

(a) Property, plant and equipment (excluding leased assets)

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

(b) Intangible assets (excluding leased assets)

Amortized by the straight-line method

- (c) Leased assets
 - Leased assets in finance lease transactions that do not transfer ownership are depreciated using the straight-line method assuming that lease periods are useful lives and residual values are zero.
- (3) Accounting policy for significant provisions
 - (a) Allowance for doubtful accounts
 - To prepare for credit losses on receivables, an estimated uncollectable amount is provided at the amount estimated by either using the historical rate of credit loss for general receivables, or based on individual consideration of collectability for specific receivables such as highly doubtful receivables.
 - (b) Provision for bonuses
 - To provide payment of bonuses to employees, the estimated amount to cover the bonus payment for services provided by employees during the fiscal year is recognized.
 - (c) Provision for bonuses for directors (and other officers)
 - To provide payment of bonuses to directors (and other officers), the amount expected to be paid as of the consolidated balance sheet date is recognized.
 - (d) Provision for warranties for completed construction
 - Provisions for losses and guarantee expenses due to defects recognized after delivery are recorded based on historical repair and other costs arising from completed structures and buildings for sale.
 - (e) Provision for retirement benefits for directors (and other officers)
 - To provide for retirement payments for directors (and other officers), the Company provides the required amount at the end of the fiscal year based on internal regulations.
- (4) Accounting methods for retirement benefits
 - (a) Method of attributing expected retirement benefits to periods
 - In the calculation of retirement benefit obligations, expected retirement benefits are attributed to the period up to the end of the fiscal year on a benefit formula basis.
 - (b) Method of amortizing actuarial gains and losses and past service cost
 - Actuarial gains and losses are amortized from the fiscal year following the fiscal year in which they are incurred using the straight-line method over 5 to 14 years. Past service cost is amortized using the straight-line method over 5 to 13 years from the fiscal year in which such cost is incurred.
- (5) Accounting policy for recognition of significant revenues and expenses
 - (a) Revenue from contracts with customers
 - Information about the main performance obligations in key businesses of the Company and its consolidated subsidiaries concerning revenue from contracts with customers and the typical timing for satisfying such performance obligations (that is, when revenue is recognized) is summarized as follows.
 - (i) Order-made contract transactions
 - For order-made contract transactions, the Company enters into a construction contract agreement with the customer, and has a performance obligation to perform building construction and deliver the completed building and others to the customer based on the agreement. For such contracts, the Company's performance obligation is deemed to be fulfilled over a certain period, and the Company recognizes revenue based on the degree of progress made in satisfying the performance obligation. As for the method of estimating progress, the degree of progress is calculated at the proportion of cost incurred to total cost of construction (input method).
 - For construction contracts with a very short construction period, an alternative treatment is applied whereby revenue is recognized when the performance obligation is fully satisfied.

(ii) Sale of real estate in lots

For the sale of real estate in lots, the Company has a performance obligation to deliver the property to the customer based on the real estate sales agreement entered into with the customer. For such contracts, the Company's performance obligation is deemed to be fulfilled when the property is delivered, and the Company recognizes revenue when the property is delivered to the customer.

(b) Other revenue

For real estate lease transactions, revenue is recognized over the lease term in accordance with the "Accounting Standard for Lease Transactions" (Accounting Standards Board of Japan ("ASBJ") Statement No. 13).

(6) Accounting policy for translation of significant foreign currency assets or liabilities into Japanese yen

Monetary receivables and payables in foreign currencies are translated into Japanese yen at the spot exchange rate prevailing as of the consolidated balance sheet date, and translation differences are recognized in profit or loss. Assets and liabilities of overseas subsidiaries are translated into Japanese yen at the spot exchange rate prevailing as of the balance sheet date of overseas subsidiaries, and their revenue and expenses are translated into Japanese yen at the average exchange rate during the year. Translation differences are included in foreign currency translation adjustment and non-controlling interests under net assets.

(7) Method of significant hedge accounting

(a) Hedge accounting

Deferred hedge accounting is applied. Transactions involving forward foreign exchange contracts are recorded in Japanese yen by translation at the foreign exchange rate stipulated in the contract if the requirements for such treatment are satisfied.

(b) Hedging instruments and hedged items

- (i) The Group hedges monetary receivables and payables in foreign currencies and forecast transactions with forward foreign exchange contracts.
- (ii) The Group hedges loans with interest-rate swaps.

(c) Hedging policy

The Group uses derivative transactions with the aim of avoiding losses from fluctuations in exchange and interest rates. The use of forward foreign exchange contracts does not exceed the amount of foreign currency transactions. The assumed principal balance subject to interest-swap transactions does not exceed the relevant interest-bearing loans outstanding.

(d) Method of assessing hedge effectiveness

The Group assesses if the percentage changes of hedging instruments and hedged items approximately range from 80% to 125%. However, it does not assess the effectiveness of hedging for transactions under forward foreign exchange contracts, since the main conditions match with regard to the relevant transactions and hedged items, and where the cash flow is fixed.

(8) Accounting method and period for amortization of goodwill

Goodwill is amortized over five years using the straight-line method, beginning in the fiscal year in which it arises, except for cases where the useful life can be estimated, in which case it is amortized over the estimated useful life based on a substantive analysis by the Company. Goodwill is charged to income as incurred if immaterial.

(9) Scope of cash and cash equivalents in consolidated statement of cash flows

Cash and deposits (excluding time deposits with maturities of more than three months) and short-term investments that are redeemable within three months from the acquisition date and that are easily converted into cash and only subject to insignificant risk in terms of price fluctuations.

(10) Other significant matters for preparing consolidated financial statements

(a) Accounting for consumption taxes

Non-deductible consumption taxes subject to non-current assets at consolidated subsidiaries whose main business is real estate leasing are recorded in “Other” under the “Investments and other assets” on the consolidated balance sheet and are amortized by the straight-line method over five years. Other non-deductible consumption taxes are expensed in the fiscal year in which they arise.

(b) Inclusion of interest expenses in acquisition cost

Overseas consolidated subsidiaries include interest expenses on borrowed funds for the real estate development business in the acquisition cost in conformity with the accounting standards in their countries of domicile. For the current fiscal year, interest expenses in the amount of ¥24,967 million (\$169,210 thousand), ¥17,123 million (\$116,049 thousand) and ¥494 million (\$3,348 thousand) are included in “Buildings for sale,” “Land for sale in lots” and “Undeveloped land for sale,” respectively. For the previous fiscal year, interest expenses in the amount of ¥14,061 million, ¥11,461 million and ¥499 million are included in “Buildings for sale,” “Land for sale in lots” and “Undeveloped land for sale,” respectively.

3. Significant accounting estimates

(1) Valuation of real estate for sale

(a) Amounts stated in the consolidated financial statements

	(Millions of yen)	(Thousands of U.S. dollars)	
	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
Buildings for sale	¥ 534,391	¥ 774,297	\$ 5,247,692
Land for sale in lots	723,941	856,404	5,804,161
Undeveloped land for sale	177,095	233,197	1,580,461
Loss on valuation (cost of sales)	10,873	4,231	28,675

(b) Information on significant accounting estimates for the identified item

(i) Calculation method for the amount stated in the consolidated financial statements as of January 31, 2024

If the net selling price for real estate for sale at the end of the fiscal year is below the book value, the book value is reduced to the net selling price and the difference is recorded as loss on valuation. When calculating the net selling price, estimates are made in accordance with the sales price for each individual property and future business plans.

(ii) Key assumptions

Key assumptions used in calculating the net selling price are future earnings and construction costs, with the business plans estimated in light of factors such as the project location, size, marketability, other transactions in similar real estate and the real estate market.

(iii) Impact on the consolidated financial statements for the next fiscal year

If the key assumptions have changed in the next fiscal year due to economic or market deterioration, additional loss on valuation may need to be recorded.

(2) Valuation of non-current assets

(a) Amounts stated in the consolidated financial statements

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
Total property, plant and equipment	¥ 554,562	¥ 496,253	\$ 3,363,287
Total intangible assets	51,117	40,388	273,724
Impairment losses	2,898	484	3,280

(b) Information on significant accounting estimates for the identified item

(i) Calculation method for the amount stated in the consolidated financial statements as of January 31, 2024

The Group groups the assets of investment properties by project and groups other assets by operating unit which allows the Group to manage gains and losses in a rational manner. Based on the grouping, impairment can be determined for assets or asset groups that show indications of impairment due to factors such as continuous operating losses and negative cash flows, a pronounced drop in market price or change in usage. In the event that we determine that impairment losses should be recognized, the book value is written down to the recoverable value and this decrease is recorded as impairment losses. Note that the recoverable value is the net selling value or the value in use, whichever is higher. The net selling value is calculated for major investment properties by obtaining the appraised value from a real estate appraiser, while the net selling value for the other assets are calculated by using the appraisal value calculated by a method in line with the Real Estate Appraisal Standard, less the estimated cost of disposal. In addition, value in use is calculated at present value by discounting the estimated future cash flows.

(ii) Key assumptions

Key assumptions in estimating future cash flows and calculating the recoverable value are rent, ADR (Average Daily Rate for guest rooms), vacancy rate, operating rate, discount rate and cap rate. Rent, ADR, vacancy rate and operating rate are determined with comprehensive consideration to factors such as market trends, other transactions in similar real estate and past performance. The discount rate is determined in light of similar transactions and interest rate movements, etc. In addition, the cap rate for major investment properties is obtained from an independent real estate appraiser and used.

(iii) Impact on the consolidated financial statements for the next fiscal year

If the key assumptions have changed in the next fiscal year due to economic or market deterioration, additional impairment losses may need to be recorded.

4. Changes in accounting policies

(Application 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, June 17, 2021) from the beginning of the current fiscal year, and in accordance with the transitional treatment prescribed in paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement, the new accounting policies set forth in the Implementation Guidance on Accounting Standard for Fair Value Measurement have been applied prospectively. There is no impact on the consolidated financial statements.

5. Accounting standards issued but not yet effective

“Accounting Standard for Current Income Taxes”

- “Accounting Standard for Current Income Taxes” (ASBJ Statement No. 27, October 28, 2022)
- “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, October 28, 2022)
- “Guidance on Accounting Standard for Tax Effect Accounting” (ASBJ Guidance No. 28, October 28, 2022)

(1) Overview

These accounting standards and guidance establish the accounting classification for corporate taxes resulting from other comprehensive that is subject to taxation, as well as the treatment of tax effects related to the sale of shares in subsidiaries when group taxation regime is applied.

(2) Scheduled date of adoption

These accounting standards and guidance will be adopted effective from the beginning of the fiscal year ending January 31, 2026.

(3) Impact of the adoption of the accounting standards

Impact of the adoption of the “Accounting Standard for Current Income Taxes” on the consolidated financial statements are currently under evaluation.

6. Notes related to consolidated balance sheet

- *1. “Notes receivable, accounts receivable from completed construction contracts and others” include the following receivables and contract assets arising from contracts with customers.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
Notes receivable – trade	¥ 4,855	¥ 2,802	\$ 18,990
Accounts receivable from completed construction contracts and others	39,623	30,268	205,137
Contract assets	111,058	142,138	963,321
Total	¥ 155,536	¥ 175,210	\$ 1,187,462

- *2. The breakdown of “Other inventories” is as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
Semi-finished goods	¥ 6,489	¥ 6,529	\$ 44,249
Work in process	1,086	963	6,527
Raw materials and supplies	4,584	4,981	33,758
Total	¥ 12,160	¥ 12,474	\$ 84,541

- *3. Assets pertaining to affiliates are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
Investment securities	¥ 82,271	¥ 86,605	\$ 586,954

*4. Change in holding purpose

As of January 31, 2023

¥5,532 million of real estate for sale recorded as “Buildings for sale” and “Land for sale in lots” as of January 31, 2022, has been reclassified as “Buildings and structures” and “Land,” respectively. In addition, ¥70,061 million of investment properties, etc. recorded under “Buildings and structures” and “Land” as of January 31, 2022, has been reclassified under “Buildings for sale” and “Land for sale in lots,” respectively.

As of January 31, 2024

¥2,921 million (\$19,797 thousand) of real estate for sale recorded as “Buildings for sale” and “Land for sale in lots” as of January 31, 2023, has been reclassified as “Buildings and structures” and “Land,” respectively. In addition, ¥114,865 million (\$778,482 thousand) of investment properties, etc. recorded under “Buildings and structures” and “Land” as of January 31, 2023, has been reclassified under “Buildings for sale” and “Land for sale in lots,” respectively.

*5. Assets deposited in accordance with the provisions of the “Act on Assurance of Performance of Specified Housing Defect Warranty” are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
Other (current assets)	¥ 247	¥ 236	\$ 1,599
Other (investments and other assets)	8,419	8,403	56,950
Total	¥ 8,667	¥ 8,639	\$ 58,550

*6. Collateralized assets and secured liabilities

Collateralized assets are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
Buildings for sale	¥ 34,481	¥ 18,011	\$ 122,067
Land for sale in lots	53,438	30,424	206,195
Other (current assets) (Note)	0	1	7
Buildings and structures	1,563	1,488	10,085
Land	5,090	5,043	34,178
Investment securities (Note)	345	345	2,338
Long-term loans receivable (Note)	1	–	–
Total	¥ 94,920	¥ 55,314	\$ 374,883

(Note) Other (current assets), investment securities and long-term loans receivable are provided as collateral against liabilities of subsidiaries.

