

Consolidated Financial Results for FY2021 (February 1, 2021 through January 31, 2022)

March 10, 2022

Company name	: Sekisui House, Ltd. (URL https://www.sekisuihouse.co.jp)
Listed exchanges	: Tokyo, Nagoya
Stock code	: 1928
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Date of scheduled general shareholders' meeting	: April 26, 2022
Date of scheduled payment of dividends	: April 27, 2022
Date of scheduled filing of securities report	: April 27, 2022
Supplementary explanatory documents	: Yes
Earnings results briefing	: Yes (for institutional investors and analysts, in Japanese)

(Amounts are rounded down to the nearest million yen)

1. Consolidated Results for the FY2021 (February 1, 2021 through January 31, 2022)

(1) Consolidated Financial Results

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

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Year ended January 31, 2022	2,589,579	5.8	230,160	23.4	230,094	24.6	153,905	24.6
Year ended January 31, 2021	2,446,904	1.3	186,519	(9.1)	184,697	(13.7)	123,542	(12.5)

(Note) Comprehensive income: Year ended Jan. 2022: ¥ 225,063 million (74.3%) Year ended Jan. 2021: ¥ 129,129 million (-13.1%)

	Profit per share	Fully diluted profit per share	Return on equity	Ordinary income ratio to total assets	Operating income ratio to net sales
	¥	¥	%	%	%
Year ended January 31, 2022	227.37	227.25	11.0	8.5	8.9
Year ended January 31, 2021	181.18	181.02	9.5	7.0	7.6

(Reference) Equity in earnings of affiliates: Year ended Jan. 2022: ¥ (1,238) million Year ended Jan. 2021: ¥ 619 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of January 31, 2022	2,801,189	1,520,959	52.6	2,184.36
As of January 31, 2021	2,625,861	1,368,887	50.5	1,948.12

(Reference) Equity capital* As of January 31, 2022: ¥ 1,473,940 million As of January 31, 2021: ¥ 1,326,535 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents as of end of period
	¥ millions	¥ millions	¥ millions	¥ millions
Year ended January 31, 2022	118,034	(113,706)	(111,701)	515,174
Year ended January 31, 2021	191,972	(95,504)	(77,614)	600,234

2. Cash Dividends

	Dividends per share (¥)					Total dividends (annual) (¥ millions)	Dividend payout ratio (Consolidated)	Dividends to net assets (Consolidated)
	1st quarter	2nd quarter	3rd quarter	Year-end	Annual			
Year ended January 31, 2021	-	45.00	-	39.00	84.00	57,259	46.4	4.4
Year ended January 31, 2022	-	43.00	-	47.00	90.00	60,768	39.6	4.4
Year ending January 31, 2023 (Forecast)	-	47.00	-	47.00	94.00		39.6	

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

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

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

* Notes

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

New Consolidated Companies: 1 company Holt Group Holdings, LLC

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

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

(i) Changes in accounting policies due to amendment of accounting standards: Not applicable

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

(iii) Changes in accounting estimates: Not applicable

(iv) Restatements: Not applicable

(3) Number of shares outstanding (common stock)

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

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

As of Jan. 31, 2021: 684,683,466 shares

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

As of Jan. 31, 2022: 9,913,593 shares

As of Jan. 31, 2021: 3,753,722 shares

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

Year ended Jan. 2022: 676,884,146 shares

Year ended Jan. 2021: 681,885,131 shares

(Reference) Summary of non-consolidated financial results

1. Non-Consolidated Results for the FY2021 (February 1, 2021 through January 31, 2022)

(1) Non-Consolidated Financial Results

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

	Net sales		Operating income		Ordinary income		Net income	
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%
Year ended January 31, 2022	1,150,364	9.0	75,379	21.7	123,196	39.3	96,279	37.5
Year ended January 31, 2021	1,055,305	(12.3)	61,961	(17.3)	88,414	(15.0)	70,001	5.8

	Net income per share	Fully diluted Net income per share
	¥	¥
Year ended January 31, 2022	142.20	142.13
Year ended January 31, 2021	102.63	102.54

(Reason of change in non-consolidated financial results compared to the results in the previous fiscal year)

There is a difference between in the previous fiscal year and in the fiscal year under review, primarily due to increases in sales in the housing business and an increase from the previous fiscal year in dividends received from subsidiaries and affiliates during the fiscal year under review.

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity capital ratio	Net assets per share
	¥ millions	¥ millions	%	¥
As of January 31, 2022	1,634,066	903,230	55.3	1,337.96
As of January 31, 2021	1,602,411	875,107	54.6	1,284.09

(Reference) Equity capital

As of January 31, 2022: ¥903,043 million

As of January 31, 2021: ¥874,598 million

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

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

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

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

(Obtaining supplementary explanatory documents)

The Company plans to hold a briefing for institutional investors and analysts on March 10, 2022. Relevant financial explanatory documents to be handed out at the briefing will be posted on our official website on the same day.

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Appendix 1: Results summary for the year ended January 31, 2022

¥ millions

Consolidated	FY2020	FY2021	YOY (%)	FY2022 forecast	YOY (%)
Net sales	2,446,904	2,589,579	5.8	2,787,000	7.6
Gross profit	473,511	528,877	11.7	553,000	4.6
Operating income	186,519	230,160	23.4	236,000	2.5
Ordinary income	184,697	230,094	24.6	234,000	1.7
Profit attributable to owners of parent	123,542	153,905	24.6	158,000	2.7
Total orders	2,401,877	2,721,734	13.3	2,753,000	1.1
Accumulated orders	1,363,421	1,512,572	10.9	1,478,572	(2.2)

Key management indicators

Consolidated	FY2017	FY2018	FY2019	FY2020	FY2021	FY2022 forecast
Profit per share (¥)	193.06	186.53	205.79	181.18	227.37	236.99
Net assets per share (¥)	1,731.60	1,718.82	1,852.62	1,948.12	2,184.36	2,322.32
Dividends per share (¥)	77.00	79.00	81.00	84.00	90.00	94.00
OP margin	9.06%	8.76%	8.50%	7.62%	8.89%	8.5%
ROE	11.59%	10.82%	11.54%	9.53%	10.99%	10.5%
ROA *	9.03%	8.32%	8.78%	7.30%	8.60%	8.3%

