

Consolidated Financial Statements Summary
for the Third Quarter of FY2023 (February 1, 2023 through October 31, 2023)
(Japanese Standard)

December 7, 2023

Company name	: Sekisui House, Ltd. (URL https://www.sekisuihouse.co.jp/english/)
Listed exchanges	: Tokyo, Nagoya
Stock code	: 1928
Representative	: Yoshihiro Nakai, Representative Director of the Board, President, Executive Officer, CEO
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Filing date of quarterly securities report	: December 14, 2023
Date of scheduled payment of dividends	: -
Quarterly earnings supplementary explanatory documents	: Yes
Quarterly earnings results briefing	: Yes (for institutional investors and analysts, in Japanese)

(Amounts are rounded down to the nearest million yen.)

1. Consolidated Results for the Nine Months Ended October 31, 2023 (February 1, 2023 through October 31, 2023)

(1) Consolidated Financial Results

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	¥ million	%	¥ million	%	¥ million	%	¥ million	%
Nine months ended Oct. 31, 2023	2,189,508	2.8	186,688	(7.8)	186,659	(7.9)	141,889	(5.3)
Nine months ended Oct. 31, 2022	2,130,078	15.5	202,499	20.4	202,628	20.1	149,815	29.3

(Note) Comprehensive income:

Nine months ended Oct. 31, 2023: ¥216,068 million (-16.3%) Nine months ended Oct. 31, 2022: ¥258,272 million (63.4%)

	Profit per share	Fully diluted profit per share
	¥	¥
Nine months ended Oct. 31, 2023	216.29	216.23
Nine months ended Oct. 31, 2022	224.05	223.97

(2) Consolidated Financial Position

	Total assets	Net assets	Equity capital ratio
	¥ million	¥ million	%
As of October 31, 2023	3,429,634	1,768,999	50.4
As of January 31, 2023	3,007,537	1,667,546	54.3

(Reference) Equity capital As of October 31, 2023: ¥1,729,703 million As of January 31, 2023: ¥1,632,830 million

2. Cash Dividends

	Cash dividends per share				
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual
	¥	¥	¥	¥	¥
Year ended Jan. 31, 2023	—	52.00	—	58.00	110.00
Year ending Jan. 31, 2024	—	59.00	—		
Year ending Jan. 31, 2024 (forecast)				59.00	118.00

(Note) Revised dividend forecast for the quarter under review: No

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

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

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	¥ millions	%	¥ millions	%	¥ millions	%	¥ millions	%	¥
Year ending January 31, 2024	3,080,000	5.2	265,000	1.3	259,000	0.7	193,000	4.6	295.05

(Note) Revised forecast for the quarter under review: No

Notes

(1) Changes in significant subsidiaries (changes in specific subsidiaries that caused a change in scope of consolidation): Not applicable

New Consolidated Companies: -

Excluded: -

(2) Application of accounting treatment specific to the preparations for consolidated quarterly financial statements: Not applicable

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

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

(b) Changes in accounting policies due other than (a): Not applicable

(c) Changes in accounting estimates: Not applicable

(d) Restatements: Not applicable

(4) Number of shares outstanding (common stock)

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

As of Oct. 31, 2023: 662,862,666 shares

As of Jan. 31, 2023: 684,683,466 shares

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

As of Oct. 31, 2023: 14,920,868 shares

As of Jan. 31, 2023: 22,557,150 shares

(iii) Average number of shares outstanding in each period (cumulative quarterly consolidated accounting period):

Nine months ended Oct. 31, 2023: 656,016,512 shares Nine months ended Oct. 31, 2022: 668,668,080 shares

*** This quarterly financial results report is exempt from quarterly review.***** Notes Regarding the Appropriate Use of Results Forecasts and Other Important Matters**

Descriptions regarding forward-looking statements, etc. contained in these materials are based on information currently available to the Company and certain assumptions judged reasonable. The Company makes no warranty as to the feasibility of its projections. Future results may differ materially from projections due to various factors. For the assumptions underlying the earnings forecast, please see “(3) Information Regarding Consolidated Results Forecast” in “1. Quarterly Qualitative Analysis” of the “Attached Material” on page 9.

