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February 13, 2024

Outline of Consolidated Financial Statements for the Fiscal Year Ended December 2023 <under Japanese GAAP>

Name of Company Listed: Tokyo Tatemono Co., Ltd. Exchange: Prime Market of Tokyo Stock Exchange
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Scheduled date of ordinary shareholders' meeting: March 27, 2024
Scheduled date for submission of securities report: March 27, 2024
Scheduled date for commencement of dividend payment: March 28, 2024

Supplementary documents for results: Yes
Results briefing: Yes (for institutional investors and analysts)

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

1. Consolidated Results of Operations for Fiscal Year Ended December 2023 (January 1, 2023 to December 31, 2023)

(1) Consolidated business results

(The percentage figures indicate the percentage increase/decrease compared with the previous fiscal year.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2023	375,946	7.4	70,508	9.4	69,471	9.3	45,084	4.7
FY2022	349,940	2.8	64,478	9.7	63,531	37.3	43,062	23.2

Note: Comprehensive income FY2023 ¥67,511 million (62.2%)
FY2022 ¥41,616 million (7.0%)

	Profit per share	Profit per share after adjusting for dilution	Return on equity	Ordinary profit margin on total assets	Operating profit margin on operating revenue
	Yen	Yen	%	%	%
FY2023	215.82	–	9.6	3.8	18.8
FY2022	206.15	–	10.0	3.8	18.4

Reference: Share of profit (loss) of entities accounted for using equity method FY2023 ¥3,920 million
FY2022 ¥1,825 million

(2) Consolidated financial status

	Total assets	Net assets	Equity capital ratio	Net assets per share
	Million yen	Million yen	%	Yen
FY2023	1,905,309	508,035	26.1	2,378.61
FY2022	1,720,134	456,838	25.9	2,135.08

Reference: Equity capital FY2023 ¥496,900 million
FY2022 ¥445,994 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2023	20,588	(54,069)	77,908	127,303
FY2022	(3,332)	(21,204)	18,421	82,439

2. Dividend Status

	Dividend per share					Total dividend amount (Annual)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	End of first quarter	End of second quarter	End of third quarter	Year-end	Annual			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2022	–	29.00	–	36.00	65.00	13,593	31.5	3.1
FY2023	–	36.00	–	37.00	73.00	15,266	33.8	3.2
FY2024 (Forecast)	–	37.00	–	42.00	79.00		34.4	

3. Forecast of Consolidated Results of Operations for Fiscal Year Ending December 2024 (January 1, 2024 to December 31, 2024)

(The percentage figures indicate the percentage increase/decrease compared with the previous fiscal year.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Profit per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	495,000	31.7	75,000	6.4	67,000	(3.6)	48,000	6.5	229.77

* Notes

(1) Significant changes in subsidiaries accompanied by a change in the scope of consolidation during the period: Yes

Newly included: 1 (company name) PT Dharma Tatemono Property Excluded: – (company name)

(2) Changes in the accounting principles and changes or restatement of accounting estimates

- (i) Changes in the accounting principles due to amendment of accounting standard, etc.: Yes
- (ii) Changes in the accounting principles other than (i): None
- (iii) Changes in the accounting estimates: None
- (iv) Restatement: None

Note: Refer to page 199, “3. Consolidated Financial Statements and Key Notes; (5) Notes on Consolidated Financial Statements; (Changes in Accounting Policies)” for details.

(3) Number of shares outstanding (common shares)

- (i) Number of shares outstanding (including treasury shares) at the end of the period
As of December 31, 2023: 209,167,674 shares As of December 31, 2022: 209,167,674 shares
- (ii) Number of shares of treasury shares at the end of the period
As of December 31, 2023: 264,481 shares As of December 31, 2022: 278,430 shares
- (iii) Average number of shares during the period
FY2023: 208,900,227 shares FY2022: 208,890,403 shares

* The Company has introduced a stock compensation plan, “Board Benefit Trust (BBT).” The shares of the Company held by the trust are included in the number of shares of treasury shares at the end of the period and the treasury shares deducted in the calculation of the average number of shares during the period.

* Outline of Financial Statements is not subject to review by a certified public accountant or audit corporation.