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

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

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

(1) Sales ¥ millions

		FY2020	FY2021	YOY(%)	FY2022 Forecast	YOY(%)
Built-to-order Business	Custom detached houses	323,332	352,732	9.1	368,000	4.3
	Rental housing	358,745	384,022	7.0	406,000	5.7
	Architectural / Civil engineering	302,837	261,930	(13.5)	327,000	24.8
	Subtotal	984,915	998,685	1.4	1,101,000	10.2
Supplied Housing Business	Remodeling	141,090	156,167	10.7	164,000	5.0
	Real estate management fees	557,632	584,969	4.9	612,000	4.6
	Subtotal	698,722	741,136	6.1	776,000	4.7
Development Business	Houses for Sale	139,151	191,488	37.6	208,000	8.6
	Condominiums	77,091	90,612	17.5	91,000	0.4
	Urban redevelopment	104,953	102,736	(2.1)	117,200	14.1
	Subtotal	321,195	384,837	19.8	416,200	8.1
Overseas Business		370,686	388,936	4.9	414,800	6.6
Other Businesses		71,384	75,984	6.4	79,000	4.0
Consolidated		2,446,904	2,589,579	5.8	2,787,000	7.6

(2) Operating income and OP margin ¥ millions

		FY2020	FY2021	YOY(%)	FY2022 Forecast	YOY(%)
		Amount OP margin	Amount OP margin		Amount OP margin	
Built-to-order Business	Custom detached houses	32,231 10.0%	42,475 12.0%	31.8	43,500 11.8%	2.4
	Rental housing	47,052 13.1%	56,047 14.6%	19.1	58,000 14.3%	3.5
	Architectural / Civil engineering	16,051 5.3%	15,146 5.8%	(5.6)	15,700 4.8%	3.7
	Subtotal	95,335 9.7%	113,668 11.4%	19.2	117,200 10.6%	3.1
Supplied Housing Business	Remodeling	20,479 14.5%	25,546 16.4%	24.7	26,500 16.2%	3.7
	Real estate management fees	43,869 7.9%	50,480 8.6%	15.1	52,500 8.6%	4.0
	Subtotal	64,348 9.2%	76,027 10.3%	18.1	79,000 10.2%	3.9
Development Business	Houses for Sale	7,586 5.5%	14,548 7.6%	91.8	15,000 7.2%	3.1
	Condominiums	8,817 11.4%	12,486 13.8%	41.6	11,000 12.1%	(11.9)
	Urban redevelopment	16,565 15.8%	11,276 11.0%	(31.9)	10,000 8.5%	(11.3)
	Subtotal	32,969 10.3%	38,311 10.0%	16.2	36,000 8.6%	(6.0)
Overseas Business		39,708 10.7%	50,147 12.9%	26.3	54,000 13.0%	7.7
Other Businesses		(2,480) (3.5%)	(1,208) (1.6%)	-	0 0.0%	-
Eliminations and back office		(43,363)	(46,786)	-	(50,200)	-
Consolidated		186,519 7.6%	230,160 8.9%	23.4	236,000 8.5%	2.5

(3) Orders

¥ millions

		FY2020	FY2021	YOY(%)	FY2022 Forecast	YOY(%)
Built-to-order Business	Custom detached houses	322,328	353,299	9.6	368,000	4.2
	Rental housing	354,929	390,190	9.9	408,000	4.6
	Architectural / Civil engineering	278,682	333,630	19.7	334,000	0.1
	Subtotal	955,941	1,077,120	12.7	1,110,000	3.1
Supplied Housing Business	Remodeling	141,698	160,962	13.6	166,000	3.1
	Real estate management fees	557,632	584,969	4.9	612,000	4.6
	Subtotal	699,330	745,931	6.7	778,000	4.3
Development Business	Houses for Sale	145,343	201,897	38.9	208,000	3.0
	Condominiums	80,979	83,952	3.7	93,000	10.8
	Urban redevelopment	103,241	98,891	(4.2)	98,000	(0.9)
	Subtotal	329,564	384,741	16.7	399,000	3.7
Overseas Business		347,983	432,773	24.4	387,000	(10.6)
Other Businesses		69,057	81,167	17.5	79,000	(2.7)
Consolidated		2,401,877	2,721,734	13.3	2,753,000	1.1

(4) Accumulated orders

¥ millions

		As of January 31, 2021	As of January 31, 2022	YOY(%)	As of January 31, 2023 forecast	YOY(%)
Built-to-order Business	Custom detached houses	183,298	183,865	0.3	183,865	0.0
	Rental housing	372,723	378,890	1.7	380,890	0.5
	Architectural / Civil engineering	362,407	434,107	19.8	441,107	1.6
	Subtotal	918,428	996,863	8.5	1,005,863	0.9
Supplied Housing Business	Remodeling	28,584	33,380	16.8	35,380	6.0
	Real estate management fees	-	-	-	-	-
	Subtotal	28,584	33,380	16.8	35,380	6.0
Development Business	Houses for Sale	47,705	58,114	21.8	58,114	0.0
	Condominiums	91,651	84,991	(7.3)	86,991	2.4
	Urban redevelopment	28,901	25,057	(13.3)	5,857	(76.6)
	Subtotal	168,259	168,163	(0.1)	150,963	(10.2)
Overseas Business		199,620	260,455	30.5	232,655	(10.7)
Other Businesses		48,527	53,710	10.7	53,710	0.0
Consolidated		1,363,421	1,512,572	10.9	1,478,572	(2.2)

* Results of the HOLT GROUP HOLDINGS, LLC, which was made a consolidated subsidiary during the consolidated fiscal year under review, and its subsidiaries are included in the results of the Overseas Business. (included in the order back log of fiscal 2022 and each forecast for fiscal 2023)

1. Overview of Business Results

(1) Analysis of Business Results

While circumstances differed by country, region, and industry during the consolidated fiscal year, the global economy overall continued to face difficult conditions under the COVID-19 pandemic worldwide. Signs of business recovery appeared in Japan's economy with the improvement of income and employment environment amid efforts to balance measures against the spread of infection against socio-economic activities. Firm demand for housings continued in the housing markets of Japan and United States as changes to lifestyles occurred under the COVID-19 pandemic. In Japan, new housing starts continued to improve, in both detached and rental housings, while also benefiting from a tailwind in policy aspects, including the creation of a support system for housing acquisition by the child-rearing generation, the implementation of a housing loan tax exemption program based on factors including environmental performance, and for housing acquisition and remodeling.

The Sekisui House Global Vision aims to make home the happiest place in the world in this business climate. The Fifth Mid-Term Management Plan (fiscal 2020 to 2022) lays out a basic policy to further strengthen core businesses and embark on new businesses. Our Group has steadily advanced initiatives to become a global company that offers integrated proposals of technologies, lifestyle design and services, based on the residential domain. With the safety of all stakeholders from customers and partners to employees as its top priority, the Sekisui House Group has continuously spearheaded efforts that include measures necessary to limit the spread of COVID-19 as well as online customer negotiations and new product development done remotely.

The Platform House Concept takes advantage of big data from housing to provide services emphasizing health, connectedness, and learning for the purpose of evoking happiness in an era of the 100-year lifespan. As a first step, the Sekisui House Group launched the PLATFORM HOUSE touch connectivity service. This is the industry's first smart home service linking housing floor plans with household appliances for remote operation. The second stage of the Trip Base Michi-no-Eki Stations Project, a project on regional revitalization, has begun gradually opening fourteen hotels across eight prefectures to offer a total of 1,184 rooms from the spring of 2022.