Secured liabilities are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
Current portion of long-term borrowings	¥ 24,541	¥ 2,995	\$ 20,298
Long-term borrowings	36,860	27,415	185,801
Long-term leasehold and guarantee deposits received	839	816	5,530

*7. Contingent liabilities

(1) Guarantees for borrowings of clients from financial institutions are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
Housing purchasers, etc. using housing mortgages	¥ 120,551 [3,578 originations]	¥ 132,925 [3,627 originations]	\$ 900,881
Subsidiaries and affiliates	34,544	45,211	306,411

(2) The guarantees for repayment of advance receipt on sales contract of condominium to customer are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
1 company	¥ 12	¥ 95	\$ 644

*8. Non-recourse debt

(1) Non-recourse debt is as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
Current portion of long-term borrowings	¥ 19,257	¥ –	\$ –
Long-term borrowings	15,553	5,033	34,110
Total	¥ 34,810	¥ 5,033	\$ 34,110

(2) Assets corresponding to non-recourse debt are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
Buildings for sale	¥ 34,481	¥ 18,011	\$ 122,067
Land for sale in lots	24,807	–	–
Total	¥ 59,288	¥ 18,011	\$ 122,067

The above amounts are included in the amounts in “*6. Collateralized assets and secured liabilities.”

*9. “Advances received on construction contracts in progress” include the following contract liabilities.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
Contract liabilities	¥ 144,117	¥ 159,309	\$ 1,079,695

*10. Commitment line contracts

The Group has entered into commitment line contracts with 22 financial institutions for effective funding to working capital.

The amount borrowed in accordance with these commitment line contracts and total unused amount are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
Total amount of commitment lines	¥ 516,459	¥ 570,925	\$ 3,869,366
Amount borrowed	289,052	362,972	2,459,993
Total unused amount	¥ 227,406	¥ 207,953	\$ 1,409,373

7. Notes related to consolidated statement of income

*1. Revenue from contracts with customers

Net sales are not separately presented for revenue from contracts with customers and other revenue. The amount of revenue from contracts with customers is presented in “1. Information on breakdown of revenue from contracts with customers” under the note on “Revenue recognition” in the consolidated financial statements.

*2. The amount of inventories at the end of fiscal year is evaluated after writing down due to decline in profitability and the following loss on revaluation of inventories is included in cost of sales.

(Millions of yen)		(Thousands of U.S. dollars)	
Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024	Fiscal year ended January 31, 2024	
¥ 10,873	¥ 4,231	\$ 28,675	

*3. Major items and amounts of selling, general and administrative expenses are as follows.

(1) Selling expenses

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024	Fiscal year ended January 31, 2024
Advertising expenses	¥ 23,326	¥ 23,940	\$ 162,250
Sales promotion expenses	31,351	34,916	236,638
Provision of allowance for doubtful accounts	110	79	535

(2) General and administrative expenses

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024	Fiscal year ended January 31, 2024
Employees' salaries and bonuses	¥ 115,688	¥ 124,865	\$ 846,256
Provision for bonuses	19,692	20,525	139,105
Provision for bonuses for directors (and other officers)	1,280	2,157	14,619
Retirement benefit expenses	8,445	6,135	41,579
Provision for retirement benefits for directors (and other officers)	190	200	1,355

*4. Impairment losses

The Group recorded impairment losses for the following asset groups.

Fiscal year ended January 31, 2023

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

The Group groups investment properties by project and groups other assets by operating unit which allows us to manage gains and losses in a rational manner and considers recognition of impairment losses. For real estate for lease, etc., the book value was written down to the recoverable value as of January 31, 2023 and the amount of the decrease was recorded as impairment losses under extraordinary losses.

(Breakdown of impairment losses)

Type	Amount (Millions of yen)
Buildings and structures	¥ 2,146
Land	346
Machinery, equipment and vehicles	72
Other, net	333
Total	¥ 2,898

The recoverable value of such assets was calculated mainly on the net selling value. The net selling value is determined based on a method equivalent to the “Real Estate Appraisal Standard.”

Fiscal year ended January 31, 2024

Location	Usage	Type
Chuo-ku, Osaka City, etc.	Real estate for lease, etc.	Buildings, etc.

The Group groups investment properties by project and groups other assets by operating unit which allows us to manage gains and losses in a rational manner and considers recognition of impairment losses. For real estate for lease, etc., the book value was written down to the recoverable value as of January 31, 2024 and the amount of the decrease was recorded as impairment losses under extraordinary losses.

(Breakdown of impairment losses)

Type	Amount (Millions of yen)	Amount (Thousands of U.S. dollars)
Buildings and structures	¥ 293	\$ 1,986
Land	102	691
Machinery, equipment and vehicles	87	590
Other, net	0	0
Total	¥ 484	\$ 3,280

The recoverable value of such assets was calculated mainly on the net selling value. The net selling value is determined based on a method equivalent to the “Real Estate Appraisal Standard.”

*5. The breakdown of loss on sale and retirement of non-current assets is as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024	Fiscal year ended January 31, 2024
Buildings and structures	¥ 1,162	¥ 1,018	\$ 6,899
Machinery, equipment and vehicles	5	36	244
Land	293	112	759
Other, net	297	231	1,566
Total	¥ 1,759	¥ 1,398	\$ 9,475

*6. The total amount of research and development expenses included in general and administrative expenses and manufacturing costs for the year

(Millions of yen)		(Thousands of U.S. dollars)
Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024	Fiscal year ended January 31, 2024
¥ 9,562	¥ 9,050	\$ 61,335

*7. Loss on liquidation of business

Losses related to termination of transport system Sky Rail (Aki-ku, Hiroshima City) operated by the Company’s consolidate subsidiary Sky Rail Service Co., Ltd. have been recorded.

8. Notes related to consolidated statement of comprehensive income

*1. Reclassification adjustments and tax effects relating to other comprehensive income

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024	Fiscal year ended January 31, 2024
Valuation difference on available-for-sale securities:			
Amount that arose in the current year	¥ (905)	¥ 11,845	\$ 80,278
Reclassification adjustment amount	(269)	(5,342)	(36,205)
Before adjustment for tax effect	(1,174)	6,502	44,066
Amount of tax effect	471	(2,094)	(14,192)
Valuation difference on available-for-sale securities	(703)	4,408	29,875
Foreign currency translation adjustment:			
Amount that arose in the current year	61,770	39,777	269,583
Reclassification adjustment amount	(16,813)	(9,778)	(66,269)
Before adjustment for tax effect	44,957	29,999	203,314
Amount of tax effect	-	-	-
Foreign currency translation adjustment	44,957	29,999	203,314
Remeasurements of defined benefit plans, net of tax:			
Amount that arose in the current year	25,035	1,318	8,933
Reclassification adjustment amount	2,843	(2,657)	(18,007)
Before adjustment for tax effect	27,879	(1,338)	(9,068)
Amount of tax effect	(8,505)	406	2,752
Remeasurements of defined benefit plans, net of tax	19,373	(932)	(6,317)
Share of other comprehensive income of entity accounted for using equity method:			
Amount that arose in the current year	7,976	2,573	17,438
Reclassification adjustment amount	(0)	22	149
Share of other comprehensive income of entity accounted for using equity method	7,976	2,595	17,587
Total other comprehensive income	¥ 71,604	¥ 36,071	\$ 244,466

9. Notes related to consolidated statement of changes in equity

Fiscal year ended January 31, 2023

1. Matters concerning the class and total number of issued shares and the type and number of treasury shares

	Number of shares as of February 1, 2022 (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares as of January 31, 2023 (Shares)
Issued shares				
Ordinary shares	684,683,466	–	–	684,683,466
Total	684,683,466	–	–	684,683,466
Treasury shares				
Ordinary shares (Note)	9,913,593	12,795,133	151,576	22,557,150
Total	9,913,593	12,795,133	151,576	22,557,150

(Note) Description of the reasons for the change

Breakdown of the number of increased shares is as follows.

Increase due to the acquisition of treasury shares based on the provisions of the Articles of Incorporation pursuant to Article 165, paragraph (2) of the Companies Act	12,788,000 shares
Increase due to repurchase of fractional shares	5,961 shares
Increase due to acquisition of restricted shares	1,100 shares
The Company's portion of treasury shares acquired by companies accounted for using equity method	72 shares

Breakdown of the number of decreased shares is as follows.

Decrease due to requests for additional purchases of fractional shares	76 shares
Decrease due to exercise of share options	54,000 shares
Decrease due to disposal of treasury shares as restricted share awards	97,500 shares

2. Share acquisition rights

Company name	Breakdown	Class of shares issued on exercise of share acquisition rights	Number of shares issued on exercise of share acquisition rights (Thousands of shares)				Balance as of January 31, 2023 (Millions of yen)
			As of February 1, 2022	Increase	Decrease	As of January 31, 2023	
Sekisui House, Ltd.	Share acquisition rights as share options	–	–	–	–	–	¥ 134
Total			–	–	–	–	¥ 134

3. Dividends

(1) Dividends paid

Resolution	Classes of shares	Total amount of dividends (Millions of yen)	Dividend paid per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders held on April 26, 2022	Ordinary shares	¥ 31,722	¥ 47.00	January 31, 2022	April 27, 2022
Board of Directors meeting held on September 8, 2022	Ordinary shares	34,678	52.00	July 31, 2022	September 30, 2022

- (2) Dividends whose record date falls in the current fiscal year but whose effective date falls in the next fiscal year

Resolution	Classes of shares	Total amount of dividends (Millions of yen)	Source of funds for dividends	Dividend paid per share (Yen)	Record date	Effective date
Ordinary General Meeting of Shareholders to be held on April 25, 2023	Ordinary shares	¥ 38,413	Retained earnings	¥ 58.00	January 31, 2023	April 26, 2023

Fiscal year ended January 31, 2024

1. Matters concerning the class and total number of issued shares and the type and number of treasury shares

	Number of shares as of February 1, 2023 (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares as of January 31, 2024 (Shares)
Issued shares				
Ordinary shares (Note 1)	684,683,466	179,200	22,000,000	662,862,666
Total	684,683,466	179,200	22,000,000	662,862,666
Treasury shares				
Ordinary shares (Note 2)	22,557,150	14,385,679	22,031,156	14,911,673
Total	22,557,150	14,385,679	22,031,156	14,911,673

(Notes) Description of the reasons for the change

1. Breakdown of the number of increased shares is as follows.

Increase due to issuance of new shares as restricted share awards and performance share unit awards 179,200 shares

Breakdown of the number of decreased shares is as follows.

Decrease due to the cancellation of treasury shares 22,000,000 shares

2. Breakdown of the number of increased shares is as follows.

Increase due to the acquisition of treasury shares based on the provisions of the Articles of Incorporation pursuant to Article 165, paragraph (2) of the Companies Act 14,376,800 shares

Increase due to repurchase of fractional shares 6,414 shares

Increase due to acquisition of restricted shares 2,400 shares

The Company's portion of treasury shares acquired by companies accounted for using equity method 65 shares

Breakdown of the number of decreased shares is as follows.

Decrease due to requests for additional purchases of fractional shares 156 shares

Decrease due to exercise of share options 31,000 shares

Decrease due to the cancellation of treasury shares 22,000,000 shares

2. Share acquisition rights

Company name	Breakdown	Class of shares issued on exercise of share acquisition rights	Number of shares issued on exercise of share acquisition rights (Thousands of shares)				Balance as of January 31, 2024	
			As of February 1, 2023	Increase	Decrease	As of January 31, 2024	(Millions of yen)	(Thousands of U.S. dollars)
Sekisui House, Ltd.	Share acquisition rights as share options	–	–	–	–	–	¥ 100	\$ 678
Total			–	–	–	–	¥ 100	\$ 678

3. Dividends

(1) Dividends paid

Resolution	Classes of shares	Total amount of dividends		Dividend paid per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
Ordinary General Meeting of Shareholders held on April 25, 2023	Ordinary shares	¥ 38,413	\$ 260,339	¥ 58.00	\$ 0.39	January 31, 2023	April 26, 2023
Board of Directors meeting held on September 7, 2023	Ordinary shares	38,451	260,596	59.00	0.40	July 31, 2023	September 29, 2023

(2) Dividends whose record date falls in the current fiscal year but whose effective date falls in the next fiscal year

Resolution	Classes of shares	Total amount of dividends		Source of funds for dividends	Dividend paid per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)		(Yen)	(U.S. dollars)		
Ordinary General Meeting of Shareholders to be held on April 25, 2024	Ordinary shares	¥ 41,479	\$ 281,118	Retained earnings	¥ 64.00	\$ 0.43	January 31, 2024	April 26, 2024

10. Notes related to consolidated statement of cash flows

- *1. Reconciliation of ending balance of cash and cash equivalents with account balances on consolidated balance sheet

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024	Fiscal year ended January 31, 2024
Cash and deposits	¥ 332,903	¥ 293,152	\$ 1,986,798
Time deposits with maturities of more than three months	(155)	(251)	(1,701)
Cash and cash equivalents	¥ 332,747	¥ 292,901	\$ 1,985,097

- *2. Major components of assets and liabilities of consolidated subsidiaries acquired by purchase of shares

Fiscal year ended January 31, 2023

The breakdown of the assets and liabilities when consolidation commenced due to the consolidation of CHESMAR HOMES, LLC and other companies through the acquisition of equity as well as the relationship between the acquisition price of the equity and the expenditures for the acquisition (net) are as follows.

