

Consolidated Financial Statements

SEKISUI HOUSE, LTD.

*Year ended January 31, 2025
with Independent Auditor's Report*

Consolidated Financial Statements

Year ended January 31, 2025

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Consolidated balance sheet

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2024	As of January 31, 2025	As of January 31, 2025
Assets			
Current assets			
Cash and deposits	¥ 293,152	¥ 390,559	\$ 2,529,036
Notes receivable, accounts receivable from completed construction contracts and others	*1 176,466	*1 211,114	*1 1,367,053
Costs on construction contracts in progress	17,351	14,127	91,478
Buildings for sale	*4,*6,*8 774,297	*4,*6,*8 1,068,926	*4,*6,*8 6,921,751
Land for sale in lots	*4,*6 856,404	*4,*6 1,374,237	*4,*6 8,898,770
Undeveloped land for sale	233,197	*4 396,123	*4 2,565,065
Other inventories	*2 12,474	*2 12,164	*2 78,767
Other	*5,*6 134,627	*5 245,867	*5 1,592,094
Allowance for doubtful accounts	(1,026)	(1,013)	(6,560)
Total current assets	2,496,947	3,712,106	24,037,467
Non-current assets			
Property, plant and equipment			
Buildings and structures	*4,*6 321,467	*4,*6 346,487	*4,*6 2,243,651
Machinery, equipment and vehicles	*4 73,927	*4 76,430	*4 494,917
Tools, furniture and fixtures	*4 40,740	*4 47,408	*4 306,987
Land	*4,*6 252,548	*4,*6 258,559	*4,*6 1,674,280
Leased assets	23,313	27,826	180,185
Construction in progress	*4 52,173	*4 45,976	*4 297,714
Other	—	5,855	37,914
Accumulated depreciation	(267,916)	(274,304)	(1,776,235)
Total property, plant and equipment	496,253	534,240	3,459,431
Intangible assets			
Goodwill	17,808	134,217	869,112
Industrial property	3,032	57,903	374,947
Leasehold interests in land	2,057	2,986	19,336
Software	*4 15,779	*4 25,198	*4 163,168
Right to use facilities	*4 145	*4 130	*4 842
Telephone subscription right	238	238	1,541
Other	1,326	1,199	7,764
Total intangible assets	40,388	221,873	1,436,722
Investments and other assets			
Investment securities	*3,*6 198,437	*3,*6 205,632	*3,*6 1,331,555
Long-term loans receivable	3,971	13,656	88,428
Retirement benefit asset	35,440	46,749	302,720
Deferred tax assets	20,242	10,643	68,918
Other	*5 62,989	*5 64,994	*5 420,864
Allowance for doubtful accounts	(1,872)	(1,047)	(6,780)
Total investments and other assets	319,208	340,628	2,205,711
Total non-current assets	855,851	1,096,742	7,101,871
Total assets	¥ 3,352,798	¥ 4,808,848	\$ 31,139,338

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2024	As of January 31, 2025	As of January 31, 2025
Liabilities			
Current liabilities			
Notes payable and accounts payable for construction contracts	¥ 134,026	¥ 195,028	\$ 1,262,889
Electronically recorded obligations – operating	103,266	79,360	513,890
Short-term bonds payable	–	40,000	259,017
Short-term borrowings	440,075	477,840	3,094,217
Current portion of bonds payable	16	8	52
Current portion of long-term borrowings	*6 21,611	*6,*8 252,793	*6,*8 1,636,942
Income taxes payable	39,777	44,652	289,141
Advances received on construction contracts in progress	*9 210,030	*9 220,645	*9 1,428,770
Provision for bonuses	36,699	39,706	257,113
Provision for bonuses for directors (and other officers)	2,553	6,675	43,223
Provision for warranties for completed construction	6,152	14,073	91,129
Other	143,827	184,863	1,197,067
Total current liabilities	<u>1,138,038</u>	<u>1,555,648</u>	<u>10,073,483</u>
Non-current liabilities			
Bonds payable	50,008	620,121	4,015,547
Long-term borrowings	*6,*8 239,089	*6 456,321	*6 2,954,873
Long-term leasehold and guarantee deposits received	*6 58,659	*6 52,626	*6 340,776
Deferred tax liabilities	6,111	13,443	87,049
Provision for retirement benefits for directors (and other officers)	707	862	5,582
Retirement benefit liability	30,716	31,632	204,831
Other	35,415	59,593	385,890
Total non-current liabilities	<u>420,707</u>	<u>1,234,601</u>	<u>7,994,567</u>
Total liabilities	<u>1,558,745</u>	<u>2,790,249</u>	<u>18,068,050</u>
Net assets			
Shareholders' equity			
Share capital	202,854	203,094	1,315,120
Capital surplus	260,126	260,297	1,685,534
Retained earnings	1,132,275	1,266,985	8,204,267
Treasury shares	(40,979)	(40,957)	(265,214)
Total shareholders' equity	<u>1,554,276</u>	<u>1,689,420</u>	<u>10,939,714</u>
Accumulated other comprehensive income			
Valuation difference on available-for-sale securities	44,597	35,610	230,590
Deferred gains or losses on hedges	–	(123)	(796)
Foreign currency translation adjustment	132,895	215,217	1,393,622
Remeasurements of defined benefit plans	22,816	22,075	142,945
Total accumulated other comprehensive income	<u>200,309</u>	<u>272,779</u>	<u>1,766,360</u>
Share acquisition rights	100	87	563
Non-controlling interests	39,366	56,311	364,638
Total net assets	<u>1,794,052</u>	<u>2,018,599</u>	<u>13,071,288</u>
Total liabilities and net assets	<u>¥ 3,352,798</u>	<u>¥ 4,808,848</u>	<u>\$ 31,139,338</u>

Corresponding footnote items are included in Note 5 “Notes related to consolidated balance sheet.”

Consolidated statement of income

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended January 31, 2024	Fiscal year ended January 31, 2025	Fiscal year ended January 31, 2025
Net sales	*1 ¥ 3,107,242	*1 ¥ 4,058,583	*1 \$ 26,281,053
Cost of sales	*2,*6 2,483,496	*2,*6 3,272,590	*2,*6 21,191,414
Gross profit	623,745	785,993	5,089,639
Selling, general and administrative expenses			
Selling expenses	*3 58,936	*3 87,903	*3 569,209
General and administrative expenses	*3,*6 293,852	*3,*6 366,723	*3,*6 2,374,688
Total selling, general and administrative expenses	352,789	454,626	2,943,897
Operating profit	270,956	331,366	2,145,736
Non-operating income			
Interest income	2,947	9,287	60,137
Dividend income	2,191	2,163	14,006
Foreign exchange gains	4,293	3,578	23,169
Share of gain of entities accounted for using equity method	1,900	–	–
Other	4,284	2,839	18,384
Total non-operating income	15,618	17,869	115,709
Non-operating expenses			
Interest expenses	12,371	33,634	217,794
Share of loss of entities accounted for using equity method	–	3,085	19,977
Other	5,954	10,887	70,498
Total non-operating expenses	18,325	47,607	308,276
Ordinary profit	268,248	301,627	1,953,163
Extraordinary income			
Gain on sale of investment securities	5,735	19,312	125,053
Gain on liquidation of subsidiaries and affiliates	9,778	3,456	22,379
Gain on sale of shares of subsidiaries and affiliates	10,519	1,540	9,972
Reversal of allowance for doubtful accounts	632	–	–
Total extraordinary income	26,666	24,309	157,411
Extraordinary losses			
Acquisition related expenses	–	18,232	118,060
Loss on sale and retirement of non-current assets	*5 1,398	*5 1,584	*5 10,257
Loss on sale of shares of subsidiaries and affiliates	41	386	2,500
Impairment losses	*4 484	*4 147	*4 952
Loss on liquidation of business	*7 4,023	–	–
Loss on valuation of investment securities	8	–	–
Total extraordinary losses	5,956	20,351	131,781
Profit before income taxes	288,958	305,586	1,978,799
Income taxes – current	79,648	84,687	548,384
Income taxes – deferred	1,784	(358)	(2,318)
Total income taxes	81,433	84,328	546,060
Profit	207,525	221,257	1,432,733
Profit attributable to non-controlling interests	5,199	3,552	23,001
Profit attributable to owners of parent	¥ 202,325	¥ 217,705	\$ 1,409,733

Corresponding footnote items are included in Note 6 “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, 2024	Fiscal year ended January 31, 2025	Fiscal year ended January 31, 2025
Profit	¥ 207,525	¥ 221,257	\$ 1,432,733
Other comprehensive income			
Valuation difference on available-for-sale securities	4,408	(8,900)	(57,631)
Foreign currency translation adjustment	29,999	84,007	543,981
Remeasurements of defined benefit plans, net of tax	(932)	(723)	(4,682)
Share of other comprehensive income of entity accounted for using equity method	2,595	(1,824)	(11,811)
Total other comprehensive income	*1 36,071	*1 72,558	*1 469,844
Comprehensive income	¥ 243,596	¥ 293,815	\$ 1,902,577
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	¥ 238,079	¥ 290,175	\$ 1,879,007
Comprehensive income attributable to non-controlling interests	5,517	3,640	23,571

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

Consolidated statement of changes in equity

Fiscal year ended January 31, 2024

(Millions of yen)

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

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

Fiscal year ended January 31, 2025

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	¥ 202,854	¥ 260,126	¥ 1,132,275	¥ (40,979)	¥ 1,554,276
Changes during period					
Issuance of new shares	239	239	–	–	479
Dividends of surplus	–	–	(82,968)	–	(82,968)
Profit attributable to owners of parent	–	–	217,705	–	217,705
Purchase of treasury shares	–	–	–	(18)	(18)
Disposal of treasury shares	–	–	(26)	38	12
Cancellation of treasury shares	–	–	–	–	–
Purchase of shares of consolidated subsidiaries	–	(68)	–	–	(68)
Change in treasury shares arising from change in equity in entities accounted for using equity method	–	–	–	1	1
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during period	239	171	134,710	21	135,143
Balance at end of period	¥ 203,094	¥ 260,297	¥ 1,266,985	¥ (40,957)	¥ 1,689,420

	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 period	¥ 44,597	¥ –	¥ 132,895	¥ 22,816	¥ 200,309	¥ 100	¥ 39,366	¥ 1,794,052
Changes during period								
Issuance of new shares	–	–	–	–	–	–	–	479
Dividends of surplus	–	–	–	–	–	–	–	(82,968)
Profit attributable to owners of parent	–	–	–	–	–	–	–	217,705
Purchase of treasury shares	–	–	–	–	–	–	–	(18)
Disposal of treasury shares	–	–	–	–	–	–	–	12
Cancellation of treasury shares	–	–	–	–	–	–	–	–
Purchase of shares of consolidated subsidiaries	–	–	–	–	–	–	–	(68)
Change in treasury shares arising from change in equity in entities accounted for using equity method	–	–	–	–	–	–	–	1
Net changes in items other than shareholders' equity	(8,987)	(123)	82,322	(740)	72,470	(12)	16,945	89,403
Total changes during period	(8,987)	(123)	82,322	(740)	72,470	(12)	16,945	224,546
Balance at end of period	¥ 35,610	¥ (123)	¥ 215,217	¥ 22,075	¥ 272,779	¥ 87	¥ 56,311	¥ 2,018,599

Fiscal year ended January 31, 2025

(Thousands of U.S. dollars)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	\$ 1,313,566	\$ 1,684,427	\$ 7,331,963	\$ (265,356)	\$ 10,064,599
Changes during period					
Issuance of new shares	1,548	1,548	–	–	3,102
Dividends of surplus	–	–	(537,253)	–	(537,253)
Profit attributable to owners of parent	–	–	1,409,733	–	1,409,733
Purchase of treasury shares	–	–	–	(117)	(117)
Disposal of treasury shares	–	–	(168)	246	78
Cancellation of treasury shares	–	–	–	–	–
Purchase of shares of consolidated subsidiaries	–	(440)	–	–	(440)
Change in treasury shares arising from change in equity in entities accounted for using equity method	–	–	–	6	6
Net changes in items other than shareholders' equity	–	–	–	–	–
Total changes during period	1,548	1,107	872,305	136	875,108
Balance at end of period	\$ 1,315,120	\$ 1,685,534	\$ 8,204,267	\$ (265,214)	\$ 10,939,714

