

**Consolidated Financial Statements**

**SEKISUI HOUSE, LTD.**

*Year ended January 31, 2023  
with Independent Auditor's Report*

## Consolidated Financial Statements

*Year ended January 31, 2023*

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## Consolidated balance sheet

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2022	As of January 31, 2023	As of January 31, 2023
Assets			
Current assets			
Cash and deposits	¥ 515,283	¥ 332,903	\$ 2,551,567
Notes receivable and accounts receivable from completed construction contracts	132,471	—	—
Notes receivable, accounts receivable from completed construction contracts and others	—	*1 157,123	*1 1,204,285
Costs on construction contracts in progress	18,299	17,202	131,846
Buildings for sale	*4,*6,*8 436,973	*4,*6,*8 534,391	*4,*6,*8 4,095,892
Land for sale in lots	*4,*6,*8 589,879	*4,*6,*8 723,941	*4,*6,*8 5,548,716
Undeveloped land for sale	149,828	*4 177,095	*4 1,357,362
Other inventories	*2 9,501	*2 12,160	*2 93,202
Other	*5,*6 101,672	*5,*6 140,200	*5,*6 1,074,577
Allowance for doubtful accounts	(1,179)	(1,136)	(8,707)
Total current assets	1,952,729	2,093,883	16,048,770
Non-current assets			
Property, plant and equipment			
Buildings and structures	*4,*6 365,224	*4,*6 388,523	*4,*6 2,977,872
Machinery, equipment and vehicles	*4 71,333	*4 75,108	*4 575,673
Tools, furniture and fixtures	*4 37,007	*4 39,657	*4 303,955
Land	*4,*6 284,788	*4,*6 277,568	*4,*6 2,127,447
Leased assets	5,157	19,746	151,345
Construction in progress	*4 49,597	*4 32,080	*4 245,880
Accumulated depreciation	(272,397)	(278,123)	(2,131,701)
Total property, plant and equipment	540,711	554,562	4,250,494
Intangible assets			
Goodwill	250	31,406	240,714
Industrial property	31	716	5,488
Leasehold interests in land	2,575	2,292	17,567
Software	*4 14,586	14,807	113,490
Right to use facilities	*4 201	*4 172	*4 1,318
Telephone subscription right	308	258	1,977
Other	34	1,462	11,206
Total intangible assets	17,988	51,117	391,791
Investments and other assets			
Investment securities	*3,*6 190,334	*3,*6 191,500	*3,*6 1,467,770
Long-term loans receivable	*6 5,793	*6 5,636	*6 43,198
Retirement benefit asset	7,206	32,501	249,107
Deferred tax assets	24,091	18,219	139,641
Other	*5 62,626	*5 62,321	*5 477,665
Allowance for doubtful accounts	(294)	(2,206)	(16,908)
Total investments and other assets	289,759	307,973	2,360,489
Total non-current assets	848,459	913,653	7,002,782
Total assets	¥ 2,801,189	¥ 3,007,537	\$ 23,051,560

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2022	As of January 31, 2023	As of January 31, 2023
Liabilities			
Current liabilities			
Notes payable and accounts payable for construction contracts	¥ 111,022	¥ 124,420	\$ 953,629
Electronically recorded obligations – operating	96,635	102,416	784,977
Short-term borrowings	219,218	305,503	2,341,557
Current portion of bonds payable	–	30,000	229,938
Current portion of long-term borrowings	*6,*8 16,235	*6,*8 71,664	*6,*8 549,276
Income taxes payable	43,021	34,641	265,509
Advances received on construction contracts in progress	207,798	*9 192,236	*9 1,473,412
Provision for bonuses	31,270	36,497	279,735
Provision for bonuses for directors (and other officers)	1,385	1,019	7,810
Provision for warranties for completed construction	3,897	4,906	37,603
Other	137,416	141,337	1,083,291
Total current liabilities	867,903	1,044,643	8,006,768
Non-current liabilities			
Bonds payable	170,000	20,000	153,292
Long-term borrowings	*6,*8 136,556	*6,*8 157,372	*6,*8 1,206,193
Long-term leasehold and guarantee deposits received	*6 59,079	*6 59,535	*6 456,312
Deferred tax liabilities	464	933	7,151
Provision for retirement benefits for directors (and other officers)	864	692	5,304
Retirement benefit liability	30,733	29,286	224,465
Other	14,626	27,525	210,968
Total non-current liabilities	412,325	295,347	2,263,716
Total liabilities	1,280,229	1,339,990	10,270,484
Net assets			
Shareholders' equity			
Share capital	202,591	202,591	1,552,778
Capital surplus	258,989	259,864	1,991,753
Retained earnings	940,135	1,056,475	8,097,455
Treasury shares	(20,975)	(50,656)	(388,258)
Total shareholders' equity	1,380,740	1,468,274	11,253,729
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	41,488	40,449	310,025
Deferred gains or losses on hedges	141	623	4,775
Foreign currency translation adjustment	47,245	99,689	764,076
Remeasurements of defined benefit plans	4,323	23,793	182,364
Total accumulated other comprehensive income	93,199	164,556	1,261,255
Share acquisition rights	186	134	1,027
Non-controlling interests	46,832	34,581	265,049
Total net assets	1,520,959	1,667,546	12,781,068
Total liabilities and net assets	¥ 2,801,189	¥ 3,007,537	\$ 23,051,560

Each reference is that in Note 8 “Notes related to consolidated balance sheet.”

## Consolidated statement of income

	(Millions of yen)		(Thousands of U.S. dollars)	
	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2023	
Net sales	¥ 2,589,579	*1 ¥ 2,928,835	*1 \$ 22,448,341	
Cost of sales	*2,*6 2,060,702	*2,*6 2,344,537	*2,*6 17,969,932	
Gross profit	528,877	584,297	4,478,401	
Selling, general and administrative expenses				
Selling expenses	*3 56,031	*3 54,787	*3 419,920	
General and administrative expenses	*3,*6 242,684	*3,*6 268,020	*3,*6 2,054,265	
Total selling, general and administrative expenses	298,716	322,808	2,474,193	
Operating profit	230,160	261,489	2,004,208	
Non-operating income				
Interest income	2,604	2,284	17,506	
Dividend income	1,904	2,096	16,065	
Foreign exchange gains	1,134	—	—	
Other	3,446	4,526	34,690	
Total non-operating income	9,088	8,907	68,269	
Non-operating expenses				
Interest expenses	3,836	5,317	40,753	
Share of loss of entities accounted for using equity method	1,238	2,087	15,996	
Foreign exchange losses	—	723	5,542	
Other	4,080	4,995	38,285	
Total non-operating expenses	9,155	13,124	100,590	
Ordinary profit	230,094	257,272	1,971,886	
Extraordinary income				
Gain on liquidation of subsidiaries and affiliates	3,088	16,813	128,865	
Gain on sale of investment securities	1,166	397	3,043	
Gain on sale of shares of subsidiaries and affiliates	2,246	5	38	
Total extraordinary income	6,501	17,216	131,954	
Extraordinary losses				
Impairment losses	*4 539	*4 2,898	*4 22,212	
Provision of allowance for doubtful accounts	—	1,991	15,260	
Loss on sale and retirement of non-current assets	*5 1,629	*5 1,759	*5 13,482	
Loss on sale of investment securities	51	128	981	
Loss on valuation of investment securities	21	—	—	
Loss related to COVID-19	*7 19	—	—	
Total extraordinary losses	2,261	6,778	51,951	
Profit before income taxes	234,334	267,710	2,051,889	
Income taxes – current	75,789	77,214	591,814	
Income taxes – deferred	(5,470)	(831)	(6,369)	
Total income taxes	70,319	76,383	585,445	
Profit	164,015	191,327	1,466,444	
Profit attributable to non-controlling interests	10,109	6,806	52,165	
Profit attributable to owners of parent	¥ 153,905	¥ 184,520	\$ 1,414,271	

Each reference is that in Note 9 “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, 2022	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2023
Profit	¥ 164,015	¥ 191,327	\$ 1,466,444
Other comprehensive income			
Valuation difference on available-for-sale securities	862	(703)	(5,388)
Foreign currency translation adjustment	40,766	44,957	344,577
Remeasurements of defined benefit plans, net of tax	15,103	19,373	148,486
Share of other comprehensive income of entity accounted for using equity method	4,315	7,976	61,133
Total other comprehensive income	*1 61,048	*1 71,604	*1 548,816
Comprehensive income	¥ 225,063	¥ 262,931	\$ 2,015,260
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	¥ 215,253	¥ 255,876	\$ 1,961,186
Comprehensive income attributable to non-controlling interests	9,810	7,054	54,066

Each reference is that in Note 10 “Notes related to consolidated statement of comprehensive income.”

## Consolidated statement of changes in equity

Fiscal year ended January 31, 2022

(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	¥ 839,985	¥ (6,883)	¥ 1,294,682
Cumulative effects of changes in accounting policies	—	—	—	—	—
Restated balance at beginning of year	202,591	258,989	839,985	(6,883)	1,294,682
Changes during year					
Dividends of surplus	—	—	(55,608)	—	(55,608)
Profit attributable to owners of parent	—	—	153,905	—	153,905
Purchase of treasury shares	—	—	—	(15,015)	(15,015)
Disposal of treasury shares	—	—	(361)	923	562
Change in scope of consolidation	—	—	2,214	—	2,214
Purchase of shares of consolidated subsidiaries	—	(0)	—	—	(0)
Net changes in items other than shareholders' equity	—	—	—	—	—
Total changes during year	—	(0)	100,149	(14,091)	86,057
Balance at end of year	¥ 202,591	¥ 258,989	¥ 940,135	¥ (20,975)	¥ 1,380,740

	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	¥ 40,174	¥ (45)	¥ 2,355	¥ (10,631)	¥ 31,852	¥ 508	¥ 41,842	¥1,368,887
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	—
Restated balance at beginning of year	40,174	(45)	2,355	(10,631)	31,852	508	41,842	1,368,887
Changes during year								
Dividends of surplus	—	—	—	—	—	—	—	(55,608)
Profit attributable to owners of parent	—	—	—	—	—	—	—	153,905
Purchase of treasury shares	—	—	—	—	—	—	—	(15,015)
Disposal of treasury shares	—	—	—	—	—	—	—	562
Change in scope of consolidation	—	—	—	—	—	—	—	2,214
Purchase of shares of consolidated subsidiaries	—	—	—	—	—	—	—	(0)
Net changes in items other than shareholders' equity	1,314	187	44,890	14,955	61,347	(322)	4,989	66,014
Total changes during year	1,314	187	44,890	14,955	61,347	(322)	4,989	152,072
Balance at end of year	¥ 41,488	¥ 141	¥ 47,245	¥ 4,323	¥ 93,199	¥ 186	¥ 46,832	¥1,520,959

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					
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
Change in scope of consolidation	—	—	—	—	—
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								
Dividends of surplus	—	—	—	—	—	—	—	(66,400)
Profit attributable to owners of parent	—	—	—	—	—	—	—	184,520
Purchase of treasury shares	—	—	—	—	—	—	—	(30,014)
Disposal of treasury shares	—	—	—	—	—	—	—	269
Change in scope of consolidation	—	—	—	—	—	—	—	—
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, 2023