(Obtaining supplementary explanatory documents)

The Company plans to hold a briefing for institutional investors and analysts on December 7, 2023. Relevant financial explanatory documents to be handed out at the briefing will be posted on our official website on the same day.

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Appendix: Segment breakdown for the Nine Months Ended October 31, 2023**Consolidated****(1) Net sales**

(¥ million)

		Nine months ended October 31, 2022	Nine months ended October 31, 2023	YOY (%)
Built-to-order Business	Detached houses	351,471	342,144	(2.7)
	Rental housing and commercial buildings	370,769	390,460	5.3
	Architectural / civil engineering	195,167	189,308	(3.0)
	Subtotal	917,408	921,912	0.5
Supplied Housing Business	Rental housing management	461,781	482,604	4.5
	Remodeling	119,006	125,813	5.7
	Subtotal	580,787	608,417	4.8
Development Business	Real estate and brokerage	161,800	199,192	23.1
	Condominiums	63,428	59,806	(5.7)
	Urban redevelopment	79,123	88,095	11.3
	Subtotal	304,352	347,094	14.0
Overseas Business		350,472	332,581	(5.1)
Other businesses		6,830	9,240	35.3
Eliminations and back office		(29,772)	(29,737)	—
Consolidated		2,130,078	2,189,508	2.8

(2) Operating profit and Operating profit margin

(¥ million)

		Nine months ended October 31, 2022	Nine months ended October 31, 2023	YOY (%)
		Amount	Amount	
		Operating margin	Operating margin	
Built-to-order Business	Detached houses	30,101 8.6%	26,312 7.7%	(12.6)
	Rental housing and commercial buildings	54,983 14.8%	57,984 14.9%	5.5
	Architectural / civil engineering	8,523 4.4%	8,598 4.5%	0.9
	Subtotal	93,608 10.2%	92,895 10.1%	(0.8)
Supplied Housing Business	Rental housing management	36,290 7.9%	38,046 7.9%	4.8
	Remodeling	14,738 12.4%	16,070 12.8%	9.0
	Subtotal	51,029 8.8%	54,116 8.9%	6.1
Development Business	Real estate and brokerage	13,532 8.4%	18,651 9.4%	37.8
	Condominiums	10,971 17.3%	9,022 15.1%	(17.8)
	Urban redevelopment	6,673 8.4%	15,245 17.3%	128.4
	Subtotal	31,177 10.2%	42,920 12.4%	37.7
Overseas Business		61,156 17.4%	33,311 10.0%	(45.5)
Other businesses		1,741 25.5%	1,641 17.8%	(5.8)
Eliminations and back office		(36,214)	(38,197)	—
Consolidated		202,499 9.5%	186,688 8.5%	(7.8)

(3) Orders

(¥ million)

		Nine months ended October 31, 2022	Nine months ended October 31, 2023	YOY (%)
Built-to-order Business	Detached houses	351,892	338,161	(3.9)
	Rental housing and commercial buildings	387,187	416,635	7.6
	Architectural / civil engineering	169,503	229,214	35.2
	Subtotal	908,583	984,011	8.3
Supplied Housing Business	Rental housing management	461,781	482,604	4.5
	Remodeling	128,221	130,201	1.5
	Subtotal	590,002	612,806	3.9
Development Business	Real estate and brokerage	174,557	229,281	31.4
	Condominiums	65,960	80,450	22.0
	Urban redevelopment	64,323	126,945	97.4
	Subtotal	304,841	436,678	43.2
Overseas Business		374,467	406,122	8.5
Other businesses		6,830	9,261	35.6
Eliminations and back office		(27,360)	(27,449)	—
Consolidated		2,157,365	2,421,430	12.2

(4) Order backlog

(¥ million)

		As of January 31, 2023	As of October 31, 2023	YOY (%)
Built-to-order Business	Detached houses	235,362	231,379	(1.7)
	Rental housing and commercial buildings	490,349	516,524	5.3
	Architectural / civil engineering	375,637	415,543	10.6
	Subtotal	1,101,349	1,163,447	5.6
Supplied Housing Business	Rental housing management	—	—	—
	Remodeling	36,557	40,946	12.0
	Subtotal	36,557	40,946	12.0
Development Business	Real estate and brokerage	42,400	72,489	71.0
	Condominiums	77,420	98,064	26.7
	Urban redevelopment	—	38,850	—
	Subtotal	119,820	209,404	74.8
Overseas Business		212,319	300,692	41.6
Other businesses		407	428	5.2
Eliminations and back office		(22,666)	(20,378)	—
Consolidated		1,447,787	1,694,540	17.0

* Due to a review of reportable segments, the above reportable segments will be changed from the fiscal year ending January 31, 2024.