	(Millions of yen)
Current assets	¥ 70,462
Non-current assets	2,355
Goodwill	33,558
Current liabilities	(36,832)
Non-current liabilities	(765)
Acquisition price	68,778
Cash and cash equivalents of subsidiary	(3,605)
Expenditures for the acquisition, net	¥ 65,173

Fiscal year ended January 31, 2024

Not presented due to immateriality

11. Leases

(As Lessee)

1. Finance leases

Finance lease transactions that do not transfer ownership

(i) Details of leased assets

(a) Property, plant and equipment

Mainly business use vehicles and business use servers

(b) Intangible assets

Software

(ii) Method of depreciation for leased assets

As described in significant accounting policies for preparation of consolidated financial statements “2. Accounting policies (2) Accounting methods for depreciation and amortization of significant depreciable assets.”

2. Operating leases

Future minimum lease payments under non-cancelable operating leases

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
Due within one year	¥ 9,025	¥ 8,123	\$ 55,053
Due after one year	64,940	61,773	418,658
Total	¥ 73,965	¥ 69,896	\$ 473,711

(As Lessor)

1. Finance leases

(1) Breakdown of investments in leases

Current assets

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
Lease receivables	¥ 10,964	¥ 10,522	\$ 71,311
Residual value	-	-	-
Unearned interest income	(3,436)	(3,273)	(22,182)
Investments in leases	7,527	7,249	49,129

(2) The scheduled collection amount of lease payments receivables related to lease receivables and investments in leases following the fiscal year-end

Current assets

	(Millions of yen)					
	As of January 31, 2023					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Lease receivables	¥ 220	¥ 221	¥ 221	¥ 222	¥ 223	¥ 3,917
Investments in leases	494	494	494	494	494	8,492

(Millions of yen)

	As of January 31, 2024					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Lease receivables	¥ 221	¥ 221	¥ 222	¥ 223	¥ 223	¥ 3,693
Investments in leases	496	492	490	490	490	8,061

(Thousands of U.S. dollars)

	As of January 31, 2024					
	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Lease receivables	\$ 1,498	\$ 1,498	\$ 1,505	\$ 1,511	\$ 1,511	\$ 25,029
Investments in leases	3,362	3,334	3,321	3,321	3,321	54,632

2. Operating leases

Future minimum lease payments under non-cancelable operating leases

(Millions of yen) (Thousands of U.S. dollars)

	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
Due within one year	¥ 3,238	¥ 3,506	\$ 23,761
Due after one year	25,706	27,833	188,634
Total	¥ 28,944	¥ 31,339	\$ 212,396

3. Investments in leases and lease obligations under sublease transactions that are recorded in the consolidated balance sheet before interest deductions

(1) Investments in leases

(Millions of yen) (Thousands of U.S. dollars)

	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
Current assets	¥ 3,955	¥ 3,752	\$ 25,429

(2) Lease obligations

(Millions of yen) (Thousands of U.S. dollars)

	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
Current liabilities	¥ 223	¥ 223	\$ 1,511
Non-current liabilities	4,131	3,916	26,540

12. Financial instruments

1. Matters related to the status of financial instruments

(1) Policy with regard to financial instruments

The Group limits fund management only to highly stable financial assets. The Group uses indirect financing of borrowings from financial institutions and direct financing of issuing bonds, etc. With regard to derivative transactions, the Group does not engage in transactions for speculative or trading purposes.

(2) Description of financial instruments and their risks

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

Securities and investment securities, primarily stock and investments in special purpose companies (SPC) and partnerships, are exposed to the risk associated with issuing entities' credit and market value fluctuations.

Notes payable, electronically recorded obligations – operating, accounts payable for construction contracts, etc. are due mainly within one year.

The Group uses borrowings and bonds to finance operations and capital investment. Borrowings, which are mainly financed with variable interest rates, are exposed to the risk associated with interest rate fluctuations.

With regard to derivative transactions, the Group uses forward foreign exchange contracts and currency swaps with the aim of hedging the risk associated with monetary receivables and payables in foreign currencies of export and import transactions and investment and loans for overseas subsidiaries. The Group also uses interest rate swaps to hedge interest rate fluctuation risk related to borrowings. With regard to hedging instruments and hedged items, hedging policy, and method of assessing hedge effectiveness, please refer to significant accounting policies for preparation of consolidated financial statements “2. Accounting policies (7) Method of significant hedge accounting.”

(3) Risk management system for financial instruments

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

Accounting and Finance Departments of the Company, responsible accounting division of each subsidiary and management division of each branch monitor the collection, due dates and outstanding balances by customer. Also, they make efforts to identify at earliest and mitigate risks of default possibilities because of deterioration of financial condition, etc.

The Group executes and manages derivative transactions within the limits of established internal rules and regulations and reduces credit risk by diversifying its transactions among financial institutions with high credit ratings.

(ii) Management of market risk (fluctuation risk of stock price, interest rate, etc.)

With regard to securities and investment securities, the Group manages this risk by periodically examining market prices and financial condition of the issuing entities.

(iii) Management of financing liquidity risk (the risk that the Group cannot pay its debt on the due date of payment)

Based on reports from each division of the Group's branch, Finance Department of the Company and responsible finance division of each subsidiary prepare and update their cash flow plans on a timely basis and maintain appropriate liquidity levels to manage liquidity risk. They also have multiple methods of stable financing, such as entering into commitment line contracts or providing the overdraft. In addition, the Group has funding systems, such as the cash management system, to supply funds to the subsidiaries flexibly.

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

Since the fair value of financial instruments includes variable factors, estimated value is subject to fluctuation due to changes in the underlying assumptions.

2. Matters related to the fair value of financial instruments

Amounts stated in the consolidated balance sheet, fair values and their differences are as follows.

As of January 31, 2023

(Millions of yen)

	Amount stated in consolidated balance sheet	Fair value	Difference
Securities and investment securities			
Bonds held to maturity	¥ 120	¥ 120	¥ -
Securities of subsidiaries and affiliates	3,165	1,688	(1,477)
Available-for-sale securities	99,833	99,833	-
Total assets	103,119	101,642	(1,477)
Bonds payable	50,000	49,916	(84)
Long-term borrowings	229,037	223,555	(5,482)
Total liabilities	¥ 279,037	¥ 273,471	¥ (5,566)

(*1) Information about “Cash and deposits,” “Notes receivable, accounts receivable from completed construction contracts and others,” “Notes payable and accounts payable for construction contracts,” “Electronically recorded obligation – operating,” and “Short-term borrowings,” is not presented because these items are cash, and the market value approximates the book value mainly due to short-term settlement.

(*2) Shares, etc. with no market price

(Millions of yen)

Categories	As of January 31, 2023
Unlisted shares	¥ 72,010
Investment in special purpose companies, etc.	16,370

These financial instruments are not included in “Assets, Securities and investment securities.” Investment in special purpose companies, etc. is not subject to disclosure of fair value in accordance with paragraph 27 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, July 4, 2019).

As of January 31, 2024

(Millions of yen)

	Amount stated in consolidated balance sheet	Fair value	Difference
Securities and investment securities			
Bonds held to maturity	¥ 120	¥ 120	¥ -
Securities of subsidiaries and affiliates	3,880	2,798	(1,081)
Available-for-sale securities	102,938	102,938	-
Total assets	106,938	105,856	(1,081)
Bonds payable	50,024	49,790	(234)
Long-term borrowings	260,700	256,794	(3,906)
Total liabilities	310,724	306,584	(4,140)
Derivatives (*3)	¥ [2,390]	¥ [2,390]	¥ -

(Thousands of U.S. dollars)

	Amount stated in consolidated balance sheet	Fair value	Difference
Securities and investment securities			
Bonds held to maturity	\$ 813	\$ 813	\$ –
Securities of subsidiaries and affiliates	26,296	18,963	(7,326)
Available-for-sale securities	697,648	697,648	–
Total assets	724,758	717,425	(7,326)
Bonds payable	339,031	337,445	(1,586)
Long-term borrowings	1,766,859	1,740,386	(26,472)
Total liabilities	2,105,890	2,077,831	(28,058)
Derivatives (*3)	\$ [16,198]	\$ [16,198]	\$ –

(*1) Information about “Cash and deposits,” “Notes receivable, accounts receivable from completed construction contracts and others,” “Notes payable and accounts payable for construction contracts,” “Electronically recorded obligation – operating,” and “Short-term borrowings,” is not presented because these items are cash, and the market value approximates the book value mainly due to short-term settlement.

(*2) Shares, etc. with no market price

Categories	(Millions of yen)	(Thousands of U.S. dollars)
	As of January 31, 2024	As of January 31, 2024
Unlisted shares	¥ 73,779	\$ 500,027
Investment in special purpose companies, etc.	17,719	120,088

These financial instruments are not included in “Assets, Securities and investment securities.” Investment in special purpose companies, etc. is not subject to disclosure of fair value in accordance with paragraph 24-16 of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021).

(*3) Derivatives are presented as the net amount of assets and liabilities arising from derivative transactions. Values in square parentheses [] indicate net liabilities in total.

(Note 1) The scheduled redemption amounts for monetary receivables and securities with fixed maturities following the fiscal year-end

As of January 31, 2023

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 332,903	¥ –	¥ –	¥ –
Notes receivable, accounts receivable from completed construction contracts and others	42,856	1,264	306	1,637
Securities and investment securities				
Bonds held to maturity				
Bonds payable	–	–	–	120
Total	¥ 375,759	¥ 1,264	¥ 306	¥ 1,757

As of January 31, 2024

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	¥ 293,152	¥ -	¥ -	¥ -
Notes receivable, accounts receivable from completed construction contracts and others	32,164	280	306	1,576
Securities and investment securities				
Bonds held to maturity				
Bonds payable	-	-	-	120
Total	¥ 325,317	¥ 280	¥ 306	¥ 1,696

(Thousands of U.S. dollars)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	\$ 1,986,798	\$ -	\$ -	\$ -
Notes receivable, accounts receivable from completed construction contracts and others	217,987	1,898	2,074	10,681
Securities and investment securities				
Bonds held to maturity				
Bonds payable	-	-	-	813
Total	\$ 2,204,792	\$ 1,898	\$ 2,074	\$ 11,494

(Note 2) The scheduled repayment amounts for short-term borrowings, bonds payable and long-term borrowings following the fiscal year-end

As of January 31, 2023

(Millions of yen)

	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	¥ 305,503	¥ -	¥ -	¥ -	¥ -	¥ -
Bonds payable	30,000	-	-	20,000	-	-
Long-term borrowings	71,664	30,108	23,993	88,142	14,778	350
Total	¥ 407,168	¥ 30,108	¥ 23,993	¥ 108,142	¥ 14,778	¥ 350

As of January 31, 2024

(Millions of yen)

	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	¥ 440,075	¥ -	¥ -	¥ -	¥ -	¥ -
Bonds payable	16	8	20,000	-	30,000	-
Long-term borrowings	21,611	167,626	31,419	14,183	20,177	5,682
Total	¥ 461,703	¥ 167,634	¥ 51,419	¥ 14,183	¥ 50,177	¥ 5,682

(Thousands of U.S. dollars)

	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	\$ 2,982,548	\$ –	\$ –	\$ –	\$ –	\$ –
Bonds payable	108	54	135,547	–	203,321	–
Long-term borrowings	146,466	1,136,062	212,938	96,123	136,747	38,509
Total	\$ 3,129,129	\$ 1,136,117	\$ 348,485	\$ 96,123	\$ 340,068	\$ 38,509

(Note 3) The amounts stated in the consolidated balance sheet and fair value relating to bonds payable and long-term borrowings include the current portion of bonds payable and the current portion of long-term borrowings.

3. Breakdown by level of fair values of financial instruments

Fair values of financial instruments are categorized into the following three levels on the basis of observability and significance of inputs used to measure fair value.

Level 1 fair value: Fair values measured using quoted prices (unadjusted) of identical assets or liabilities in active markets

Level 2 fair value: Fair values measured using directly or indirectly observable inputs other than Level 1 inputs

Level 3 fair value: Fair values measured using significant unobservable inputs

When several inputs that have significant impact on the measurement of fair value are used, the fair value is categorized into the lowest hierarchy level for the measurement of fair value among those in which each of the inputs belongs.

(1) Financial instruments that are recorded at fair value in the consolidated balance sheet

As of January 31, 2023

(Millions of yen)

Categories	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	¥ 99,833	¥ –	¥ –	¥ 99,833
Total assets	¥ 99,833	¥ –	¥ –	¥ 99,833

As of January 31, 2024

(Millions of yen)

Categories	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	¥ 102,938	¥ –	¥ –	¥ 102,938
Total assets	102,938	–	–	102,938
Derivatives				
Currency related	–	2,390	–	2,390
Total liabilities	¥ –	¥ 2,390	¥ –	¥ 2,390

(Thousands of U.S. dollars)

Categories	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	\$ 697,648	\$ –	\$ –	\$ 697,648
Total assets	697,648	–	–	697,648
Derivatives				
Currency related	–	16,198	–	16,198
Total liabilities	\$ –	\$ 16,198	\$ –	\$ 16,198

(2) Financial instruments that are not recorded at fair value in the consolidated balance sheet

As of January 31, 2023

(Millions of yen)

Categories	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Bonds held to maturity				
Bonds payable	¥ –	¥ 120	¥ –	¥ 120
Securities of subsidiaries and affiliates	1,688	–	–	1,688
Total assets	1,688	120	–	1,808
Bonds payable	–	49,916	–	49,916
Long-term borrowings	–	223,555	–	223,555
Total liabilities	¥ –	¥ 273,471	¥ –	¥ 273,471

As of January 31, 2024

(Millions of yen)

Categories	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Bonds held to maturity				
Bonds payable	¥ –	¥ 120	¥ –	¥ 120
Securities of subsidiaries and affiliates	2,798	–	–	2,798
Total assets	2,798	120	–	2,918
Bonds payable	–	49,790	–	49,790
Long-term borrowings	–	256,794	–	256,794
Total liabilities	¥ –	¥ 306,584	¥ –	¥ 306,584

(Thousands of U.S. dollars)

Categories	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Bonds held to maturity				
Bonds payable	\$ -	\$ 813	\$ -	\$ 813
Securities of subsidiaries and affiliates	18,963	-	-	18,963
Total assets	18,963	813	-	19,776
Bonds payable	-	337,445	-	337,445
Long-term borrowings	-	1,740,386	-	1,740,386
Total liabilities	\$ -	\$ 2,077,831	\$ -	\$ 2,077,831

(Note) Explanation of valuation methods and inputs used to calculate fair value and matters related to securities

Securities and investment securities

The fair value of these securities for which quoted prices in an active market can be used is classified as Level 1. The fair value of bonds held to maturity is calculated using the discounted present value method based on the total amount of principal and interest at an interest rate which reflects the remaining term to maturity and credit risk involved, and classified as Level 2 fair value.