(Thousands of U.S. dollars)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of year	\$ 1,552,778	\$ 1,985,046	\$ 7,205,756	\$ (160,765)	\$ 10,582,816
Cumulative effects of changes in accounting policies	–	–	(13,145)	–	(13,145)
Restated balance at beginning of year	1,552,778	1,985,046	7,192,604	(160,765)	10,569,671
Changes during year					
Dividends of surplus	–	–	(508,929)	–	(508,929)
Profit attributable to owners of parent	–	–	1,414,271	–	1,414,271
Purchase of treasury shares	–	–	–	(230,045)	(230,045)
Disposal of treasury shares	–	–	(491)	2,552	2,062
Change in scope of consolidation	–	–	–	–	–
Purchase of shares of consolidated subsidiaries	–	6,699	–	–	6,699
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during year	–	6,699	904,844	(227,485)	684,058
Balance at end of year	\$ 1,552,778	\$ 1,991,753	\$ 8,097,455	\$ (388,258)	\$ 11,253,729

	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	\$ 317,989	\$ 1,081	\$ 362,114	\$ 33,134	\$ 714,333	\$ 1,426	\$ 358,948	\$11,657,538
Cumulative effects of changes in accounting policies	–	–	–	–	–	–	–	(13,145)
Restated balance at beginning of year	317,989	1,081	362,114	33,134	714,333	1,426	358,948	11,644,386
Changes during year								
Dividends of surplus	–	–	–	–	–	–	–	(508,929)
Profit attributable to owners of parent	–	–	–	–	–	–	–	1,414,271
Purchase of treasury shares	–	–	–	–	–	–	–	(230,045)
Disposal of treasury shares	–	–	–	–	–	–	–	2,062
Change in scope of consolidation	–	–	–	–	–	–	–	–
Purchase of shares of consolidated subsidiaries	–	–	–	–	–	–	–	6,699
Net changes in items other than shareholders' equity	(7,964)	3,687	401,954	149,230	546,915	(399)	(93,891)	452,617
Total changes during year	(7,964)	3,687	401,954	149,230	546,915	(399)	(93,891)	1,136,675
Balance at end of year	\$ 310,025	\$ 4,775	\$ 764,076	\$ 182,364	\$ 1,261,255	\$ 1,027	\$ 265,049	\$12,781,068

Each reference is that in Note 11 “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, 2022	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2023
Cash flows from operating activities			
Profit before income taxes	¥ 234,334	¥ 267,710	\$ 2,051,889
Depreciation	24,069	26,711	204,729
Impairment losses	539	2,898	22,212
Increase (decrease) in retirement benefit liability	3,382	980	7,511
(Increase) decrease in retirement benefit asset	158	112	858
Interest and dividend income	(4,508)	(4,380)	(33,571)
Interest expenses	3,836	5,317	40,753
Share of (profit) loss of entities accounted for using equity method	1,238	2,087	15,996
(Gain) loss on sale of investment securities	(1,114)	(269)	(2,062)
(Gain) loss on valuation of investment securities	21	—	—
(Gain) loss on liquidation of subsidiaries and affiliates	(3,088)	(16,813)	(128,865)
(Gain) loss on sale of shares of subsidiaries and affiliates	(2,246)	(5)	(38)
Provision of allowance for doubtful accounts	—	1,991	15,260
(Increase) decrease in trade receivables	13,462	(24,158)	(185,161)
(Increase) decrease in inventories	(85,515)	(38,493)	(295,033)
Increase (decrease) in trade payables	17,640	8,276	63,432
Increase (decrease) in advances received on construction contracts in progress	(7,059)	(20,526)	(157,324)
Other, net	(16,001)	3,887	29,792
Subtotal	179,149	215,326	1,650,387
Interest and dividends received	8,151	11,437	87,660
Interest paid	(4,530)	(6,812)	(52,211)
Income taxes paid	(64,735)	(94,487)	(724,205)
Net cash provided by (used in) operating activities	118,034	125,464	961,631
Cash flows from investing activities			
Purchase of property, plant and equipment	(82,951)	(92,162)	(706,385)
Proceeds from sale of property, plant and equipment	727	2,843	21,790
Purchase of investment securities	(11,487)	(5,163)	(39,572)
Proceeds from sale and redemption of investment securities	3,670	3,010	23,070
Purchase of shares of subsidiaries resulting in change in scope of consolidation	*2 (35,701)	*2 (69,595)	*2 (533,418)
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	87	—	—
Loan advances	(2,187)	(753)	(5,771)
Proceeds from collection of loans receivable	11,669	1,014	7,772
Other, net	2,467	(4,604)	(35,288)
Net cash provided by (used in) investing activities	(113,706)	(165,409)	(1,267,793)

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2023
Cash flows from financing activities			
Net increase (decrease) in short-term borrowings	33,219	37,357	286,326
Proceeds from long-term borrowings	26,748	66,291	508,094
Repayments of long-term borrowings	(64,168)	(21,768)	(166,843)
Redemption of bonds	(30,000)	(120,000)	(919,752)
Dividends paid	(55,608)	(66,400)	(508,929)
Purchase of treasury shares	(15,015)	(30,014)	(230,045)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(0)	(15,956)	(122,296)
Other, net	(6,876)	(5,288)	(40,530)
Net cash provided by (used in) financing activities	(111,701)	(155,780)	(1,193,991)
Effect of exchange rate change on cash and cash equivalents	20,124	13,298	101,924
Net increase (decrease) in cash and cash equivalents	(87,248)	(182,426)	(1,398,222)
Cash and cash equivalents at beginning of year	600,234	515,174	3,948,601
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	2,188	—	—
Cash and cash equivalents at end of year	*1 ¥ 515,174	*1 ¥ 332,747	*1 \$ 2,550,372

Each reference is that in Note 12 “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 ¥130.47 = U.S.\$1.00, the approximate rate of exchange in effect on January 31, 2023. 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

##### 345 consolidated subsidiaries

20 companies were newly included in the scope of consolidation mainly through new establishments and acquisitions. In addition, 10 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

##### 40 companies accounted for using equity method (All of them are affiliates of the Company)

Seven companies to which the equity method was applied were newly added mainly as investments. In addition, one company was excluded due to its liquidation.

##### 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 to facilitate preparation of the consolidated financial statements.

For other two 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 facilitate preparation of 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 300 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 with regard to borrowed funds for the real estate development business in acquisition cost in conformity with the accounting standards of their countries. For the current fiscal year, interest expenses in the amount of ¥14,061 million (\$107,772 thousand), ¥11,461 million (\$87,844 thousand) and ¥499 million (\$3,825 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 ¥7,872 million, ¥9,295 million and ¥430 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, 2022	As of January 31, 2023	As of January 31, 2023
Buildings for sale	¥ 436,973	¥ 534,391	\$ 4,095,892
Land for sale in lots	589,879	723,941	5,548,716
Undeveloped land for sale	149,828	177,095	1,357,362
Loss on valuation (cost of sales)	10,032	10,873	83,337

(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, 2023

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, 2022	As of January 31, 2023	As of January 31, 2023
Total property, plant and equipment	¥ 540,711	¥ 554,562	\$ 4,250,494
Total intangible assets	17,988	51,117	391,791
Impairment losses	539	2,898	22,212

(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, 2023

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. Our estimates are based on the assumption that the impact from the spread of COVID-19 will continue to some extent in the next fiscal year, but gradually be recovered.

(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 “Accounting Standard for Revenue Recognition”)

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020, hereinafter “Revenue Recognition Standard”) and relevant ASBJ regulations from the beginning of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of applicable goods or services.

The application of the Revenue Recognition Standard, etc. is subject to the transitional treatment prescribed in the proviso to paragraph 84 of the Revenue Recognition Standard. The cumulative effect of the retrospective application, assuming the new accounting policies had been applied to periods prior to the beginning of the current fiscal year, was added to or deducted from the opening balance of retained earnings of the current fiscal year, and thus the new accounting policies were applied from such opening balance; provided, however, that the new accounting policies were not retrospectively applied to contracts where recognitions of substantially all the revenue amounts for periods prior to the beginning of the current fiscal year, were subject to the previous treatment by applying the method prescribed in paragraph 86 of the Revenue Recognition Standard. Furthermore, by applying the method set forth in item (1) of the supplementary provisions of paragraph 86 of the Revenue Recognition Standard, modifications to contracts carried out prior to the beginning of the current fiscal year were accounted for based on the contractual terms after all contract modifications were reflected. Consequently, this cumulative effect was added to or deducted from the opening balance of retained earnings of the current fiscal year.

The effect on the consolidated financial statements is immaterial in the current fiscal year.

Due to the application of the Revenue Recognition Standard, etc., “Notes receivable and accounts receivable from completed construction contracts” under current assets of the consolidated balance sheet as of the end of the previous fiscal year has been included in “Notes receivable, accounts receivable from completed construction contracts and others” under current assets from the current fiscal year. In accordance with the transitional treatment prescribed in paragraph 89-2 of the Revenue Recognition Standard, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation. In accordance with transitional treatment prescribed in paragraph 89-3 of the Revenue Recognition Standard, notes related to “revenue recognition” for the previous fiscal year are not presented.

##### (Application of “Accounting Standard for Fair Value Measurement”)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, hereinafter “Fair Value Measurement Standard”) and relevant ASBJ regulations from the beginning of the current fiscal year, and in accordance with the transitional treatment prescribed in paragraph 19 of the Fair Value Measurement Standard and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the new accounting policies set forth in the Fair Value Measurement Standard, etc. have been applied prospectively. This change has no effects on the consolidated financial statements.

In addition, in the notes to “financial instruments,” the Company elected to provide notes on items such as the breakdown of the fair values of financial instruments by level. However, notes for the previous year are not disclosed in accordance with the transitional treatment prescribed in paragraph 7-4 of the “Implementation Guidance on Disclosures about Fair Value of Financial Instruments” (ASBJ Guidance No. 19, July 4, 2019).

##### (Application of ASU No. 2016-02 “Leases”)

Overseas subsidiaries applying the US GAAP have applied the Accounting Standards Update (ASU) No. 2016-02, “Leases” (February 25, 2016) effective from the current fiscal year.

In applying ASU No. 2016-02, lessees, in principle, recognize all leases as assets and liabilities. In applying the accounting standards, the Company has adopted the method where the cumulative effect of applying this accounting standard is recognized at the date of initial application, which is allowed as the transition approach.

The effect on the consolidated financial statements is immaterial in the current fiscal year.

## 5. Accounting standards issued but not yet effective

“Implementation Guidance on Accounting Standard for Fair Value Measurement”

- “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Guidance No. 31, June 17, 2021)

### (1) Overview

The guidance stipulates the treatment regarding calculation for and notes to fair value of investment trust and the treatment for notes to fair value of investments in partnerships that are recorded in the consolidated balance sheet at the net amount equivalent to equity.