* Order backlog of the Hubble Group, LLC, which was made a consolidated subsidiary during the consolidated fiscal year under review, and its subsidiaries are included in the results of the Overseas Business.

1. Quarterly Qualitative Analysis

(1) Information Regarding Consolidated Business Results

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

In the housing market, although rental housing remains robust, there has been an overall weakening of domestic new housing starts, attributable in part to post-COVID-19 changes in consumption behavior and higher construction costs. In the United States, demand for new houses remains strong, although the situation continues to require close attention to the impact that rising mortgage interest rates and soaring housing prices may have on demand.

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

For the third quarter of the consolidated fiscal year under review, Sekisui House showed net sales of ¥2,189,508 million (up 2.8% year on year), operating profit of ¥186,688 million (down 7.8% year on year), ordinary profit of ¥186,659 million (down 7.9% year on year), and quarterly profit attributable to owners of parent of ¥141,889 million (down 5.3% year on year).

Results and other achievements by business model are outlined below.

Classification of business segments has been changed from the first quarter of the consolidated fiscal year ending January 31, 2024, and comparisons and analysis are based on the revised classification from the third quarter of the consolidated fiscal year under review.

Built-to-Order Business

Detached houses

During the third quarter of the consolidated fiscal year under review, the business showed net sales of ¥342,144 million (down 2.7% year on year) and operating profit of ¥26,312 million (down 12.6% year on year), soaring material prices continuing from the previous fiscal year.

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

We have also launched “life knit design,” a new design proposal system that offers housing design closely aligned with the sensibilities of the residents to strengthen the attachment to high-quality housing stocks and provide customers with houses where happiness grows in an era of 100-year lifespans. In addition to offering this system nationwide, we have also launched the skeleton and infill business*, which is aimed at contributing to the formation of high-quality housing stocks in Japan by broadly disseminating the technology for safe, secure earthquake resistance that Sekisui House has cultivated since its founding. It is the first joint construction business of its kind in the industry, in which Sekisui House Construction undertakes construction of the foundations and structural frames of wooden houses, which are then built by local partner companies, and in which partner companies are also primarily responsible for the exterior and interior design.

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

Rental housing and commercial buildings

During the third quarter of the consolidated fiscal year under review, the business showed net sales of ¥390,460 million (up 5.3% year on year) and operating profit of ¥57,984 million (up 5.5% year on year).

To supply high-value-added properties based on our area-specific strategies and further enhance the Sha Maison brand, the business concentrated on expanding sales of three- and four-story rental houses built using an original Sekisui House construction method, and on the proliferation of Sha Maison ZEH net zero energy rental housing. Sha Maison ZEH Distributes electricity from photovoltaic power generation systems to individual residences. This has been well received as a method for selling electricity, appealing to residents' ethical orientation and letting them experience the merits of saving on utility costs. Among orders for rental housing, ZEH housing comprised 75% of the number of orders for rental housing.

In addition to these high added-value proposals, the Company's urban area-focused price leader strategy, which achieves high occupancy and rent rates, has successfully led to ongoing strong orders, including in the corporations (CRE) and public entities (PRE) businesses.

Architectural / civil engineering

During the third quarter of the consolidated fiscal year under review, the business showed net sales of ¥189,308 million (down 3.0% year on year), and operating profit of ¥8,598 million (up 0.9% year on year).

Both architectural and civil engineering businesses showed a recovering trend in orders owing to the increase in profitability of the architectural business, due to factors including securing additional modification construction as well as the return of appetite for capital investment in the private sector.

Supplied Housing Business

Rental housing management

During the third quarter of the consolidated fiscal year under review, the business showed net sales of ¥482,604 million (up 4.5% year on year), and operating profit of ¥38,046 million (up 4.8% year on year).

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

Remodeling

During the third quarter of the consolidated fiscal year under review, the business showed net sales of ¥125,813 million (up 5.7% year on year), and operating profit of ¥16,070 million (up 9.0% year on year), with favorable orders in the previous fiscal year and stable construction progress contributing to increased earnings.