Please refer to the notes in “Securities” for matters concerning securities classified by holding purpose.

Derivatives

The fair value of derivative transactions is calculated based on the prices provided by counterparty financial institutions, and is classified as Level 2.

Bonds payable

The fair value is stated based on information such as publicly disclosed prices and yields by industry associations, etc., and classified as Level 2.

Long-term borrowings

Book value is stated for long-term borrowings with a floating rate interest because their fair value and book value are approximately identical. In addition, the fair value of long-term borrowings with a fixed interest rate is calculated based on the present value which is the total principal and interest discounted by the interest rate corresponding to the borrowing period, and classified as Level 2.

13. Securities**1. Bonds held to maturity**

As of January 31, 2023

Nothing to report

As of January 31, 2024

Nothing to report

2. Available-for-sale securities

As of January 31, 2023

(Millions of yen)

	Type	Amount stated in consolidated balance sheet	Acquisition cost	Difference
Securities whose balance sheet amount exceeds acquisition cost	Equity securities	¥ 99,141	¥ 37,014	¥ 62,126
	Subtotal	99,141	37,014	62,126
Securities whose balance sheet amount does not exceed acquisition cost	Equity securities	692	923	(231)
	Subtotal	692	923	(231)
Total		¥ 99,833	¥ 37,938	¥ 61,895

As of January 31, 2024

(Millions of yen)

	Type	Amount stated in consolidated balance sheet	Acquisition cost	Difference
Securities whose balance sheet amount exceeds acquisition cost	Equity securities	¥ 102,523	¥ 34,194	¥ 68,329
	Subtotal	102,523	34,194	68,329
Securities whose balance sheet amount does not exceed acquisition cost	Equity securities	414	494	(80)
	Subtotal	414	494	(80)
Total		¥ 102,938	¥ 34,689	¥ 68,249

(Thousands of U.S. dollars)

	Type	Amount stated in consolidated balance sheet	Acquisition cost	Difference
Securities whose balance sheet amount exceeds acquisition cost	Equity securities	\$ 694,836	\$ 231,745	\$ 463,090
	Subtotal	694,836	231,745	463,090
Securities whose balance sheet amount does not exceed acquisition cost	Equity securities	2,806	3,348	(542)
	Subtotal	2,806	3,348	(542)
Total		\$ 697,648	\$ 235,100	\$ 462,548

3. Sales of available-for-sale securities

Fiscal year ended January 31, 2023

(Millions of yen)

Type	Proceeds	Total gain on sale	Total loss on sale
Equity securities, etc.	¥ 2,956	¥ 397	¥ 128

(Note) Equity securities, etc. include shares with no market price.

Fiscal year ended January 31, 2024

(Millions of yen)

Type	Proceeds	Total gain on sale	Total loss on sale
Equity securities, etc.	¥ 9,366	¥ 5,735	¥ –

(Thousands of U.S. dollars)

Type	Proceeds	Total gain on sale	Total loss on sale
Equity securities, etc.	\$ 63,477	\$ 38,868	\$ –

(Note) Equity securities, etc. include shares with no market price.

4. Write-down of securities

In the previous fiscal year, there were no write-downs of securities.

In the current fiscal year, write-downs of securities (equity securities classified as available-for-sale securities) amounted to ¥8 million (\$54 thousand).

14. Derivatives

1. Derivative transactions to which the hedge accounting method is not applied

As of January 31, 2023

Not presented due to immateriality

As of January 31, 2024

Currency-related

(Millions of yen)

Categories	Transaction type	Notional amount	Due after one year	Fair value	Gains (losses) on valuation
Off-market transactions	Currency swaps	¥ 17,459	¥ 17,459	¥ (2,390)	¥ (2,390)
Total		¥ 17,459	¥ 17,459	¥ (2,390)	¥ (2,390)

(Thousands of U.S. dollars)

Categories	Transaction type	Notional amount	Due after one year	Fair value	Gains (losses) on valuation
Off-market transactions	Currency swaps	\$ 118,326	\$ 118,326	\$ (16,198)	\$ (16,198)
Total		\$ 118,326	\$ 118,326	\$ (16,198)	\$ (16,198)

(Note) The method of calculating fair value is described in Note 12 “Financial Instruments 3. Breakdown by level of fair values of financial instruments (Note) Explanation of valuation methods and inputs used to calculate fair value and matters related to securities.”

2. Derivative transactions to which the hedge accounting method is applied

As of January 31, 2023

Nothing to report

As of January 31, 2024

Nothing to report

15. Retirement benefits

1. Overview of the adopted retirement benefits plan

The Company and its consolidated subsidiaries have defined benefit plans, which consist of corporate pension funds and lump-sum payment retirement plan and defined contribution pension plans.

Some consolidated subsidiaries calculate the retirement benefit liability and retirement benefit expenses with the simplified method.

Additional retirement benefits may also be paid when employees retire.

2. Defined benefit plans

(1) Reconciliation of retirement benefit obligations at the beginning and end of year

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024	Fiscal year ended January 31, 2024
Retirement benefit obligations at the beginning of year	¥ 335,790	¥ 296,063	\$ 2,006,527
Service expenses	14,022	11,867	80,427
Interest expenses	2,676	4,920	33,345
Unrecognized net actuarial gain or loss incurred	(44,727)	5,113	34,653
Payments of retirement benefits	(11,742)	(12,525)	(84,886)
Past service cost incurred	–	1,350	9,149
Decrease due to the change from the simplified method to the principle method	–	(119)	(807)
Net change as a result of change in the scope of consolidation	43	–	–
Retirement benefit obligations at the end of year	¥ 296,063	¥ 306,670	\$ 2,078,414

(Note) Includes plans applying the simplified method.

(2) Reconciliation of pension assets at the beginning and end of year

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024	Fiscal year ended January 31, 2024
Pension assets at the beginning of year	¥ 312,263	¥ 299,278	\$ 2,028,316
Expected returns on pension assets	7,595	7,292	49,421
Unrecognized net actuarial gain or loss incurred	(19,692)	6,432	43,592
Contributions paid by the employer	8,880	8,792	59,587
Payments of retirement benefits	(9,769)	(10,314)	(69,902)
Decrease due to the change from the simplified method to the principle method	–	(87)	(590)
Pension assets at the end of year	¥ 299,278	¥ 311,394	\$ 2,110,430

(Note) Includes plans applying the simplified method.

(3) Reconciliation of retirement benefit obligations and pension assets at the end of year and retirement benefit liability and retirement benefit asset recorded in the consolidated balance sheet

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
Funded retirement benefit obligations	¥ 266,821	¥ 276,005	\$ 1,870,586
Pension assets	(299,278)	(311,394)	(2,110,430)
Subtotal	(32,457)	(35,389)	(239,844)
Unfunded retirement benefit obligations	29,241	30,665	207,828
Net amount of liability and asset recorded in the consolidated balance sheet	(3,215)	(4,723)	(32,009)
Retirement benefit liability	29,286	30,716	208,174
Retirement benefit asset	(32,501)	(35,440)	(240,190)
Net amount of liability and asset recorded in the consolidated balance sheet	¥ (3,215)	¥ (4,723)	\$ (32,009)

(Note) Includes plans applying the simplified method.

(4) Retirement benefit expenses and the breakdown of amounts

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024	Fiscal year ended January 31, 2024
Service expenses (Note 1)	¥ 14,022	¥ 11,867	\$ 80,427
Interest expenses	2,676	4,920	33,345
Expected returns on pension assets	(7,595)	(7,292)	(49,421)
Amortization of actuarial gains and losses	2,850	(1,344)	(9,109)
Amortization of past service cost	(7)	37	251
Amortization resulting from the change from the simplified method to the principle method	–	(32)	(217)
Other (Note 2)	1,035	722	4,893
Retirement benefit expenses related to the defined benefit plans	¥ 12,981	¥ 8,879	\$ 60,176

(Notes) 1. Retirement benefit expenses of consolidated subsidiaries that apply the simplified method are recorded in service expenses

2. Other is mainly the amount of additional retirement payments.

(5) Remeasurements of defined benefit plans, net of tax

The breakdown of items recorded as remeasurements of defined benefit plans, net of tax (before deducting the tax effect) is as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024	Fiscal year ended January 31, 2024
Past service cost	¥ (7)	¥ (1,313)	\$ (8,899)
Actuarial gains and losses	27,886	(25)	(169)
Total	¥ 27,879	¥ (1,338)	\$ (9,068)

(6) Remeasurements of defined benefit plans

The breakdown of items recorded as remeasurements of defined benefit plans (before deducting the tax effect) is as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
Unrecognized past service cost	¥ 68	¥ (1,244)	\$ (8,431)
Unrecognized actuarial gains and losses	34,318	34,293	232,416
Total	¥ 34,387	¥ 33,049	\$ 223,985

(7) Matters concerning pension assets

(i) Major components of pension assets

The proportion of total pension assets by classification is as follows.

	As of January 31, 2023	As of January 31, 2024
Bonds	32%	32%
Credit investing	20	19
Private equity	14	16
General account	13	13
Equity securities	9	7
Cash and deposits	1	1
Other, net	11	12
Total	100%	100%

(ii) Method for setting the long-term expected rate of return

The long-term expected rate of return on pension assets is determined based on the current and forecast allocation of pension assets and the current and expected long-term rates of return on various asset classes that make up the pension assets.

(8) Matters concerning the assumptions for actuarial calculations

Key assumptions for actuarial calculations

	As of January 31, 2023	As of January 31, 2024
Discount rate	Mainly 1.7%	Mainly 1.7%
Long-term expected rate of return	Mainly 2.5%	Mainly 2.5%
Estimated rate of salary increase	Mainly 4.5%	Mainly 4.5%

(Note) Estimated rate of salary increase is calculated based on the point system.

3. Defined contribution plan

The required contributions of the Company and its consolidated subsidiaries to the defined contribution plans were ¥431 million and ¥553 million (\$3,748 thousand) in the previous and the current fiscal years, respectively.

16. Share options

1. Amount of share option expenses recorded and item names

No item to report

2. Outline of share options, size and change

(1) Outline of share options

Company name	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.
Date of resolution	May 19, 2011	May 17, 2012	May 16, 2013	May 15, 2014
Categories and number of eligible persons	The Company's Directors and Executive Officers: 28	The Company's Directors and Executive Officers: 33	The Company's Directors and Executive Officers: 32	The Company's Directors and Executive Officers: 34
Classes of shares and number granted	Ordinary shares: 130,000 shares	Ordinary shares: 147,000 shares	Ordinary shares: 68,000 shares	Ordinary shares: 100,000 shares
Grant date	June 14, 2011	June 13, 2012	June 13, 2013	June 13, 2014
Requisite service period	Not specified	Not specified	Not specified	Not specified
Exercise period	From June 15, 2011 to June 14, 2031	From June 14, 2012 to June 13, 2032	From June 14, 2013 to June 13, 2033	From June 14, 2014 to June 13, 2034

Company name	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.
Date of resolution	May 21, 2015	May 19, 2016	May 18, 2017	May 17, 2018
Categories and number of eligible persons	The Company's Directors and Executive Officers: 34	The Company's Directors and Executive Officers: 35	The Company's Directors and Executive Officers: 35	The Company's Directors and Executive Officers: 32
Classes of shares and number granted	Ordinary shares: 63,000 shares	Ordinary shares: 66,000 shares	Ordinary shares: 64,000 shares	Ordinary shares: 69,000 shares
Grant date	June 12, 2015	June 14, 2016	June 14, 2017	June 14, 2018
Requisite service period	Not specified	Not specified	Not specified	Not specified
Exercise period	From June 13, 2015 to June 12, 2035	From June 15, 2016 to June 14, 2036	From June 15, 2017 to June 14, 2037	From June 15, 2018 to June 14, 2038

(2) Number of share options and change

(i) Number of share options

Company name	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.
Date of resolution	May 19, 2011	May 17, 2012	May 16, 2013	May 15, 2014
Unvested				
At the beginning of the fiscal year (Shares)	–	9,000	3,000	13,000
Granted (Shares)	–	–	–	–
Forfeited (Shares)	–	–	–	–
Vested (Shares)	–	–	–	2,000
Outstanding (Shares)	–	9,000	3,000	11,000
Vested				
At the beginning of the fiscal year (Shares)	2,000	7,000	5,000	8,000
Vested (Shares)	–	–	–	2,000
Exercised (Shares)	2,000	5,000	2,000	6,000
Forfeited (Shares)	–	–	–	–
Exercisable (Shares)	–	2,000	3,000	4,000