### (2) Scheduled date of adoption

The guidance will be adopted effective from the beginning of the fiscal year ending January 31, 2024.

### (3) Impact of the adoption of the accounting standards

Impact of the adoption of the “Implementation Guidance on Accounting Standard for Fair Value Measurement” on the consolidated financial statements are currently under evaluation.

“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, 2025.

### (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. Changes in presentation

(Consolidated statement of cash flows)

“(Gain) loss on liquidation of subsidiaries and affiliates” included in “Other, net” under “Cash flows from operating activities” in the previous fiscal year has been recorded independently from the current fiscal year because its monetary significance has increased. To reflect this change in presentation, the consolidated financial statements for the previous fiscal year have been restated.

As a result, ¥(19,089) million presented in “Other, net” under “Cash flows from operating activities” in the consolidated statement of cash flows for the previous fiscal year has been reclassified into ¥(3,088) million of “(Gain) loss on liquidation of subsidiaries and affiliates” and ¥(16,001) million of “Other, net.”

## 7. Additional information

(Impact of COVID-19 in making accounting estimates)

The prolonged impact from COVID-19 has a certain impact on the business activities of the Company and its consolidated subsidiaries (collectively, the “Group”), but no major impact has arisen. The determination of the collectability of deferred tax assets and the recognition of impairment losses is estimated based on the assumption that the impact of COVID-19 will continue in the next fiscal year to a certain extent, but gradually be recovered based on information available when preparing the consolidated financial statements.

## 8. 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, 2023
Notes receivable – trade	¥ 4,855	\$ 37,212
Accounts receivable from completed construction contracts and others	39,623	303,694
Contract assets	111,058	851,215
Total	¥ 155,536	\$ 1,192,121

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

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2022	As of January 31, 2023	As of January 31, 2023
Semi-finished goods	¥ 4,415	¥ 6,489	\$ 49,736
Work in process	871	1,086	8,324
Raw materials and supplies	4,214	4,584	35,135
Total	¥ 9,501	¥ 12,160	\$ 93,202

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

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2022	As of January 31, 2023	As of January 31, 2023
Investment securities	¥ 78,120	¥ 82,271	\$ 630,574

- \*4. Change in holding purpose

As of January 31, 2022

¥1,096 million of real estate for sale recorded as “Buildings for sale” and “Land for sale in lots” as of January 31, 2021, has been reclassified as “Buildings and structures” and “Land,” respectively. In addition, ¥53,869 million of investment properties, etc. recorded under “Buildings and structures” and “Land” as of January 31, 2021, has been reclassified under “Buildings for sale” and “Land for sale in lots,” respectively.

As of January 31, 2023

¥5,532 million (\$42,401 thousand) 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 (\$536,989 thousand) 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.

\*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, 2022	As of January 31, 2023	As of January 31, 2023
Other (current assets)	¥ 257	¥ 247	\$ 1,893
Other (investments and other assets)	8,365	8,419	64,528
Total	¥ 8,622	¥ 8,667	\$ 66,429

\*6. Collateralized assets and secured liabilities

Collateralized assets are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2022	As of January 31, 2023	As of January 31, 2023
Buildings for sale	¥ 33,917	¥ 34,481	\$ 264,283
Land for sale in lots	44,751	53,438	409,581
Other (current assets) (Note)	0	0	0
Buildings and structures	1,551	1,563	11,980
Land	5,129	5,090	39,013
Investment securities (Note)	335	345	2,644
Long-term loans receivable (Note)	2	1	8
Total	¥ 85,686	¥ 94,920	\$ 727,524

(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, 2022	As of January 31, 2023	As of January 31, 2023
Current portion of long-term borrowings	¥ 8,966	¥ 24,541	\$ 188,097
Long-term borrowings	51,001	36,860	282,517
Long-term leasehold and guarantee deposits received	965	839	6,431

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, 2022	As of January 31, 2023	As of January 31, 2023
Housing purchasers, etc. using housing mortgages	¥ 116,912 [3,751 originations]	¥ 120,551 [3,578 originations]	\$ 923,975
Subsidiaries and affiliates	30,489	34,544	264,766
West Plaza Nagano Co., Ltd.	64	—	—

(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, 2022	As of January 31, 2023	As of January 31, 2023
1 company	¥ —	¥ 12	\$ 92

\*8. Non-recourse debts

(1) Non-recourse debts are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2022	As of January 31, 2023	As of January 31, 2023
Current portion of long-term borrowings	¥ 7,991	¥ 19,257	\$ 147,597
Long-term borrowings	26,256	15,553	119,207
Total	¥ 34,248	¥ 34,810	\$ 266,805

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

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2022	As of January 31, 2023	As of January 31, 2023
Buildings for sale	¥ 33,917	¥ 34,481	\$ 264,283
Land for sale in lots	17,060	24,807	190,136
Total	¥ 50,977	¥ 59,288	\$ 454,419

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, 2023
Contract liabilities	¥ 144,117	\$ 1,104,599

10. Commitment line contracts

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

The amount of borrowings in accordance with this contract not yet borrowed is as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2022	As of January 31, 2023	As of January 31, 2023
Total amount of commitment lines	¥ 437,237	¥ 516,459	\$ 3,958,450
Amount borrowed	209,936	289,052	2,215,467
Net amount	¥ 227,301	¥ 227,406	\$ 1,742,975

9. 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, 2022	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2023
¥ 10,032	¥ 10,873	\$ 83,337

\*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, 2022	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2023
Advertising expenses	¥ 23,616	¥ 23,326	\$ 178,784
Sales promotion expenses	32,316	31,351	240,293
Provision of allowance for doubtful accounts	98	110	843

(2) General and administrative expenses

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2023
Employees' salaries and bonuses	¥ 107,984	¥ 115,688	\$ 886,702
Provision for bonuses	16,988	19,692	150,931
Provision for bonuses for directors (and other officers)	1,154	1,280	9,811
Retirement benefit expenses	8,828	8,445	64,728
Provision for retirement benefits for directors (and other officers)	220	190	1,456

\*4. Impairment losses

The Group recorded impairment losses for the following asset groups.

Fiscal year ended January 31, 2022

Location	Usage	Type
Kizugawa City, Kyoto Prefecture, etc.	Training facilities, etc.	Land, etc.

The Group groups investment properties by project and groups other assets by operating unit which allows the Group to manage gains and losses in a rational manner and considers recognition of impairment losses. For training facilities, the book value was written down to the recoverable value as of January 31, 2022 and the amount of the decrease was recorded as impairment losses under extraordinary losses.

(Breakdown of impairment losses)

Type	Amount (Millions of yen)
Machinery, equipment and vehicles	¥ 61
Land	466
Other, net	11
Total	¥ 539

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, 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)	Amount (Thousands of U.S. dollars)
Buildings and structures	¥ 2,146	\$ 16,448
Land	346	2,652
Machinery, equipment and vehicles	72	552
Other, net	333	2,552
Total	¥ 2,898	\$ 22,212

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, 2022	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2023
Buildings and structures	¥ 1,065	¥ 1,162	\$ 8,906
Machinery, equipment and vehicles	169	5	38
Land	24	293	2,246
Other, net	369	297	2,276
Total	¥ 1,629	¥ 1,759	\$ 13,482

\*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, 2022	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2023	
¥ 9,478	¥ 9,562		\$ 73,289

\*7. Loss related to COVID-19

Fiscal year ended January 31, 2022

The major components of loss related to COVID-19 are fixed costs such as depreciation that arose during the period when operating facilities were temporarily closed.

Fiscal year ended January 31, 2023

Nothing to report



## 10. 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, 2022	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2023
Valuation difference on available-for-sale securities:			
Amount that arose in the current year	¥ 2,207	¥ (905)	\$ (6,936)
Reclassification adjustment amount	(1,114)	(269)	(2,062)
Before adjustment for tax effect	1,092	(1,174)	(8,998)
Amount of tax effect	(229)	471	3,610
Valuation difference on available-for-sale securities	862	(703)	(5,388)
Foreign currency translation adjustment:			
Amount that arose in the current year	46,526	61,770	473,442
Reclassification adjustment amount	(6,814)	(16,813)	(128,865)
Before adjustment for tax effect	39,711	44,957	344,577
Amount of tax effect	1,054	—	—
Foreign currency translation adjustment	40,766	44,957	344,577
Remeasurements of defined benefit plans, net of tax:			
Amount that arose in the current year	16,314	25,035	191,883
Reclassification adjustment amount	5,425	2,843	21,790
Before adjustment for tax effect	21,739	27,879	213,681
Amount of tax effect	(6,636)	(8,505)	(65,187)
Remeasurements of defined benefit plans, net of tax	15,103	19,373	148,486
Share of other comprehensive income of entity accounted for using equity method:			
Amount that arose in the current year	4,656	7,976	61,133
Reclassification adjustment amount	(341)	(0)	(0)
Share of other comprehensive income of entity accounted for using equity method	4,315	7,976	61,133
Total other comprehensive income	¥ 61,048	¥ 71,604	\$ 548,816

## 11. Notes related to consolidated statement of changes in equity

Fiscal year ended January 31, 2022

### 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, 2021 (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares as of January 31, 2022 (Shares)
Issued shares				
Ordinary shares (Note)	684,683,466	—	—	684,683,466
Total	684,683,466	—	—	684,683,466
Treasury shares				
Ordinary shares (Note)	3,753,722	6,608,461	448,590	9,913,593
Total	3,753,722	6,608,461	448,590	9,913,593

(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	6,599,800 shares
Increase due to repurchase of fractional shares	6,791 shares
Increase due to acquisition of restricted shares	1,800 shares
The Company's portion of treasury shares acquired by companies accounted for using equity method	70 shares

Breakdown of the number of decreased shares is as follows.

Decrease due to requests for additional purchases of fractional shares	90 shares
Decrease due to exercise of share options	343,000 shares
Decrease due to disposal of treasury shares as restricted share awards	105,500 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, 2022 (Millions of yen)
			As of February 1, 2021	Increase	Decrease	As of January 31, 2022	
Sekisui House, Ltd.	Share acquisition rights as share options	—	—	—	—	—	¥ 186
Total			—	—	—	—	¥ 186

### 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 27, 2021	Ordinary shares	¥ 26,562	¥ 39.00	January 31, 2021	April 28, 2021
Board of Directors meeting held on September 9, 2021	Ordinary shares	29,045	43.00	July 31, 2021	September 30, 2021

- (2) Dividends whose record date falls in the previous 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 held on April 26, 2022	Ordinary shares	¥ 31,722	Retained earnings	¥ 47.00	January 31, 2022	April 27, 2022

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 (Note)	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	
			As of February 1, 2022	Increase	Decrease	As of January 31, 2023	(Millions of yen)	(Thousands of U.S. dollars)
Sekisui House, Ltd.	Share acquisition rights as share options	—	—	—	—	—	¥ 134	\$ 1,027
Total			—	—	—	—	¥ 134	\$ 1,027

### 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 26, 2022	Ordinary shares	¥ 31,722	\$ 243,136	¥ 47.00	\$ 0.36	January 31, 2022	April 27, 2022
Board of Directors meeting held on September 8, 2022	Ordinary shares	34,678	265,793	52.00	0.40	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		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, 2023	Ordinary shares	¥ 38,413	\$ 294,420	Retained earnings	¥ 58.00	\$ 0.44	January 31, 2023	April 26, 2023

## 12. Notes related to consolidated statement of cash flows

### \*1. Reconciliation of ending balance of cash and cash equivalents with account balances per consolidated balance sheet

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2023
Cash and deposits	¥ 515,283	¥ 332,903	\$ 2,551,567
Time deposits with maturities of more than three months	(109)	(155)	(1,188)
Cash and cash equivalents	¥ 515,174	¥ 332,747	\$ 2,550,372

### \*2. Major components of assets and liabilities of consolidated subsidiaries acquired by purchase of shares Fiscal year ended January 31, 2022

The breakdown of the assets and liabilities when consolidation commenced due to the consolidation of THE HOLT GROUP, INC. and its subsidiaries mainly through the acquisition of shares, as well as the relationship between the acquisition price of the shares and the expenditures for the acquisition, net are as follows.