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

Development Business

Real estate and brokerage

During the third quarter of the consolidated fiscal year under review, the business showed net sales of ¥199,192 million (up 23.1% year on year), and operating profit of ¥18,651 million (up 37.8% year on year), with steady progress in sales of real estate by Sekisui House Real Estate companies contributing to increased earnings.

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

Condominiums

For the third quarter of the consolidated fiscal year under review, the business showed net sales of ¥59,806 million (down 5.7% year on year), and operating profit of ¥9,022 million (down 17.8% year on year).

While income decreased due to differences in delivery period, progress was made as planned, including advancing steadily with the delivery of Grand Maison Shirokane Takanawa Park Front (Minato-ku, Tokyo) and Grand Maison Ohori Koen The Tower (Chuo-ku, Fukuoka City).

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

Urban Redevelopment

During the third quarter of the consolidated fiscal year under review, the business showed net sales of ¥88,095 million (up 11.3% year on year), and operating profit of ¥15,245 million (up 128.4% year on year).

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

Overseas Business

During the third quarter of the consolidated fiscal year under review, the business showed net sales of ¥332,581 million (down 5.1% year on year), and operating profit of ¥33,311 million (down 45.5% year on year).

In the United States, the Homebuilding Business and the Master-planned Community Business were affected by a decrease in order backlog associated with the rise in mortgage rates during the previous fiscal year, but orders remained on a recovery trend under strong demand for new high-quality housing. Furthermore, Woodside Homes Company, LLC, a subsidiary in the United States, acquired Hubble Group, LLC, a housing sales company in Idaho, to further expand our housing sales area and extend the outreach of the Sekisui House technologies. In the Multifamily Business, delivery of St. Andrews (Los Angeles) was completed as planned.

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

Other

During the third quarter of the consolidated fiscal year under review, Other Businesses showed net sales of ¥9,240 million (up 35.3% year on year), and an operating profit of ¥1,641 million (down 5.8% year on year).

ESG Management

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

In terms of the environment, the ratio of ZEH detached houses against total new housing starts in fiscal 2022 hit a new record high of 93%, while also promoting ZEH in housing complexes including Sha Maison rental housing and Grande Maison condominiums. Furthermore, we started a demonstration experiment of first hydrogen housing for housing manufacturers (according to our studies) that generates, stores, and makes use of hydrogen at home with the aim of achieving zero carbon in preparation for its commercialization in the summer of 2025. We have also begun incorporating electric vehicles with zero CO2 emissions into our Group business vehicle fleet in efforts aimed at rapidly achieving a 75%

reduction in CO₂ emitted by our business activities, which is one of our greenhouse gas reduction targets. To contribute to the preservation of biodiversity through the housing business, the Company strengthened proposals that integrate housing and exteriors in custom detached houses and rental housing. It also further advanced the Gohon no ki landscaping project that proposes tree planting focusing on native tree species with a high affinity with the local climate, birds, butterflies, and other natural features, as well as signed a partnership agreement with Think Nature Inc. to cooperate in achieving net increase in biodiversity and standardization of calculation method through the use of biodiversity big data and AI.

In connection with the improvement of social value, the Company joined the Health & Productivity Management Alliance established by companies and organizations that resonate with the vision of vitalizing Japanese companies through ensuring the health of employees and achieving sustainable health insurance, to promote “Happiness Health Management” on the belief that employee happiness is essential for realizing the Global Vision of “make home the happiest place in the world.” With regard to promoting the active participation of female employees, one of our key management strategies, we continued and promoted the Sekisui House Women’s College training for female managerial candidates begun in 2014, alongside the creation of role models for career development (Number of female employees in managerial positions as of the end of January 2023: 302). Regarding our childcare leave program begun in September 2018 for male employees with children under the age of three (Number of eligible employees as of the end of January 2023: 1,571), we continued to maintain 100% utilization of one-month or longer leaves across the Group. We also implemented IKUKYO.PJT, a project in which companies and organizations that agree with the promotion of male childcare leave consider the matter together. Sekisui House Construction has decided to significantly reinforce development and hiring of skilled housing construction professionals by introducing a new personnel evaluation system and other measures in order to contribute to nurturing workers for building high-quality housing stocks as well as creating local employment opportunities, in response to social issues of aging workers and decline of young workers in construction sites.