Company name	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.
Date of resolution	May 21, 2015	May 19, 2016	May 18, 2017	May 17, 2018
Unvested				
At the beginning of the fiscal year (Shares)	8,000	8,000	11,000	23,000
Granted (Shares)	–	–	–	–
Forfeited (Shares)	–	–	–	–
Vested (Shares)	1,000	1,000	2,000	3,000
Outstanding (Shares)	7,000	7,000	9,000	20,000
Vested				
At the beginning of the fiscal year (Shares)	4,000	7,000	7,000	2,000
Vested (Shares)	1,000	1,000	2,000	3,000
Exercised (Shares)	2,000	3,000	6,000	5,000
Forfeited (Shares)	–	–	–	–
Exercisable (Shares)	3,000	5,000	3,000	–

(ii) Price information

Company name	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.
Date of resolution	May 19, 2011	May 17, 2012	May 16, 2013	May 15, 2014
Exercise price (Yen)	¥1 per share	¥1 per share	¥1 per share	¥1 per share
(U.S. dollars)	\$ 0.01 per share			
Average exercise price (Yen)	¥ 3,068	¥ 2,834	¥ 2,972	¥ 2,903
(U.S. dollars)	\$ 20.79	\$ 19.21	\$ 20.14	\$ 19.67
Fair value at the grant date(Yen)	¥ 592	¥ 495	¥ 1,071	¥ 974
(U.S. dollars)	\$ 4.01	\$ 3.35	\$ 7.26	\$ 6.60

Company name	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.
Date of resolution	May 21, 2015	May 19, 2016	May 18, 2017	May 17, 2018
Exercise price (Yen)	¥1 per share	¥1 per share	¥1 per share	¥1 per share
(U.S. dollars)	\$ 0.01 per share			
Average exercise price (Yen)	¥ 2,726	¥ 2,894	¥ 2,907	¥ 2,966
(U.S. dollars)	\$ 18.48	\$ 19.61	\$ 19.70	\$ 20.10
Fair value at the grant date(Yen)	¥ 1,507	¥ 1,356	¥ 1,415	¥ 1,283
(U.S. dollars)	\$ 10.21	\$ 9.19	\$ 9.59	\$ 8.70

3. Method of estimating the number of share options vested

Only the actual number of forfeited share options is reflected because it is difficult to rationally estimate the number of share options that will be forfeited in the future.

17. Tax effect accounting

1. Significant components of deferred tax assets and liabilities

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
Deferred tax assets			
Loss on valuation of real estate for sale	¥ 15,248	¥ 13,506	\$ 91,535
Provision for bonuses	11,174	11,514	78,035
Tax loss carry-forward (Note 2)	8,755	10,184	69,021
Retirement benefit liability	9,186	9,601	65,069
Unrealized gain on non-current assets	6,252	6,535	44,290
Accumulated impairment losses	7,654	4,584	31,067
Accrued enterprise tax	2,352	2,599	17,614
Accrued social insurance premium	1,587	1,618	10,966
Loss on valuation of investment securities	1,375	1,065	7,218
Other, net	15,292	19,500	132,159
Deferred tax assets subtotal	78,878	80,712	547,015
Valuation allowance for tax loss carry-forward (Note 2)	(8,477)	(7,434)	(50,383)
Valuation allowance for total deductible temporary differences	(10,486)	(8,549)	(57,940)
Valuation allowance (Note 1)	(18,964)	(15,984)	(108,329)
Total deferred tax assets	59,914	64,728	438,685
Deferred tax liabilities			
Valuation difference on available-for-sale securities	(18,166)	(20,282)	(137,458)
Other, net	(24,461)	(30,314)	(205,449)
Total deferred tax liabilities	(42,628)	(50,596)	(342,907)
Net of deferred tax assets and deferred tax liabilities	¥ 17,286	¥ 14,131	\$ 95,771

(Notes) 1. The main valuation allowances are loss on valuation of investment securities and accumulated impairment losses on non-current assets that were judged non recoverable.

2. Amount of tax loss carry-forward and deferred tax assets by expiration

As of January 31, 2023

(Millions of yen)

	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carry-forward*	¥ 777	¥ 837	¥ 1,263	¥ 1,359	¥ 1,003	¥ 3,514	¥ 8,755
Valuation allowance	(777)	(837)	(1,263)	(1,359)	(768)	(3,471)	(8,477)
Deferred tax assets	-	-	-	-	234	43	278

* Tax loss carry-forward is the amount multiplied by the statutory tax rate.

As of January 31, 2024

(Millions of yen)

	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carry-forward*	¥ 543	¥ 554	¥ 763	¥ 239	¥ 277	¥ 7,806	¥ 10,184
Valuation allowance	(543)	(554)	(763)	(239)	(277)	(5,056)	(7,434)
Deferred tax assets	-	-	-	-	-	2,750	2,750

* Tax loss carry-forward is the amount multiplied by the statutory tax rate.

(Thousands of U.S. dollars)

	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carry-forward*	\$ 3,680	\$ 3,755	\$ 5,171	\$ 1,620	\$ 1,877	\$ 52,904	\$ 69,021
Valuation allowance	(3,680)	(3,755)	(5,171)	(1,620)	(1,877)	(34,266)	(50,383)
Deferred tax assets	–	–	–	–	–	18,638	18,638

* Tax loss carry-forward is the amount multiplied by the statutory tax rate.

2. A breakdown by major items that cause the difference between the statutory tax rate and the rate of income tax after applying tax effect accounting when it is material

	As of January 31, 2023	As of January 31, 2024
Statutory tax rate	30.5%	30.5%
(Adjustments)		
Permanently non-deductible expenses, such as entertainment expenses	0.3	0.4
Permanently non-taxable income, such as dividend income	(0.1)	(0.1)
Per capita inhabitant tax etc.	0.3	0.2
Net change in valuation allowance	(0.8)	(0.3)
(Gain) loss on liquidation of subsidiaries and affiliates	(1.0)	(1.5)
Share of (profit) loss of entities accounted for using the equity method	0.2	(0.2)
Difference in income tax rates of overseas subsidiaries	(1.5)	(0.7)
Tax credits	(0.4)	(1.3)
Tax effect on internal reserves of overseas subsidiaries	0.3	(0.2)
Others	0.7	1.4
Income tax rate after applying tax effect accounting	28.5%	28.2%

18. Business combinations

Finalization of provisional accounting treatment for business combination

For the business combinations with CHESMAR HOMES, LLC and ENTITLED INSURANCE AGENCY, INC. conducted on July 1, 2022 (U.S. time) and CLM MORTGAGE, INC. and N TITLE, INC. conducted on December 30, 2022 (U.S. time), provisional accounting treatment was adopted in the previous fiscal year, and it was finalized in the current fiscal year.

Following the finalization of the provisional accounting treatment, revisions have been reflected in the acquisition cost initially allocated.

As a result, the provisionally calculated amount of goodwill of ¥33,558 million (\$227,435 thousand) decreased by ¥11,599 million (\$78,611 thousand) to ¥21,959 million (\$148,824 thousand) due to the finalization of the accounting treatment and will be amortized over five years. The decrease in goodwill is attributable to increases in buildings for sale of ¥5,527 million (\$37,458 thousand), land for sale in lots of ¥3,323 million (\$22,521 thousand), undeveloped land for sale of ¥151 million (\$1,023 thousand), and industrial property of ¥2,596 million (\$17,594 thousand).

19. Asset retirement obligations

Asset retirement obligations included in the consolidated balance sheet

a. Overview of such asset retirement obligations

Obligations for restoration related to exhibitor contracts for housing exhibition venues and term leasehold contracts on offices and real estate for lease, etc.

b. Method for calculating the amount of such asset retirement obligations

The amount of asset retirement obligations is calculated by estimating the expected useful life of each project and using the risk-free rate at the beginning of the fiscal year as the discount rate.

c. Change in the total amount of such asset retirement obligations

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024	Fiscal year ended January 31, 2024
Balance at beginning of year	¥ 3,690	¥ 3,685	\$ 24,975
Increase due to acquisition of property, plant and equipment	130	131	888
Adjustments due to passage of time	17	18	122
Decrease due to implementation of asset retirement obligations	(151)	(191)	(1,294)
Other changes	–	(3)	(20)
Balance at end of year	¥ 3,685	¥ 3,641	\$ 24,676

20. Real estate for lease, etc.

The Company and some of its consolidated subsidiaries own rental housing and office buildings for leasing in Tokyo and other areas. For the previous fiscal year, net rental income for such real estate for lease, etc. was ¥2,082 million (rental income is recorded as net sales and rental expenses is mainly recorded as cost of sales), and loss on impairment of these rental properties was ¥2,467 million. For the current fiscal year, net rental income for such real estate for lease, etc. was ¥5,955 million (\$40,359 thousand) (rental income is recorded as net sales and rental expenses is mainly recorded as cost of sales), and loss on impairment of these rental properties was ¥87 million (\$590 thousand).

The amounts stated in the consolidated balance sheet, changes of the amounts during the year and fair value of the real estate for lease, etc. are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024	Fiscal year ended January 31, 2024
Amount stated in consolidated balance sheet			
Balance at beginning of year	¥ 436,946	¥ 438,258	\$ 2,970,234
Change during the year	1,311	(60,326)	(408,851)
Balance at end of year	438,258	377,931	2,561,376
Fair value at end of year	529,232	452,620	3,067,570

(Notes) 1. The amounts stated in the consolidated balance sheet are calculated by deducting the relevant accumulated depreciation and impairment losses from the acquisition cost.

2. Changes during the previous fiscal year mainly resulted from increases due to real estate acquisition (¥77,797 million) and decreases due to transfers with inventories (¥63,808 million) and depreciation (¥9,586 million). Changes during the current fiscal year mainly resulted from increases due to real estate acquisition (¥67,614 million (\$458,245 thousand)) and decreases due to transfers with inventories (¥115,423 million (\$782,264 thousand)) and depreciation (¥8,681 million (\$58,834 thousand)).

3. Fair values at the end of year for major properties are calculated based on real estate appraisal by real estate appraiser. Fair values at the end of year for other properties are calculated by the Company based on the Real Estate Appraisal Standard.

21. Revenue recognition

1. Information on breakdown of revenue from contracts with customers

Fiscal year ended January 31, 2023

(Millions of yen)

	Reportable segments					
	Custom detached houses Business	Rental housing and commercial buildings Business	Architectural / Civil engineering Business	Rental housing management Business	Remodeling Business	Development Business
Construction and sales	¥ 476,356	¥ 500,073	¥ 254,994	¥ –	¥ 165,910	¥ 344,614
Real estate management and other	7	2	30	614,610	–	41,588
Sales to external customers	476,363	500,075	255,024	614,610	165,910	386,202
Other revenue (Note 1)	7	0	30	570,093	–	47,011
Revenue from contracts with customers	476,356	500,075	254,994	44,517	165,910	339,190

	Reportable segments	Other	Total
	Overseas Business		
Construction and sales	¥ 512,376	¥ 336	¥ 2,254,662
Real estate management and other	8,747	9,187	674,173
Sales to external customers	521,124	9,524	2,928,835
Other revenue (Note 1)	5,277	1,604	624,025
Revenue from contracts with customers	515,846	7,919	2,304,810

(Notes) 1. Other revenue includes lease revenue based on the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13, March 30, 2007), and transferred real estate (including trust beneficiary interests in real estate) to which the “Practical Guidelines on Accounting by Transferors for Derecognition of Real Estate Securitized by means of Special-Purpose Companies” (JICPA Accounting Practice Committee Statement No. 15, November 4, 2014).

2. Reporting segments have been changed from the current fiscal year, and information on the breakdown of revenue from contracts with customers for the previous fiscal year is prepared based on the categorization of the revised reporting segments.

Fiscal year ended January 31, 2024

(Millions of yen)

	Reportable segments					
	Custom detached houses Business	Rental housing and commercial buildings Business	Architectural / Civil engineering Business	Rental housing management Business	Remodeling Business	Development Business
Construction and sales	¥ 470,775	¥ 518,970	¥ 269,427	¥ –	¥ 173,194	¥ 456,843
Real estate management and other	7	1	29	640,704	–	54,264
Sales to external customers	470,782	518,971	269,456	640,704	173,194	511,107
Other revenue (Note)	7	0	29	593,755	–	56,074
Revenue from contracts with customers	470,775	518,971	269,427	46,948	173,194	455,032

	Reportable segments	Other	Total
	Overseas Business		
Construction and sales	¥ 495,544	¥ 2,309	¥ 2,387,063
Real estate management and other	15,510	9,660	720,178
Sales to external customers	511,055	11,969	3,107,242
Other revenue (Note)	12,507	1,517	663,893
Revenue from contracts with customers	498,548	10,451	2,443,349

(Thousands of U.S. dollars)

	Reportable segments					
	Custom detached houses Business	Rental housing and commercial buildings Business	Architectural / Civil engineering Business	Rental housing management Business	Remodeling Business	Development Business
Construction and sales	\$ 3,190,613	\$ 3,517,248	\$ 1,826,005	\$ –	\$ 1,173,799	\$ 3,096,191
Real estate management and other	47	7	197	4,342,284	–	367,767
Sales to external customers	3,190,661	3,517,255	1,826,201	4,342,284	1,173,799	3,463,958
Other revenue (Note)	47	0	197	4,024,094	–	380,034
Revenue from contracts with customers	3,190,613	3,517,255	1,826,005	318,184	1,173,799	3,083,917

	Reportable segments	Other	Total
	Overseas Business		
Construction and sales	\$ 3,358,482	\$ 15,649	\$16,177,994
Real estate management and other	105,117	65,469	4,880,908
Sales to external customers	3,463,606	81,118	21,058,909
Other revenue (Note)	84,764	10,281	4,499,444
Revenue from contracts with customers	3,378,841	70,830	16,559,465

(Note) Other revenue includes lease revenue based on the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13, March 30, 2007), and transferred real estate (including trust beneficiary interests in real estate) to which the “Practical Guidelines on Accounting by Transferors for Derecognition of Real Estate Securitized by means of Special-Purpose Companies” (JICPA Accounting Practice Committee Statement No. 15, November 4, 2014).