	(Millions of yen)
Current assets	¥ 57,191
Non-current assets	27
Current liabilities	(3,904)
Non-current liabilities	(13,658)
Acquisition price	39,656
Cash and cash equivalents of subsidiaries	(3,405)
Accounts payable – other	(549)
Expenditures for the acquisition, net	¥ 35,701

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)	(Thousands of U.S. dollars)
Current assets	¥ 70,462	\$ 540,063
Non-current assets	2,355	18,050
Goodwill	33,558	257,209
Current liabilities	(36,832)	(282,302)
Non-current liabilities	(765)	(5,863)
Acquisition price	68,778	527,156
Cash and cash equivalents of subsidiary	(3,605)	(27,631)
Expenditures for the acquisition, net	¥ 65,173	\$ 499,525

### 3. Description of significant transactions not requiring use of cash or cash equivalents

Acquisition of shares through contribution-in-kind (debt-equity swap)

	(Millions of yen)	(Thousands of U.S. dollars)	
	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2023
Decrease in long-term loans receivable through a debt-equity swap	¥ 4,656	¥ –	\$ –
Increase in investment securities through a debt-equity swap	4,656	–	–

## 13. 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 “4. 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, 2022	As of January 31, 2023	As of January 31, 2023
Due within one year	¥ 6,379	¥ 9,025	\$ 69,173
Due after one year	62,023	64,940	497,739
Total	¥ 68,403	¥ 73,965	\$ 566,912

(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, 2022	As of January 31, 2023
Lease receivables	¥ 11,650	¥ 10,964
Residual value	–	–
Unearned interest income	(3,653)	(3,436)
Investments in leases	7,996	7,527
		As of January 31, 2023
		\$ 84,035
		–
		(26,336)
		57,691

(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, 2022					
	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	¥ 220	¥ 221	¥ 221	¥ 222	¥ 4,140
Investments in leases	495	495	495	495	495	9,170

	(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

	(Thousands of U.S. dollars)					
	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	\$ 1,686	\$ 1,694	\$ 1,694	\$ 1,702	\$ 1,709	\$ 30,022
Investments in leases	3,786	3,786	3,786	3,786	3,786	65,088

2. Operating leases

Future minimum lease payments under non-cancelable operating leases

	(Millions of yen)	(Thousands of U.S. dollars)
	As of January 31, 2022	As of January 31, 2023
Due within one year	¥ 3,932	¥ 3,238
Due after one year	28,769	25,706
Total	32,701	28,944
		As of January 31, 2023
		\$ 24,818
		197,026
		221,844

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, 2022	As of January 31, 2023	As of January 31, 2023
Current assets	¥ 4,356	¥ 3,955	\$ 30,313

(2) Lease obligations

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2022	As of January 31, 2023	As of January 31, 2023
Current liabilities	¥ 227	¥ 223	\$ 1,709
Non-current liabilities	4,350	4,131	31,662

## 14. Financial instruments

### 1. Matters related to the state of financial instruments

#### (1) Policy with regard to financial instruments activities

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 “4. 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, 2022

(Millions of yen)

	Amount stated in consolidated balance sheet	Fair value	Difference
Securities and investment securities			
Securities of subsidiaries and affiliates	¥ 3,053	¥ 1,398	¥ (1,654)
Available-for-sale securities	102,031	102,031	—
Total assets	105,084	103,429	(1,654)
Bonds payable	170,000	170,283	283
Long-term borrowings	152,791	153,309	517
Total liabilities	¥ 322,791	¥ 323,592	¥ 800

(\*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,” are not presented because they are cash, and the market value approximates the book value mainly due to short-term settlement.

(\*2) Financial instruments whose fair value is extremely difficult to determine

(Millions of yen)

Categories	As of January 31, 2022
Unlisted shares	¥ 68,278
Investment in special purpose companies	13,126
Investment in limited partnerships	1,567
Investment in silent partnerships	1,158
Preferred securities	999
Unlisted bonds	120

These financial instruments have no market price and it is expected that it takes too much cost to estimate future cash flows. Accordingly, these are not included in “Assets, Securities and investment securities” since their fair value is extremely difficult to determine.



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)

(Thousands of U.S. dollars)

	Amount stated in consolidated balance sheet	Fair value	Difference
Securities and investment securities			
Bonds held to maturity	\$ 920	\$ 920	\$ –
Securities of subsidiaries and affiliates	24,258	12,938	(11,321)
Available-for-sale securities	765,180	765,180	–
Total assets	790,366	779,045	(11,321)
Bonds payable	383,230	382,586	(644)
Long-term borrowings	1,755,476	1,713,459	(42,017)
Total liabilities	\$ 2,138,706	\$ 2,096,045	\$ (42,661)

(\*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,” are not presented because they are cash, and the market value approximates the book value mainly due to short-term settlement.

(\*2) Share, etc. with no market price

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

Categories	As of January 31, 2023	As of January 31, 2023
Unlisted shares	¥ 72,010	\$ 551,928
Investment in special purpose companies, etc.	16,370	125,469

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 “Guidance on Accounting Standard for Measurement of Fair Value” (ASBJ Guidance No. 31, July 4, 2019)

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

As of January 31, 2022

(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	¥ 515,283	¥ –	¥ –	¥ –
Notes receivable and accounts receivable from completed construction contracts	125,601	4,853	317	1,698
Securities and investment securities				
Bonds held to maturity				
Bonds payable	–	–	–	120
Total	¥ 640,884	¥ 4,853	¥ 317	¥ 1,818

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

(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	\$ 2,551,567	\$ –	\$ –	\$ –
Notes receivable, accounts receivable from completed construction contracts and others	328,474	9,688	2,345	12,547
Securities and investment securities				
Bonds held to maturity				
Bonds payable	–	–	–	920
Total	\$ 2,880,041	\$ 9,688	\$ 2,345	\$ 13,467

(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, 2022

(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	¥ 219,218	¥ –	¥ –	¥ –	¥ –	¥ –
Bonds payable	–	30,000	–	–	20,000	120,000
Long-term borrowings	16,235	63,120	13,340	37,956	20,789	1,349
Total	¥ 235,454	¥ 93,120	¥ 13,340	¥ 37,956	¥ 40,789	¥ 121,349

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

(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	\$ 2,341,557	\$ –	\$ –	\$ –	\$ –	\$ –
Bonds payable	229,938	–	–	153,292	–	–
Long-term borrowings	549,276	230,766	183,897	675,573	113,267	2,683
Total	\$ 3,120,779	\$ 230,766	\$ 183,897	\$ 828,865	\$ 113,267	\$ 2,683

(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

(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	\$ 765,180	\$ –	\$ –	\$ 765,180
Total assets	\$ 765,180	\$ –	\$ –	\$ 765,180

## (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

(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	\$ –	\$ 920	\$ –	\$ 920
Securities of subsidiaries and affiliates	12,938	–	–	12,938
Total assets	12,938	920	–	13,858
Bonds payable	–	382,586	–	382,586
Long-term borrowings	–	1,713,459	–	1,713,459
Total liabilities	\$ –	\$ 2,096,045	\$ –	\$ 2,096,045

(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.

## 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 almost the same. 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.

## 15. Securities

### 1. Bonds held to maturity

As of January 31, 2022

Nothing to report

As of January 31, 2023

Nothing to report

### 2. Available-for-sale securities

As of January 31, 2022

(Millions of yen)

	Type	Amount stated in consolidated balance sheet	Acquisition cost	Difference
Securities whose balance sheet amount exceeds acquisition cost	Equity securities	¥ 98,564	¥ 35,242	¥ 63,321
	Subtotal	98,564	35,242	63,321
Securities whose balance sheet amount exceeds acquisition cost	Equity securities	3,467	4,022	(555)
	Subtotal	3,467	4,022	(555)
Total		¥ 102,031	¥ 39,264	¥ 62,766

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 exceeds acquisition cost	Equity securities	692	923	(231)
	Subtotal	692	923	(231)
Total		¥ 99,833	¥ 37,938	¥ 61,895

(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	\$ 759,876	\$ 283,697	\$ 476,171
	Subtotal	759,876	283,697	476,171
Securities whose balance sheet amount exceeds acquisition cost	Equity securities	5,304	7,074	(1,771)
	Subtotal	5,304	7,074	(1,771)
Total		\$ 765,180	\$ 290,779	\$ 474,400

### 3. Sales of available-for-sale securities

Fiscal year ended January 31, 2022

(Millions of yen)

Type	Proceeds	Total gain on sale	Total loss on sale
Equity securities	¥ 3,588	¥ 1,166	¥ 51

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.

(Thousands of U.S. dollars)

Type	Proceeds	Total gain on sale	Total loss on sale
Equity securities, etc.	\$ 22,657	\$ 3,043	\$ 981

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

### 4. Write-down of securities

In the previous fiscal year, write-downs of securities (equity securities classified as available-for-sale securities) amounted to ¥21 million.