With regard to corporate governance, following the policies of the Sixth Mid-Term Management Plan that seek to advance the efficacy of both top management and business management, we are working toward enhancement of the functions of the Board of Directors based on third-party evaluations of its effectiveness, and toward further increases in the level of our information disclosure, while extending our Group governance into the fast-growing United States business and elsewhere globally. As of August 1, we have renamed the Human Relations Office within our Legal Department the “Human Rights and Compliance Promotion Office” in order to more clearly express its status as a body specially tasked with advancing our global implementation of human rights and compliance. Also, in order to enrich and broaden the construction capabilities that comprise one of the Sekisui House Group's core competencies, we have decided on a policy of reorganizing the Sekisui House Construction Group into an intermediate holding company structure, effective February 1, 2024 (scheduled date). As we aim to expand our domain of business, we will strive to provide safe, high-quality construction work with consideration for the community-based nature of Sekisui House construction companies. Together with our implementation of flexible personnel system reforms, the delegation of authority to an intermediate holding company and clarification of responsibilities will enable us to realize growth strategies and strengthen governance.

(2) Information Regarding Consolidated Financial Conditions

Total assets increased by ¥422,097 million to ¥3,429,634 million at the end of the third quarter of the consolidated fiscal year under review, primarily owing to the increases in real estate for sale. Liabilities increased ¥320,643 million to ¥1,660,634 million, mainly due to the increase borrowings. Net asset, despite payments of dividends, increased ¥101,453 million to ¥1,768,999 million, mainly due to posting profit attributable to owners of parent and an increased foreign currency translation adjustment.

(3) Information Regarding Consolidated Results Forecast

The consolidated results forecast for the fiscal year ending January 31, 2024 remained unchanged from the plan announced on March 9, 2023, considering the progress in improvements in the respective business segments.

2. Consolidated Quarterly Financial Statements and Notes

(1) Consolidated Quarterly Balance Sheet

(¥ million)

	As of January 31, 2023	As of October 31, 2023
Assets		
Current assets		
Cash and deposits	332,903	314,160
Notes receivable, accounts receivable from completed construction contracts and others	157,123	153,774
Costs on construction contracts in progress	17,202	22,962
Buildings for sale	534,391	810,256
Land for sale in lots	723,941	874,231
Undeveloped land for sale	177,095	232,946
Other inventories	12,160	12,180
Other	140,200	139,618
Allowance for doubtful accounts	(1,136)	(997)
Total current assets	2,093,883	2,559,134
Non-current assets		
Property, plant and equipment		
Buildings and structures	207,469	165,077
Machinery, equipment and vehicles	10,887	9,962
Land	277,568	259,771
Construction in progress	32,080	45,391
Other, net	26,555	26,931
Total property, plant and equipment	554,562	507,134
Intangible assets		
Goodwill	31,406	19,797
Other	19,710	21,667
Total intangible assets	51,117	41,465
Investments and other assets		
Investment securities	191,500	201,811
Long-term loans receivable	5,636	3,966
Retirement benefit asset	32,501	33,958
Deferred tax assets	18,219	20,063
Other	62,321	63,740
Allowance for doubtful accounts	(2,206)	(1,639)
Total investments and other assets	307,973	321,900
Total non-current assets	913,653	870,499
Total assets	3,007,537	3,429,634

(¥ million)