2. Information providing a basis for understanding revenue from contracts with customers

The consideration for major business transactions is received generally within one year from the satisfaction of the performance obligation, and the amount of such consideration does not contain a significant financing component. Moreover, there is no significant variable consideration that could cause fluctuations in the amount of consideration.

(1) Construction and sales

With respect to ordered contract transactions, the Company concludes construction contracts with customers and has an obligation to perform construction work and deliver to the customers based on the construction contracts. For such contracts, the Company's performance obligations are deemed to be satisfied over a certain period of time, and the Company recognizes revenue based on the degree of progress made in satisfying the performance obligation. As for the method of estimating progress, the degree of progress is calculated at the proportion of cost incurred to total cost of construction (input method).

With respect to construction contracts with a very short construction period, etc., an alternative treatment is applied whereby revenue is recognized when the performance obligation is fully satisfied.

With respect to real estate sale transactions, the Company has an obligation to deliver the property to the customer based on the real estate sales contracts. For such contracts, the Company's performance obligation is deemed to be satisfied when the property is delivered, and the Company recognizes revenue when the property is delivered to the customer.

(2) Real estate management and other

With respect to transactions involving the real estate lease that are main components of real estate management, revenue is recognized over the lease term in accordance with the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13), and included in "Other revenue."

Moreover, for real estate management transactions, the Company concludes management service contracts with customers and has an obligation to provide building management services based on the construction contracts. For such contracts, the Company recognizes revenue when the performance obligation is satisfied at a point in time or over a certain period of time as appropriate for the content of the performance obligation.

3. Information about the relationship between the satisfaction of performance obligations under contracts with customers and cash flows from these contracts, and the amount and timing of revenue expected to be recognized in subsequent fiscal years from contracts with customers that exist at the end of the current fiscal year

(1) Balance of contract assets and contract liabilities

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
Receivables from contracts with customers (Balance at beginning of year)	¥ 39,944	¥ 44,478	\$ 301,444
Receivables from contracts with customers (Balance at end of year)	44,478	33,071	224,134
Contract assets (Balance at beginning of year)	91,020	111,058	752,680
Contract assets (Balance at end of year)	111,058	142,138	963,321
Contract liabilities (Balance at beginning of year)	163,497	144,117	976,733
Contract liabilities (Balance at end of year)	¥ 144,117	¥ 159,309	\$ 1,079,695

Contract assets refer to the rights of the Company and its consolidated subsidiaries with respect to the consideration for which revenue has been recognized based on the progress of performance obligations in construction contracts with customers at the end of the year, but which have not yet been invoiced. Contract assets are reclassified to receivables from contracts with customers when the Company and its consolidated subsidiaries' rights to the consideration are unconditional. The consideration relating to such construction contracts is invoiced and received based on the terms and conditions of payment in the contracts.

Contract liabilities refer to the advances received from customers, including advances received on construction contracts in progress and earnest money received from customers under real estate sales contracts. Contract liabilities are reversed upon recognition of revenue.

Of the amount of revenue recognized in the previous fiscal year, the amount included in the balance of contract liabilities at the beginning of year was ¥161,410 million.

Of the amount of revenue recognized in the current fiscal year, the amount included in the balance of contract liabilities at the beginning of year was ¥143,021 million (\$969,305 thousand).

(2) Transaction price allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations in the previous fiscal year was ¥1,447,787 million, and at the longest, this amount is expected to be recognized as revenue within 11 years. The total transaction price allocated to the remaining performance obligations in the current fiscal year was ¥1,552,023 million (\$10,518,624 thousand), and at the longest, this amount is expected to be recognized as revenue within 10 years. The practical expedient is applied and contracts with an initially expected contract term of one year or less are not included in the notes.

22. Segment information

[Segment information]

1. Description of reportable segments

The reportable segments of the Group are constituent units of the Group for which separate financial information is obtainable. These segments are periodically examined by managers for the purpose of deciding the allocation of management resources and evaluating operating results.

The Group has adopted "making home the happiest place in the world" as its global vision, under the management direction of aiming for deployment of growth strategies focused on the residential business domain and set the goal of becoming a global housebuilder that provides the tangible, the intangible and service and plans strategies and undertakes business activities in each business domain.

The Group is comprised of segments by product and service founded on business domains, and excluding business domains under "Other," the reportable segments are "Custom detached houses Business," "Rental housing and commercial buildings Business," "Architectural / Civil engineering Business," "Rental housing management Business," "Remodeling Business," "Development Business" and "Overseas Business."

The details of each reportable segment are as follows.

Custom detached houses Business:	Contracting of design and construction, and sales of custom detached houses (Main companies: Sekisui House, Ltd., Sekisui House Construction Group, Sekisui House noie Limited)
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Rental housing and commercial buildings Business:	Contracting of design and construction, and sales of rental housing, commercial buildings and other properties (Main companies: Sekisui House, Ltd., Sekisui House Construction Group)
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Architectural / Civil engineering Business:	Construction of commercial buildings and other properties and contracting of design and construction of civil engineering works (Main company: Konoike Construction Group)
Rental housing management Business:	Leasing and management operations for rental housing and other properties (Main company: Sekisui House Real Estate Group)
Remodeling Business:	Remodeling of detached houses, rental housing, and other properties (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 Business Development, sales and management of condominiums (Main companies: Sekisui House, Ltd., Sekisui House GM Partners. Ltd.) Urban redevelopment Business Development, management, and operation of office buildings, hotels, and rental condominiums (Main companies: Sekisui House, Ltd., SH Hotel Management, 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)

In accordance with the revision of the reporting segments, reporting segments have been changed from the current fiscal year from nine business categories “Custom detached houses Business,” “Rental housing Business,” “Architectural / Civil engineering Business,” “Remodeling Business,” “Real estate management fees Business,” “Houses for sale Business,” “Condominiums Business,” “Urban redevelopment Business,” and “Overseas Business,” to seven business categories “Custom detached houses Business,” “Rental housing and commercial buildings Business,” “Architectural / Civil engineering Business,” “Rental housing management Business,” “Remodeling Business,” “Development Business” and “Overseas Business.”

Segment information for the previous fiscal year is prepared based on the categorization of the revised reporting segments.

2. Method for calculating sales, profit (loss), assets, liabilities, and other items for each reportable segment

The accounting policies for reportable operating segments are the same as noted under “Significant accounting policies for preparation of consolidated financial statements.”

3. Information about sales, profit, assets, liabilities, and other items for each reportable segment

Fiscal year ended January 31, 2023

(Millions of yen)

	Reportable segments					
	Custom detached houses Business	Rental housing and commercial buildings Business	Architectural / Civil engineering Business	Rental housing management Business	Remodeling Business	Development Business
Net sales						
(1) Sales to external customers	¥ 476,363	¥ 500,075	¥ 255,024	¥ 614,610	¥ 165,910	¥ 386,202
(2) Intersegment sales or transfers	52	6,231	12,292	2,635	1,065	18,079
Total	¥ 476,416	¥ 506,307	¥ 267,317	¥ 617,245	¥ 166,975	¥ 404,281
Segment profit	¥ 41,474	¥ 74,450	¥ 11,826	¥ 47,585	¥ 22,431	¥ 36,424
Segment assets	42,666	40,045	238,410	113,357	25,433	986,270
Other items						
Depreciation	3,497	373	1,400	415	141	8,926
Investment in affiliates accounted for under the equity method	–	–	–	–	–	15,646
Increase in property, plant and equipment and intangible assets	2,340	391	1,418	632	106	79,627

	Reportable segments		Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in consolidated financial statements (Note 3)
	Overseas Business	Total				
Net sales						
(1) Sales to external customers	¥ 521,124	¥ 2,919,311	¥ 5,640	¥ 2,924,952	¥ 3,883	¥ 2,928,835
(2) Intersegment sales or transfers	–	40,356	3,814	44,170	(44,170)	–
Total	¥ 521,124	¥ 2,959,668	¥ 9,454	¥ 2,969,123	¥ (40,287)	¥ 2,928,835
Segment profit	¥ 73,854	¥ 308,047	¥ 1,890	¥ 309,937	¥ (48,448)	¥ 261,489
Segment assets	1,245,581	2,691,766	17,877	2,709,643	297,893	3,007,537
Other items						
Depreciation	2,768	17,524	97	17,621	9,090	26,711
Investment in affiliates accounted for under the equity method	61,382	77,029	6,819	83,849	(1,783)	82,065
Increase in property, plant and equipment and intangible assets	1,875	86,392	151	86,543	8,787	95,330

(Notes) 1. The “Other” category is a business segment that is 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 intersegment transactions of ¥(419) million and corporate expenses of ¥(48,029) million that have not been allocated to each segment. Corporate expenses mainly include general and administrative expenses and experimentation and research expenses that do not belong to any reportable segments.
- (2) An adjustment of ¥297,893 million for segment assets is corporate assets. Corporate assets are mainly parent company surplus operating funds (cash and securities), long-term investment funds (investment securities) and assets of the administration division.
- (3) An adjustment of ¥9,090 million for depreciation is depreciation expenses related to corporate assets.
- (4) An adjustment of ¥ (1,783) million for Investment in affiliates accounted for under the equity method is an elimination of intersegment transactions.
- (5) An adjustment of ¥8,787 million for increase in property, plant and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.

3. Segment profit is adjusted to correspond to operating profit in the consolidated financial statements.

Fiscal year ended January 31, 2024

(Millions of yen)

	Reportable segments					
	Custom detached houses Business	Rental housing and commercial buildings Business	Architectural / Civil engineering Business	Rental housing management Business	Remodeling Business	Development Business
Net sales						
(1) Sales to external customers	¥ 470,782	¥ 518,971	¥ 269,456	¥ 640,704	¥ 173,194	¥ 511,107
(2) Intersegment sales or transfers	274	5,150	5,196	5,883	1,801	19,872
Total	¥ 471,056	¥ 524,121	¥ 274,653	¥ 646,588	¥ 174,996	¥ 530,980
Segment profit	¥ 41,065	¥ 78,016	¥ 12,904	¥ 50,180	¥ 23,482	¥ 64,821
Segment assets	40,112	42,895	267,865	92,067	23,487	1,068,691
Other items						
Depreciation	3,546	437	1,300	459	160	8,226
Investment in affiliates accounted for under the equity method	–	–	–	–	–	17,442
Increase in property, plant and equipment and intangible assets	1,061	325	1,697	412	144	68,729

	Reportable segments		Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in consolidated financial statements (Note 3)
	Overseas Business	Total				
Net sales						
(1) Sales to external customers	¥ 511,055	¥ 3,095,273	¥ 7,656	¥ 3,102,929	¥ 4,312	¥ 3,107,242
(2) Intersegment sales or transfers	–	38,179	5,573	43,753	(43,753)	–
Total	¥ 511,055	¥ 3,133,452	¥ 13,230	¥ 3,146,682	¥ (39,440)	¥ 3,107,242
Segment profit	¥ 48,898	¥ 319,369	¥ 2,654	¥ 322,023	¥ (51,067)	¥ 270,956
Segment assets	1,513,982	3,049,103	21,588	3,070,692	282,106	3,352,798
Other items						
Depreciation	4,321	18,452	206	18,659	9,086	27,745
Investment in affiliates accounted for under the equity method	62,873	80,315	8,128	88,444	(2,044)	86,399
Increase in property, plant and equipment and intangible assets	3,303	75,675	196	75,871	10,838	86,709

(Thousands of U.S. dollars)

	Reportable segments					
	Custom detached houses Business	Rental housing and commercial buildings Business	Architectural / Civil engineering Business	Rental housing management Business	Remodeling Business	Development Business
Net sales						
(1) Sales to external customers	\$ 3,190,661	\$ 3,517,255	\$ 1,826,201	\$ 4,342,284	\$ 1,173,799	\$ 3,463,958
(2) Intersegment sales or transfers	1,857	34,903	35,215	39,871	12,206	134,680
Total	\$ 3,192,518	\$ 3,552,159	\$ 1,861,423	\$ 4,382,162	\$ 1,186,012	\$ 3,598,645
Segment profit	\$ 278,312	\$ 528,743	\$ 87,455	\$ 340,088	\$ 159,146	\$ 439,315
Segment assets	271,854	290,715	1,815,419	623,972	159,180	7,242,907
Other items						
Depreciation	24,033	2,962	8,811	3,111	1,084	55,751
Investment in affiliates accounted for under the equity method	–	–	–	–	–	118,211
Increase in property, plant and equipment and intangible assets	7,191	2,203	11,501	2,792	976	465,801

	Reportable segments		Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in consolidated financial statements (Note 3)
	Overseas Business	Total				
Net sales						
(1) Sales to external customers	\$ 3,463,606	\$ 20,977,791	\$ 51,887	\$ 21,029,678	\$ 29,224	\$ 21,058,909
(2) Intersegment sales or transfers	–	258,753	37,770	296,530	(296,530)	–
Total	\$ 3,463,606	\$ 21,236,544	\$ 89,665	\$ 21,326,208	\$ (267,299)	\$ 21,058,909
Segment profit	\$ 331,400	\$ 2,164,480	\$ 17,987	\$ 2,182,467	\$ (346,100)	\$ 1,836,367
Segment assets	10,260,807	20,664,880	146,310	20,811,196	1,911,935	22,723,131
Other items						
Depreciation	29,285	125,056	1,396	126,459	61,579	188,038
Investment in affiliates accounted for under the equity method	426,113	544,324	55,086	599,417	(13,853)	585,557
Increase in property, plant and equipment and intangible assets	22,386	512,877	1,328	514,205	73,453	587,658

(Notes) 1. The “Other” category is a business segment that is not included in the reporting segments.