* Explanation Regarding the Appropriate Use of Business Performance Forecasts, and Other Items to Note

The performance forecasts and other statements regarding the future in these materials are based on information currently available to the Company and on certain assumptions deemed to be rational. Actual performance may differ materially depending on various factors. Refer to page 10, “1. Outline of Operating Results, Etc.; (4) Outlook for the Next Fiscal Year,” for matters regarding the performance forecasts.

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1. Outline of Operating Results, Etc.

(1) Outline of Operating Results for the Fiscal Year Under Review

In the fiscal year under review (ended December 31, 2023 (FY2023)), the Japanese economy showed a moderate recovery trend as economic and social activities returned to normal following the convergence of the COVID-19 pandemic, coupled with improvements in the employment and income environment and the effects of various policies. However, the outlook remained uncertain primarily due to concerns about the prolonged situation in Ukraine, instability in the Middle East, downside risks to the global economy, and the impact of exchange rate fluctuations.

In the real estate industry, the vacancy rates in the rental office market remained relatively high, but there was a growing trend of people returning to work in offices, and in the second half of the fiscal year, vacancy rates turned to decline in some areas. The residential housing market remained strong against a backdrop of factors including continued low interest rates and an increase in dual-income households amid a declining number of new condominiums supplied and rising property sales prices. The real estate investment market was generally vigorous as investment appetite among investors in Japan remained strong while that of overseas investors dropped, in part reflecting deteriorating conditions in overseas real estate markets and the prospect of higher interest rates in Japan.

Amid this business environment, the Tokyo Tatemono Group has promoted the five key strategies in the Tokyo Tatemono Group medium-term business plan for the period from FY2020 through FY2024 under the long-term vision looking ahead to around the year 2030, with an aim of achieving our dual goals of “solving social issues” and “company growth” at higher levels, while also focusing efforts on the “evolved approach to ESG management.” With respect to one of our key strategies, “promotion of large-scale redevelopment,” the Tokyo Tatemono Group has made steady progress including the acquisition of important permits and approvals for redevelopment projects in the Yaesu, Kyobashi, and Shibuya areas. In addition, with respect to “further strengthening of condominium business,” we leveraged our unique know-how and the Brillia brand strengths to provide high-quality housing that appropriately responds to changes in society and customer needs, including the Complete Reconstruction Project “Brillia City Shakujikoen ATLAS” (Nerima-ku, Tokyo), a project to completely reconstruct the largest large-scale housing complex in all 23 wards of Tokyo. We also focused on creating diverse business opportunities such as in a new redevelopment and reconstruction project.

With regard to “evolution of ESG management,” in order to accelerate our efforts to achieve a decarbonized society, the Tokyo Tatemono Group has raised the mid- to long-term target to reduce its greenhouse gas emissions to 1.5°C above pre-industrial levels. We also formulated and published a new guideline for Sustainable Procurement Standards, aimed at achieving procurement throughout the supply chain that respects human rights, environmental conservation and other issues, in an effort to promote suppliers' understanding and implementation of these standards. The Otemachi Tower (Chiyoda-ku, Tokyo), which houses the Otemachi Forest, representing the Group's decade-long effort to regenerate the natural environment in the heart of Tokyo, has been recognized by the Ministry of the Environment of Japan as a “Site for Coexistence with Nature” (see note below), an area that aims to preserve biodiversity. In addition, the Tokyo Tatemono Group continues to pursue initiatives aimed at coexistence with nature, at the MEIJI PARK (Shinjuku-ku, Tokyo), Tokyo's first Park-PFI project, which partially opened in the current fiscal year, we, as a representative of the private sector, are working to create a “legacy” park for the city of Tokyo that combines a rich natural environment and lively functions, e.g. an area for planting trees with the concept of creating a forest that will grow over time together with Tokyo residents. The external evaluation of the Tokyo Tatemono Group's ESG management has been increasing year by year, and in the current fiscal year, the Tokyo Tatemono Group has been newly selected as a constituent of FTSE4Good Index Series and FTSE Blossom Japan Index, which are major ESG investment indices, and has become a constituent of all ESG indices covering stocks in Japan adopted by the Government Pension Fund Investment Fund (GPIF).