	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 period	\$ 288,785	\$ –	\$ 860,552	\$ 147,743	\$ 1,297,086	\$ 648	\$ 254,912	\$11,617,251
Changes during period								
Issuance of new shares	–	–	–	–	–	–	–	3,102
Dividends of surplus	–	–	–	–	–	–	–	(537,253)
Profit attributable to owners of parent	–	–	–	–	–	–	–	1,409,733
Purchase of treasury shares	–	–	–	–	–	–	–	(117)
Disposal of treasury shares	–	–	–	–	–	–	–	78
Cancellation of treasury shares	–	–	–	–	–	–	–	–
Purchase of shares of consolidated subsidiaries	–	–	–	–	–	–	–	(440)
Change in treasury shares arising from change in equity in entities accounted for using equity method	–	–	–	–	–	–	–	6
Net changes in items other than shareholders' equity	(58,195)	(796)	533,070	(4,792)	469,274	(78)	109,726	578,922
Total changes during period	(58,195)	(796)	533,070	(4,792)	469,274	(78)	109,726	1,454,031
Balance at end of period	\$ 230,590	\$ (796)	\$1,393,622	\$ 142,945	\$ 1,766,360	\$ 563	\$ 364,638	\$13,071,288

Corresponding footnote items are included in Note 8 “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, 2024	Fiscal year ended January 31, 2025	Fiscal year ended January 31, 2025
Cash flows from operating activities			
Profit before income taxes	¥ 288,958	¥ 305,586	\$ 1,978,799
Depreciation	27,745	35,235	228,162
Impairment losses	484	147	952
Increase (decrease) in retirement benefit liability	(2,143)	588	3,808
Decrease (increase) in retirement benefit asset	(702)	(12,086)	(78,262)
Interest and dividend income	(5,139)	(11,451)	(74,150)
Interest expenses	12,371	33,634	217,794
Share of (gain) of entities accounted for using equity method	(1,900)	3,085	19,977
Loss (gain) on sale of investment securities	(5,735)	(19,312)	(125,053)
Loss (gain) on valuation of investment securities	8	-	-
Loss (gain) on liquidation of subsidiaries and affiliates	(9,778)	(3,456)	(22,379)
Loss (gain) on sale of shares of subsidiaries and affiliates	(10,478)	(1,154)	(7,473)
Loss on liquidation of business	4,023	-	-
Reversal of allowance for doubtful accounts	(632)	-	-
Decrease (increase) in trade receivables	(19,109)	(32,741)	(212,012)
Decrease (increase) in inventories	(217,996)	(101,081)	(654,543)
Increase (decrease) in trade payables	8,303	(11,562)	(74,869)
Increase (decrease) in advances received on construction contracts in progress	17,056	5,048	32,688
Other, net	6,951	(21,494)	(139,183)
Subtotal	92,286	168,986	1,094,256
Interest and dividends received	5,764	10,680	69,158
Interest paid	(16,440)	(32,756)	(212,109)
Income taxes paid	(77,255)	(84,053)	(544,279)
Income taxes refund	11,327	28	181
Net cash provided by (used in) operating activities	15,683	62,885	407,207
Cash flows from investing activities			
Purchase of securities	-	(26,826)	(173,710)
Proceeds from redemption of securities	-	39,374	254,963
Purchase of property, plant and equipment	(76,937)	(76,693)	(496,620)
Proceeds from sale of property, plant and equipment	437	798	5,167
Purchase of investment securities	(6,820)	(25,229)	(163,369)
Proceeds from sale and redemption of investment securities	26,317	38,492	249,252
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(14,618)	*2 (557,022)	*2 (3,606,955)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	74	122	790
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	3,718	-	-
Payments for sale of shares of subsidiaries resulting in change in scope of consolidation	(841)	(854)	(5,530)
Loan advances	(749)	(76,849)	(497,630)
Proceeds from collection of loans receivable	3,343	2,191	14,188
Other, net	(3,050)	(15,191)	(98,368)
Net cash provided by (used in) investing activities	(69,124)	(697,687)	(4,517,820)

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended January 31, 2024	Fiscal year ended January 31, 2025	Fiscal year ended January 31, 2025
Cash flows from financing activities			
Net increase (decrease) in short-term bonds payable	–	40,000	259,017
Net increase (decrease) in short-term borrowings	155,886	(12,783)	(82,775)
Proceeds from long-term borrowings	55,536	464,564	3,008,250
Repayments of long-term borrowings	(85,621)	(38,875)	(251,732)
Proceeds from issuance of bonds	30,000	352,540	2,282,847
Redemption of bonds	(30,000)	(16)	(104)
Dividends paid	(76,864)	(82,968)	(537,253)
Purchase of treasury shares	(40,018)	(18)	(117)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	(21)	(180)	(1,166)
Other, net	(2,412)	(1,295)	(8,386)
Net cash provided by (used in) financing activities	6,483	720,967	4,668,568
Effect of exchange rate change on cash and cash equivalents	7,112	11,240	72,784
Net increase (decrease) in cash and cash equivalents	(39,846)	97,405	630,739
Cash and cash equivalents at beginning of period	332,747	292,901	1,896,659
Cash and cash equivalents at end of period	*1 ¥ 292,901	*1 ¥ 390,307	*1 \$ 2,527,404

Corresponding footnote items are included in Note 9 “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 ¥154.43 = U.S.\$1.00, the approximate rate of exchange in effect on January 31, 2025. 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

376 consolidated subsidiaries

56 companies were newly included in the scope of consolidation mainly through new establishments and acquisitions. In addition, 22 companies were excluded due to liquidation, sale or other reasons.

Names of major non-consolidated subsidiaries

Otori Insurance Service Co., Ltd. and five 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

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

One company to which the equity method was applied was newly added as investment. In addition, two companies were excluded due to sale.

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 six 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 three 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

For three consolidated subsidiaries whose fiscal year ends on March 31, the subsidiaries prepare their financial statements based on provisional settlement of accounts as of January 31 to reflect in the consolidated financial statements.

For one other consolidated subsidiary whose fiscal year ends on March 31, the subsidiary prepares its financial statements based on provisional settlement of accounts as of December 31 to reflect in 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 five consolidated subsidiaries whose fiscal year ends on November 30 and 334 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.

In addition, during the current fiscal year, MARUHON INC. and its subsidiary changed their fiscal year-end to January 31, which aligns with the consolidated fiscal year-end of the Company. Therefore, their accounting period for the current fiscal year was 13 months.

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. For transactions involving forward foreign exchange contracts and currency swaps, designation accounting treatment is applied if the requirements for the treatment are satisfied, and they are recorded in Japanese yen by translation at the foreign exchange rate stipulated in the contract. For transactions involving interest rate-swap, exceptional accounting treatment is applied 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 and currency swaps.

(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 which satisfy the requirements of designation accounting treatment and transactions involving interest rate-swap which satisfy the requirements of exceptional accounting treatment.

(8) Accounting method and period for amortization of goodwill

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

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

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

(10) Other significant matters for preparing consolidated financial statements

(a) Accounting for consumption taxes

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

(b) Inclusion of interest expenses in acquisition cost

Overseas consolidated subsidiaries include interest expenses on borrowed funds for the real estate development business in the acquisition cost in conformity with the accounting standards in their countries of domicile. For the current fiscal year, interest expenses in the amount of ¥38,076 million (\$246,558 thousand), ¥26,862 million (\$173,943 thousand) and ¥1,969 million (\$12,750 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 ¥24,967 million, ¥17,123 million and ¥494 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, 2024	As of January 31, 2025	As of January 31, 2025
Buildings for sale	¥ 774,297	¥ 1,068,926	\$ 6,921,751
Land for sale in lots	856,404	1,374,237	8,898,770
Undeveloped land for sale	233,197	396,123	2,565,065
Loss on valuation (cost of sales)	4,231	17,520	113,449

(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, 2025

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, 2024	As of January 31, 2025	As of January 31, 2025
Total property, plant and equipment	¥ 496,253	¥ 534,240	\$ 3,459,431
Total intangible assets	40,388	221,873	1,436,722
Impairment losses	484	147	952

(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, 2025

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 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 appraisal value from a real estate appraiser, while the net selling value for the other assets is 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 applied.

(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. Accounting standards issued but not yet effective

“Accounting Standard for Current Income Taxes”

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

(1) Overview

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

(2) Scheduled date of adoption

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

(3) Impact of the adoption of the accounting standards

The impact of the adoption of the “Accounting Standard for Current Income Taxes” on the consolidated financial statements is currently under evaluation.

“Accounting Standard for Leases, etc.”

- “Accounting Standard for Leases” (ASBJ Statement No. 34, September 13, 2024)
- “Implementation Guidance on Accounting Standard for Leases” (ASBJ Guidance No. 33, September 13, 2024)

In addition, amendments to related Accounting Standards, Implementation Guidance, Practical Solutions, and Transferred Guidance

(1) Overview

The standards set forth treatment whereby lessees record assets and liabilities for all leases, etc. consistent with international accounting standards.

(2) Scheduled date of application

These accounting standards and guidance will be applied from the beginning of the fiscal year ending January 31, 2029.

(3) Impact of the application of the accounting standards

The impact of the application of the “Accounting Standard for Leases” on the consolidated financial statements is currently under evaluation.

5. Notes related to consolidated balance sheet

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

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2024	As of January 31, 2025	As of January 31, 2025
Notes receivable – trade	¥ 2,802	¥ 2,580	\$ 16,707
Accounts receivable from completed construction contracts and others	30,268	30,901	200,097
Contract assets	142,138	176,262	1,141,371
Total	¥ 175,210	¥ 209,744	\$ 1,358,182

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

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2024	As of January 31, 2025	As of January 31, 2025
Semi-finished goods	¥ 6,529	¥ 6,592	\$ 42,686
Work in process	963	901	5,834
Raw materials and supplies	4,981	4,670	30,240
Total	¥ 12,474	¥ 12,164	\$ 78,767

- *3. Assets pertaining to non-consolidated subsidiaries and affiliates are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2024	As of January 31, 2025	As of January 31, 2025
Investment securities	¥ 86,605	¥ 109,467	\$ 708,845

- *4. Change in holding purpose

As of January 31, 2024

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

As of January 31, 2025

¥4,187 million (\$27,113 thousand) of real estate for sale recorded as “Buildings for sale” and “Land for sale in lots” as of January 31, 2024, has been reclassified as “Buildings and structures” and “Land,” respectively. In addition, ¥37,002 million (\$239,604 thousand) of investment properties, etc. recorded under “Buildings and structures” and “Land” as of January 31, 2024, has been reclassified under “Buildings for sale,” “Land for sale in lots,” etc.

- *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, 2024	As of January 31, 2025	As of January 31, 2025
Other (current assets)	¥ 236	¥ 230	\$ 1,489
Other (investments and other assets)	8,403	8,922	57,774
Total	¥ 8,639	¥ 9,152	\$ 59,263

*6. Collateralized assets and secured liabilities

Collateralized assets are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2024	As of January 31, 2025	As of January 31, 2025
Buildings for sale	¥ 18,011	¥ 35,800	\$ 231,820
Land for sale in lots	30,424	33,172	214,803
Other (current assets) (Note)	1	–	–
Buildings and structures	1,488	1,416	9,169
Land	5,043	4,488	29,062
Investment securities (Note)	345	345	2,234
Total	¥ 55,314	¥ 75,223	\$ 487,101

(Note) Other (current assets) and investment securities are provided as collateral against liabilities of investees.

Secured liabilities are as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2024	As of January 31, 2025	As of January 31, 2025
Current portion of long-term borrowings	¥ 2,995	¥ 30,413	\$ 196,937
Long-term borrowings	27,415	19,948	129,172
Long-term leasehold and guarantee deposits received	816	630	4,080

*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, 2024	As of January 31, 2025	As of January 31, 2025
Housing purchasers, etc. using housing mortgages	¥ 132,925 [3,627 originations]	¥ 125,173 [3,404 originations]	\$ 810,548
Subsidiaries and affiliates	45,211	53,315	345,237

(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, 2024	As of January 31, 2025	As of January 31, 2025
1 company	¥ 95	¥ –	\$ –

*8. Non-recourse debt

(1) Non-recourse debt is as follows.

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2024	As of January 31, 2025	As of January 31, 2025
Current portion of long-term borrowings	¥ –	¥ 25,491	\$ 165,065
Long-term borrowings	5,033	–	–
Total	¥ 5,033	¥ 25,491	\$ 165,065

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

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2024	As of January 31, 2025	As of January 31, 2025
Buildings for sale	¥ 18,011	¥ 35,800	\$ 231,820

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, 2024	As of January 31, 2025	As of January 31, 2025
Contract liabilities	¥ 159,309	¥ 167,770	\$ 1,086,382

*10. Commitment line contracts

The Group has entered into commitment line contracts with 25 financial institutions to effectively fund working capital.