Detached and rental housing businesses worldwide performed very strongly during the consolidated fiscal year under review with net sales of ¥2,589,579 million, up 5.8% year on year. Sekisui House showed operating income of ¥230,160 million, up 23.4% year on year, an ordinary income of ¥230,094 million, up 24.6% year on year, and annual profit attributable to owners of parent of ¥153,905 million, up 24.6% year on year.

Business results by segment are outlined below.

<Built-to-Order Business>

(Custom detached houses)

The Custom detached houses Business not only received favorable orders from the latter half of the previous term but also increased income thanks to stable construction progress. The business showed net sales of ¥352,732 million, up 9.1% year on year, and operating income of ¥42,475 million, up 31.8% year on year, during the consolidated fiscal year under review.

The Custom Detached Housing Business concentrated on the promotion of mid- to high-end products. This resulted in a favorable order trend driven by several factors: the Family Suite Ouchi Premium proposals for new lifestyles responding to diverse residential needs and changes in lifestyles during the COVID-19 pandemic, Green First ZERO for net zero energy housing (ZEH) that reached adoption rate of 91% in fiscal 2020, and Sekisui Housing's popular next-generation SMART-ECS indoor environment control system that exceeded 80%.

The business renovated five Sumai no Yume Kojo facilities throughout Japan into Tomorrow's Life Museums. The new venues let visitors experience everything about real life centered on a concept of empathy from lifestyle model homes to technical, structural and environmental pavilions. The renewal has upgraded each facility to a venue where people can enjoy learning, which has further enhanced customer satisfaction.

(Rental housing)

The Rental Housing Business increased income thanks to stable construction progress. The segment showed net sales of ¥384,022 million, up 7.0% year on year, and operating income of ¥56,047 million, up 19.1% year on year, during the consolidated fiscal year under review.

The business engaged in full-scale marketing in specific areas focused on urban districts while concentrating on the promotion of three- and four-story rental houses built using an original Sekisui House construction method to achieve both a resilient structure and flexible design. As a result, the percentage of three- and four-story rental houses reached 79%. In addition, our zero-energy rental housing Sha Maison ZEH has been well received as a new option for ethical housing that helps realize a decarbonized society and offers merits to owners and residents. We received orders for about 8,500 units during the year, significantly more than in the previous year. Furthermore, Sekisui House Real Estate companies succeeded in providing rental housing with hotel-like specifications, and other high-added value proposals as well as property management which achieved a high occupancy rate and rent prices. These accomplishments sustained a favorable upward trend in B-to-B rental businesses and rental housing orders. However, the Rental Housing Business struggled to expand orders for small hotels and other non-residential projects due to the challenges of the COVID-19 pandemic.

(Architectural / Civil engineering)

The Architectural / Civil Engineering showed net sales of ¥261,930 million, down 13.5% year on year, and operating income of ¥15,146 million, down 5.6% year on year, during the consolidated fiscal year under review.

Earnings from the architectural and civil engineering projects at Konoike Construction Co., Ltd. declined due to factors including a rebound from several large property sales in the previous term and impact of the COVID-19 pandemic. The COVID-19 pandemic continued to largely affect orders for hotels and other commercial facilities.

<Supplied housing Business> (Remodeling)

The Remodeling Business contributed to higher income thanks to favorable orders from latter half of the previous term. During the consolidated fiscal year under review, this business showed net sales of ¥156,167 million, up 10.7% year on year, and operating income of ¥25,546 million, up 24.7% year on year.

The Remodeling Business sustained a high-level of orders made up mostly of large-scale projects, thanks to the popularity of remodeling proposals such as Family Suite Renovation adapted to growing interest in more comfortable living spaces and lifestyle changes, Idocoro Dan-netsu (location-based insulation upgrades) that upgrades thermal insulation primarily in the living room and other living spaces, renovations for energy generation, and other such environment-based remodeling.

In December, we launched sales of SMART-ECS Renovation, which implements our Next-Generation Indoor Environment System that has been well received in new detached houses.

(Real estate management fees)

The Real Estate Management Fees Business showed net sales of ¥584,969 million, up 4.9% year on year, and operating income of ¥50,480 million, up 15.1% year on year, during the consolidated fiscal year under review.

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

We also established Sekisui House Real Estate Holdings, Ltd. as an intermediary holding company to oversee the Sekisui House Real Estate Group, and developed business with a broader view on expanding our business domains.

<Development Business> (Houses for sale)

The Houses for Sale Business not only received favorable orders from latter half of the previous term but also increased income thanks to stable construction progress. The business showed net sales of ¥191,488 million, up 37.6% year on year, and operating income of ¥14,548 million, up 91.8% year on year, during the consolidated fiscal year under review.

The Houses for Sale Business actively continued to acquire prime land and strengthened its sales system to respond to higher demand. These efforts strongly drove sales by targeting promotions to customers considering the purchase of land to develop properties.

(Condominiums)

The Condominiums Business showed net sales of ¥90,612 million, up 17.5% year on year, and operating income of ¥12,486 million, up 41.6% year on year, during the consolidated fiscal year under review.

The Condominiums Business engaged in development of the Grande Maison (GM) high-added-value condominiums via comprehensive area-specific strategies and proposals for environmental performance and lifestyle features developed for custom detached housing. The business successfully delivered GM Shin-Umeda Tower THE CLUB RESIDENCE (Kita-ku, Osaka City), GM Josui Garden City Central Forest I (Chuo-ku, Fukuoka City), and other such properties on schedule. Sales also remained strong at GM Uemachi 1-Chome Tower (Chuo-ku, Osaka City) and GM Yakuin The Tower Residence (Chuo-ku, Fukuoka City).

(Urban redevelopment)

The Urban Redevelopment Business showed net sales of ¥102,736 million, down 2.1% year on year, and operating income of ¥11,276 million, down 31.9% year on year, during the consolidated fiscal year under review.

The Urban Redevelopment Business sold some of its shares in Grand Front Osaka (Kita-ku, Osaka City) and W Osaka (Chuo-ku, Osaka City), in addition to selling Prime Maison Shimokitazawa (Setagaya-Ku, Tokyo) and other rental housing properties to Sekisui House Reit, Inc. The segment is gradually increasing the occupancy rate of Sekisui House Group properties, such as the Sekisui House office buildings and Prime Maison rental housing. However, hotel revenue has fallen with the decline in travelers and other factors resulting from the COVID-19 pandemic.

<Overseas Business>

The Overseas Business showed net sales of ¥388,936 million, up 4.9% year on year, and operating income of ¥50,147 million, up 26.3% year on year, during the consolidated fiscal year under review.