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

## 16. Derivatives

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

As of January 31, 2022

Nothing to report

As of January 31, 2023

Not presented due to immateriality

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

As of January 31, 2022

Nothing to report

As of January 31, 2023

Nothing to report

## 17. 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, 2022	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2023
Retirement benefit obligations at the beginning of year	¥ 331,621	¥ 335,790	\$ 2,573,695
Service expenses	13,227	14,022	107,473
Interest expenses	2,658	2,676	20,510
Unrecognized net actuarial gain or loss incurred	(791)	(44,727)	(342,814)
Payments of retirement benefits	(11,020)	(11,742)	(89,998)
Net change as a result of change in the scope of consolidation	96	43	330
Retirement benefit obligations at the end of year	¥ 335,790	¥ 296,063	\$ 2,269,204

(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, 2022	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2023
Pension assets at the beginning of year	¥ 289,991	¥ 312,263	\$ 2,393,370
Expected returns on pension assets	7,045	7,595	58,213
Unrecognized net actuarial gain or loss incurred	15,523	(19,692)	(150,931)
Contributions paid by the employer	8,845	8,880	68,062
Payments of retirement benefits	(9,141)	(9,769)	(74,875)
Pension assets at the end of year	¥ 312,263	¥ 299,278	\$ 2,293,845

(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)
	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2023
Funded retirement benefit obligations	¥ 305,229	¥ 266,821	\$ 2,045,075
Pension assets	(312,263)	(299,278)	(2,293,845)
Subtotal	(7,034)	(32,457)	(248,770)
Unfunded retirement benefit obligations	30,561	29,241	224,120
Net amount of liability and asset recorded in the consolidated balance sheet	23,527	(3,215)	(24,642)
Retirement benefit liability	30,733	29,286	224,465
Retirement benefit asset	(7,206)	(32,501)	(249,107)
Net amount of liability and asset recorded in the consolidated balance sheet	¥ 23,527	¥ (3,215)	\$ (24,642)

(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, 2022	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2023
Service expenses (Note 1)	¥ 13,227	¥ 14,022	\$ 107,473
Interest expenses	2,658	2,676	20,510
Expected returns on pension assets	(7,045)	(7,595)	(58,213)
Amortization of actuarial gains and losses	5,432	2,850	21,844
Amortization of past service cost	(7)	(7)	(54)
Other (Note 2)	595	1,035	7,933
Retirement benefit expenses related to the defined benefit plans	¥ 14,861	¥ 12,981	\$ 99,494

(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, 2022	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2023
Past service cost	¥ (7)	¥ (7)	\$ (54)
Actuarial gains and losses	21,747	27,886	213,735
Total	¥ 21,739	¥ 27,879	\$ 213,681



(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, 2022	As of January 31, 2023	As of January 31, 2023
Unrecognized past service cost	¥ 76	¥ 68	\$ 521
Unrecognized actuarial gains and losses	6,432	34,318	263,034
Total	¥ 6,508	¥ 34,387	\$ 263,563

(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, 2022	As of January 31, 2023
Bonds	40%	32%
Credit investing	14	20
Private equity	10	14
General account	11	13
Equity securities	13	9
Cash and deposits	1	1
Other, net	11	11
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, 2022	As of January 31, 2023
Discount rate	Mainly 0.8%	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 ¥186 million and ¥431 million (\$3,303 thousand) in the previous and the current fiscal years, respectively.

## 18. 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 21, 2009	May 20, 2010	May 19, 2011	May 17, 2012
Categories and number of eligible persons	The Company's Directors and Executive Officers: 30	The Company's Directors and Executive Officers: 30	The Company's Directors and Executive Officers: 28	The Company's Directors and Executive Officers: 33
Classes of shares and number granted	Ordinary shares: 106,000 shares	Ordinary shares: 105,000 shares	Ordinary shares: 130,000 shares	Ordinary shares: 147,000 shares
Grant date	June 9, 2009	June 16, 2010	June 14, 2011	June 13, 2012
Requisite service period	Not specified	Not specified	Not specified	Not specified
Exercise period	From June 10, 2009 to June 9, 2029	From June 17, 2010 to June 16, 2030	From June 15, 2011 to June 14, 2031	From June 14, 2012 to June 13, 2032

Company name	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.
Date of resolution	May 16, 2013	May 15, 2014	May 21, 2015	May 19, 2016
Categories and number of eligible persons	The Company's Directors and Executive Officers: 32	The Company's Directors and Executive Officers: 34	The Company's Directors and Executive Officers: 34	The Company's Directors and Executive Officers: 35
Classes of shares and number granted	Ordinary shares: 68,000 shares	Ordinary shares: 100,000 shares	Ordinary shares: 63,000 shares	Ordinary shares: 66,000 shares
Grant date	June 13, 2013	June 13, 2014	June 12, 2015	June 14, 2016
Requisite service period	Not specified	Not specified	Not specified	Not specified
Exercise period	From June 14, 2013 to June 13, 2033	From June 14, 2014 to June 13, 2034	From June 13, 2015 to June 12, 2035	From June 15, 2016 to June 14, 2036

Company name	Sekisui House, Ltd.	Sekisui House, Ltd.
Date of resolution	May 18, 2017	May 17, 2018
Categories and number of eligible persons	The Company's Directors and Executive Officers: 35	The Company's Directors and Executive Officers: 32
Classes of shares and number granted	Ordinary shares: 64,000 shares	Ordinary shares: 69,000 shares
Grant date	June 14, 2017	June 14, 2018
Requisite service period	Not specified	Not specified
Exercise period	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.	Sekisui House, Ltd.
Date of resolution	May 21, 2009	May 20, 2010	May 19, 2011	May 17, 2012	May 16, 2013
Unvested					
At the beginning of the fiscal year (Shares)	–	2,000	3,000	11,000	5,000
Granted (Shares)	–	–	–	–	–
Forfeited (Shares)	–	–	–	–	–
Vested (Shares)	–	2,000	3,000	2,000	2,000
Outstanding (Shares)	–	–	–	9,000	3,000
Vested					
At the beginning of the fiscal year (Shares)	1,000	4,000	13,000	9,000	7,000
Vested (Shares)	–	2,000	3,000	2,000	2,000
Exercised (Shares)	1,000	6,000	14,000	4,000	4,000
Forfeited (Shares)	–	–	–	–	–
Exercisable (Shares)	–	–	2,000	7,000	5,000

Company name	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.
Date of resolution	May 15, 2014	May 21, 2015	May 19, 2016	May 18, 2017	May 17, 2018
Unvested					
At the beginning of the fiscal year (Shares)	17,000	10,000	13,000	15,000	26,000
Granted (Shares)	–	–	–	–	–
Forfeited (Shares)	–	–	–	–	–
Vested (Shares)	4,000	2,000	5,000	4,000	3,000
Outstanding (Shares)	13,000	8,000	8,000	11,000	23,000
Vested					
At the beginning of the fiscal year (Shares)	9,000	6,000	10,000	9,000	1,000
Vested (Shares)	4,000	2,000	5,000	4,000	3,000
Exercised (Shares)	5,000	4,000	8,000	6,000	2,000
Forfeited (Shares)	–	–	–	–	–
Exercisable (Shares)	8,000	4,000	7,000	7,000	2,000

(ii) Price information

Company name	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.
Date of resolution	May 21, 2009	May 20, 2010	May 19, 2011	May 17, 2012	May 16, 2013
Exercise price (Yen)	1 per share	¥ 1 per share	¥ 1 per share	¥ 1 per share	¥ 1 per share
(U.S. dollars)	0.01 per share	\$ 0.01 per share	\$ 0.01 per share	\$ 0.01 per share	\$ 0.01 per share
Average exercise price (Yen)	¥ 2,225	¥ 2,285	¥ 2,364	¥ 2,395	¥ 2,385
(U.S. dollars)	\$ 17.05	\$ 17.51	\$ 18.12	\$ 18.36	\$ 18.28
Fair value at the grant date (Yen)	¥ 681	¥ 717	¥ 592	¥ 495	¥ 1,071
(U.S. dollars)	\$ 5.22	\$ 5.50	\$ 4.54	\$ 3.79	\$ 8.21

Company name	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.
Date of resolution	May 15, 2014	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	¥ 1 per share
(U.S. dollars)	\$ 0.01 per share	\$ 0.01 per share	\$ 0.01 per share	\$ 0.01 per share	\$ 0.01 per share
Average exercise price (Yen)	¥ 2,290	¥ 2,423	¥ 2,321	¥ 2,329	¥ 2,324
(U.S. dollar)	\$ 17.55	\$ 18.57	\$ 17.79	\$ 17.85	\$ 17.81
Fair value at the grant date (Yen)	¥ 974	¥ 1,507	¥ 1,356	¥ 1,415	¥ 1,283
(U.S. dollars)	\$ 7.47	\$ 11.55	\$ 10.39	\$ 10.85	\$ 9.83

### 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.

## 19. Tax effect accounting

### 1. Significant components of deferred tax assets and liabilities

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2022	As of January 31, 2023	As of January 31, 2023
Deferred tax assets			
Loss on valuation of real estate for sale	¥ 12,640	¥ 15,248	\$ 116,870
Provision for bonuses	9,661	11,174	85,644
Retirement benefit liability	9,597	9,186	70,407
Tax loss carry-forward (Note 2)	10,775	8,755	67,104
Accumulated impairment losses	7,656	7,654	58,665
Unrealized gain on non-current assets	5,829	6,252	47,919
Accrued enterprise tax	2,446	2,352	18,027
Loss on valuation of investment securities	1,375	1,375	10,539
Accrued social insurance premium	1,374	1,587	12,164
Other, net	14,256	15,292	117,207
Deferred tax assets subtotal	75,613	78,878	604,568
Valuation allowance for tax loss carry-forward (Note 2)	(8,984)	(8,477)	(64,973)
Valuation allowance for total deductible temporary differences	(11,118)	(10,486)	(80,371)
Valuation allowance (Note 1)	(20,102)	(18,964)	(145,351)
Total deferred tax assets	55,510	59,914	459,217
Deferred tax liabilities			
Valuation difference on available-for-sale securities	(18,118)	(18,166)	(139,235)
Other, net	(13,765)	(24,461)	(187,484)
Total deferred tax liabilities	(31,883)	(42,628)	(326,726)
Net of deferred tax assets and deferred tax liabilities	¥ 23,627	¥ 17,286	\$ 132,490

(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, 2022

	(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*	¥ 1,306	¥ 1,423	¥ 830	¥ 1,057	¥ 1,125	¥ 5,032	¥ 10,775
Valuation allowance	(986)	(1,277)	(830)	(1,057)	(1,125)	(3,706)	(8,984)
Deferred tax assets	319	145	—	—	—	1,326	1,791

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

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-forwards 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*	\$ 5,955	\$ 6,415	\$ 9,680	\$ 10,416	\$ 7,688	\$ 26,933	\$ 67,104
Valuation allowance	(5,955)	(6,415)	(9,680)	(10,416)	(5,886)	(26,604)	(64,973)
Deferred tax assets	—	—	—	—	1,794	330	2,131

\* Tax loss carry-forwards 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, 2022	As of January 31, 2023
Statutory tax rate		30.5%
(Adjustments)		
Permanently non-deductible expenses, such as entertainment expenses		0.3
Permanently non-taxable income, such as dividend income		(0.1)
Per capita inhabitant tax etc.		0.3
Net change in valuation allowance		(0.8)
(Gain) loss on liquidation of subsidiaries and affiliates	The description is not presented because the difference between the statutory tax rate and the rate of income tax after applying tax effect accounting is less than 5%.	(1.0)
Share of (profit) loss of entities accounted for using the equity method		0.2
Difference in income tax rates of overseas subsidiaries		(1.5)
Tax credits		(0.4)
Tax effect on internal reserves of overseas subsidiaries		0.3
Others		0.7
Rate of income tax after applying tax effect accounting		28.5%

## 20. Business combinations

Finalization of provisional accounting treatment for business combination

For the business combination with 28 companies including THE HOLT GROUP, INC. conducted on December 22, 2021 (U.S. time), a provisional accounting treatment was performed in the previous fiscal year, and it was finalized in the current fiscal year.