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

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2024	As of January 31, 2025	As of January 31, 2025
Total amount of commitment lines	¥ 570,925	¥ 838,607	\$ 5,430,337
Amount borrowed	362,972	421,302	2,728,110
Total unused amount	¥ 207,953	¥ 417,305	\$ 2,702,228

6. 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 write downs due to a 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, 2024	Fiscal year ended January 31, 2025	Fiscal year ended January 31, 2025
	¥ 4,231	\$ 113,449

*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, 2024	Fiscal year ended January 31, 2025	Fiscal year ended January 31, 2025
Advertising expenses	¥ 23,940	¥ 30,446	\$ 197,151
Sales promotion expenses	34,916	56,598	366,496
Provision of allowance for doubtful accounts	79	857	5,549

(2) General and administrative expenses

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended January 31, 2024	Fiscal year ended January 31, 2025	Fiscal year ended January 31, 2025
Employees' salaries and bonuses	¥ 124,865	¥ 161,888	\$ 1,048,294
Provision for bonuses	20,525	23,068	149,375
Provision for bonuses for directors (and other officers)	2,157	4,941	31,995
Retirement benefit expenses	6,135	2,465	15,962
Provision for retirement benefits for directors (and other officers)	200	216	1,399

*4. Impairment losses

The Group recorded impairment losses for the following asset groups.

Fiscal year ended January 31, 2024

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

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

(Breakdown of impairment losses)

Type	Amount (Millions of yen)
Buildings and structures	¥ 293
Land	102
Machinery, equipment and vehicles	87
Other, net	0
Total	¥ 484

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, 2025

Location	Usage	Type
Sano City, Tochigi, etc.	Business assets, etc.	Buildings, land, 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 business assets, etc., the book value was written down to the recoverable value as of January 31, 2025 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	¥ 12	\$ 78
Land	123	796
Other, net	12	78
Total	¥ 147	\$ 952

The recoverable value of such assets was calculated mainly on the net selling value. The net selling value is determined based on the estimated disposal value.

*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, 2024	Fiscal year ended January 31, 2025	Fiscal year ended January 31, 2025
Buildings and structures	¥ 1,018	¥ 1,027	\$ 6,650
Machinery, equipment and vehicles	36	43	278
Land	112	42	272
Other, net	231	469	3,037
Total	¥ 1,398	¥ 1,584	\$ 10,257

*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, 2024	Fiscal year ended January 31, 2025	Fiscal year ended January 31, 2025	
¥ 9,050	¥ 10,581		\$ 68,516

*7. Loss on liquidation of business

Fiscal year ended January 31, 2024

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

Fiscal year ended January 31, 2025

Nothing to report

7. 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, 2024	Fiscal year ended January 31, 2025	Fiscal year ended January 31, 2025
Valuation difference on available-for-sale securities:			
Amount that arose in the current year	¥ 11,845	¥ 7,144	\$ 46,260
Reclassification adjustment amount	(5,342)	(19,195)	(124,296)
Before adjustment for tax effect	6,502	(12,051)	(78,035)
Amount of tax effect	(2,094)	3,151	20,404
Valuation difference on available-for-sale securities	4,408	(8,900)	(57,631)
Foreign currency translation adjustment:			
Amount that arose in the current year	39,777	87,463	566,360
Reclassification adjustment amount	(9,778)	(3,456)	(22,379)
Foreign currency translation adjustment	29,999	84,007	543,981
Remeasurements of defined benefit plans, net of tax:			
Amount that arose in the current year	1,318	9,214	59,665
Reclassification adjustment amount	(2,657)	(10,258)	(66,425)
Before adjustment for tax effect	(1,338)	(1,043)	(6,754)
Amount of tax effect	406	319	2,066
Remeasurements of defined benefit plans, net of tax	(932)	(723)	(4,682)
Share of other comprehensive income of entity accounted for using equity method:			
Amount that arose in the current year	2,573	3,589	23,240
Reclassification adjustment amount	22	(5,414)	(35,058)
Share of other comprehensive income of entity accounted for using equity method	2,595	(1,824)	(11,811)
Total other comprehensive income	¥ 36,071	¥ 72,558	\$ 469,844

8. Notes related to consolidated statement of changes in equity

Fiscal year ended January 31, 2024

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

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

(Notes) Description of the reasons for the change

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

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

Breakdown of the number of decreased shares is as follows.

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

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

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

Increase due to repurchase of fractional shares
6,414 shares

Increase due to acquisition of restricted shares
2,400 shares

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

Breakdown of the number of decreased shares is as follows.

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

Decrease due to exercise of share options
31,000 shares

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

2. Share acquisition rights

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

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 25, 2023	Ordinary shares	¥ 38,413	¥ 58.00	January 31, 2023	April 26, 2023
Board of Directors meeting held on September 7, 2023	Ordinary shares	38,451	59.00	July 31, 2023	September 29, 2023

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

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

Fiscal year ended January 31, 2025

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, 2024 (Shares)	Increase (Shares)	Decrease (Shares)	Number of shares as of January 31, 2025 (Shares)
Issued shares				
Ordinary shares (Note 1)	662,862,666	134,200	–	662,996,866
Total	662,862,666	134,200	–	662,996,866
Treasury shares				
Ordinary shares (Note 2)	14,911,673	5,153	14,614	14,902,212
Total	14,911,673	5,153	14,614	14,902,212

(Notes) Description of the reasons for the change

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

Increase due to issuance of new shares as restricted share awards and performance share unit awards
134,200 shares

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

Increase due to repurchase of fractional shares
5,143 shares

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

Breakdown of the number of decreased shares is as follows.

Decrease due to exercise of share options
14,000 shares

Decrease due to change in equity in entities accounted for using equity method
614 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, 2025	
			As of February 1, 2024	Increase	Decrease	As of January 31, 2025	(Millions of yen)	(Thousands of U.S. dollars)
Sekisui House, Ltd.	Share acquisition rights as share options	–	–	–	–	–	¥ 87	\$ 563
Total			–	–	–	–	¥ 87	\$ 563

3. Dividends

(1) Dividends paid

Resolution	Classes of shares	Total amount of dividends		Dividend paid per share		Record date	Effective date
		(Millions of yen)	(Thousands of U.S. dollars)	(Yen)	(U.S. dollars)		
Ordinary General Meeting of Shareholders held on April 25, 2024	Ordinary shares	¥ 41,479	\$ 268,594	¥ 64.00	\$ 0.41	January 31, 2024	April 26, 2024
Board of Directors meeting held on September 5, 2024	Ordinary shares	41,488	268,652	64.00	0.41	July 31, 2024	September 30, 2024

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

The following matters are submitted as agenda items (resolution items) for the Ordinary General Meeting of Shareholders to be held on April 23, 2025.

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 23, 2025	Ordinary shares	¥ 46,026	\$ 298,038	Retained earnings	¥ 71.00	\$ 0.46	January 31, 2025	April 24, 2025

9. Notes related to consolidated statement of cash flows

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

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended January 31, 2024	Fiscal year ended January 31, 2025	Fiscal year ended January 31, 2025
Cash and deposits	¥ 293,152	¥ 390,559	\$ 2,529,036
Time deposits with maturities of more than three months	(251)	(252)	(1,632)
Cash and cash equivalents	¥ 292,901	¥ 390,307	\$ 2,527,404

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

Fiscal year ended January 31, 2024

Not presented due to immateriality

Fiscal year ended January 31, 2025

The breakdown of the assets and liabilities at the time of initial consolidation of M.D.C. Holdings, Inc. and its subsidiaries through the purchase of shares as well as the relationship between the acquisition cost of shares and the expenditures for the acquisition (net) are as follows.

	(Millions of yen)	(Thousands of U.S. dollars)
Current assets	¥ 766,774	\$ 4,965,188
Non-current assets	78,203	506,398
Goodwill	125,389	811,947
Current liabilities	(64,850)	(419,931)
Non-current liabilities	(251,881)	(1,631,037)
Acquisition cost	653,635	4,232,565
Cash and cash equivalents of subsidiary	(136,905)	(886,518)
Expenditures for the acquisition, net	¥ 516,729	\$ 3,346,040

10. Leases

(As Lessee)

1. Finance leases

Finance lease transactions that do not transfer ownership

(i) Details of leased assets

(a) Property, plant and equipment

Mainly business use vehicles and business use servers

(b) Intangible assets

Software

(ii) Method of depreciation for leased assets

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

2. Operating leases

Future minimum lease payments under non-cancelable operating leases

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2024	As of January 31, 2025	As of January 31, 2025
Due within one year	¥ 8,123	¥ 8,601	\$ 55,695
Due after one year	61,773	56,998	369,086
Total	¥ 69,896	¥ 65,600	\$ 424,788

(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, 2024	As of January 31, 2025	As of January 31, 2025
Lease receivables	¥ 10,522	¥ 9,951	\$ 64,437
Residual value	-	-	-
Unearned interest income	(3,273)	(3,058)	(19,802)
Investments in leases	7,249	6,892	44,629

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

(Millions of yen)

	As of January 31, 2025					
	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	¥ 222	¥ 223	¥ 223	¥ 224	¥ 3,468
Investments in leases	482	480	480	480	480	7,546

(Thousands of U.S. dollars)

	As of January 31, 2025					
	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	\$ 1,431	\$ 1,438	\$ 1,444	\$ 1,444	\$ 1,450	\$ 22,457
Investments in leases	3,121	3,108	3,108	3,108	3,108	48,864

2. Operating leases

Future minimum lease payments under non-cancelable operating leases

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

	As of January 31, 2024	As of January 31, 2025	As of January 31, 2025
Due within one year	¥ 3,506	¥ 2,630	\$ 17,030
Due after one year	27,833	20,069	129,955
Total	¥ 31,339	¥ 22,700	\$ 146,992

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, 2024	As of January 31, 2025	As of January 31, 2025
Current assets	¥ 3,752	¥ 3,540	\$ 22,923

(2) Lease obligations

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

	As of January 31, 2024	As of January 31, 2025	As of January 31, 2025
Current liabilities	¥ 223	¥ 223	\$ 1,444
Non-current liabilities	3,916	3,693	23,914

11. Financial instruments

1. Matters related to the status of financial instruments

(1) Policy with regard to financial instruments

The Group procures funds required for its business from internal funds to the extent possible. It procures additional necessary funds mainly through borrowings from banks and issuance of bonds, and procures short-term working capital through commercial paper, and other means. The Group manages its funds in highly stable financial assets.

The Group procures funds in Japanese yen-denominated or foreign-denominated currency, and with fixed or variable interest rates. The term of maturity of such funds are decided by comprehensively considering diversification of maturity dates and the financing environment, among other factors.

With regard to derivative transactions, the Group uses transactions to avoid the risks described below, and 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 other 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.

Variable-interest-rate borrowings, foreign-currency-denominated borrowings, and foreign-currency-denominated bonds are exposed to risks associated with interest rate fluctuation and foreign exchange fluctuation.

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 associated with 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 and bonds. Hedging instruments and hedged items, hedging policy, and method of assessing hedge effectiveness are described in significant accounting policies for preparation of consolidated financial statements “2. Accounting policies, (7) Method of significant hedge accounting.”

(3) Risk management system for financial instruments

(i) Management of credit risk (counterparties' default risk, etc.)

The 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.

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

With regard to securities and investment securities, the Group continually reviews its status of holdings by periodically examining market prices and financial condition of the issuing entities (business partners).

With regard to foreign exchange fluctuation risk and interest rate fluctuation risk, the Group seeks matching of assets and procurement, and uses derivative transactions, such as currency swaps, interest rate-swap transactions, and forward foreign exchange contracts, as hedge instruments for individual contracts.

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 credibility.

- (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, the 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

The fair value of financial instruments includes the value based on market prices, and the reasonably calculated value when no market prices are available. Since such value calculations include variable factors, estimated value is subject to fluctuation due to changes in the underlying assumptions. Furthermore, with regard to contract price, etc. related to derivative transactions in the notes on "13. Derivatives," prices themselves do not indicate market risks of derivative transactions.