The Master-planned community business and Woodside Homes homebuilding business continued to show strength in the United States with historically low mortgage rates. The Multifamily Business increased its earnings with the delivery of Zera (Portland), Neon Local (Denver), and The Merian (San Diego). At the same time, earnings declined in Australia due to delayed recovery in the real estate market and effects of the COVID-19 pandemic. Sekisui House businesses in China moved forward with deliveries on schedule, but earnings dropped due to concentrated deliveries of condominiums in Suzhou during the previous financial term.

<Other>

Other businesses showed net sales of ¥75,984 million, up 6.4% year on year, but an operating loss of ¥1,208 million during the consolidated fiscal year under review.

The Exterior Business undertook various initiatives including the Gohon no Ki Project. This venture strengthened proposals integrating housing and exteriors while encouraging the use of native vegetation for both detached homes and rental housing.

<ESG Management>

Sekisui House aims to become a leading company in environmental, social, and governance (ESG) management. Therefore, the Group continually pioneers initiatives and contributions to the development of a better society through businesses ensuring the happiness of all Sekisui House stakeholders. The Company raises employee awareness and understanding to promote ESG management toward sustainable business growth.

Sekisui House environmental management increased its ZEH ratio in new detached houses to 91% in fiscal 2020, achieving the 90% target set by the Fifth Mid-Term Management Plan before its final year with total of more than 60,000 ZEH homes (as of March 31, 2021). In addition to furthering ZEH in detached homes and Sha Maison rental housing, Sekisui House also has set ZEH specifications for every Grande Maison condominium in fiscal 2023, which will help

decarbonization in the household sector. To promote decarbonization throughout the supply chain, Sekisui House has set Science Based Targets (SBT), which certify that plans to reduce greenhouse gases are founded in scientific knowledge. These targets raise the bar set for all primary suppliers. The Sekisui Group cooperates with its suppliers to promote initiatives to reduce CO₂ through sharing information and raise awareness about the initiatives by holding briefings that introduce initiatives undertaken by Sekisui House and leading suppliers. Together with University of the Ryukyus, we also conducted joint verification of the outcomes of the Gohon no Ki Project that we have undertaken with customers, and disclosed mechanisms for the quantitative evaluation of biodiversity as a nature-positive methodology.

Sekisui House Women's College has improved social value through strategic ongoing development of female employees in managerial positions as a training organization encouraging empowerment of women in management and achieved the target of 260 female managers set for the final year of the Fifth Mid-Term Management Plan ahead of time. We also promoted the use of childcare leave programs by male employees, held a "Men's Childcare Leave Forum," and issued "Men's Childcare Leave White Paper 2021." These and other initiatives for disclosure of gender-related information and for gender equality have been well received, and we were selected for inclusion in the Bloomberg Gender-Equality Index (GEI) for the second consecutive year. The University of Tokyo School of Engineering and Sekisui House has also teamed up to launch and start operations at the new T-BOX Sekisuihouse - Kuma Lab International Architectural Education Platform dedicated to exploring the future of housing and cultivating a new global generation of architectural talent.

Sekisui House strengthened its corporate governance at the April General Meeting of Shareholders by increasing the ratio of outside directors to 40% and the percentage of female directors to 30%. The appointment of an outside director as Chairperson of the Board has enhanced the independence and diversity and further strengthened the management supervision functions of the Board of Directors. Moreover, to gradually separate management supervision and business execution functions, Sekisui House is transferring some authority from the Board of Directors to the Management Meeting while also granting the Management Meeting new decision-making functions, and is delegating authority for business execution from the Board of Directors to executive and other corporate officers. In addition, in line our change to the Prime Market under the new market segments of the Tokyo Stock Exchange, as of December we have completed compliance with the revised Corporate Governance Code. To improve the objectivity and independence of our remuneration determination process, in January we transferred authority for determining amounts of individual remuneration paid to directors and delegated executive officers from the Board of Directors to the Personnel Affairs and Remuneration Committee.

(Future Outlook)

Looking at the global economy, trend of resuming socio-economic activities while undertaking COVID-19 countermeasures is accelerating. However, even as the world continues its recovery from stagnation under the COVID-19 pandemic, it still faces prolonged supply constraints, raw materials and energy price issues, increased cost of living and interest rates, and geopolitical risks that bear close watch. Under these circumstances, In Japan, continues its trend of recovering demand due to the improving employment rate and income and a growing appetite for housing acquisition associated with economic recovery and lifestyle changes. Against the backdrop of government energy policy and revisions to labeling standards for housing performance, the need for high-quality housing, such as housing with high thermal insulation performance, can be expected to grow. Looking at the US housing market, the favorable market environment is expected to continue against a backdrop of robust housing demand and supply shortages, despite rising interest rates.

Amid this operating environment, we will accelerate initiatives to become a global company that offers integrated proposals of technologies, lifestyle design and services, based on the residential domain based on our Sekisui House Global Vision of making home the happiest place in the world as well as the basic policy of further strengthening core businesses and embarking on new businesses laid out in our Fifth Mid-Term Management Plan (fiscal 2020 to 2022). Within this, we are promoting relationship building with customers that leveraging the web and IT technology as a measure to prevent spread of infection as well as strengthening our ability to develop and propose products matched to new lifestyles.

In the Built-to-Order Business, we will work to increase profits by pursuing high-value-added housing and residential environments. In detached houses, we will broaden our product price range, strengthening and advancing product development to suit. We will also work to further popularize our Family Suite that enable enhancement of time spent at home as well as our SMART-ECS that ventilates and cleans air while controlling temperature fluctuations, the PLATFORM HOUSE touch connectivity service the smart home service linking housing floor plans. In the areas of rental housing and non-residential (business) buildings, we intend to expand sales of our Sha Maison ZEH zero-energy rental

houses to reinforce area marketing specialized in S and A areas that we have designated as key strategic locations in cities, and to expand our flagship Sha Maison Premier model that serves as a symbol for neighborhoods. To strengthen our proposals for the effective use of real estate in the fields of corporate real estate (CRE) and public real estate (PRE), we will carry out multi-application development leveraging the strengths of our original heavy steel frame-based construction method, strengthen proposals for our ZEB offices that balance consideration for the environment with economy and indoor comfort, and enhance synergies with our subsidiary Konoike Construction Co., Ltd.

In the Supplied Housing Business, we will actively roll out proposal-based and environment-based remodeling that meets the need for more comfortable living as time spent at home increases. We will also improve services for rental housing owners and residents and strengthen our brokerage business, centered on the new intermediary holding company Sekisui House Real Estate Holdings, Ltd.

In the Development Business, we intend to secure stable profits by improving our asset turnover rate and acquiring prime property in accordance with area marketing. In the Condominiums Business, we will strengthen differentiated development that includes condominiums meeting ZEH and ZEH-M standards. In the Urban Redevelopment Businesses, we will focus our efforts on the development of rental condominiums, centered on the Tokyo metropolitan area and emphasizing turnover rate. We will also draw on our architectural technologies to advance the Trip Base Michi-no-Eki Stations Project that will contribute to regional revitalization.