2. Adjustments are as follows.

- (1) An adjustment of ¥(51,067) million (\$346,100 thousand) for segment profit includes an elimination of intersegment transactions of ¥(2,106) million (\$14,273 thousand) and corporate expenses of ¥(48,960) million (\$331,820 thousand) that have not been allocated to each segment. Corporate expenses mainly include general and administrative expenses and experimentation and research expenses that do not belong to any reportable segments.
- (2) An adjustment of ¥282,106 million (\$1,911,935 thousand) for segment assets is corporate assets. Corporate assets are mainly parent company surplus operating funds (cash and securities), long-term investment funds (investment securities) and assets of the administration division.
- (3) An adjustment of ¥9,086 million (\$61,579 thousand) for depreciation is depreciation expenses related to corporate assets.
- (4) An adjustment of ¥ (2,044) million (\$13,853 thousand) for Investment in affiliates accounted for under the equity method is an elimination of intersegment transactions.
- (5) An adjustment of ¥10,838 million (\$73,453 thousand) for increase in property, plant and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.

3. Segment profit is adjusted to correspond to operating profit in the consolidated financial statements.

[Related information]

Fiscal year ended January 31, 2023

1. Information for each product or service

Refer to [Segment information].

2. Information for each region

(1) Net sales

(Millions of yen)

Japan	United States	Other regions	Total
¥ 2,398,569	¥ 434,546	¥ 95,720	¥ 2,928,835

(Note) Net sales are classified founded on the region where the business activities are conducted.

(2) Property, plant and equipment

Amount of property, plant and equipment located in Japan accounted for more than 90% of property, plant and equipment in the consolidated balance sheet.

3. Information for each of main customer

No single customer accounted for 10% or more of total sales of all segments.

Fiscal year ended January 31, 2024

1. Information for each product or service

Refer to [Segment information].

2. Information for each region

(1) Net sales

(Millions of yen)

Japan	United States	Other regions	Total
¥ 2,588,413	¥ 458,894	¥ 59,934	¥ 3,107,242

(Thousands of U.S. dollars)

Japan	United States	Other regions	Total
\$ 17,542,616	\$ 3,110,091	\$ 406,195	\$ 21,058,909

(Note) Net sales are classified founded on the region where the business activities are conducted.

(2) Property, plant and equipment

Amount of property, plant and equipment located in Japan accounted for more than 90% of property, plant and equipment in the consolidated balance sheet.

3. Information for each of main customer

No single customer accounted for 10% or more of total sales of all segments.

[Information about impairment losses on non-current assets for each reportable segment]

Fiscal year ended January 31, 2023

(Millions of yen)

	Custom detached houses Business	Rental housing and commercial buildings Business	Architectural / Civil engineering Business	Rental housing management Business	Remodeling Business
Impairment losses	¥ 161	¥ –	¥ –	¥ 88	¥ –

	Development Business	Overseas Business	Other	Unallocated amounts and elimination	Total
Impairment losses	¥ 71	¥ 2,271	¥ 72	¥ 233	¥ 2,898

Fiscal year ended January 31, 2024

(Millions of yen)

	Custom detached houses Business	Rental housing and commercial buildings Business	Architectural / Civil engineering Business	Rental housing management Business	Remodeling Business
Impairment losses	¥ 30	¥ 20	¥ 0	¥ 89	¥ –

	Development Business	Overseas Business	Other	Unallocated amounts and elimination	Total
Impairment losses	¥ 153	¥ –	¥ 85	¥ 103	¥ 484

(Thousands of U.S. dollars)

	Custom detached houses Business	Rental housing and commercial buildings Business	Architectural / Civil engineering Business	Rental housing management Business	Remodeling Business
Impairment losses	\$ 203	\$ 136	\$ 0	\$ 603	\$ –

	Development Business	Overseas Business	Other	Unallocated amounts and elimination	Total
Impairment losses	\$ 1,037	\$ –	\$ 576	\$ 698	\$ 3,280

[Information about amortization and unamortized balance of goodwill for each reportable segment]

Fiscal year ended January 31, 2023

(Millions of yen)

	Custom detached houses Business	Rental housing and commercial buildings Business	Architectural / Civil engineering Business	Rental housing management Business	Remodeling Business
Amortization amount for the year	¥ –	¥ –	¥ –	¥ –	¥ –
Balance at end of year	–	–	–	–	–

	Development Business	Overseas Business	Other	Unallocated amounts and elimination	Total
Amortization amount for the year	¥ –	¥ 3,436	¥ 105	¥ –	¥ 3,541
Balance at end of year	–	29,401	2,005	–	31,406

(Note) Other is construction material supply business.

Fiscal year ended January 31, 2024

(Millions of yen)

	Custom detached houses Business	Rental housing and commercial buildings Business	Architectural / Civil engineering Business	Rental housing management Business	Remodeling Business
Amortization amount for the year	¥ –	¥ –	¥ –	¥ –	¥ –
Balance at end of year	–	–	–	–	–

	Development Business	Overseas Business	Other	Unallocated amounts and elimination	Total
Amortization amount for the year	¥ –	¥ 3,327	¥ 422	¥ –	¥ 3,749
Balance at end of year	–	16,030	1,778	–	17,808

(Thousands of U.S. dollars)

	Custom detached houses Business	Rental housing and commercial buildings Business	Architectural / Civil engineering Business	Rental housing management Business	Remodeling Business
Amortization amount for the year	\$ -	\$ -	\$ -	\$ -	\$ -
Balance at end of year	-	-	-	-	-

	Development Business	Overseas Business	Other	Unallocated amounts and elimination	Total
Amortization amount for the year	\$ -	\$ 22,548	\$ 2,860	\$ -	\$ 25,408
Balance at end of year	-	108,641	12,050	-	120,691

(Note) Other is construction material supply business, etc.

[Information about gain on bargain purchase for each reportable segment]

Fiscal year ended January 31, 2023

No item to report

Fiscal year ended January 31, 2024

No item to report

[Related party information]

Transactions with related parties

Transactions between the Company and related parties

Directors (and other officers) of the Company and major shareholders (limited to individuals), etc.

Fiscal year ended January 31, 2023

Type	Name of company, etc. or person	Location	Share capital or investments in capital (Millions of yen)	Description of business or occupation	Percentage of owning (owned) voting rights (%)	Relationship with related parties	Description of transaction	Transaction amount (Millions of yen)	Item	Balance at end of year (Millions of yen)
Close relative of officer	Close relative of Toshifumi Kitazawa	-	¥ -	-	-	Contract work for ordered construction	Contract work for ordered construction	¥ 65	-	¥ -

(Note) Transaction terms and policies for determining transaction terms, etc.

The above transaction is determined in the same way as for general transaction terms.

Fiscal year ended January 31, 2024

Type	Name of company, etc. or person	Location	Share capital or investments in capital (Millions of yen)	Description of business or occupation	Percentage of owning (owned) voting rights (%)	Relationship with related parties	Description of transaction	Transaction amount (Millions of yen)	Item	Balance at end of year (Millions of yen)
Officer	Yoshihiro Nakai	-	¥ -	The Company's Representative Director of the Board	Directly (owned) 0.01%	Contribution in kind of monetary compensation claims	Contribution in kind of monetary compensation claims (Notes 1, 2)	¥ 77	-	¥ -
								(\$522 thousand)		
Officer	Yosuke Horiuchi	-	-	The Company's Representative Director of the Board	Directly (owned) 0.01%	Contribution in kind of monetary compensation claims	Contribution in kind of monetary compensation claims (Notes 1, 2)	42	-	-
								(\$285 thousand)		
Officer	Satoshi Tanaka	-	-	The Company's Representative Director of the Board	Directly (owned) 0.00%	Contribution in kind of monetary compensation claims	Contribution in kind of monetary compensation claims (Note 1)	27	-	-
								(\$183 thousand)		
Officer	Toru Ishii	-	-	The Company's Director of the Board	Directly (owned) 0.00%	Contribution in kind of monetary compensation claims	Contribution in kind of monetary compensation claims (Notes 1, 2)	24	-	-
								(\$163 thousand)		
Officer	Hiroshi Shinozaki	-	-	The Company's Director of the Board	Directly (owned) 0.00%	Contribution in kind of monetary compensation claims	Contribution in kind of monetary compensation claims (Notes 1, 2)	17	-	-
								(\$115 thousand)		

(Notes) Transaction terms and policies for determining transaction terms, etc.

1. These items are due to contribution in kind of monetary compensation claims accompanying the restricted share (RS) awards plan.
2. These items are due to contribution in kind of monetary compensation claims accompanying the performance share unit (PSU) awards plan.

23. Per share information

Item	(Yen)		(U.S. dollars)
	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024	Fiscal year ended January 31, 2024
Net assets per share	¥ 2,466.04	¥ 2,707.90	\$ 18.35
Profit per share	276.58	309.29	2.10
Diluted profit per share	276.46	309.19	2.10

(Notes) Basis for calculation

1. Net assets per share

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2023	As of January 31, 2024	As of January 31, 2024
Net assets recorded on consolidated balance sheet	¥ 1,667,546	¥ 1,794,052	\$ 12,158,943
Difference between net assets recorded on consolidated balance sheet and net assets attributable to ordinary shares	34,715	39,466	267,475
[of which, share acquisition rights]	[134]	[100]	[678]
[of which, non-controlling interests]	[34,581]	[39,366]	[266,798]
Net assets attributable to ordinary shares	¥ 1,632,830	¥ 1,754,585	\$ 11,891,461
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 net assets per share (1,000 shares)	662,126	647,950	

2. Profit per share and diluted profit per share

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2024	Fiscal year ended January 31, 2024
Profit per share			
Profit attributable to owners of parent	¥ 184,520	¥ 202,325	\$ 1,371,230
Amount not attributable to ordinary shareholders	–	–	–
Profit attributable to owners of parent related to ordinary shares	¥ 184,520	¥ 202,325	\$ 1,371,230
Average number of ordinary shares outstanding during the year (1,000 shares)	667,154	654,153	
Diluted profit per share			
Adjustment to profit attributable to owners of parent	¥ –	¥ –	\$ –
Number of ordinary shares increased (1,000 shares)			
Share acquisition rights	147	100	
Performance share unit awards	143	119	
Overview of residual securities not included in the calculation of diluted profit per share as they have no dilutive effect	–	–	

24. Significant subsequent events

(Acquisition of companies through acquisition of shares)

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), which is engaged in the detached housing business in the United States, at the Board of Directors meeting held on January 18, 2024 (Tokyo time), through SH Residential Holdings, LLC (“SHRH”), a subsidiary of Sekisui House US Holdings, LLC (“SHUSH”), which is a wholly owned subsidiary of the Company. The relevant merger agreements for the acquisition of MDC were entered into on January 18, 2024 (January 17, 2024 (Denver time)) (“the acquisition” or “the transaction”), and the acquisition was completed on April 19, 2024.

1. Background for the acquisition

In 2020, 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 high 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 the detached housing business in the United States on a full scale. Afterwards, in pursuit of expansion of business area in the North America, we began exploring potential homebuilders based on profound resonance to the Group’s global vision and corporate philosophy, and wealth of experience and expertise in the area. We made Holt Homes Group and CHESMAR HOMES, LLC wholly owned subsidiaries in 2021 and in 2022, respectively, expanding our housing sales footprint into seven states that are 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 for growth of each subsidiary in a wide range of aspect and sought new M&A opportunities as part of an expansion strategy to broaden footprint in unexplored regions with an aim to achieve our target of delivering 10,000 homes annually in overseas markets in FY2025.

MDC is a listed homebuilder headquartered in Denver, Colorado, with footprint in 34 metro areas in 16 states. MDC ranked eleventh (9,710 homes) in the United States based on the number of house closings in FY2022. In its more than 50 years history, MDC has delivered more than 240,000 quality houses by utilizing its 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 group (approximately 15,000 homes annually) in the United States based on the number of house closings in FY2022. 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 was implemented by way of “reverse triangular merger,” in which Clear Line, Inc., a wholly owned subsidiary 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 subsidiary of SHRH as the Acquisition Subsidiary held by SHRH 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 were purchased at U.S.\$63.00 per share (approximately U.S.\$4,959 million in total). The agreed per share consideration to be paid incorporates 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 as of January 17, 2024 (U.S. time)). 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 of the acquisition

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

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

4. Name, business and size of the acquired company

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

(2) Business description: Custom detached house sales and related businesses

(3) Size: Consolidated net assets: U.S.\$3,091 million, Consolidated total assets: U.S.\$5,363 million (fiscal year ended December 2022)

5. Date of acquisition:

April 19, 2024

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

(1) Number of shares to be acquired: 75,049,354 shares

The number of shares is the total number of ordinary shares outstanding and restricted share awards.

(2) Acquisition price: Approximately U.S.\$4,992 million

The amount 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).

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

7. Method of financing payment:

(Borrowed funds)

The Company resolved to borrow the funds at the Board of Directors meeting held on March 21, 2024 and April 12, 2024, and executed the borrowing on April 16, 2024 and April 17, 2024 as follows.