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, 2024

(Millions of yen)

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

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

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

(Millions of yen)

Categories	As of January 31, 2024
Unlisted shares	¥ 73,779
Investment in special purpose companies, etc.	17,719

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

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

As of January 31, 2025

(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	3,127	2,230	(897)
Available-for-sale securities	87,011	87,011	–
Total assets	90,259	89,362	(897)
Bonds payable	620,129	610,995	(9,133)
Long-term borrowings	709,115	706,445	(2,669)
Total liabilities	1,329,244	1,317,441	(11,803)
Derivatives (*3)	¥ [3,386]	¥ [3,386]	¥ –

(Thousands of U.S. dollars)

	Amount stated in consolidated balance sheet	Fair value	Difference
Securities and investment securities			
Bonds held to maturity	\$ 777	\$ 777	\$ –
Securities of subsidiaries and affiliates	20,249	14,440	(5,808)
Available-for-sale securities	563,433	563,433	–
Total assets	584,465	578,657	(5,808)
Bonds payable	4,015,599	3,956,453	(59,140)
Long-term borrowings	4,591,822	4,574,532	(17,283)
Total liabilities	8,607,421	8,530,991	(76,429)
Derivatives (*3)	\$ [21,926]	\$ [21,926]	\$ –

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

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

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

Categories	As of January 31, 2025	As of January 31, 2025
Unlisted shares	¥ 95,387	\$ 617,671
Investment in special purpose companies, etc.	19,985	129,411

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

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

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

As of January 31, 2024

(Millions of yen)

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

As of January 31, 2025

(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	¥ 390,559	¥ –	¥ –	¥ –
Notes receivable, accounts receivable from completed construction contracts and others	32,743	268	306	1,533
Securities and investment securities				
Bonds held to maturity				
Bonds payable	–	–	–	120
Total	¥ 423,302	¥ 268	¥ 306	¥ 1,653

(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	\$ 2,529,036	\$ –	\$ –	\$ –
Notes receivable, accounts receivable from completed construction contracts and others	212,025	1,735	1,981	9,927
Securities and investment securities				
Bonds held to maturity				
Bonds payable	–	–	–	777
Total	\$ 2,741,061	\$ 1,735	\$ 1,981	\$ 10,704

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

As of January 31, 2024

(Millions of yen)

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

As of January 31, 2025

(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 bonds payable	¥ 40,000	¥ –	¥ –	¥ –	¥ –	¥ –
Short-term borrowings	477,840	–	–	–	–	–
Bonds payable	8	20,000	–	30,000	–	570,121
Long-term borrowings	252,793	172,799	93,302	21,158	9,059	160,001
Total	¥ 770,642	¥ 192,799	¥ 93,302	¥ 51,158	¥ 9,059	¥ 730,122

(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 bonds payable	\$ 259,017	\$ –	\$ –	\$ –	\$ –	\$ –
Short-term borrowings	3,094,217	–	–	–	–	–
Bonds payable	52	129,509	–	194,263	–	3,691,776
Long-term borrowings	1,636,942	1,118,947	604,170	137,007	58,661	1,036,075
Total	\$ 4,990,235	\$ 1,248,456	\$ 604,170	\$ 331,270	\$ 58,661	\$ 4,727,851

(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, 2024

(Millions of yen)

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

As of January 31, 2025

(Millions of yen)

Categories	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Available-for-sale securities				
Equity securities	¥ 87,011	¥ –	¥ –	¥ 87,011
Total assets	87,011	–	–	87,011
Derivatives				
Currency related	–	3,386	–	3,386
Total liabilities	¥ –	¥ 3,386	¥ –	¥ 3,386

(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	\$ 563,433	\$ –	\$ –	\$ 563,433
Total assets	563,433	–	–	563,433
Derivatives				
Currency related	–	21,926	–	21,926
Total liabilities	\$ –	\$ 21,926	\$ –	\$ 21,926

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

As of January 31, 2024

(Millions of yen)

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

As of January 31, 2025

(Millions of yen)

Categories	Fair value			
	Level 1	Level 2	Level 3	Total
Securities and investment securities				
Bonds held to maturity				
Bonds payable	¥ –	¥ 120	¥ –	¥ 120
Securities of subsidiaries and affiliates	2,230	–	–	2,230
Total assets	2,230	120	–	2,350
Bonds payable	–	610,995	–	610,995
Long-term borrowings	–	706,445	–	706,445
Total liabilities	¥ –	¥ 1,317,441	¥ –	¥ 1,317,441

(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	\$ –	\$ 777	\$ –	\$ 777
Securities of subsidiaries and affiliates	14,440	–	–	14,440
Total assets	14,440	777	–	15,217
Bonds payable	–	3,956,453	–	3,956,453
Long-term borrowings	–	4,574,532	–	4,574,532
Total liabilities	\$ –	\$ 8,530,991	\$ –	\$ 8,530,991

(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 “12. Securities” for matters concerning securities classified by holding purpose.

Derivatives

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

Bonds payable

The fair value is stated based on information such as publicly disclosed prices and yields by industry associations, etc., and classified as Level 2. In addition, the fair value of fixed-interest-rate bonds is calculated based on the present value which is the total principal and interest discounted by the interest rate corresponding to the remaining term, and classified as Level 2.

Long-term borrowings

Book value is stated for long-term borrowings with a floating rate interest because their fair value and book value are approximately identical. In addition, the fair value of fixed-interest-rate long-term borrowings 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.

12. Securities

1. Bonds held to maturity

As of January 31, 2024

Nothing to report

As of January 31, 2025

Nothing to report

2. Available-for-sale securities

As of January 31, 2024

(Millions of yen)

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

As of January 31, 2025

(Millions of yen)

	Type	Amount stated in consolidated balance sheet	Acquisition cost	Difference
Securities whose balance sheet amount exceeds acquisition cost	Equity securities	¥ 86,434	¥ 30,070	¥ 56,364
	Subtotal	86,434	30,070	56,364
Securities whose balance sheet amount does not exceed acquisition cost	Equity securities	577	716	(139)
	Subtotal	577	716	(139)
Total		¥ 87,011	¥ 30,787	¥ 56,224

(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	\$ 559,697	\$ 194,716	\$ 364,981
	Subtotal	559,697	194,716	364,981
Securities whose balance sheet amount does not exceed acquisition cost	Equity securities	3,736	4,636	(900)
	Subtotal	3,736	4,636	(900)
Total		\$ 563,433	\$ 199,359	\$ 364,074

3. Sales of available-for-sale securities

Fiscal year ended January 31, 2024

(Millions of yen)

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

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

Fiscal year ended January 31, 2025

(Millions of yen)

Type	Proceeds	Total gain on sale	Total loss on sale
Equity securities, etc.	¥23,662	¥19,312	¥-

(Thousands of U.S. dollars)

Type	Proceeds	Total gain on sale	Total loss on sale
Equity securities, etc.	\$153,222	\$125,053	\$-

(Note) Equity securities, etc. include 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 ¥8 million.

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

13. Derivatives

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

As of January 31, 2024

Currency-related

(Millions of yen)

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

(Note) The method of calculating fair value is described in Note 11 “Financial instruments 3. Breakdown by level of fair values of financial instruments (Note) Explanation of valuation methods and inputs used to calculate fair value and matters related to securities.”

As of January 31, 2025

(Millions of yen)

Categories	Transaction type	Notional amount	Due after one year	Fair value	Gains (losses) on valuation
Off-market transactions	Currency swaps	¥ 55,038	¥ 55,038	¥ (3,386)	¥ (3,386)
Total		¥ 55,038	¥ 55,038	¥ (3,386)	¥ (3,386)

(Thousands of U.S. dollars)

Categories	Transaction type	Notional amount	Due after one year	Fair value	Gains (losses) on valuation
Off-market transactions	Currency swaps	\$ 356,394	\$ 356,394	\$ (21,926)	\$ (21,926)
Total		\$ 356,394	\$ 356,394	\$ (21,926)	\$ (21,926)

(Note) The method of calculating fair value is described in Note 11 “Financial instruments 3. Breakdown by level of fair values of financial instruments (Note) Explanation of valuation methods and inputs used to calculate fair value and matters related to securities.”

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

As of January 31, 2024

Nothing to report

As of January 31, 2025

Not presented due to immateriality

14. 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, 2024	Fiscal year ended January 31, 2025	Fiscal year ended January 31, 2025
Retirement benefit obligations at the beginning of year	¥ 296,063	¥ 306,670	\$ 1,985,819
Service expenses	11,867	12,084	78,249
Interest expenses	4,920	5,101	33,031
Unrecognized net actuarial gain or loss incurred	5,113	(4,524)	(29,295)
Payments of retirement benefits	(12,525)	(13,151)	(85,158)
Past service cost incurred	1,350	(73)	(473)
Decrease due to the change from the simplified method to the principle method	(119)	(55)	(356)
Net change as a result of change in the scope of consolidation	—	31	201
Retirement benefit obligations at the end of year	¥ 306,670	¥ 306,082	\$ 1,982,011

(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, 2024	Fiscal year ended January 31, 2025	Fiscal year ended January 31, 2025
Pension assets at the beginning of year	¥ 299,278	¥ 311,394	\$ 2,016,409
Expected returns on pension assets	7,292	7,639	49,466
Unrecognized net actuarial gain or loss incurred	6,432	4,616	29,891
Contributions paid by the employer	8,792	8,908	57,683
Payments of retirement benefits	(10,314)	(11,208)	(72,577)
Decrease due to the change from the simplified method to the principle method	(87)	(151)	(978)
Pension assets at the end of year	¥ 311,394	¥ 321,198	\$ 2,079,894

(Note) Includes plans applying the simplified method.

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

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2024	As of January 31, 2025	As of January 31, 2025
Funded retirement benefit obligations	¥ 276,005	¥ 274,449	\$ 1,777,174
Pension assets	(311,394)	(321,198)	(2,079,894)
Subtotal	(35,389)	(46,749)	(302,720)
Unfunded retirement benefit obligations	30,665	31,632	204,831
Net amount of liability and asset recorded in the consolidated balance sheet	(4,723)	(15,116)	(97,883)
Retirement benefit liability	30,716	31,632	204,831
Retirement benefit asset	(35,440)	(46,749)	(302,720)
Net amount of liability and asset recorded in the consolidated balance sheet	¥ (4,723)	¥ (15,116)	\$ (97,883)

(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, 2024	Fiscal year ended January 31, 2025	Fiscal year ended January 31, 2025
Service expenses (Note 1)	¥ 11,867	¥ 12,084	\$ 78,249
Interest expenses	4,920	5,101	33,031
Expected returns on pension assets	(7,292)	(7,639)	(49,466)
Amortization of actuarial gains and losses	(1,344)	(10,554)	(68,342)
Amortization of past service cost	37	296	1,917
Amortization resulting from the change from the simplified method to the principle method	(32)	9	58
Other (Note 2)	722	817	5,290
Retirement benefit expenses related to the defined benefit plans	¥ 8,879	¥ 115	\$ 745

(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, 2024	Fiscal year ended January 31, 2025	Fiscal year ended January 31, 2025
Past service cost	¥ (1,313)	¥ 370	\$ 2,396
Actuarial gains and losses	(25)	(1,413)	(9,150)
Total	¥ (1,338)	¥ (1,043)	\$ (6,754)

(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, 2024	As of January 31, 2025	As of January 31, 2025
Unrecognized past service cost	¥ (1,244)	¥ (874)	\$ (5,660)
Unrecognized actuarial gains and losses	34,293	32,879	212,906
Total	¥ 33,049	¥ 32,005	\$ 207,246

(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, 2024	As of January 31, 2025
Bonds	32%	32%
Credit investing	19	18
Private equity	16	16
General account	13	13
Equity securities	7	9
Cash and deposits	1	1
Other, net	12	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, 2024	As of January 31, 2025
Discount rate	Mainly 1.7%	Mainly 1.7%
Long-term expected rate of return	Mainly 2.5%	Mainly 2.5%
Estimated rate of salary increase	Mainly 4.5%	Mainly 4.4%

(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 ¥553 million and ¥1,603 million (\$10,380 thousand) in the previous and the current fiscal years, respectively.