In our Overseas Business, we will focus on stable growth of development projects and reinforcement of detached house supply as stages for transplanting Sekisui House technologies to other countries, to create a structure aimed at sustainable growth. In the United States, where housing sales are robust, we will provide high added value through housing technologies and lifestyle proposals developed in Japan, as we aim to expand our areas of business through means including acquisition of the Holt Homes Group. We will also move forward with a pilot project using our Sherwood wooden house technology to enhance our brand power.

Looking at our consolidated financial results forecast for the fiscal year ending in January 2023, we expect net sales of ¥2,787,000 million yen (up 7.6% year on year), operating income of ¥236,000 million yen (up 2.5% year on year), ordinary income of ¥234,000 million yen (up 1.7% year on year), and profit attributable to owners of parent of ¥158,000 million yen (up 2.7% year on year).

(2) Analysis on Financial Position

Total assets increased ¥175,327 million, to ¥2,801,189 million, at the end of the consolidated fiscal year ended January 31, 2021. This was primarily attributable to decrease in real estate for sale. Liabilities increased ¥23,254 million to ¥1,280,229 million, despite decreases in the redemption of bonds, mainly due to the increase in borrowings and Income taxes payable. Net assets increased ¥152,072 million, to ¥1,520,959 million, reflecting the posting of profit attributable to owners of parent.

Cash flows from operating activities increased by ¥118,034 million (a year-on-year decrease of ¥73,937 million in net cash provided), primarily due to posting of profit before income taxes.

Cash flows used in investing activities decreased by ¥113,706 million (a year-on-year decrease of ¥18,202 million in net cash provided), mainly reflecting the purchase of property.

Cash flows used in financing activities decreased by ¥111,701 million (a year-on-year decrease of ¥34,086 million in net cash provided), due to payment of dividends and redemption of bonds.

As a result the balance of cash and cash equivalents for the current fiscal year decreased ¥85,059 million from the end of the previous fiscal year to ¥515,174 million.

(3) Basic Policy on Profit Distribution, Dividend for the Current and Next Fiscal Years

The Company regards the maximization of shareholder value as one of its most important management issues. Accordingly, the Company will strive to increase earnings per share and will also seek to make investment in growth and enhance shareholder returns, taking into comprehensive account the status of profits and cash flows in each fiscal year and future business development, among other factors. The Company has set itself a medium-term target payout ratio of at least 40% and will also flexibly repurchase Company stock in an effort to improve shareholder value.

For the year ended January 31, 2022, we paid an interim dividend of ¥43 and plan to pay out a year-end dividend of ¥47.

For the next fiscal year ending January 31, 2023, we plan to pay out an interim dividend of ¥47, a year-end dividend of ¥47, totaling ¥94 for the full year.

2. Management Policy

(1) Basic Management Policy

Since the establishment of Sekisui House, we have aimed to create homes and environments with individuality and warmth, as a leading producer of housing in Japan. Providing first class product quality and technical skills is essential, and we aim every day to reflect our philosophy of love of humanity by creating houses that bring satisfaction to our customers. In the future, through rigorous quality control we aim to continue to raise customer satisfaction and to provide full after service to our customers. Housing is characterized by a very long product life and we believe that steadily pursuing these values in our business activities creates a powerful framework of trust that is the key to long-term growth and an essential element of our business. Further our basic stance is that true management of a company is borne out of three concepts: customer satisfaction, shareholder satisfaction and employee satisfaction and we must also fulfill our obligations as a corporate citizen while considering the stability and investment required to ensure continued long term growth while making determined efforts to expand our business.

(2) Targeted Performance Indicators

In order to promote business efficiency, we aim to take opportunities to strengthen our balance sheet and raise asset efficiency in each of our businesses. As a result of these initiatives, it aims to improve the rates of return on total assets and net assets, while achieving ROA of 10% and keeping ROE above 10%.

(3) Medium and Long-term Business Strategy

Under the fourth mid-term management plan (FY2017-FY2019) with Deployment of growth strategies focused on the residential business domain as the management direction, the Company focused on bolstering its residence and residential-related businesses and expanding new business domains, while pursuing the value that residences can provide to society across the Sekisui House Group as a whole. With the business environment set to change dramatically in the future, in order to achieve sustainable growth, the Company has adopted Make home the happiest place in the world as its global vision and has also formulated its fifth mid-term management plan (FY2020-FY2022) for the period up until the fiscal year ending January 31, 2023.

Sekisui House has set Further strengthening core businesses and embarking on new businesses as the basic direction of its fifth mid-term management plan, based on its global vision of Make home the happiest place in the world. Under the Plan, the Group will not only promote the spread of high added value housing and living environments such as net zero energy housing (ZEH) but will also implement the Platform House Concept, which involves installing services focused on health, connectedness and learning in homes, to realize its global vision. At the same time, Sekisui House aims to actively branch out into the non-residential sector, including hotels and childcare centers designed and built using its original β system construction method which is originally used for mid-rise buildings. Meanwhile, the Overseas Business will also enter the next stage and make further headway towards sustainable growth.

The business strategies of each business are as follows.

Built-to-Order Business (Custom detached housing / Rental housing/ Architectural and Civil engineering)

In the Custom Detached Housing business, the Group will propose new added value such the “Platform House Concept.” It will also continue implementing a high-quality and high-performance product strategy through initiatives such as the spread of Green First Zero net-zero-energy housing and the proposal of mid-class and high-end products with the Company’s original exterior walls. In addition, Sekisui House will propose new added value through the fusion of advanced technologies (technologies) with the research results (lifestyle design) of its Comprehensive Housing R&D Institute, which researches “happiness,” including the Family Suite model, which proposes the concept of a new kind of living room. The Group will also expand its product pricing brackets through the sale of a second brand by Sekisui House noie Limited.

In the Rental housing business and Architectural / Civil Engineering business, Sekisui House will further increase

proposals of high-quality, hotel-like three or four-stories rental housing through area marketing focused on prime city center locations. The Group will also seek to expand its business domains by actively making proposals for effective utilization of corporate real estate and public real estate in addition to utilizing its original β system construction method (three or four-stories houses) in a wide range of applications, including hotels, medical care facilities and childcare centers. Furthermore, the Group will contribute to regional revitalization through the active rollout of Trip Base *Michi-no-Eki* Stations Project.

Supplied Housing Business (Remodeling / Real Estate Management Fees)

In the Remodeling business, the Group will seek to actively expand eco-friendly proposal-based remodeling. In the remodeling of Sekisui House detached houses, the Sekisui House Remodeling, Ltd. will carry out energy-saving renovations to keep pace with advances in insulation performance and the flexible remodeling of living space to meet the needs of family life. Meanwhile, in the remodeling of rental housing, the six Sekisui House Real Estate companies will provide consulting services for the stable management of rental housing through improvement of asset value and improvement of tenant satisfaction.