Business combination through acquisitions

### 1. Overview of the business combination

#### (1) Name and description of business of the acquired companies

Name of the acquired companies    CHESMAR HOMES, LLC  
CLM MORTGAGE, INC.  
N TITLE, INC.  
ENTITLED INSURANCE AGENCY, INC.

Description of business                Custom detached house sales and financial services

#### (2) Main reasons for the business combination

Acquired equity of CHESMAR HOMES, LLC and other companies for the purpose of expanding the overseas business by broadening the area for the U.S. business of custom detached house sales to Texas.

#### (3) Date of the business combination

CHESMAR HOMES, LLC and ENTITLED INSURANCE AGENCY, INC.:  
July 1, 2022 (U.S. time)

CLM MORTGAGE, INC. and N TITLE, INC.:  
December 30, 2022 (U.S. time)

#### (4) Legal form of the business combination

Acquisition of equity

#### (5) Name of the companies after the business combination

No change

#### (6) Acquired voting rights ratio

100%

#### (7) Main reason for determining the acquiring company

CHESMAR HOLDINGS, LLC, which was newly established as a subsidiary of SH RESIDENTIAL HOLDINGS, LLC, a consolidated subsidiary of the Company, acquired equity through cash consideration.

### 2. The period of financial results of the acquired companies included in the Company's consolidated financial statements

The financial results of the two companies CHESMAR HOMES, LLC and ENTITLED INSURANCE AGENCY, INC. for the period from July 1, 2022 to December 31, 2022 are included in the consolidated financial statements.

For the two companies CLM MORTGAGE, INC. and N TITLE, INC., since December 31, 2022 is considered to be date and only the balance sheet as of December 31, the fiscal year-end of the acquired companies, was consolidated, the financial results of these companies are not included.

3. Acquisition cost for the acquired companies and a breakdown of consideration by type

Consideration for the acquisition	Cash	¥68,778 million (\$527,156 thousand)
Acquisition cost		¥68,778 million (\$527,156 thousand)

4. Details and amount of major expenses for the acquisition

Advisory expenses, etc.	¥1,352 million (\$10,363 thousand)
-------------------------	---------------------------------------

5. Amount of goodwill generated, reason for generation of goodwill, and method and period of amortization

(1) Amount of goodwill recognized

¥33,558 million (\$257,209 thousand)

(Note) A provisional accounting treatment was performed based on reasonable information available at the time, since the allocation of acquisition cost had not been completed as of January 31, 2023.

(2) Reason for recognition of goodwill

Goodwill was recognized because the acquisition cost exceeded the net assets at fair value at the time of the business combination.

(3) Accounting method and period for amortization

Goodwill regarding the two companies CHESMAR HOMES, LLC and ENTITLED INSURANCE AGENCY, INC. is amortized using the straight-line method over five years. Regarding CLM MORTGAGE, INC. and N TITLE, INC., goodwill is planned to be amortized using the straight-line method over the period in which the effect of goodwill is expected to be realized, and the amortization period is currently being determined.

6. Amounts and major breakdown of assets acquired and liabilities assumed on the date of business combination

	(Millions of yen)	(Thousands of U.S. dollars)
Current assets	¥ 70,462	\$ 540,063
Non-current assets	2,355	18,050
Total assets	72,817	558,113
Current liabilities	36,832	282,302
Non-current liabilities	765	5,863
Total liabilities	¥ 37,597	\$ 288,166

7. The approximate amount of the impact of the business combination on the consolidated statement of income for the current fiscal year assuming the business combination was completed on the beginning date of the current fiscal year and the calculation method

	(Millions of yen)	(Thousands of U.S. dollars)
Net sales	¥ 56,665	\$ 434,314
Operating profit	8,227	63,057

(Method for calculating the approximate amount)

Difference between net sales and information of profit and loss calculated assuming the business combination was completed on the beginning date of the current fiscal year and the net sales and information of profit and loss in the Company's consolidated statement of income was used as the approximate amount of the impact.

This note was unaudited.

## Transactions under common control

### Acquisition of additional shares of a subsidiary

#### 1. Overview of the business combination

##### (1) Name of the entity and description of the business involved in the business combination

Name of entity Konoike Construction Co., Ltd.

Description of business Planning, surveying, design, supervision, contracted work, and consulting of construction work

##### (2) Date of the business combination

December 12, 2022 and December 23, 2022

##### (3) Legal form of the business combination

Acquisition of shares from a non-controlling shareholder

##### (4) Name of company after the business combination

No change

##### (5) Other matters regarding overview of the business combination

The Company acquired shares held by a non-controlling shareholder to further strengthen the capital relationship.

#### 2. Overview of accounting treatment applied

The business combination was accounted for as a transaction with a non-controlling shareholder included in transactions under common control, in accordance with the “Accounting Standard for Business Combinations” and “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures.”

#### 3. Matters to be described in the case of acquisition of additional shares of a subsidiary

Acquisition cost for the acquired company and a breakdown of consideration by type

Consideration for the acquisition	Cash	¥15,956 million (\$122,296 thousand)
Acquisition cost		¥15,956 million (\$122,296 thousand)

#### 4. Matters on changes in the Company’s ownership interest in subsidiaries due to transactions with non-controlling shareholder

##### (1) Major factor of change in capital surplus

Acquisition of additional shares of a subsidiary

##### (2) Amount of capital surplus increased by transactions with non-controlling shareholder

¥874 million (\$6,699 thousand)

## 21. 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, 2022	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2023
Balance at beginning of year	¥ 3,679	¥ 3,690	\$ 28,282
Increase due to acquisition of property, plant and equipment	169	130	996
Adjustments due to passage of time	17	17	130
Decrease due to implementation of asset retirement obligations	(119)	(151)	(1,157)
Other changes	(57)	—	—
Balance at end of year	¥ 3,690	¥ 3,685	\$ 28,244

**22. Real estate for lease, etc.**

The Company and some of its consolidated subsidiaries own houses and office buildings for leasing in Tokyo and other areas. For the previous fiscal year, net rental income for such real estate for lease was ¥2,804 million (rental income is mainly recorded as net sales and rental expenses is mainly recorded as cost of sales). For the current fiscal year, net rental income for such real estate for lease, etc. was ¥2,082 million (\$15,958 thousand) (rental income is mainly 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 (\$18,909 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, 2022	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2023
Amount stated in consolidated balance sheet			
Balance at beginning of year	¥ 433,407	¥ 436,946	\$ 3,349,015
Change during the year	3,539	1,311	10,048
Balance at end of year	436,946	438,258	3,359,071
Fair value at the end of year	519,730	529,232	4,056,350

- (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 (¥64,772 million) and decreases due to transfers with inventories (¥52,515 million) and depreciation (¥9,134 million). Changes during the current fiscal year mainly resulted from increases due to real estate acquisition (¥77,797 million (\$596,283 thousand)) and decreases due to transfers with inventories (¥63,808 million (\$489,063 thousand)) and depreciation (¥9,586 million (\$73,473 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.

## 23. 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 Business	Architectural / Civil engineering Business	Remodeling Business	Real estate management fees Business	Houses for sale Business	Condominiums Business
Construction and sales	¥ 352,463	¥ 426,116	¥ 298,746	¥ 165,910	¥ –	¥ 238,252	¥ 89,864
Real estate management and other	–	–	30	–	619,271	–	1,018
Sales to external customers	352,463	426,116	298,777	165,910	619,271	238,252	90,883
Other revenue (Note 2)	–	–	30	–	556,090	–	–
Revenue from contracts with customers	352,463	426,116	298,746	165,910	63,180	238,252	90,883

	Reportable segments		Other (Note 1)	Total
	Urban redevelopment Business	Overseas Business		
Construction and sales	¥ 94,896	¥ 512,376	¥ 76,033	¥ 2,254,662
Real estate management and other	40,424	8,747	4,681	674,173
Sales to external customers	135,320	521,124	80,715	2,928,835
Other revenue (Note 2)	62,626	5,277	–	624,025
Revenue from contracts with customers	72,694	515,846	80,715	2,304,810

(Thousands of U.S. dollars)

	Reportable segments						
	Custom detached houses Business	Rental housing Business	Architectural / Civil engineering Business	Remodeling Business	Real estate management fees Business	Houses for sale Business	Condominiums Business
Construction and sales	\$ 2,701,487	\$ 3,266,008	\$ 2,289,768	\$ 1,271,633	\$ –	\$ 1,826,106	\$ 688,771
Real estate management and other	–	–	230	–	4,746,463	–	7,803
Sales to external customers	2,701,487	3,266,008	2,290,005	1,271,633	4,746,463	1,826,106	696,582
Other revenue (Note 2)	–	–	230	–	4,262,206	–	–
Revenue from contracts with customers	2,701,487	3,266,008	2,289,768	1,271,633	484,249	1,826,106	696,582

	Reportable segments		Other (Note 1)	Total
	Urban redevelopment Business	Overseas Business		
Construction and sales	\$ 727,340	\$ 3,927,156	\$ 582,762	\$ 17,281,076
Real estate management and other	309,834	67,042	35,878	5,167,265
Sales to external customers	1,037,173	3,994,206	618,648	22,448,341
Other revenue (Note 2)	480,003	40,446	–	4,782,900
Revenue from contracts with customers	557,170	3,953,752	618,648	17,665,440

(Notes) 1. Other is mainly the Exterior Business.

2. 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 month 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 fulfilled 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 sale of real estate 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 fulfilled 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, 2023
Receivables from contracts with customers (Balance at beginning of year)	¥ 39,944	\$ 306,155
Receivables from contracts with customers (Balance at end of year)	44,478	340,906
Contract assets (Balance at beginning of year)	91,020	697,632
Contract assets (Balance at end of year)	111,058	851,215
Contract liabilities (Balance at beginning of year)	163,497	1,253,139
Contract liabilities (Balance at end of year)	144,117	1,104,599

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 period, 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 current fiscal year, the amount included in the balance of contract liabilities at the beginning of year is ¥161,410 million (\$1,237,143 thousand).

(2) Transaction price allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations in the current fiscal year is ¥1,447,787 million (\$11,096,704 thousand), and at the longest, this amount is expected to be recognized as revenue within 11 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.

## 24. 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 services founded on business domains, and excluding business domains under “Other,” the reportable segments are “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.”

The details of each reportable segment are as follows.

Custom detached houses Business:	Contracting of design and construction of custom detached houses
Rental housing Business:	Contracting of design and construction of rental housing, commercial buildings and other properties
Architectural / Civil engineering Business:	Construction of reinforced concrete rental housing and commercial buildings, and contracting of design and construction of civil engineering works
Remodeling Business:	Remodeling and renovation of houses, etc.
Real estate management fees Business:	Subleasing, management, operation and brokerage of real estate, etc.
Houses for sale Business:	Sale of houses and residential land; contracting of design and construction of houses on residential land for sale
Condominiums Business:	Sales of condominiums
Urban redevelopment Business:	Development of office buildings and commercial facilities; management and operation of real estate owned by the Group
Overseas Business:	Contracting of detached houses; sales of ready-built detached houses and residential land; and development and sale of condominiums, commercial facilities, etc. in overseas markets

#### 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.”

As described in “Changes in accounting policies”, the Company has applied the Accounting Standard for Revenue Recognition and relevant ASBJ regulations from the beginning of the current fiscal year, and changed the accounting treatment for revenue recognition. Accordingly, the Company has changed the method of calculating profit or loss of operating segments.