15. Share options

1. Amount of share option expenses recorded and item names

Nothing 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 17, 2012	May 16, 2013	May 15, 2014	May 21, 2015
Categories and number of eligible persons	The Company's Directors and Executive Officers: 33	The Company's Directors and Executive Officers: 32	The Company's Directors and Executive Officers: 34	The Company's Directors and Executive Officers: 34
Classes of shares and number granted	Ordinary shares: 147,000 shares	Ordinary shares: 68,000 shares	Ordinary shares: 100,000 shares	Ordinary shares: 63,000 shares
Grant date	June 13, 2012	June 13, 2013	June 13, 2014	June 12, 2015
Requisite service period	Not specified	Not specified	Not specified	Not specified
Exercise period	From June 14, 2012 to June 13, 2032	From June 14, 2013 to June 13, 2033	From June 14, 2014 to June 13, 2034	From June 13, 2015 to June 12, 2035

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

(2) Number of share options and change

(i) Number of share options

Company name	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.
Date of resolution	May 17, 2012	May 16, 2013	May 15, 2014	May 21, 2015
Unvested				
At the beginning of the fiscal year (Shares)	9,000	3,000	11,000	7,000
Granted (Shares)	–	–	–	–
Forfeited (Shares)	–	–	–	–
Vested (Shares)	3,000	1,000	3,000	2,000
Outstanding (Shares)	6,000	2,000	8,000	5,000
Vested				
At the beginning of the fiscal year (Shares)	2,000	3,000	4,000	3,000
Vested (Shares)	3,000	1,000	3,000	2,000
Exercised (Shares)	5,000	3,000	4,000	2,000
Forfeited (Shares)	–	–	–	–
Exercisable (Shares)	–	1,000	3,000	3,000

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

(ii) Price information

Company name	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.
Date of resolution	May 17, 2012	May 16, 2013	May 15, 2014	May 21, 2015
Exercise price (Yen)	¥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
Average exercise price (Yen)	¥ 3,677	¥ 3,471	¥ 3,488	¥ 3,462
(U.S. dollars)	\$ 23.81	\$ 22.48	\$ 22.59	\$ 22.42
Fair value at the grant date (Yen)	¥ 495	¥ 1,071	¥ 974	¥ 1,507
(U.S. dollars)	\$ 3.21	\$ 6.94	\$ 6.31	\$ 9.76

Company name	Sekisui House, Ltd.	Sekisui House, Ltd.	Sekisui House, Ltd.
Date of resolution	May 19, 2016	May 18, 2017	May 17, 2018
Exercise price (Yen)	¥1 per share	¥1 per share	¥1 per share
(U.S. dollars)	\$ 0.01 per share	\$ 0.01 per share	\$ 0.01 per share
Average exercise price (Yen)	¥ –	¥ –	¥ –
(U.S. dollars)	\$ –	\$ –	\$ –
Fair value at the grant date (Yen)	¥ 1,356	¥ 1,415	¥ 1,283
(U.S. dollars)	\$ 8.78	\$ 9.16	\$ 8.31

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.

16. Tax effect accounting

1. Significant components of deferred tax assets and liabilities

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2024	As of January 31, 2025	As of January 31, 2025
Deferred tax assets			
Loss on valuation of real estate for sale	¥ 13,506	¥ 17,564	\$ 113,734
Provision for bonuses	11,514	14,503	93,913
Retirement benefit liability	9,601	9,187	59,490
Tax loss carry-forward (Note 2)	10,184	7,018	45,445
Unrealized gain on non-current assets	6,535	6,641	43,003
Accumulated impairment losses	4,584	3,957	25,623
Provision for warranties for completed construction	1,395	3,493	22,619
Accrued enterprise tax	2,599	2,560	16,577
Accrued social insurance premium	1,618	1,761	11,403
Other, net	19,170	26,521	171,735
Deferred tax assets subtotal	80,712	93,209	603,568
Valuation allowance for tax loss carry-forward (Note 2)	(7,434)	(3,199)	(20,715)
Valuation allowance for total deductible temporary differences	(8,549)	(8,560)	(55,430)
Valuation allowance (Note 1)	(15,984)	(11,759)	(76,145)
Total deferred tax assets	64,728	81,450	527,423
Deferred tax liabilities			
Valuation difference on available-for-sale securities	(20,282)	(17,130)	(110,924)
Other, net	(30,314)	(67,119)	(434,624)
Total deferred tax liabilities	(50,596)	(84,250)	(545,555)
Net of deferred tax assets and deferred tax liabilities	¥ 14,131	¥ (2,800)	\$ (18,131)

(Notes) 1. The main valuation allowance is 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, 2024

(Millions of yen)

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

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

As of January 31, 2025

(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*	¥ 6	¥ 5	¥ –	¥ 41	¥ 45	¥ 6,919	¥ 7,018
Valuation allowance	(6)	(5)	–	(41)	(45)	(3,100)	(3,199)
Deferred tax assets	–	–	–	–	–	3,818	3,818

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

(Thousands of U.S. dollars)

	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years	Total
Tax loss carry-forward*	\$ 39	\$ 32	\$ –	\$ 265	\$ 291	\$ 44,803	\$ 45,445
Valuation allowance	(39)	(32)	–	(265)	(291)	(20,074)	(20,715)
Deferred tax assets	–	–	–	–	–	24,723	24,723

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

(Change in presentation)

“Provision for warranties for completed construction”, which was included in “Other” under “Deferred tax assets” in the previous fiscal year, has been presented as a separate account item from the current fiscal year as the amount is material. “Loss on valuation of investment securities”, which was presented as a separate account item in the previous year, is included in “Other” under “Deferred tax assets” from the current fiscal year as the amount has become immaterial. In order to reflect these changes in presentation, the notes for the previous fiscal year have been reclassified. As a result, ¥1,065 million of “Loss on valuation of investment securities” and ¥19,500 million of “Other” under “Deferred tax assets” in the previous fiscal year, have been reclassified as ¥1,395 million (\$9,033 thousand) of “Provision for warranties for completed construction” and ¥19,170 million (\$124,134 thousand) of “Other.”

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, 2024	As of January 31, 2025
Statutory tax rate	30.5%	30.5%
(Adjustments)		
Permanently non-deductible expenses, such as entertainment expenses	0.4	0.3
Permanently non-taxable income, such as dividend income	(0.1)	(0.0)
Per capita inhabitant tax etc.	0.2	0.2
Net change in valuation allowance	(0.3)	(0.6)
(Gain) loss on liquidation of subsidiaries and affiliates	(1.5)	(0.2)
Share of loss (gain) of entities accounted for using the equity method	(0.2)	0.3
Difference in income tax rates of overseas subsidiaries	(0.7)	(0.6)
Tax credits	(1.3)	(0.8)
Tax effect on internal reserves of overseas subsidiaries	(0.2)	0.3
Others	1.4	(1.8)
Income tax rate after applying tax effect accounting	28.2%	27.6%

3. Adjustment of deferred tax assets and deferred tax liabilities due to changes in income tax rates

The “Act for Partial Amendment to the Local Tax Act” (Act No. 4 of 2024) was promulgated on March 30, 2024, under which some consolidated subsidiaries became subject to the size-based business tax from the years beginning on and after April 1, 2026. Accordingly, the statutory tax rates used to measure deferred tax assets and liabilities were revised from the previous fiscal year for temporary differences expected to be reversed in the consolidated fiscal years beginning on or after February 1, 2027.

The effect of this change in statutory tax rate is immaterial.

4. Change in tax rate after the consolidated closing date

The “Act for Partial Amendment of the Income Tax Act, etc.” (Act No. 13 of 2025) was promulgated on March 31, 2025, under which income tax rates and others will be increased for fiscal years starting on or after April 1, 2026. Following this, the statutory tax rate used to calculate deferred tax assets and deferred tax liabilities will be changed from the previous 30.5% to 31.4% for temporary differences expected to be resolved in fiscal years starting on or after February 1, 2027.

The effect of this change in statutory tax rate is immaterial.

17. Business combinations

Business combination through acquisition

1. Outline of the business combination

- (1) Name and business description of the acquired company
Name of the acquiree: M.D.C. Holdings, Inc. and its 33 wholly owned subsidiaries (“MDC”)
Business description: Homebuilding and sales of detached houses, and related businesses
- (2) Primary reason for the business combination
In order to expand the Company’s footprint in the United States and achieve the Company’s target of delivering 10,000 homes annually in the overseas market by FY2025, the Company acquired MDC, a listed company engaged in homebuilding business in 16 states.
- (3) Date of the business combination
April 19, 2024
- (4) Legal form of the business combination
SH Residential Holdings, LLC (“SHRH”), the Company’s consolidated subsidiary, acquired all the shares of MDC by cash through a transaction in which Clear Line, Inc., a wholly owned company established by SHRH, was merged into MDC (the surviving company).
- (5) Company name after the business combination
There is no change in the name.
- (6) Ratio of voting rights acquired
100%
- (7) Primary basis for determination of the acquirer
The Company was deemed the acquirer based on fact that SHRH, the Company’s consolidated subsidiary, purchased MDC’s shares in exchange for cash.

2. Period of financial results of acquired company included in the consolidated financial statements
From April 20, 2024 to December 31, 2024

3. Breakdown of acquisition cost of the acquired company and consideration by type

		(Millions of yen)	(Thousands of U.S. dollars)
Consideration for acquisition:	Cash	¥ 653,635	\$ 4,232,565
Acquisition cost:		¥ 653,635	\$ 4,232,565

4. Breakdown and amounts of major expenses related to the acquisition

	(Millions of yen)	(Thousands of U.S. dollars)
Advisory fees, etc.:	¥ 4,719	\$ 30,558

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

- (1) Amount of goodwill
¥125,389 million (\$811,947 thousand)
- (2) Reason for recognition
Acquisition cost exceeded the fair value of net assets of the acquiree as of the acquisition date.
- (3) Amortization method and period
Straight-line method over ten years

6. Amounts and major components of assets acquired and liabilities assumed as of the acquisition date

	(Millions of yen)	(Thousands of U.S. dollars)
Current assets	¥ 766,774	\$ 4,965,188
Non-current assets	78,203	506,398
Total assets	844,978	5,471,592
Current liabilities	64,850	419,931
Non-current liabilities	251,881	1,631,037
Total liabilities	¥ 316,732	\$ 2,050,975

7. The approximate amount of the impact of the merger on the consolidated statement of income to the current fiscal year on the assumption that the business combination was completed at the beginning of the fiscal year, and its calculation method.

	(Millions of yen)	(Thousands of U.S. dollars)
Net sales	¥ 233,435	\$ 1,511,591
Operating profit	¥ 12,194	\$ 78,961

Method of calculating the approximate amount

The approximate amount is the difference between the information of net sales and profit or loss calculated on the assumption that the business combination was completed at the beginning of the fiscal year, and the information of net sales and profit or loss on the consolidated statement of income of the Company.

This information is unaudited.

18. 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, 2024	Fiscal year ended January 31, 2025	Fiscal year ended January 31, 2025
Balance at beginning of year	¥ 3,685	¥ 3,641	\$ 23,577
Increase due to acquisition of property, plant and equipment	131	202	1,308
Adjustments due to passage of time	18	18	117
Decrease due to implementation of asset retirement obligations	(191)	(150)	(971)
Other changes	(3)	—	—
Balance at end of year	¥ 3,641	¥ 3,712	\$ 24,037

19. Real estate for lease, etc.

The Company and some of its consolidated subsidiaries own rental housing and office buildings for leasing in Tokyo and other areas. For the previous fiscal year, net rental income for such real estate for lease, etc. was ¥5,955 million (rental income is recorded as net sales and rental expenses is mainly recorded as cost of sales), and loss on impairment of these rental properties was ¥87 million. For the current fiscal year, net rental income for such real estate for lease, etc. was ¥3,928 million (\$25,435 thousand) (rental income is recorded as net sales and rental expenses is mainly recorded as cost of sales).

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, 2024	Fiscal year ended January 31, 2025	Fiscal year ended January 31, 2025
Amount stated in consolidated balance sheet			
Balance at beginning of year	¥ 438,258	¥ 377,931	\$ 2,447,264
Change during the year	(60,326)	16,505	106,877
Balance at end of year	377,931	394,436	2,554,141
Fair value at end of year	452,620	480,298	3,110,134

- (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 (¥67,614 million) and decreases due to transfers with inventories (¥115,423 million) and depreciation (¥8,681 million). Changes during the current fiscal year mainly resulted from increases due to real estate acquisition (¥60,066 million (\$388,953 thousand)) and decreases due to transfers with inventories (¥35,409 million (\$229,288 thousand)) and depreciation (¥7,465 million (\$48,339 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.

20. Revenue recognition

1. Information on breakdown of revenue from contracts with customers

Fiscal year ended January 31, 2024

(Millions of yen)

	Reportable segments					
	Custom detached houses Business	Rental housing and commercial buildings Business	Architectural / Civil engineering Business	Rental housing management Business	Remodeling Business	Development Business
Construction and sales	¥ 470,775	¥ 518,970	¥ 269,427	¥ –	¥ 173,194	¥ 458,901
Real estate management and other	7	1	29	640,704	–	54,264
Sales to external customers	470,782	518,971	269,456	640,704	173,194	513,166
Other revenue (Note 1)	7	0	29	593,755	–	56,074
Revenue from contracts with customers	470,775	518,971	269,427	46,948	173,194	457,091

	Reportable segments	Other	Total
	Overseas Business		
Construction and sales	¥ 495,544	¥ 250	¥ 2,387,063
Real estate management and other	15,510	9,660	720,178
Sales to external customers	511,055	9,910	3,107,242
Other revenue (Note 1)	12,507	1,517	663,893
Revenue from contracts with customers	498,548	8,392	2,443,349

- (Notes)
- 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).
 - Categorization of some of the reporting segments for the consolidated subsidiaries has been changed from the current fiscal year. Information on the breakdown of revenue from contracts with customers for the previous fiscal year is prepared based on the categorization of the revised reporting segments.