In the Real Estate Management Fees business, the Group will change the name of Sekiwa Real Estate companies to Sekisui House Real Estate companies to unify the Sekisui House brand and further strengthen the sublease and brokerage business. The Group will also aim to improve the asset value of properties by maintaining high occupancy rates and improving the quality of management operations. At the same time, it will seek to strengthen the SumStock business and real estate brokerage business to meet the needs of the distribution market for existing housing, which is expected to expand further in the future.

Development Business (Houses for Sale / Condominiums / Urban Redevelopment)

Sekisui House will seek stable management through improvement of asset turnover and the acquisition of prime land. It will strengthen strategic land purchases while aiming to make well-balanced investments and developing properties based on awareness of ROA. In the Houses for Sale business, the Group will select target areas and promote group-wide purchases to strengthen the sales of Sekisui House noie Limited. In the Condominiums business, Sekisui House will conduct development centered on Tokyo, Nagoya, Osaka and Fukuoka and will also apply the environmental strategies developed in its housing business to the Condominiums business and promote the expansion of ZEH condominiums. In the Urban Redevelopment business, the Group will increase asset turnover in a bid to generate profit and will also strive to establish a pipeline through the development of luxury hotels, offices and rental condominiums in urban areas to maintain a stable supply of properties to Sekisui House REIT, Inc.

Overseas Business

In the Overseas Business, Sekisui House will continue to expand the multifamily business, developing high quality rental housing mainly on the U.S. West Coast, where the IT industry is concentrated, and implementing exit strategies, and it will conduct development in carefully selected areas where the rents will rise each year. Meanwhile, the Group will expand the construction of houses incorporating Sekisui House technologies in the U.S., Australia and also the U.K., where it began operating 2019. By fusing the architectural styles of each country with Sekisui House technologies, the Group will homes that is high quality in every respect in regions with a growing population and a shortage of housing and it will promote business with an eye on the future.

3. Basic Approach to the Selection of Accounting Standards

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

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(¥ millions)

	As of January 31, 2021	As of January 31, 2022
Assets		
Current assets		
Cash and deposits	600,284	515,283
Notes receivable, accounts receivable from completed construction contracts	144,253	132,471
Costs on uncompleted construction contracts	16,451	18,299
Buildings for sale	341,721	436,973
Land for sale in lots	495,950	589,879
Undeveloped land for sale	86,290	149,828
Other inventories	7,333	9,501
Other	89,500	101,672
Less allowance for doubtful accounts	(1,073)	(1,179)
Total current assets	1,780,711	1,952,729
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	363,229	365,224
Machinery, equipment and vehicles	70,786	71,333
Tools, furniture and fixtures	37,036	37,007
Land	287,307	284,788
Lease assets	4,257	5,157
Construction in progress	42,516	49,597
Less accumulated depreciation	(269,740)	(272,397)
Total property, plant and equipment	535,393	540,711
Intangible assets		
Goodwill	1,575	250
Industrial property	105	31
Leasehold right	4,172	2,575
Software	13,327	14,586
Right of using facilities	168	201
Telephone subscription right	320	308
Other	57	34
Total intangible assets	19,727	17,988
Investments and other assets		
Investments in securities	180,570	190,334
Long-term loans receivable	18,952	5,793
Asset for retirement benefits	1,381	7,206
Deferred income taxes	24,597	24,091
Other	65,026	62,626
Less allowance for doubtful accounts	(498)	(294)
Total investments and other assets	290,029	289,759
Total noncurrent assets	845,150	848,459
Total assets	2,625,861	2,801,189

(¥ millions)

	As of January 31, 2021	As of January 31, 2022
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts	104,972	111,022
Electronically recorded obligations-operating	97,780	96,635
Short-term loans	166,019	219,218
Short-term bonds	30,000	-
Current portion of long-term loans payable	56,520	16,235
Accrued income taxes	29,704	43,021
Advances received on construction projects in progress	208,750	207,798
Accrued employees' bonuses	26,105	31,270
Accrued directors' and corporate auditors' bonuses	1,258	1,385
Provision for warranties for completed construction	3,164	3,897
Other	111,485	137,416
Total current liabilities	835,763	867,903
Long-term liabilities		
Bonds payable	170,000	170,000
Long-term loans payable	132,665	136,556
Guarantee deposits received	59,169	59,079
Deferred income taxes	364	464
Accrued retirement benefits for directors and corporate auditors	857	864
Liabilities for retirement benefits	43,011	30,733
Other	15,142	14,626
Total long-term liabilities	421,211	412,325
Total liabilities	1,256,974	1,280,229
Net assets		
Shareholders' equity		
Common stock	202,591	202,591
Capital surplus	258,989	258,989
Retained earnings	839,985	940,135
Less treasury stock, at cost	(6,883)	(20,975)
Total shareholders' equity	1,294,682	1,380,740
Accumulated other comprehensive income		
Net unrealized holding gain on securities	40,174	41,488
Deferred (loss) gain on hedges	(45)	141
Translation adjustments	2,355	47,245
Retirement benefits liability adjustments	(10,631)	4,323
Total accumulated other comprehensive income	31,852	93,199
Stock subscription rights	508	186
Non-controlling interests	41,842	46,832
Total net assets	1,368,887	1,520,959
Total liabilities and net assets	2,625,861	2,801,189

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

(¥ millions)

	Feb. 1, 2020 – Jan. 31, 2021	Feb. 1, 2021 – Jan. 31, 2022
Net sales	2,446,904	2,589,579
Cost of sales	1,973,393	2,060,702
Gross profit	473,511	528,877
Selling, general and administrative expenses		
Selling expenses	54,576	56,031
General and administrative expenses	232,416	242,684
Total selling, general and administrative expenses	286,992	298,716
Operating income	186,519	230,160
Non-operating income		
Interest income	2,970	2,604
Dividends income	1,969	1,904
Foreign exchange gain	-	1,134
Equity in earnings of affiliates	619	-
Other	3,308	3,446
Total non-operating income	8,867	9,088
Non-operating expenses		
Interest expenses	2,769	3,836
Share of loss of entities accounted for using equity method	-	1,238
Foreign exchange loss	3,575	-
Other	4,343	4,080
Total non-operating expenses	10,688	9,155
Ordinary income	184,697	230,094
Extraordinary income		
Gain on liquidation of subsidiaries and associates	-	3,088
Gain on sale of shares of subsidiaries and associates	-	2,246
Gain on step acquisitions	3,594	1,166
Total extraordinary income	3,594	6,501
Extraordinary loss		
Loss on sales or disposal of fixed assets	1,319	1,629
Loss on impairment of fixed assets	356	539
Loss on sales of investment securities	16	51
Loss on revaluation of investments in securities	490	21
Loss related to COVID-19	615	19
Total extraordinary losses	2,798	2,261
Profit before income taxes	185,494	234,334
Income taxes-current	57,091	75,789
Income taxes-deferred	(1,021)	(5,470)
Total income taxes	56,070	70,319
Profit	129,423	164,015
Profit attributable to non-controlling interests	5,881	10,109
Profit attributable to owners of parent	123,542	153,905