- (1) Lenders MUFG Bank, Ltd., Sumitomo Mitsui Banking Co., Mizuho Bank, Ltd.
- (2) Amount borrowed JPY: ¥418,250 million
USD: \$1,550 million
- (3) Interest rate Bank base rate plus spread
- (4) Maturity date April 3, 2025
- (5) Collateral and guarantees None
- (6) Purpose of funds Capital increase to SHUSH and loan to SHRH related to the acquisition of MDC

25. Supplemental information to consolidated financial statements

[Detailed schedule of bonds]

Company name	Issue	Issue date	(Millions of yen)		(Thousands of U.S. dollars)		Interest rate (%)	Collateral	Maturity date
			Balance at beginning of year	Balance at end of year	Balance at beginning of year	Balance at end of year			
Sekisui House, Ltd.	Series 20 unsecured bonds (with limited inter-bond pari-passu clause)	July 14, 2016	¥ 30,000 [30,000]	¥ –	\$ 203,321 [203,321]	\$ –	0.11	Unsecured	July 20, 2023
Sekisui House, Ltd.	Series 21 unsecured bonds (with limited inter-bond pari-passu clause)	July 14, 2016	20,000	20,000	135,547	135,547	0.20	Unsecured	July 17, 2026
Sekisui House, Ltd.	Series 22 unsecured bonds (with limited inter-bond pari-passu clause)	June 7, 2023	–	30,000	–	203,321	0.36	Unsecured	June 7, 2028
AIDA Co., Ltd.	Series 1 unsecured bonds (with guarantee from Mizuho Bank, Ltd. and limited to qualified institutional investors)	March 31, 2020	–	24 [16]	–	163 [108]	0.20	Unsecured	March 31, 2025
Total	–	–	¥ 50,000 [30,000]	¥ 50,024 [16]	\$ 338,868 [203,321]	\$ 339,031 [108]	–	–	–

(Notes) 1. Amounts due to mature within one year are shown in square parentheses [].

2. Amounts due to mature during the five years following the fiscal year-end are as follows.

(Millions of yen)

Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
¥ 16	¥ 8	¥ 20,000	¥ –	¥ 30,000

(Thousands of U.S. dollars)

Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
\$ 108	\$ 54	\$ 135,547	\$ –	\$ 203,321

[Detailed schedule of borrowings]

Categories	(Millions of yen)		(Thousands of U.S. dollars)		Average interest rate (%)	Repayment date
	Balance at beginning of year	Balance at end of year	Balance at beginning of year	Balance at end of year		
Short-term borrowings	¥ 305,503	¥ 440,075	\$ 2,070,505	\$ 2,982,548	6.37	–
Current portion of long-term borrowings	52,407	21,611	355,181	146,466	5.11	–
Current portion of non-recourse long-term borrowings	19,257	–	130,512	–	–	–
Current portion of lease obligations	2,201	2,186	14,917	14,815	–	–
Long-term borrowings (excluding current portion)	141,819	234,055	961,159	1,586,276	3.46	2025 to 2030
Non-recourse long-term borrowings (excluding current portion)	15,553	5,033	105,408	34,110	5.38	2025
Lease obligations (excluding current portion)	20,456	21,978	138,638	148,953	–	2025 to 2049
Total	¥ 557,198	¥ 724,941	\$ 3,776,333	\$ 4,913,189	–	–

(Notes) 1. The calculation of the average interest rate is disclosed as the weighted average interest rate for the balance at the end of the year based on the interest rate at the end of the year.

- The average interest rate for lease obligations has not been disclosed since the amount before deducting the amount corresponding to interest included in total lease payments is recorded as lease obligations in the consolidated balance sheet.
- The amounts of long-term borrowings, non-recourse debts and lease obligations (excluding current portions) due for repayment during five years following the fiscal year-end are as follows.

(Millions of yen)

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term borrowings	¥ 167,626	¥ 31,419	¥ 14,183	¥ 20,177
Non-recourse long-term borrowings	5,033	–	–	–
Lease obligations	1,978	2,067	2,010	1,819

(Thousands of U.S. dollars)

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term borrowings	\$ 1,136,062	\$ 212,938	\$ 96,123	\$ 136,747
Non-recourse long-term borrowings	34,110	–	–	–
Lease obligations	13,406	14,009	13,623	12,328

[Detailed schedule of asset retirement obligations]

This information is not disclosed pursuant to Article 92-2 of the Regulation on Consolidated Financial Statements since the amount of asset retirement obligations was 1% or less of total liabilities and net assets at the beginning and end of the current fiscal year.

[Other]

Quarterly information for the fiscal year ended January 31, 2024

(Millions of yen)

(Cumulative period)	1st quarter	2nd quarter	3rd quarter	Fiscal year ended January 31, 2024
Net sales	¥ 708,280	¥ 1,462,443	¥ 2,189,508	¥ 3,107,242
Profit before income taxes	61,608	135,112	199,639	288,958
Profit attributable to owners of parent	41,934	92,494	141,889	202,325
Profit per share (Yen)	63.33	140.31	216.29	309.29

(Accounting period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Profit per share (Yen)	¥ 63.33	¥ 76.95	¥ 76.08	¥ 93.27

(Thousands of U.S. dollars)

(Cumulative period)	1st quarter	2nd quarter	3rd quarter	Fiscal year ended January 31, 2024
Net sales	\$ 4,800,271	\$ 9,911,508	\$ 14,839,092	\$ 21,058,909
Profit before income taxes	417,540	915,703	1,353,026	1,958,373
Profit attributable to owners of parent	284,202	626,865	961,633	1,371,230
Profit per share (U.S. dollars)	0.43	0.95	1.47	2.10

(Accounting period)	1st quarter	2nd quarter	3rd quarter	4th quarter
Profit per share (U.S. dollars)	\$ 0.43	\$ 0.52	\$ 0.52	\$ 0.63

Independent Auditor's Report

The Board of Directors
Sekisui House, Ltd.

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Sekisui House, Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at January 31, 2024, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at January 31, 2024, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in Japan, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

We draw attention to Note 24 "Significant subsequent events" to the consolidated financial statements, which describes that the Group resolved to acquire all of the shares of M.D.C. Holdings, Inc., which is engaged in the detached housing business in the United States, at the Board of Directors meeting held on January 18, 2024, through SH Residential Holdings, LLC, a subsidiary of Sekisui House US Holdings, LLC and wholly owned subsidiary of the Group. The merger agreement with M.D.C. Holdings, Inc. was entered into on the same day, and the acquisition was completed on April 19, 2024. Our opinion is not modified in respect of this matter.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of the audit of the consolidated financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters.

Revenue recognition on real estate and real estate trust beneficiary rights transactions in relation to Development Business

Description of Key Audit Matter	Auditor's Response
<p>In the consolidated statement of income for the fiscal year ended January 31, 2024, the Group recorded net sales of ¥3,107,242 million (\$21,058,909 thousand) (*), which included ¥125,499 million (\$850,552 thousand) (*) in relation to the Development Business.</p> <p>The Group recognizes revenue from sales transactions of real estate and real estate trust beneficiary rights when substantially all of the risks and rewards of ownership have been transferred.</p> <p>In general, of sales of real estate, each transaction amount is material, and the terms and conditions are highly specific. This is particularly relevant for transactions involving real estate and real estate trust beneficiary rights in the Development Business compared with other businesses.</p> <p>Repurchase and leaseback options may be granted as a transaction condition under sales contracts. In addition, the seller may retain some continuing involvement such as providing management services or partial holding of equity interest after the sales.</p> <p>Moreover, certain real estate securitization schemes may be highly complex.</p> <p>In such cases, careful judgment is required to evaluate whether substantially all of the risks and rewards of ownership has been transferred. In the event that such determination is incorrect, the possibility exists that a significant amount of revenue could be recognized even though substantially all of the risks and rewards of ownership have not been completely transferred.</p> <p>Accordingly, we have determined the revenue recognition on real estate and real estate trust beneficiary rights transactions in relation to</p>	<p>We conducted the following procedures for certain transactions that were identified based on audit risks to assess the judgement over the transfer of risks and rewards of ownership regarding revenue recognition on real estate and real estate trust beneficiary rights transactions in relation to the Development Business.</p> <ul style="list-style-type: none"> • In order to understand the entire transaction scheme, we inspected the minutes of Board of Directors' meetings and management committees, the requests for approval and related documents as well as made inquiries to the department in charge. • In order to verify whether any conditions of repurchase, leaseback, and continuing involvement exist in relation to the transferred assets, we inspected related contracts such as sales contracts in addition to the minutes of Board of Directors' meetings and management committees, the request for approval and related documents. • In order to evaluate transaction amounts, we made comparisons with other transactions in the neighborhood and similar transactions obtained from sources outside the Group and vouched the evidences such as contracts and/or cash receipts. • In order to verify the fact of transfer of the assets, we inspected supporting evidence such as receipts and delivery confirmations.

the Development Business to be a key audit matter.	
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Valuation of real estate for sale for which the period from acquisition to delivery is long	
Description of Key Audit Matter	Auditor's Response
<p>The Group recorded Buildings for sales, Land for sales in lots and Undeveloped land for sale in the amounts of ¥774,297 million (\$5,247,692 thousand) (*), ¥856,404 million (\$5,804,161 thousand) (*) and ¥233,197 million (\$1,580,461 thousand) (*), respectively, as real estate for sale in the consolidated balance sheet as of January 31, 2024.</p> <p>Real estate for sale represents assets held primarily in the Real estate and brokerage Business, Condominiums Business, and Overseas Business. Certain projects associated with these businesses involve large-scale development work, coordination and negotiation with other landowners in the project area, and eviction negotiations with tenants of existing buildings. Therefore, it takes a relatively long period of time from acquisition to delivery.</p> <p>Regarding to valuation of real estate for sales, as described in the Note 3 "Significant accounting estimates (1) Valuation of real estate for sale," if the net selling price of real estate for sales at the end of the year is less than the carrying value, the carrying value is reduced to its net selling price, with such reduction being recognized as loss on impairment.</p> <p>The net selling value is calculated by deducting expected development cost from revenue earned by expected future sales.</p> <p>For expected future sales, there is a risk that profitability will be lower than initially expected due to real estate market conditions or various unforeseen external factors that had not been anticipated when the assets were acquired.</p>	<p>We mainly conducted the following procedures for certain transactions that were extracted based on audit risks to assess valuation of real estate for sales for which the period from acquisition to delivery is long.</p> <ul style="list-style-type: none"> • In order to understand the project plan, to verify its progress and whether there were any material changes that would significantly lower the net selling value, we made inquiries to the department in charge, and inspected the minutes of the Board of Directors' and management committees, the request for approval and related documents. Also, we confirmed that responses and the contents of documentation we inspected were consistent with the market reports obtained from external sources outside the Group. • In order to evaluate the estimation of future revenue from sale of assets, we made comparisons most recent actual sales results and other transactions in the neighborhood obtained from external sources outside the Group. • In order to assess the effectiveness of management's estimation process, we analyzed the estimates and actual amounts of sales price in the prior years. • For the foreign subsidiaries assessed as significant components, since their valuation of real estate for sale is important, we made inquiries to the component's managements in order to understand the real estate market and competitive environment at their locations and regions, whether there were any relevant regulatory changes or their business plan.

<p>In addition, there is a risk that the expected development cost will be significantly affected by changes in construction material prices and labor costs, and potential increases from the initial estimate due to development delays.</p> <p>Therefore, for real estate for sales for which the period from acquisition to delivery is long, there is a high degree of uncertainty in the estimates since future revenue as a key assumption requires a long period of time to be realized. In addition, it is based on subjective judgments from management since their estimates are based on the specific condition of each property.</p> <p>Accordingly, we have determined valuation of real estate for sales for which the period from acquisition to delivery is long to be a key audit matter.</p> <p>(*) The translation of Japanese yen amounts into U.S. dollar amounts has been made on the basis described in Note 1 to the consolidated financial statements.</p>	<ul style="list-style-type: none"> • For the foreign subsidiaries assessed as significant components, since their valuation of real estate for sales is important, we involved component auditors, provided audit instructions, and received reports on the results of the audit procedures in order to evaluate whether sufficient and appropriate audit evidence was obtained.
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Other Information

The other information comprises the information included in the Consolidated Financial Statements that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon.

We have concluded that the other information does not exist. Accordingly, we have not performed any work related to the other information.

Responsibilities of Management, the Corporate Auditor and the Board of Corporate Auditors for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern and disclosing, as required by accounting principles generally accepted in Japan, matters related to going concern.

The Corporate Auditor and the Board of Corporate Auditors are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Consider internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances for our risk assessments, while the purpose of the audit of the consolidated financial statements is not expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation in accordance with accounting principles generally accepted in Japan.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Corporate Auditor and the Board of Corporate Auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Corporate Auditor and the Board of Corporate Auditors with a statement that we have complied with the ethical requirements regarding independence that are relevant to our audit of the consolidated financial statements in Japan, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied to reduce threats to an acceptable level.

From the matters communicated with the Corporate Auditor and the Board of Corporate Auditors, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended January 31, 2024 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Fee-related Information

The fees for the audits of the financial statements of Sekisui House, Ltd. and its subsidiaries and other services provided by us and other EY member firms for the year ended January 31, 2024 are ¥482 million yen and ¥128 million yen, respectively.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Ernst & Young ShinNihon LLC
Osaka, Japan

April 25, 2024

/s/ Shin Ichinose

Shin Ichinose
Designated Engagement Partner
Certified Public Accountant

/s/ Yasuhiro Kozaki

Yasuhiro Kozaki
Designated Engagement Partner
Certified Public Accountant

/s/ Yusaku Iriyama

Yusaku Iriyama
Designated Engagement Partner
Certified Public Accountant