Fiscal year ended January 31, 2025

(Millions of yen)

	Reportable segments					
	Custom detached houses Business	Rental housing and commercial buildings Business	Architectural / Civil engineering Business	Rental housing management Business	Remodeling Business	Development Business
Construction and sales	¥ 478,994	¥ 536,984	¥ 322,426	¥ –	¥ 182,369	¥ 509,364
Real estate management and other	4	0	29	680,651	–	57,781
Sales to external customers	478,998	536,984	322,456	680,651	182,369	567,145
Other revenue (Note)	4	0	29	595,305	–	63,969
Revenue from contracts with customers	478,994	536,984	322,426	85,345	182,369	503,175

	Reportable segments	Other	Total
	Overseas Business		
Construction and sales	¥1,257,750	¥ 1,953	¥ 3,289,844
Real estate management and other	20,761	9,510	768,739
Sales to external customers	1,278,511	11,464	4,058,583
Other revenue (Note)	18,531	1,502	679,343
Revenue from contracts with customers	1,259,979	9,962	3,379,239

(Thousands of U.S. dollars)

	Reportable segments					
	Custom detached houses Business	Rental housing and commercial buildings Business	Architectural / Civil engineering Business	Rental housing management Business	Remodeling Business	Development Business
Construction and sales	\$ 3,101,690	\$ 3,477,200	\$ 2,087,846	\$ –	\$ 1,180,917	\$ 3,298,349
Real estate management and other	26	0	188	4,407,505	–	374,157
Sales to external customers	3,101,716	3,477,200	2,088,040	4,407,505	1,180,917	3,672,505
Other revenue (Note)	26	0	188	3,854,853	–	414,227
Revenue from contracts with customers	3,101,690	3,477,200	2,087,846	552,645	1,180,917	3,258,272

	Reportable segments	Other	Total
	Overseas Business		
Construction and sales	\$ 8,144,467	\$ 12,647	\$ 21,303,141
Real estate management and other	134,436	61,581	4,977,912
Sales to external customers	8,278,903	74,234	26,281,053
Other revenue (Note)	119,996	9,726	4,399,035
Revenue from contracts with customers	8,158,900	64,508	21,882,011

(Note) Other revenue includes lease revenue based on the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13), and transferred real estate (including trust beneficiary interests in real estate) to which the “Practical Guidelines on the Accounting by Transferors for the Securitization of Real Estate Using Special-Purpose Companies” (Transferred Guidance, No. 10).

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

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

(1) Construction and sales

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

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

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

(2) Real estate management and other

With respect to transactions involving real estate for lease that are the 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, 2024	As of January 31, 2025	As of January 31, 2025
Receivables from contracts with customers (Balance at beginning of year)	¥ 44,478	¥ 33,071	\$ 214,149
Receivables from contracts with customers (Balance at end of year)	33,071	33,482	216,810
Contract assets (Balance at beginning of year)	111,058	142,138	920,404
Contract assets (Balance at end of year)	142,138	176,262	1,141,371
Contract liabilities (Balance at beginning of year)	144,117	159,309	1,031,594
Contract liabilities (Balance at end of year)	¥ 159,309	¥ 167,770	\$ 1,086,382

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

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

Of the amount of revenue recognized in the previous fiscal year, the amount included in the balance of contract liabilities at the beginning of year was ¥143,021 million.

Of the amount of revenue recognized in the current fiscal year, the amount included in the balance of contract liabilities at the beginning of year was ¥155,115 million (\$1,004,436 thousand).

(2) Transaction price allocated to remaining performance obligations

The total transaction price allocated to the remaining performance obligations in the previous fiscal year was ¥1,552,023 million, and at the longest, this amount is expected to be recognized as revenue within 10 years. The total transaction price allocated to the remaining performance obligations in the current fiscal year was ¥1,754,577 million (\$11,361,633 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.

21. 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 management for the purpose of deciding the allocation of management resources and evaluating operating results.

The Group has established "Make Home the Happiest Place in the World" as its global vision, under the management policy of designating for deployment of growth strategies focused on the residential business domain and set the goal of becoming a global company that provides the integrated technologies, lifestyle designs and services and plans strategies and undertakes business activities in each business domain.

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

The details of each reportable segment are as follows.

Custom detached houses Business:	Contracting of design and construction, and sales of custom detached houses (Main companies: Sekisui House, Ltd., Sekisui House Construction Group, Sekisui House noie Limited)
Rental housing and commercial buildings Business:	Contracting of design and construction, and sales of rental housing, commercial buildings and other properties (Main companies: Sekisui House, Ltd., Sekisui House Construction Group)

Architectural / Civil engineering Business:	Construction of commercial buildings and other properties and contracting of design and construction of civil engineering works (Main company: Konoike Construction Group)
Rental housing management Business:	Leasing and management operations for rental housing and other properties (Main company: Sekisui House Real Estate Group)
Remodeling Business:	Remodeling of detached houses, rental housing, and other properties (Main companies: Sekisui House Remodeling, Ltd., Sekisui House Real Estate Group, Sekisui House Construction Group)
Development Business:	Consists of the three following businesses. Real estate and brokerage Business Brokerage and sales of land for housing, existing homes, real estate for profit, etc. (Main companies: Sekisui House, Ltd., Sekisui House Real Estate Group) Condominiums Business Development, sales and management of condominiums (Main companies: Sekisui House, Ltd., Sekisui House GM Partners. Ltd.) Urban redevelopment Business Development, management, and operation of office buildings, hotels, and rental condominiums (Main companies: Sekisui House, Ltd., SH Hotel Management, Ltd., Sekisui House Asset Management, Ltd.)
Overseas Business:	Sales of detached houses, development and sales of residential land, and development of condominiums for sales and rent, in overseas market (Main companies: Sekisui House US Holdings, LLC, Sekisui House Australia Holdings Pty Limited)

From the current fiscal year, some segments of consolidated subsidiaries previously included in “Other” segment were recategorized into “Development Business,” in accordance with a partial review of management classifications within the Group.

Segment information for the previous fiscal year has been prepared based on the revised segment classification.

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

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

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

Fiscal year ended January 31, 2024

(Millions of yen)

	Reportable segments					
	Custom detached houses Business	Rental housing and commercial buildings Business	Architectural / Civil engineering Business	Rental housing management Business	Remodeling Business	Development Business
Net sales						
(1) Sales to external customers	¥ 470,782	¥ 518,971	¥ 269,456	¥ 640,704	¥ 173,194	¥ 513,166
(2) Intersegment sales or transfers	274	5,150	5,196	5,883	1,801	19,872
Total	¥ 471,056	¥ 524,121	¥ 274,653	¥ 646,588	¥ 174,996	¥ 533,039
Segment profit	¥ 41,065	¥ 78,016	¥ 12,904	¥ 50,180	¥ 23,482	¥ 65,845
Segment assets	40,112	42,895	267,865	92,067	23,487	1,071,003
Other items						
Depreciation	3,546	437	1,300	459	160	8,252
Investment in affiliates accounted for under the equity method	–	–	–	–	–	17,442
Increase in property, plant and equipment and intangible assets	1,061	325	1,697	412	144	68,737

	Reportable segments		Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in consolidated financial statements (Note 3)
	Overseas Business	Total				
Net sales						
(1) Sales to external customers	¥ 511,055	¥ 3,097,331	¥ 5,597	¥ 3,102,929	¥ 4,312	¥ 3,107,242
(2) Intersegment sales or transfers	–	38,179	5,573	43,753	(43,753)	–
Total	¥ 511,055	¥ 3,135,511	¥ 11,171	¥ 3,146,682	¥ (39,440)	¥ 3,107,242
Segment profit	¥ 48,898	¥ 320,393	¥ 1,630	¥ 322,023	¥ (51,067)	¥ 270,956
Segment assets	1,513,982	3,051,415	19,277	3,070,692	282,106	3,352,798
Other items						
Depreciation	4,321	18,478	180	18,659	9,086	27,745
Investment in affiliates accounted for under the equity method	62,873	80,315	8,128	88,444	(2,044)	86,399
Increase in property, plant and equipment and intangible assets	3,303	75,683	188	75,871	10,838	86,709

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

2. Adjustments are as follows.

- (1) An adjustment of ¥(51,067) million for segment profit includes an elimination of intersegment transactions of ¥(2,106) million and corporate expenses of ¥(48,960) 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 ¥282,106 million for segment assets is corporate assets. Corporate assets are mainly parent company surplus operating funds (cash and securities), long-term investment funds (investment securities) and assets of the administration division.
- (3) An adjustment of ¥9,086 million for depreciation is depreciation expenses related to corporate assets.
- (4) An adjustment of ¥(2,044) million for investment in affiliates accounted for under the equity method is an elimination of intersegment transactions.
- (5) An adjustment of ¥10,838 million for increase in property, plant and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.

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

Fiscal year ended January 31, 2025

(Millions of yen)

	Reportable segments					
	Custom detached houses Business	Rental housing and commercial buildings Business	Architectural / Civil engineering Business	Rental housing management Business	Remodeling Business	Development Business
Net sales						
(1) Sales to external customers	¥ 478,998	¥ 536,984	¥ 322,456	¥ 680,651	¥ 182,369	¥ 567,145
(2) Intersegment sales or transfers	93	7,949	2,567	6,468	1,498	15,430
Total	¥ 479,091	¥ 544,934	¥ 325,024	¥ 687,119	¥ 183,868	¥ 582,576
Segment profit	¥ 46,069	¥ 81,796	¥ 15,218	¥ 56,804	¥ 26,624	¥ 70,285
Segment assets	43,592	48,524	277,069	75,132	25,428	1,136,239
Other items						
Depreciation	3,488	450	1,262	446	192	7,104
Investment in affiliates accounted for under the equity method	–	–	–	–	–	20,382
Increase in property, plant and equipment and intangible assets	3,342	269	1,802	726	202	65,676

	Reportable segments		Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in consolidated financial statements (Note 3)
	Overseas Business	Total				
Net sales						
(1) Sales to external customers	¥1,278,511	¥ 4,047,118	¥ 6,570	¥ 4,053,689	¥ 4,894	¥ 4,058,583
(2) Intersegment sales or transfers	–	34,007	7,496	41,504	(41,504)	–
Total	¥1,278,511	¥ 4,081,126	¥ 14,066	¥ 4,095,193	¥ (36,610)	¥ 4,058,583
Segment profit	¥ 78,945	¥ 375,744	¥ 2,466	¥ 378,211	¥ (46,844)	¥ 331,366
Segment assets	2,874,349	4,480,335	19,671	4,500,007	308,841	4,808,848
Other items						
Depreciation	12,688	25,633	199	25,832	9,402	35,235
Investment in affiliates accounted for under the equity method	83,622	104,004	7,331	111,336	(1,983)	109,352
Increase in property, plant and equipment and intangible assets	5,434	77,455	104	77,560	22,331	99,891

(Thousands of U.S. dollars)

	Reportable segments					
	Custom detached houses Business	Rental housing and commercial buildings Business	Architectural / Civil engineering Business	Rental housing management Business	Remodeling Business	Development Business
Net sales						
(1) Sales to external customers	\$ 3,101,716	\$ 3,477,200	\$ 2,088,040	\$ 4,407,505	\$ 1,180,917	\$ 3,672,505
(2) Intersegment sales or transfers	602	51,473	16,622	41,883	9,700	99,916
Total	\$ 3,102,318	\$ 3,528,680	\$ 2,104,669	\$ 4,449,388	\$ 1,190,624	\$ 3,772,428
Segment profit	\$ 298,316	\$ 529,664	\$ 98,543	\$ 367,830	\$ 172,402	\$ 455,125
Segment assets	282,277	314,214	1,794,140	486,512	164,657	7,357,631
Other items						
Depreciation	22,586	2,914	8,172	2,888	1,243	46,001
Investment in affiliates accounted for under the equity method	–	–	–	–	–	131,982
Increase in property, plant and equipment and intangible assets	21,641	1,742	11,669	4,701	1,308	425,280