(Consolidated Statements of Comprehensive Income)

(¥ millions)

	Feb. 1, 2020 – Jan. 31, 2021	Feb. 1, 2021 – Jan. 31, 2022
Profit attributable to owners of parent	129,423	164,015
Other comprehensive income (loss)		
Net unrealized holding gain on securities	(196)	862
Translation adjustments	(8,219)	40,766
Retirement benefits liability adjustments	8,724	15,103
Share of other comprehensive gain (loss) of affiliates accounted for by the equity method	(602)	4,315
Total other comprehensive income	(294)	61,048
Comprehensive income	129,129	225,063
Comprehensive income attributable to		
Owners of the parent	123,707	215,253
Non-controlling interests	5,421	9,810

(3) Consolidated Statements of Changes in Net Assets

Previous consolidated fiscal year (February 1, 2020 to January 31, 2021)

(¥ millions)

	Equity capital				
	Common stock	Capital surplus	Retained earnings	Treasury stock, at cost	Shareholders' equity
Balance at the end of previous period	202,591	258,994	786,591	(13,668)	1,234,509
Changes of items during the period					
Cash dividends	-	-	(58,726)	-	(58,726)
Profit attributable to owners of parent	-	-	123,542	-	123,542
Repurchases of company stock	-	-	-	(5,010)	(5,010)
Sales of treasury stock	-	-	(99)	472	373
Cancellation of Treasury Stock	-	-	(11,323)	11,323	-
Change in scope of consolidation	-	-	-	-	-
Purchase of shares of consolidated subsidiaries	-	(3)	-	-	(3)
Change in ownership interest of parent due to transactions with non-controlling interests	-	(1)	-	-	(1)
Net changes of items other than shareholders' equity	-	-	-	-	-
Total changes of items during the period	-	(4)	53,393	6,784	60,173
Balance at the end of current period	202,591	258,989	839,985	(6,883)	1,294,682

	Accumulated other comprehensive income					Stock subscription rights	Non-controlling interests	Total net assets
	Net unrealized holding gain on securities	Deferred gain (loss) on hedges	Translation adjustment	Retirement benefits liability adjustments	Total accumulated other comprehensive income			
Balance at the end of previous period	39,894	(60)	11,174	(19,322)	31,686	609	40,044	1,306,850
Changes of items during the period								
Cash dividends	-	-	-	-	-	-	-	(58,726)
Profit attributable to owners of parent	-	-	-	-	-	-	-	123,542
Repurchases of company stock	-	-	-	-	-	-	-	(5,010)
Sales of treasury stock	-	-	-	-	-	-	-	373
Cancellation of Treasury Stock	-	-	-	-	-	-	-	-
Change in scope of consolidation	-	-	-	-	-	-	-	-
Purchase of shares of consolidated subsidiaries	-	-	-	-	-	-	-	(3)
Change in ownership interest of parent due to transactions with non-controlling interests	-	-	-	-	-	-	-	(1)
Net changes of items other than shareholders' equity	279	14	(8,819)	8,691	165	(100)	1,797	1,863
Total changes of items during the period	279	14	(8,819)	8,691	165	(100)	1,797	62,036
Balance at the end of current period	40,174	(45)	2,355	(10,631)	31,852	508	41,842	1,368,887

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

(¥ millions)

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

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

(4) Consolidated Statements of Cash Flows

(¥ millions)

	Feb. 1, 2020 – Jan. 31, 2021	Feb. 1, 2021 – Jan. 31, 2022
Cash flows from operating activities		
Profit before income taxes	185,494	234,334
Depreciation and amortization	21,726	24,069
Loss on impairment of fixed assets	356	539
Increase (decrease) in liability for retirement benefits	1,355	3,382
Increase in asset for retirement benefits	4,919	158
Interest and dividend income	(4,939)	(4,508)
Interest expense	2,769	3,836
Equity in earnings of affiliates	(619)	1,238
Loss (gain) on sales of investment securities	(3,578)	(1,114)
Loss (gain) on valuation of investments in securities	490	21
Gain on sales of shares of subsidiaries and affiliates	-	(2,246)
Decrease (increase) in notes and accounts receivable-trade	(10,246)	13,462
Decrease (increase) in inventories	71,847	(85,515)
)Increase (decrease) in notes and accounts payable-trade	(14,672)	17,640
Increase (decrease) in advances received on construction projects in progress	(32,906)	(7,059)
Other, net	26,857	(19,089)
Subtotal	248,853	179,149
Interest and dividends income received	5,192	8,151
Interest expenses paid	(3,574)	(4,530)
Income taxes paid	(58,499)	(64,735)
Net cash provided by (used in) operating activities	191,972	118,034
Cash flows from investing activities		
Purchase of property, plant and equipment	(87,490)	(82,951)
Proceeds from sales of property, plant and equipment	1,183	727
Purchases of investments in securities	(12,427)	(11,487)
Proceeds from sales and redemption of investments in securities	6,927	3,670
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(35,701)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	-	87
Increase in loans receivable	(1,902)	(2,187)
Collection of loans receivable	2,776	11,669
Other, net	(4,571)	2,467
Net cash provided by (used in) investing activities	(95,504)	(113,706)
Cash flows from financing activities		
Increase (decrease) in short-term loans, net	8,968	33,219
Proceeds from long-term debt	28,666	26,748
Repayment of long-term debt	(32,351)	(64,168)
Redemption of bonds	(15,000)	(30,000)
Cash dividends paid	(58,726)	(55,608)
Purchases of treasury stock	(5,010)	(15,015)
Purchase of treasury shares of subsidiaries	(2)	-
Purchase of shares of subsidiary that do not result in change in scope of consolidation	(773)	(0)
Other, net	(3,386)	(6,876)

(¥ millions)

	Feb. 1, 2020 – Jan. 31, 2021	Feb. 1, 2021 – Jan. 31, 2022
Net cash provided by (used in) financing activities	(77,614)	(111,701)
Effect of exchange rate changes on cash and cash equivalents	(1,917)	20,124
Net increase (decrease) in cash and cash equivalents	16,936	(87,248)
Cash and cash equivalents at beginning of period	583,297	600,234
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	-	2,188
Cash and cash equivalents at end of period	600,234	515,174

(5) Notes to Consolidated Financial Statements (Notes Regarding Assumption of Going Concerns)

Not applicable

(Additional Information)

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

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

(Notes to Consolidated Statements of Income)

Loss on impairment of fixed assets

Impairment loss of the following group of assets was recorded.