	As of January 31, 2023	As of October 31, 2023
Liabilities		
Current liabilities		
Notes payable and accounts payable for construction contracts	124,420	136,773
Electronically recorded obligations-operating	102,416	85,751
Short-term bonds payable	—	110,000
Short-term borrowings	305,503	452,861
Current portion of bonds payable	30,000	—
Current portion of long-term borrowings	71,664	33,059
Income taxes payable	34,641	20,563
Advances received on construction contracts in progress	192,236	224,645
Provision for bonuses	36,497	43,188
Provision for bonuses for directors (and other officers)	1,019	1,171
Provision for warranties for completed construction	4,906	5,878
Other	141,337	136,647
Total current liabilities	1,044,643	1,250,541
Non-current liabilities		
Bonds payable	20,000	50,000
Long-term borrowings	157,372	236,750
Long-term leasehold and guarantee deposits received	59,535	58,823
Deferred taxes liabilities	933	3,239
Provision for retirement benefits for directors (and other officers)	692	662
Retirement benefit liability	29,286	29,847
Other	27,525	30,768
Total non-current liabilities	295,347	410,093
Total liabilities	1,339,990	1,660,634
Net assets		
Shareholders' equity		
Share capital	202,591	202,854
Capital surplus	259,864	260,126
Retained earnings	1,056,475	1,071,857
Treasury shares	(50,656)	(41,004)
Total shareholders' equity	1,468,274	1,493,834
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	40,449	42,143
Deferred gains or losses on hedges	623	—
Foreign currency translation adjustment	99,689	170,632
Remeasurements of defined benefits plans	23,793	23,092
Total accumulated other comprehensive income	164,556	235,868
Share acquisition rights	134	111
Non-controlling interests	34,581	39,184
Total net assets	1,667,546	1,768,999
Total liabilities and net assets	3,007,537	3,429,634

(2) Consolidated Quarterly Statement of Income and Consolidated Quarterly Statement of Comprehensive Income**(Consolidated Quarterly Statement of Income)****For the nine months ended October 31, 2022 and 2023**

	(¥ million)	
	Feb. 1, 2022– Oct. 31, 2022	Feb. 1, 2023 – Oct. 31, 2023
Net sales	2,130,078	2,189,508
Cost of sales	1,691,873	1,746,998
Gross profit	438,205	442,510
Selling, general and administrative expenses	235,705	255,821
Operating profit	202,499	186,688
Non-operating income		
Interest income	1,542	1,979
Dividend income	1,201	1,237
Foreign exchange gains	2,987	4,794
Share of profit of entities accounted for using equity method	—	1,826
Other	3,191	2,671
Total non-operating income	8,923	12,510
Non-operating expenses		
Interest expenses	3,402	8,789
Share of loss of entities accounted for using equity method	1,795	—
Other	3,596	3,750
Total non-operating expenses	8,794	12,539
Ordinary profit	202,628	186,659
Extraordinary income		
Gain on sale of shares of subsidiaries and affiliates	5	9,971
Gain on sale of investment securities	—	3,623
Reversal of allowance for doubtful accounts	—	557
Gain on liquidation of subsidiaries and affiliates	16,814	—
Total extraordinary income	16,819	14,152
Extraordinary losses		
Loss on sale and retirement of non-current assets	909	917
Impairment losses	209	246
Loss on valuation of investment securities	—	8
Provision of allowance for doubtful accounts	1,934	—
Loss on sale of investment securities	10	—
Total extraordinary losses	3,063	1,172
Profit before income taxes	216,384	199,639
Income taxes-current	59,659	57,671
Income taxes-deferred	735	(2,529)
Total income taxes	60,395	55,142
Profit	155,989	144,497
Profit attributable to non-controlling interests	6,174	2,607
Profit attributable to owners of parent	149,815	141,889

(Consolidated Quarterly Statement of Comprehensive Income)**For the nine months ended October 31, 2022 and 2023**

	Feb. 1, 2022 – Oct. 31, 2022	Feb. 1, 2023 – Oct. 31, 2023
Profit	155,989	144,497
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,076)	1,945
Foreign currency translation adjustment	93,495	66,015
Remeasurement of defined benefit plans, net of tax	1,575	(706)
Share of other comprehensive income of entity accounted for using equity method	9,287	4,317
Total other comprehensive income	102,282	71,570
Comprehensive income	258,272	216,068
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	251,729	213,202
Comprehensive income attributable to non-controlling interests	6,542	2,865

(3) Notes to Consolidated Quarterly Financial Statements**(Notes Regarding Assumption of a Going Concern)**

Not applicable

(Notes on significant changes in the amount of shareholders' equity)

Not applicable

(Changes in accounting policies)**(The adoption of 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) has been applied from the beginning of the first quarter. As a result, pursuant to transitional measures set forth in Paragraph 27-2 of Implementation Guidance on Accounting Standard for Fair Value Measurement, new accounting policies stipulated by Implementation Guidance on Accounting Standard for Fair Value Measurement are applied prospectively. There is no impact on the quarterly consolidated financial statements.