The effect of this change on the consolidated financial statements for the current fiscal year is immaterial.

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

Fiscal year ended January 31, 2022

(Millions of yen)

	Reportable segments						
	Custom detached houses Business	Rental housing Business	Architectural / Civil engineering Business	Remodeling Business	Real estate management fees Business	Houses for sale Business	Condo-miniums Business
Net sales							
(1) Sales to external customers	¥ 352,732	¥ 384,022	¥ 261,930	¥ 156,167	¥ 584,969	¥ 191,488	¥ 90,612
(2) Intersegment sales or transfers	—	3,324	8,846	566	3,538	—	—
Total	¥ 352,732	¥ 387,347	¥ 270,776	¥ 156,733	¥ 588,507	¥ 191,488	¥ 90,612
Segment profit (loss)	¥ 42,475	¥ 56,047	¥ 15,146	¥ 25,546	¥ 50,480	¥ 14,548	¥ 12,486
Segment assets	53,782	43,486	239,315	17,596	125,055	174,079	226,803
Other items							
Depreciation	3,519	1,765	1,400	110	804	1,271	46
Increase in property, plant and equipment and intangible assets	5,592	2,010	4,050	61	931	1,546	215

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in consolidated financial statements (Note 3)
	Urban redevelopment Business	Overseas Business	Total				
Net sales							
(1) Sales to external customers	¥ 102,736	¥ 388,936	¥ 2,513,595	¥ 75,984	¥ 2,589,579	¥ —	¥ 2,589,579
(2) Intersegment sales or transfers	648	—	16,923	6,828	23,752	(23,752)	—
Total	¥ 103,384	¥ 388,936	¥ 2,530,519	¥ 82,812	¥ 2,613,331	¥ (23,752)	¥ 2,589,579
Segment profit (loss)	¥ 11,276	¥ 50,147	¥ 278,155	¥ (1,208)	¥ 276,946	¥ (46,786)	¥ 230,160
Segment assets	565,506	1,022,182	2,467,808	13,528	2,481,336	319,852	2,801,189
Other items							
Depreciation	9,023	1,573	19,515	661	20,177	3,891	24,069
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 is mainly the Exterior Business.

2. Adjustments are as follows.

- (1) An adjustment of ¥(46,786) million for segment profit (loss) includes an elimination of intersegment transactions of ¥(3,484) million and corporate expenses of ¥(43,301) 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 ¥319,852 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 ¥3,891 million for depreciation is depreciation expenses related to corporate assets.
- (4) An adjustment of ¥5,618 million for increase in property, plant and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.

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

Fiscal year ended January 31, 2023

(Millions of yen)

	Reportable segments						
	Custom detached houses Business	Rental housing Business	Architectural / Civil engineering Business	Remodeling Business	Real estate management fees Business	Houses for sale Business	Condo-miniums Business
Net sales							
(1) Sales to external customers	¥ 352,463	¥ 426,116	¥ 298,777	¥ 165,910	¥ 619,271	¥ 238,252	¥ 90,883
(2) Intersegment sales or transfers	—	4,591	9,586	752	3,881	—	—
Total	¥ 352,463	¥ 430,708	¥ 308,364	¥ 166,663	¥ 623,153	¥ 238,252	¥ 90,883
Segment profit (loss)	¥ 38,309	¥ 58,407	¥ 13,214	¥ 27,561	¥ 50,659	¥ 20,777	¥ 13,403
Segment assets	56,678	46,114	242,686	18,881	153,738	232,472	215,181
Other items							
Depreciation	3,628	2,106	1,422	115	776	1,313	75
Increase in property, plant and equipment and intangible assets	3,847	2,342	1,272	60	1,338	899	288

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in consolidated financial statements (Note 3)
	Urban redevelopment Business	Overseas Business	Total				
Net sales							
(1) Sales to external customers	¥ 135,320	¥ 521,124	¥ 2,848,120	¥ 80,715	¥ 2,928,835	¥ —	¥ 2,928,835
(2) Intersegment sales or transfers	145	—	18,957	7,505	26,463	(26,463)	—
Total	¥ 135,466	¥ 521,124	¥ 2,867,078	¥ 88,221	¥ 2,955,299	¥ (26,463)	¥ 2,928,835
Segment profit (loss)	¥ 15,051	¥ 73,860	¥ 311,246	¥ (439)	¥ 310,806	¥ (49,317)	¥ 261,489
Segment assets	567,538	1,244,977	2,778,269	18,406	2,796,676	210,860	3,007,537
Other items							
Depreciation	9,431	2,768	21,638	721	22,360	4,351	26,711
Increase in property, plant and equipment and intangible assets	78,319	1,875	90,246	134	90,381	4,949	95,330

(Thousands of U.S. dollars)

	Reportable segments						
	Custom detached houses Business	Rental housing Business	Architectural / Civil engineering Business	Remodeling Business	Real estate management fees Business	Houses for sale Business	Condo-miniums Business
Net sales							
(1) Sales to external customers	\$ 2,701,487	\$ 3,266,008	\$ 2,290,005	\$ 1,271,633	\$ 4,746,463	\$ 1,826,106	\$ 696,582
(2) Intersegment sales or transfers	–	35,188	73,473	5,764	29,746	–	–
Total	\$ 2,701,487	\$ 3,301,203	\$ 2,363,486	\$ 1,277,405	\$ 4,776,217	\$ 1,826,106	\$ 696,582
Segment profit (loss)	\$ 293,623	\$ 447,666	\$ 101,280	\$ 211,244	\$ 388,281	\$ 159,247	\$ 102,729
Segment assets	434,414	353,445	1,860,090	144,715	1,178,340	1,781,804	1,649,276
Other items							
Depreciation	27,807	16,142	10,899	881	5,948	10,064	575
Increase in property, plant and equipment and intangible assets	29,486	17,950	9,749	460	10,255	6,890	2,207

	Reportable segments			Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in consolidated financial statements (Note 3)
	Urban redevelopment Business	Overseas Business	Total				
Net sales							
(1) Sales to external customers	\$ 1,037,173	\$ 3,994,206	\$ 21,829,693	\$ 618,648	\$ 22,448,341	\$ –	\$ 22,448,341
(2) Intersegment sales or transfers	1,111	–	145,298	57,523	202,828	(202,828)	–
Total	\$ 1,038,292	\$ 3,994,206	\$ 21,974,998	\$ 676,178	\$ 22,651,177	\$ (202,828)	\$ 22,448,341
Segment profit (loss)	\$ 115,360	\$ 566,107	\$ 2,385,575	\$ (3,365)	\$ 2,382,203	\$ (377,995)	\$ 2,004,208
Segment assets	4,349,950	9,542,247	21,294,313	141,075	21,435,395	1,616,157	23,051,560
Other items							
Depreciation	72,285	21,216	165,847	5,526	171,380	33,349	204,729
Increase in property, plant and equipment and intangible assets	600,284	14,371	691,699	1,027	692,734	37,932	730,666

(Notes) 1. Other is mainly the Exterior Business.

2. Adjustments are as follows.

- (1) An adjustment of ¥(49,317) million (\$ (377,995) thousand) for segment profit (loss) includes an elimination of intersegment transactions of ¥(3,933) million (\$ (30,145) thousand) and corporate expenses of ¥(45,384) million (\$ (347,850) 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 ¥210,860 million (\$1,616,157 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 ¥4,351 million (\$33,349 thousand) for depreciation is depreciation expenses related to corporate assets
  - (4) An adjustment of ¥4,949 million (\$37,932 thousand) for increase in property, plant and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.
3. Segment profit (loss) is adjusted to correspond to operating profit in the consolidated financial statements.



**[Related information]**

Fiscal year ended January 31, 2022

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
¥ 2,180,221	¥ 297,432	¥ 111,925	¥ 2,589,579

(Note) Net sales are classified in 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, 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

(Thousands of U.S. dollars)

Japan	United States	Other regions	Total
\$ 18,384,065	\$ 3,330,620	\$ 733,655	\$ 22,448,341

(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, 2022

(Millions of yen)

	Custom detached houses Business	Rental housing Business	Architectural / Civil engineering Business	Remodeling Business	Real estate management fees Business	Houses for sale Business
Impairment losses	¥ –	¥ –	¥ –	¥ 11	¥ –	¥ –

	Condominiums Business	Urban redevelopment Business	Overseas Business	Other	Unallocated amounts and elimination	Total
Impairment losses	–	–	–	61	466	539

Fiscal year ended January 31, 2023

(Millions of yen)

	Custom detached houses Business	Rental housing Business	Architectural / Civil engineering Business	Remodeling Business	Real estate management fees Business	Houses for sale Business
Impairment losses	¥ 161	¥ –	¥ –	¥ –	¥ –	¥ –

	Condominiums Business	Urban redevelopment Business	Overseas Business	Other	Unallocated amounts and elimination	Total
Impairment losses	–	160	2,271	72	233	2,898

(Thousands of U.S. dollars)

	Custom detached houses Business	Rental housing Business	Architectural / Civil engineering Business	Remodeling Business	Real estate management fees Business	Houses for sale Business
Impairment losses	\$ 1,234	\$ –	\$ –	\$ –	\$ –	\$ –

	Condominiums Business	Urban redevelopment Business	Overseas Business	Other	Unallocated amounts and elimination	Total
Impairment losses	–	1,226	17,406	552	1,786	22,212

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

Fiscal year ended January 31, 2022

(Millions of yen)

	Custom detached houses Business	Rental housing Business	Architectural / Civil engineering Business	Remodeling Business	Real estate management fees Business	Houses for sale Business
Amortization amount for the year	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –
Balance at end of year	–	–	–	–	–	–

	Condominiums Business	Urban redevelopment Business	Overseas Business	Other	Unallocated amounts and elimination	Total
Amortization amount for the year	¥ –	¥ –	¥ 1,433	¥ –	¥ –	¥ 1,433
Balance at end of year	–	–	250	–	–	250

Fiscal year ended January 31, 2023

(Millions of yen)

	Custom detached houses Business	Rental housing Business	Architectural / Civil engineering Business	Remodeling Business	Real estate management fees Business	Houses for sale Business
Amortization amount for the year	¥ –	¥ –	¥ –	¥ –	¥ –	¥ –
Balance at end of year	–	–	–	–	–	–

	Condominiums Business	Urban redevelopment 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.