Previous consolidated fiscal year (February 1, 2020 – January 31, 2021)

Location	Usage	Type
Kanagawa-ku, Yokohama City, etc.	Real estate for leasing, etc.	Buildings and land, etc.

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

(Breakdown of impairment loss)

Type	Amount (¥ millions)
Buildings and structures	163
Machinery and equipment	20
Land	172
Total	356

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

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

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

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

Extraordinary loss.

(Breakdown of impairment loss)

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

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

(Segment Information)

Segment Information

1. Summary of reportable segments

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

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

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

Details of the reportable segments are as follows:

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

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

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

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

Previous consolidated fiscal year (February 1, 2020 to January 31, 2021)

(¥ millions)

	Reportable Business Segments						
	Custom Detached Houses	Rental Housing	Architectural / Civil Engineering	Remodeling	Real Estate Management Fees	Houses for Sale	Condominiums
Sales							
(1) Sales to third parties	323,332	358,745	302,837	141,090	557,632	139,151	77,091
(2) Inter-group sales and transfers	-	3,098	6,580	477	3,209	-	-
Net sales	323,332	361,844	309,417	141,567	560,841	139,151	77,091
Operating income (loss)	32,231	47,052	16,051	20,479	43,869	7,586	8,817
Assets	53,521	42,719	226,536	16,992	129,178	140,667	153,256
Other items							
Depreciations	3,506	1,782	1,276	108	789	1,113	13
Net increase in property, plant and equipment, and intangible assets	3,701	1,525	1,904	78	769	994	374

	Reportable Business Segments			Other Businesses (Note: 1)	Total	Adjustments (Note:2)	Amounts on the consolidated financial statements (Note: 3)
	Urban Redevelopment	Overseas Business	Total				
Sales							
(1) Sales to third parties	104,953	370,686	2,375,520	71,384	2,446,904	-	2,446,904
(2) Inter-group sales and transfers	140	-	13,506	5,869	19,375	(19,375)	-
Net sales	105,093	370,686	2,389,026	77,254	2,466,280	(19,375)	2,446,904
Operating income (loss)	16,565	39,708	232,362	(2,480)	229,882	(43,363)	186,519
Assets	542,621	923,676	2,229,171	13,121	2,242,292	383,568	2,625,861
Other items							
Depreciations	7,759	1,474	17,823	683	18,506	3,219	21,726
Net increase in property, plant and equipment, and intangible assets	79,314	1,124	89,787	25	89,813	6,796	96,609

Notes

1. Other Businesses principally include the exterior business.

2. Adjustments are as follows:

(1) An adjustment of ¥43,363 million for segment income (loss) includes an elimination of inter-segment transactions of ¥3,145 million and corporate expenses of ¥40,217 million that have not been allocated to each segment. Corporate expenses mainly include selling, general and administration expenses and experiment and research expenses that do not belong to any reportable segments.

(2) An adjustment of ¥383,568 million for assets is corporate assets. Corporate assets are mainly parent company surplus operating funds (cash and short-term investment securities), long-term investment funds (investment securities) and assets of the administration division.

(3) An adjustment of ¥3,219 million for depreciation and amortization is depreciation related to corporate assets.

(4) An adjustment of ¥6,796 million for increases in property, plant, and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.

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

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

(¥ millions)

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

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

Notes

1. Other Businesses principally include the exterior business.
2. Adjustments are as follows:
 - (1) An adjustment of ¥46,786 million for segment income (loss) includes an elimination of inter-segment transactions of ¥3,484 million and corporate expenses of ¥43,301 million that have not been allocated to each segment. Corporate expenses mainly include selling, general and administration expenses and experiment and research expenses that do not belong to any reportable segments.
 - (2) An adjustment of ¥319,852 million for assets is corporate assets. Corporate assets are mainly parent company surplus operating funds (cash and short-term investment securities), long-term investment funds (investment securities) and assets of the administration division.
 - (3) An adjustment of ¥3,891 million for depreciation and amortization is depreciation related to corporate assets.
 - (4) An adjustment of ¥5,618 million for increases in property, plant, and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.
3. Operating income (loss) by business segment is adjusted to correspond to operating income in the consolidated statements of income.

(Per Share Information)

	Feb. 1, 2020 – Jan. 31, 2021	Feb. 1, 2021 – Jan. 31, 2022
Net assets per share	¥1,948.12	¥2,184.36
Profit per share	¥181.18	¥227.37
Fully diluted Profit per share	¥181.02	¥227.25

(Note) Basis for Calculation

1. Net assets per share

¥ millions, except where noted	As of January 31, 2021	As of January 31, 2022
Net assets recorded on balance sheet	1,368,887	1,520,959
Difference between net assets in consolidated balance sheet and net assets attributable to ordinary shares	42,351	47,018
Subscription rights to shares	508	186
Minority interests	41,842	46,832
Net assets attributable to ordinary shares	1,326,535	1,473,940
Number of ordinary shares outstanding (1,000 shares)	684,683	684,683
Number of ordinary shares held in treasury (1,000 shares)	3,753	9,913
Number of ordinary shares used to calculate shareholders' equity per share (1,000 shares)	680,929	674,769

2. Profit per share and fully diluted income per share

¥ millions, except where noted	Previous fiscal year (Feb. 1, 2020 - Jan. 31, 2021)	Current fiscal year (Feb. 1, 2021 - Jan. 31, 2022)
Profit per share		
Profit attributable to owners of parent	123,542	153,905
Amount not attributable to ordinary shares	-	-
Profit attributable to ordinary shares	123,542	153,905
Average number of ordinary shares outstanding during period (1,000 shares)	681,885	676,884
Fully diluted profit per share		
Adjustment to profit attributable to owners of parent	-	-
Number of ordinary shares increased (shares)		
Subscription rights to shares	558	264
Performance linked stock remuneration	42	103
Overview of residual securities not included in the calculation of fully diluted profit per share as they have no dilutive effect	-	-

(Significant Subsequent Event)

(Share Repurchase)

At the Board of Directors meeting held on March 10, 2022, the Company resolved to acquire its own shares under the provisions of Article 156 of the Companies Act, as applied pursuant to Article 165 (3) of the Companies Act.

(1) Reason for share repurchase

To implement flexible capital policies in accordance with the business environment and to improve capital efficiency to increase shareholder value

(2) Type of shares

Common stock of Sekisui House, Ltd.

(3) Aggregate number of shares to be repurchased

Up to 15,000,000 shares

(4) Aggregate price of shares to be repurchased

Up to 30,000 million yen

(5) Period for share repurchase

From March 11, 2022 to January 31, 2023

(6) Method of share repurchase

Market purchases (including Off-Auction Own Share Repurchase Trading (N-NET3) of the Nagoya Stock Exchange)