	Reportable segments		Other (Note 1)	Total	Adjustment (Note 2)	Amount stated in consolidated financial statements (Note 3)
	Overseas Business	Total				
Net sales						
(1) Sales to external customers	\$ 8,278,903	\$ 26,206,812	\$ 42,544	\$ 26,249,362	\$ 31,691	\$ 26,281,053
(2) Intersegment sales or transfers	–	220,210	48,540	268,756	(268,756)	–
Total	\$ 8,278,903	\$ 26,427,028	\$ 91,083	\$ 26,518,118	\$ (237,065)	\$ 26,281,053
Segment profit	\$ 511,202	\$ 2,433,102	\$ 15,968	\$ 2,449,077	\$ (303,335)	\$ 2,145,736
Segment assets	18,612,634	29,012,077	127,378	29,139,461	1,999,877	31,139,338
Other items						
Depreciation	82,160	165,985	1,289	167,273	60,882	228,162
Investment in affiliates accounted for under the equity method	541,488	673,470	47,471	720,948	(12,841)	708,101
Increase in property, plant and equipment and intangible assets	35,187	501,554	673	502,234	144,603	646,837

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

2. Adjustments are as follows.

- (1) An adjustment of ¥(46,844) million (\$303,335 thousand) for segment profit includes an elimination of intersegment transactions of ¥276 million (\$1,787 thousand) and corporate expenses of ¥(47,120) million (\$305,122 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 ¥308,841 million (\$1,999,877 thousand) for segment assets is corporate assets. Corporate assets are mainly parent company surplus operating funds (cash and securities), long-term investment funds (investment securities) and assets of the administration division.
- (3) An adjustment of ¥9,402 million (\$60,882 thousand) for depreciation is depreciation expenses related to corporate assets.
- (4) An adjustment of ¥(1,983) million (\$12,841 thousand) for investment in affiliates accounted for under the equity method is an elimination of intersegment transactions.
- (5) An adjustment of ¥22,331 million (\$144,603 thousand) for increase in property, plant and equipment and intangible assets is a capital expenditure mainly for equipment for the headquarters.

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

[Related information]

Fiscal year ended January 31, 2024

1. Information for each product or service

Refer to [Segment information].

2. Information for each region

(1) Net sales

(Millions of yen)

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

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

(2) Property, plant and equipment

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

3. Information for each of main customer

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

Fiscal year ended January 31, 2025

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
¥ 2,771,950	¥ 1,233,613	¥ 53,019	¥ 4,058,583

(Thousands of U.S. dollars)

Japan	United States	Other regions	Total
\$ 17,949,556	\$ 7,988,169	\$ 343,321	\$ 26,281,053

(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, 2024

(Millions of yen)

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

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

Fiscal year ended January 31, 2025

(Millions of yen)

	Custom detached houses Business	Rental housing and commercial buildings Business	Architectural / Civil engineering Business	Rental housing management Business	Remodeling Business
Impairment losses	¥ 88	¥ 41	¥ –	¥ 5	¥ –

	Development Business	Overseas Business	Other	Unallocated amounts and elimination	Total
Impairment losses	¥ 0	¥ –	¥ 12	¥ –	¥ 147

(Thousands of U.S. dollars)

	Custom detached houses Business	Rental housing and commercial buildings Business	Architectural / Civil engineering Business	Rental housing management Business	Remodeling Business
Impairment losses	\$ 570	\$ 265	\$ –	\$ 32	\$ –

	Development Business	Overseas Business	Other	Unallocated amounts and elimination	Total
Impairment losses	\$ 0	\$ –	\$ 78	\$ –	\$ 952

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

Fiscal year ended January 31, 2024

(Millions of yen)

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

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

(Note) Other is construction material supply business.

Fiscal year ended January 31, 2025

(Millions of yen)

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

	Development Business	Overseas Business	Other	Unallocated amounts and elimination	Total
Amortization amount for the year	¥ –	¥13,488	¥ 461	¥ –	¥ 13,949
Balance at end of period	–	132,899	1,317	–	134,217

(Thousands of U.S. dollars)

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

	Development Business	Overseas Business	Other	Unallocated amounts and elimination	Total
Amortization amount for the year	\$ –	\$ 87,341	\$ 2,985	\$ –	\$ 90,326
Balance at end of period	–	860,578	8,528	–	869,112

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

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

Fiscal year ended January 31, 2024

Nothing to report

Fiscal year ended January 31, 2025

Nothing 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, 2024

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

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

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

Fiscal year ended January 31, 2025

Type	Name of company, etc. or person	Location	Share capital or investments in capital (Millions of yen)	Description of business or occupation	Percentage of owning (owned) voting rights (%)	Relationship with related parties	Description of transaction	Transaction amount (Millions of yen)	Item	Balance at end of year (Millions of yen)
Officer	Yoshihiro Nakai	-	¥-	The Company's Representative Director of the Board	Directly (owned) 0.02%	Contribution in kind of monetary compensation claims	Contribution in kind of monetary compensation claims (Note 1)	¥ 79	-	¥-
								(\$512 thousand)		
Officer	Yosuke Horiuchi	-	-	The Company's Representative Director of the Board	Directly (owned) 0.01%	Contribution in kind of monetary compensation claims	Contribution in kind of monetary compensation claims (Note 1)	58	-	-
								(\$376 thousand)		
						Sales of condominiums	Sales of condominiums (Note 2)	197	-	-
								(\$1,276 thousand)		
Contracting of remodeling work	Contracting of remodeling work (Note 2)	12	-	-						
		(\$78 thousand)								
Officer	Satoshi Tanaka	-	-	The Company's Representative Director of the Board	Directly (owned) 0.00%	Contribution in kind of monetary compensation claims	Contribution in kind of monetary compensation claims (Note 1)	52	-	-
								(\$337 thousand)		
Officer	Toru Ishii	-	-	The Company's Director of the Board	Directly (owned) 0.00%	Contribution in kind of monetary compensation claims	Contribution in kind of monetary compensation claims (Note 1)	25	-	-
								(\$162 thousand)		
Officer	Hiroshi Shinozaki	-	-	The Company's Director of the Board	Directly (owned) 0.00%	Contribution in kind of monetary compensation claims	Contribution in kind of monetary compensation claims (Note 1)	18	-	-
								(\$117 thousand)		

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

1. These items are due to contribution in kind of monetary compensation claims accompanying the restricted share (RS) awards plan and the performance share unit (PSU) awards plan.
2. Sales price of condominiums and contract price of remodeling work are determined in the same way as for general transaction terms.

22. Per share information

	(Yen)		(U.S. dollars)
	Fiscal year ended January 31, 2024	Fiscal year ended January 31, 2025	Fiscal year ended January 31, 2025
Net assets per share	¥ 2,707.90	¥ 3,027.64	\$ 19.61
Profit per share	309.29	335.95	2.18
Diluted profit per share	309.19	335.84	2.17

(Notes) Basis for calculation

1. Net assets per share

	(Millions of yen)		(Thousands of U.S. dollars)
	As of January 31, 2024	As of January 31, 2025	As of January 31, 2025
Net assets recorded on consolidated balance sheet	¥ 1,794,052	¥ 2,018,599	\$ 13,071,288
Difference between net assets recorded on consolidated balance sheet and net assets attributable to ordinary shares	39,466	56,399	365,208
[of which, share acquisition rights]	[100]	[87]	[563]
[of which, non-controlling interests]	[39,366]	[56,311]	[364,638]
Net assets attributable to ordinary shares	¥ 1,754,585	¥ 1,962,199	\$ 12,706,074
Number of ordinary shares outstanding (1,000 shares)	662,862	662,996	
Number of ordinary shares held in treasury (1,000 shares)	14,911	14,902	
Number of ordinary shares used to calculate net assets per share (1,000 shares)	647,950	648,094	

2. Profit per share and diluted profit per share

	(Millions of yen)		(Thousands of U.S. dollars)
	Fiscal year ended January 31, 2024	Fiscal year ended January 31, 2025	Fiscal year ended January 31, 2025
Profit per share			
Profit attributable to owners of parent	¥ 202,325	¥ 217,705	\$ 1,409,733
Amount not attributable to ordinary shareholders	-	-	-
Profit attributable to owners of parent related to ordinary shares	¥ 202,325	¥ 217,705	\$ 1,409,733
Average number of ordinary shares outstanding during the year (1,000 shares)	654,153	648,036	
Diluted profit per share			
Adjustment to profit attributable to owners of parent	¥ -	¥ -	\$ -
Number of ordinary shares increased (1,000 shares)			
Share acquisition rights	100	80	
Performance share unit awards	119	118	
Overview of residual securities not included in the calculation of diluted profit per share as they have no dilutive effect	-	-	

Other information

[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 period	Balance at end of period	Balance at beginning of period	Balance at end of period			
Sekisui House, Ltd.	Short-term bonds payable	January 6, 2025	–	40,000 [40,000]	–	259,017 [259,017]	0.44	Unsecured	February 28, 2025
Sekisui House, Ltd.	Series 21 unsecured bonds (with limited inter-bond pari-passu clause)	July 14, 2016	20,000	20,000	129,509	129,509	0.20	Unsecured	July 17, 2026
Sekisui House, Ltd.	Series 22 unsecured bonds (with limited inter-bond pari-passu clause)	June 7, 2023	30,000	30,000	194,263	194,263	0.36	Unsecured	June 7, 2028
Sekisui House, Ltd.	The 2nd series of unsecured bonds with optional interest payment deferral and early redemption provisions (with a subordination provision)	July 8, 2024	–	125,000	–	809,428	1.71 (*1)	Unsecured	July 8, 2059 (*2)
Sekisui House, Ltd.	The 3rd series of unsecured bonds with optional interest payment deferral and early redemption provisions (with a subordination provision)	July 8, 2024	–	75,000	–	485,657	2.52 (*3)	Unsecured	July 8, 2064 (*4)
Sekisui House, Ltd.	The 1st series of unsecured straight bonds in U.S. dollars (*2)	October 23, 2024	–	77,168	–	499,696	4.70	Unsecured	February 23, 2030
Sekisui House, Ltd.	The 2nd series of unsecured straight bonds in U.S. dollars (*2)	October 23, 2024	–	77,018	–	498,724	5.10	Unsecured	October 23, 2034
AIDA Co., Ltd.	The 1st series of unsecured bonds (with guarantee from Mizuho Bank, Ltd. and limited to qualified institutional investors)	March 31, 2020	24 [16]	8 [8]	155 [104]	52 [52]	0.20	Unsecured	March 31, 2025
M.D.C. Holdings, Inc.	Unsecured straight bonds in U.S. dollars (*2)	January 9, 2020	–	47,454	–	307,285	3.85	Unsecured	January 15, 2030
M.D.C. Holdings, Inc.	Unsecured straight bonds in U.S. dollars (*2)	January 11, 2021	–	55,363	–	358,499	2.50	Unsecured	January 15, 2031
M.D.C. Holdings, Inc.	Unsecured straight bonds in U.S. dollars (*2)	January 10, 2013	–	57,753	–	373,975	6.00	Unsecured	January 15, 2043
M.D.C. Holdings, Inc.	Unsecured straight bonds in U.S. dollars (*2)	August 6, 2021	–	55,363	–	358,499	3.97	Unsecured	August 6, 2061
Total	–	–	¥50,024 [16]	¥660,129 [40,008]	\$ 323,927 [104]	\$4,274,616 [259,069]	–	–	–

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

2. Bonds were issued in foreign countries.

3. *1 Fixed interest rate will be applied from the day following July 8, 2024 to July 8, 2029 and floating interest rate will be applied on or after the day following July 8, 2029 (“Step-up interest rates” will be applied from the day following July 8, 2034 and July 8, 2049).

*2 Special clause is set whereby the Company may, at its option, redeem the bonds on any interest payment date on or after July 8, 2029, or upon the occurrence and continuation of a taxation event or a capital event on or after the closing date.

*3 Fixed interest rate will be applied from the day following July 8, 2024 to July 8, 2034 and floating interest rate will be applied on or after the day following July 8, 2034 (“Step-up interest rates” will be applied from the day following July 8, 2034 and July 8, 2054).

*4 Special clause is set whereby the Company may, at its option, redeem the bonds on any interest payment date on or after July 8, 2034, or upon the occurrence and continuation of a taxation event or a capital event on or after the closing date.