(Thousands of U.S. dollars)

	Custom detached houses Business	Rental housing Business	Architectural / Civil engineering Business	Remodeling Business	Real estate management fees Business	Houses for sale Business
Amortization amount for the year	\$ –	\$ –	\$ –	\$ –	\$ –	\$ –
Balance at end of year	–	–	–	–	–	–

	Condominiums Business	Urban redevelopment Business	Overseas Business	Other	Unallocated amounts and elimination	Total
Amortization amount for the year	\$ –	\$ –	\$ 26,336	\$ 805	\$ –	\$ 27,140
Balance at end of year	–	–	225,347	15,368	–	240,714

(Note) Other is construction material supply business.

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

Fiscal year ended January 31, 2022

No item to report

Fiscal year ended January 31, 2023

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, 2022

No item to report

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 period (Millions of yen)
Close relative of officer	Close relative of Toshifumi Kitazawa	–	¥ –	–	–	Contract work for ordered construction	Contract work for ordered construction	¥ 65 (\$498 thousand)	–	¥ –

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

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

## 25. Per share information

Item	(Yen)		(U.S. dollars)
	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2023
Net assets per share	¥ 2,184.36	¥ 2,466.04	\$ 18.90
Profit per share	227.37	276.58	2.12
Diluted profit per share	227.25	276.46	2.12

(Notes) Basis for calculation

### 1. Net assets per share

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2022	As of January 31, 2023	As of January 31, 2023
Net assets recorded on consolidated balance sheet	¥ 1,520,959	¥ 1,667,546	\$ 12,781,068
Difference between net assets recorded on consolidated balance sheet and net assets attributable to ordinary shares	47,018	34,715	266,076
[of which, share acquisition rights]	[186]	[134]	[1,027]
[of which, non-controlling interests]	[46,832]	[34,581]	[265,049]
Net assets attributable to ordinary shares	¥ 1,473,940	¥ 1,632,830	\$ 12,514,984
Number of ordinary shares outstanding (1,000 shares)	684,683	684,683	
Number of ordinary shares held in treasury (1,000 shares)	9,913	22,557	
Number of ordinary shares used to calculate net assets per share (1,000 shares)	674,769	662,126	

### 2. Profit per share and diluted profit per share

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023	Fiscal year ended January 31, 2023
Profit per share			
Profit attributable to owners of parent	¥ 153,905	¥ 184,520	\$ 1,414,271
Amount not attributable to ordinary shareholders	—	—	—
Profit attributable to owners of parent related to ordinary shares	¥ 153,905	¥ 184,520	\$ 1,414,271
Average number of ordinary shares outstanding during the year (1,000 shares)	676,884	667,154	
Diluted profit per share			
Adjustment to profit attributable to owners of parent	¥ —	¥ —	\$ —
Number of ordinary shares increased (1,000 shares)			
Share acquisition rights	264	147	
Performance-linked share awards	103	143	
Overview of residual securities not included in the calculation of diluted profit per share as they have no dilutive effect	—	—	

## 26. Significant subsequent events

### *(Cancellation of treasury shares)*

At the Board of Directors meeting held on March 9, 2023, the Company resolved to cancel its treasury shares under the provisions of Article 178 of the Companies Act, and canceled treasury shares as follows.

- (1) Reason for share cancellation  
To increase shareholder value through a decrease in the total number of issued shares
- (2) Method of cancellation  
Deduction from retained earnings
- (3) Type of shares to be canceled  
Ordinary shares of the Company
- (4) Aggregate number of shares to be canceled  
22,000,000 shares (Proportion to the total number of issued shares before cancellation: 3.21%)
- (5) Date of cancellation  
April 26, 2023
- (6) Aggregate number of issued shares after the cancellation  
662,683,466 shares

### *(Share repurchase)*

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

1. Content of the Board of Directors' resolution concerning the repurchase of shares
  - (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 to be repurchased  
Ordinary shares of the Company
  - (3) Aggregate number of shares to be repurchased  
Up to 18,000,000 shares
  - (4) Aggregate amount of shares to be repurchased  
Up to ¥40,000 million (\$306,584 thousand)
  - (5) Period for share repurchase  
From March 10, 2023 to January 31, 2024
  - (6) Method of share repurchase  
Market purchases (including "Off-Auction Own Share Repurchase Trading [N-NET3]" on the Nagoya Stock Exchange)
2. Share repurchase status as of the end of the month prior to the month of filing the Annual Securities Report  
From March 10, 2023 to March 31, 2023, no treasury stock was repurchased based on the above resolution.

## 27. 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 [30,000]	\$ 229,938	\$ 229,938 [229,938]	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	153,292	153,292	0.20	Unsecured	July 17, 2026
Sekisui House, Ltd.	Series 1 unsecured bonds with interest deferrable clause and early redemption option (subordinated bond)	August 18, 2017	120,000	—	919,752	—	0.81	Unsecured	August 18, 2077 (*)
Total	—	—	¥170,000	¥ 50,000 [30,000]	\$1,302,982	\$ 383,230 [229,938]	—	—	—

(Notes) 1. Amounts due to mature within one year are shown in parenthesis.

2. \* The full amount was redeemed before the maturity date on August 18, 2022 in accordance with a special clause of early redemption.

3. 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
¥ 30,000	¥ —	¥ —	¥ 20,000	¥ —

(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
\$ 229,938	\$ —	\$ —	\$ 153,292	\$ —

[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	¥ 219,218	¥ 305,503	\$ 1,680,218	\$ 2,341,557	5.38	—
Current portion of long-term borrowings	8,244	52,407	63,187	401,679	4.11	—
Current portion of non-recourse long-term borrowings	7,991	19,257	61,248	147,597	3.96	—
Current portion of lease obligations	982	2,201	7,527	16,870	—	—
Long-term borrowings (excluding current portion)	110,299	141,819	845,397	1,086,986	2.30	2024 to 2029
Non-recourse long-term borrowings (excluding current portion)	26,256	15,553	201,242	119,207	4.32	2024
Lease obligations (excluding current portion)	6,869	20,456	52,648	156,787	—	2024 to 2049
Total	¥ 379,862	¥ 557,198	\$ 2,911,489	\$ 4,270,698	—	—

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

2. 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 obligation in the consolidated balance sheet.

3. 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	¥ 14,555	¥ 23,993	¥ 88,142	¥ 14,778
Non-recourse long-term borrowings	15,553	—	—	—
Lease obligations	1,580	1,365	1,435	1,363

(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	\$ 111,558	\$ 183,897	\$ 675,573	\$ 113,267
Non-recourse long-term borrowings	119,207	—	—	—
Lease obligations	12,110	10,462	10,999	10,447

[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.

## Independent Auditor's Report

The Board of Directors  
Sekisui House, Ltd.

### 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, 2023, and the consolidated statements of income, comprehensive income, changes in net assets, 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, 2023, 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.

### 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 urban redevelopment business	
Description of Key Audit Matter	Auditor's Response
In the consolidated statement of income for the fiscal year ended January 31, 2023, the Group recorded net sales of ¥2,928,835 million (\$22,448,341 thousand) (*), which included ¥94,896 million (\$727,340	We conducted the following procedures for certain transactions that were extracted based on audit risks to assess the judgement over the transfer of risks and rewards of ownership regarding revenue recognition on real estate



<p>thousand) (*) in the sale of urban redevelopment 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. Especially, the transactions of real estate and real estate trust beneficiary rights in urban redevelopment business shows a remarkable tendency compared to other business. Repurchase and leaseback options may be granted as a transaction condition in sales contract. In addition, the seller has some continuing involvement such as providing management services or the partial holding of equity interest after the sales. Moreover, by using real estate securitization schemes, its transaction scheme may be complicated. In such cases, a complex judgment is required as to whether substantially all of the risks and rewards of ownership has been transferred. In the event that such judgment is erroneous, a large amount of revenue under which substantially all of the risks and rewards of ownership have not been transferred may be recognized.</p> <p>In addition, even if it is not specified in a sales contract, if a property was repurchased after the sales, the appropriateness of past revenue recognition needs to be carefully examined again.</p> <p>Accordingly, we have determined the revenue recognition on real estate and real estate trust beneficiary rights transactions in urban redevelopment business to be a key audit matter.</p>	<p>and real estate trust beneficiary rights transactions in urban redevelopment business.</p> <ul style="list-style-type: none"> <li>• In order to understand the entire transaction scheme, we inspected the minutes of Board of Directors' meetings and managements' committees, the requests for approval and related documents as well as made inquiries to department in charge.</li> <li>• 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 managements' committees, the request for approval and related documents.</li> <li>• In order to evaluate transaction amounts, we compared 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.</li> <li>• In order to verify the fact of transfer of the assets, we inspected the evidences such as receipts and delivery confirmations.</li> <li>• For repurchase transactions, in order to verify reasonableness of the transactions, we made inquiries. We examined the valuation of real estate appraisers as the basis for the repurchase price by involving the valuation specialists of our network firm, and also reevaluated appropriateness of past revenue recognition.</li> </ul>
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Valuation of real estate for sale requiring a long period from acquisition to delivery	
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 amount of ¥534,391 million (\$4,095,892 thousand) (*), ¥723,941 million (\$5,548,716 thousand) (*) and ¥177,095 million (\$1,357,362 thousand) (*), respectively, as real estate for sales in the consolidated balance sheet as of January 31, 2023.</p> <p>Real estate for sales is assets held primarily in Houses for sale Business, Condominiums Business, and Overseas Business. Some of projects in these businesses require large-scale development work, arrangement and negotiation of 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 sales," if 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. For expected future sales, there is a risk that the Group will not be able to make the initially expected profits due to the real estate market or various external factors under development that were not anticipated when the assets were acquired. 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 increase from the initial estimate due to development delays.</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 requiring a long period from acquisition to delivery.</p> <ul style="list-style-type: none"> <li>• 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 managements' committees, the request for approval and related documents. Also, we confirmed that the answers to the questions and the contents of the documents we inspected were consistent with the market reports obtained from sources outside the Group.</li> <li>• In order to evaluate the estimation of future revenue from sale of assets, we compared most recent actual sales results and other transactions in the neighborhood obtained from outside the Group.</li> <li>• 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.</li> <li>• For the foreign subsidiaries assessed as significant components since their valuation of real estate for sales is important, we made inquiries to the component's managements in order to understand real estate market and competitive environment of their located country and area, whether amendment of the laws and their business plan.</li> <li>• For the foreign subsidiaries assessed as significant components since their valuation of real estate for sales is important, we involved the component auditors, instructed audit procedures, and</li> </ul>

<p>Therefore, for real estate for sales requiring a long period from acquisition to delivery, there is a high uncertainty in the estimates since future revenue as a key assumption requires a long period of time. In addition, it is based on subjective judgments from management since they should estimate it according to specific condition of each property.</p> <p>Accordingly, we have determined valuation of real estate for sales requiring a long period from acquisition to delivery 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>	<p>received reports on the results of the audit procedures in order to evaluate whether sufficient and appropriate audit evidences were obtained.</p>
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## Other Information

The other information comprises the information included in 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, related safeguards.

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.

### **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.

### **Convenience Translation**

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended January 31, 2023 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.

Ernst & Young ShinNihon LLC  
Osaka, Japan

April 25, 2023

/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