4. 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
¥ 40,008	¥ 20,000	¥ –	¥ 30,000	¥ –

(Thousands of U.S. dollars)

Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
\$ 259,069	\$ 129,509	\$ –	\$ 194,263	\$ –

[Detailed schedule of borrowings]

Categories	(Millions of yen)		(Thousands of U.S. dollars)		Average interest rate (%)	Repayment date
	Balance at beginning of period	Balance at end of period	Balance at beginning of period	Balance at end of period		
Short-term borrowings	¥ 440,075	¥ 477,840	\$ 2,849,673	\$ 3,094,217	4.20	–
Current portion of long-term borrowings	21,611	227,302	139,940	1,471,877	4.96	–
Current portion of non-recourse long-term borrowings	–	25,491	–	165,065	5.39	–
Current portion of lease obligations	2,186	3,558	14,155	23,040	–	–
Long-term borrowings (excluding current portion)	234,055	456,321	1,515,606	2,954,873	3.80	2026 to 2034
Non-recourse long-term borrowings (excluding current portion)	5,033	–	32,591	–	–	–
Lease obligations (excluding current portion)	21,978	26,766	142,317	173,321	–	2026 to 2049
Total	¥ 724,941	¥ 1,217,281	\$ 4,694,302	\$ 7,882,413	–	–

- (Notes) 1. The calculation of the average interest rate is disclosed as the weighted average interest rate for the balance at the end of the year based on the interest rate at the end of the year.
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 obligations in the consolidated balance sheet.
3. The amounts of long-term borrowings 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	¥ 172,799	¥ 93,302	¥ 21,158	¥ 9,059
Lease obligations	3,755	2,842	2,498	2,088

(Thousands of U.S. dollars)

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term borrowings	\$ 1,118,947	\$ 604,170	\$ 137,007	\$ 58,661
Lease obligations	24,315	18,403	16,176	13,521

[Detailed schedule of asset retirement obligations]

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

[Other]

Semi-annual information for the fiscal year ended January 31, 2025

(Millions of yen)

	2nd quarter	Fiscal year ended January 31, 2025
Net sales	¥ 1,859,127	¥ 4,058,583
Profit before income taxes	161,752	305,586
Profit attributable to owners of parent	122,983	217,705
Profit per share (Yen)	189.79	335.95

(Thousands of U.S. dollars)

	2nd quarter	Fiscal year ended January 31, 2025
Net sales	\$ 12,038,639	\$ 26,281,053
Profit before income taxes	1,047,413	1,978,799
Profit attributable to owners of parent	796,367	1,409,733
Profit per share (U.S. dollars)	1.23	2.18

Provisional accounting treatment was adopted during the interim period, but was finalized by the end of the current fiscal year.

Independent Auditor's Report

The Board of Directors
Sekisui House, Ltd.

The Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Sekisui House, Ltd. and its consolidated subsidiaries (the Group), which comprise the consolidated balance sheet as at January 31, 2025, and the consolidated statements of income, comprehensive income, changes in equity, and cash flows for the year then ended, and notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as at January 31, 2025, 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.



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Revenue recognition on real estate and real estate trust beneficiary rights transactions in relation to Development Business	
Description of Key Audit Matter	Auditor's Response
<p>In the consolidated statement of income for the fiscal year ended January 31, 2025, the Group recorded net sales of ¥4,058,583 million (\$26,281,053 thousand) (*), which included ¥122,286 million (\$791,854 thousand) (*) in relation to the Development Business.</p> <p>The Group recognizes revenue from sales transactions of real estate and real estate trust beneficiary rights when substantially all of the risks and rewards of ownership have been transferred.</p> <p>In general, for sales of real estate, each transaction amount is material, and the terms and conditions are highly specific. This is particularly relevant for transactions involving real estate and real estate trust beneficiary rights in the Development Business compared with other businesses.</p> <p>Repurchase and leaseback options may be granted as a transaction condition under sales contracts. In addition, the seller may retain some continuing involvement such as providing management services or partial holding of equity interest after the sales.</p> <p>Moreover, certain real estate securitization schemes may be highly complex.</p> <p>In such cases, careful judgment is required to evaluate whether substantially all of the risks and rewards of ownership have been transferred. In the event that such determination is incorrect, the possibility exists that a significant amount of revenue could be recognized even though substantially all of the risks and rewards of ownership have not been completely transferred.</p>	<p>We conducted the following procedures for certain transactions that were identified based on audit risks to assess the judgment over the transfer of risks and rewards of ownership regarding revenue recognition on real estate and real estate trust beneficiary rights transactions in relation to the Development Business.</p> <ul style="list-style-type: none">• In order to understand the entire transaction scheme, we inspected the minutes of Board of Directors' meetings and management committees, the requests for approval and related documents as well as made inquiries to the department in charge.• In order to verify whether any conditions such as repurchase, leaseback, and continuing involvement exist in relation to the transferred assets, we inspected related contracts such as sales contracts in addition to the minutes of Board of Directors' meetings and management committees, the request for approval and related documents.• In order to evaluate transaction amounts, we made comparisons with other transactions in nearby areas and similar transactions obtained from sources outside the Group and vouched the evidences such as contracts and/or cash receipts.• In order to substantiate the completion of the transfer of the assets, we inspected supporting evidence such as receipts and delivery confirmations.



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<p>Accordingly, we have determined the revenue recognition on real estate and real estate trust beneficiary rights transactions in relation to the Development Business to be a key audit matter.</p>	
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Valuation of real estate for sale for which the period from acquisition to delivery is long	
Description of Key Audit Matter	Auditor’s Response
<p>The Group recorded “Buildings for sale”, “Land for sale in lots” and “Undeveloped land for sale” in the amounts of ¥1,068,926 million (\$6,921,751 thousand) (*), ¥1,374,237 million (\$8,898,770 thousand) (*) and ¥396,123 million (\$2,565,065 thousand) (*), respectively, as real estate for sale in the consolidated balance sheet as of January 31, 2025.</p> <p>Real estate for sale represents assets held primarily in the Real estate and brokerage Business, Condominiums Business, and Overseas Business. Certain projects associated with these businesses involve large-scale development work, coordination and negotiation with other landowners in the project area, and eviction negotiations with tenants of existing buildings. Therefore, it takes a relatively long period of time from acquisition to delivery.</p> <p>With regard to valuation of real estate for sale, as described in Note 3 “Significant accounting estimates (1) Valuation of real estate for sale,” if the net selling price of real estate for sale 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 the expected development cost from revenue earned by expected future sales.</p>	<p>We mainly conducted the following procedures for certain properties that were extracted based on audit risks to assess valuation of real estate for sale for which the period from acquisition to delivery is long.</p> <ul style="list-style-type: none"> • In order to understand the project plan, to verify its progress and whether there were any material changes that would significantly lower the net selling value, we made inquiries to the department in charge, and inspected the minutes of the Board of Directors’ meetings and management committees, requests for approval and related documents. Also, we examined the consistency between responses or the contents of documentation we inspected and the market reports obtained from external sources outside the Group. • In order to evaluate the estimation of future revenue from the sale of assets, we made comparisons using most recent actual sales results and other transactions in nearby areas obtained from external sources outside the Group. • In order to assess the effectiveness of management’s estimation process, we analyzed the estimates and actual amounts of sales prices in the prior years.



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<p>For expected future sales, there is a risk that profitability will be lower than initially expected due to real estate market conditions or various unforeseen external factors that had not been anticipated when the assets were acquired.</p> <p>In addition, there is a risk that the expected development cost will be significantly affected by changes in construction material prices and labor costs, and potential increases from the initial estimate due to development delays.</p> <p>Therefore, for real estate for sales for which the period from acquisition to delivery is long, there is a high degree of uncertainty in the estimates since future revenue as a key assumption requires a long period of time to be realized. In addition, it is based on subjective judgments from management since their estimates are based on the specific condition of each property.</p> <p>Accordingly, we have determined valuation of real estate for sale for which the period from acquisition to delivery is long to be a key audit matter.</p>	<ul style="list-style-type: none"> • For the foreign subsidiaries assessed as significant components, since their valuation of real estate for sale is important, we made inquiries to the component’s managements in order to understand the real estate market and competitive environment at their locations and regions, whether there were any relevant regulatory changes or their business plan. • For the foreign subsidiaries assessed as significant components, since their valuation of real estate for sale is important, we involved component auditors, provided audit instructions, and received reports on the results of the audit procedures in order to evaluate whether sufficient and appropriate audit evidence was obtained.
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Accounting treatment related to the business combination arising from the acquisition of shares of M.D.C. Holdings, Inc. and its 33 wholly owned subsidiaries.	
Description of Key Audit Matter	Auditor’s Response
<p>As described in “Business combination through acquisition” in Note 17 “Business combinations,” the Group, through its consolidated subsidiary SH Residential Holdings, LLC, acquired shares of M.D.C. Holdings, Inc. and its 33 wholly owned subsidiaries (hereinafter “MDC”) for ¥653,635 million (\$4,232,565 thousand) (*) on April 19, 2024, and has included them as consolidated subsidiaries. As a result, goodwill of ¥125,389 million (\$811,947 thousand) (*) has been recorded on the consolidated balance sheet as of January 31, 2025.</p>	<p>We mainly conducted the following procedures to examine the accounting treatment applied related to the business combination arising from the acquisition of MDC shares. Additionally, for certain procedures, we involved the component auditor from the network firm to which our audit firm belongs, provided audit instructions, and received reports on the results of the audit procedures. We also evaluated whether sufficient and appropriate audit evidence was obtained.</p>



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In relation to this business combination, the acquisition cost of MDC shares has been determined based on the stock value calculated based on future business plans.

In addition, the Group has utilized external specialists to assess the fair value of identifiable assets and liabilities for allocating the acquisition cost, with the difference between the acquisition cost and the allocated amounts recognized as goodwill.

Business combinations that result in significant goodwill do not occur regularly within the Group, and in addition to the necessity of comprehensively understanding the available information, the calculation of stock value and the allocation of acquisition cost require complex considerations and specialized knowledge.

Accordingly, we have determined the accounting treatment related to the business combination arising from the acquisition of shares of MDC to be a key audit matter.

(*) 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.

- In order to understand the business activities and business environment of MDC, purpose and transaction structure for acquiring shares, we inspected the minutes of Board of Directors' meetings and managements' committees and related documents as well as made inquiries to the management and responsible executives.
- In order to examine the accuracy of the acquisition cost, we inspected the minutes of Board of Directors' meetings and managements' committees, as well as related documents, and also inspected the evidences such as the stock purchase agreement and withdrawal receipts.
- In order to examine the existence of buyback clauses related to stock acquisition and post-adjustments of acquisition costs, we inspected the minutes of Board of Directors' meetings and managements' committees, as well as related documents, and also inspected the evidences such as the stock purchase agreement.
- In order to evaluate the appropriateness of the valuation methods used in the determination of stock value and discount rates, we involved experts from the network firm to which our audit firm belongs. Regarding the discount rate, we examined the consistency between the input information used for the calculation and the external information.
- In order to evaluate the appropriateness of the valuation methods used in the determination of the fair value of identifiable assets and liabilities and discount rates, we involved experts from the network firm to which our audit firm belongs. Regarding the discount rate, we examined the consistency between the input information used for the calculation and the external information.



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Other Information

The other information comprises the information included in the disclosure documents that contains audited consolidated financial statements, but does not include the consolidated financial statements and our auditor's report thereon. Management is responsible for preparation and disclosure of the other information. The Audit and Supervisory Board Member and the Audit and Supervisory Board are responsible for overseeing the Group's reporting process of the other information.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of Management, the Audit and Supervisory Board Member and the Audit and Supervisory Board 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 Audit and Supervisory Board Member and the Audit and Supervisory Board 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.



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- 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.
- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the consolidated financial statements. We are responsible for the direction, supervision and review of the group audit. We remain solely responsible for our audit opinion.

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

From the matters communicated with the Audit and Supervisory Board Member and the Audit and Supervisory Board, 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.



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Convenience Translation

The U.S. dollar amounts in the accompanying consolidated financial statements with respect to the year ended January 31, 2025 are presented solely for convenience. Our audit also included the translation of Japanese yen amounts into U.S. dollar amounts and, in our opinion, such translation has been made on the basis described in Note 1 to the consolidated financial statements.

Fee-related Information

The fees for the audits of the financial statements of Sekisui House, Ltd. and its subsidiaries and other services provided by us and other EY member firms for the year ended January 31, 2025 are 833 million yen and 89 million yen, respectively.

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

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

Ernst & Young ShinNihon LLC
Osaka, Japan

April 22, 2025

Shin Ichinose

Designated Engagement Partner
Certified Public Accountant

Yusaku Iriyama

Designated Engagement Partner
Certified Public Accountant

Masashi Kobayashi

Designated Engagement Partner
Certified Public Accountant