(Note) Implemented by the Ministry of the Environment of Japan beginning in fiscal year 2023 as a major measure to achieve the 30by30 target, which aims to effectively conserve at least 30% of the land and oceans as healthy ecosystems by 2030.

In addition, for initiatives to “optimize the business portfolio,” we transferred all shares in two subsidiaries, one in the childcare facility-related business and the other in the temporary staffing business, and also promoted various initiatives, including making Tokyo Realty Investment Management, Inc. a wholly owned subsidiary to strengthen the fund business, thereby achieving the long-term vision and the Tokyo Tatemono Group's Medium-Term Business Plan.

In terms of the Tokyo Tatemono Group's consolidated results for FY2023, the building leasing and parking lot businesses remained strong, and there was a year-on-year increase in sales from property sales to investors in the Commercial Properties business, the Residential business, and the Asset Service business. Consequently, operating revenue was ¥375,946 million (up 7.4% from ¥349,940 million for the previous fiscal year), and operating profit was ¥70,508 million (up 9.4% from

¥64,478 million for the previous fiscal year). Also, due to the recording of share of profit of entities accounted for using the equity method in overseas business, business profit was ¥74,428 million (up 12.3% from ¥66,304 million for the previous fiscal year), ordinary profit was ¥69,471 million (up 9.3% from ¥63,531 million for the previous fiscal year) and profit attributable to owners of parent was ¥45,084 million (up 4.7% from ¥43,062 million for the previous fiscal year).

The Tokyo Tatemono Group has set “business profit,” which is the sum of operating profit and share of profit (loss) of entities accounted for using the equity method, as a profit indicator.

See below for an outline of consolidated results by business segment.

<Commercial Properties Business>

In large-scale redevelopment projects, we made steady progress, including important permit and approval procedures, such as “Type-1 Urban Redevelopment Project for Yaesu 1-Chome East Area in Front of Tokyo Station (Districts A and B)” (Chuo-ku, Tokyo), which received approval of rights conversion plan for District A, and “Urban Redevelopment Project for Shibuya 2-Chome West Area” (Shibuya-ku, Tokyo), which received approval to establish an urban redevelopment association. In addition, with respect to for-sale properties for investors, we completed four projects, including “T-LOGI Ichinomiya” (Ichinomiya City, Aichi Prefecture). We also proactively promoted development of a diverse range of assets (“T-PLUS” series of medium-sized office buildings, hotels, commercial facilities, etc.).

In FY2023, sales of real estate were recorded through projects, including “T-LOGI Narashino II” (Narashino City, Chiba Prefecture) and “T-LOGI Honjo Kodama” (Kodama County, Saitama Prefecture), as property sales to investors, while expenses for leasing of buildings increased compared with the previous fiscal year. Consequently, operating revenue was ¥155,256 million (up 7.0% from ¥145,155 million for the previous fiscal year), operating profit was ¥38,483 million (down 5.9% from ¥40,910 million for the previous fiscal year) and business profit was ¥40,153 million (down 2.5% from ¥41,204 million for the previous fiscal year).

Item	FY2022		FY2023	
	Quantity, etc.	Operating revenue (million yen)	Quantity, etc.	Operating revenue (million yen)
Leasing of buildings, etc.	Leased area of buildings 947,514 m ² (Of which, subleased area 81,095 m ²)	76,735	Leased area of buildings 1,040,870 m ² (Of which, subleased area 67,227 m ²)	78,275
Sales of real estate	2 properties	29,812	8 properties	38,643
Building management service, etc.	–	38,607	–	38,337
Total operating revenue	–	145,155	–	155,256
Operating profit	–	40,910	–	38,483
Business profit	–	41,204	–	40,153

<Residential Business>

In condominiums for sale, revenues were recorded through “Urban Redevelopment Project for SHIROKANE The SKY” (Minato-ku, Tokyo), an urban development project to maintain and upgrade versatile urban functions that accommodate residences, commercial buildings, factories, hospitals, and others, and Complete Reconstruction Project for “Brillia City Shakujikoen ATLAS” (Nerima-ku, Tokyo), a project to completely reconstruct the largest large-scale housing complex in all 23 wards of Tokyo. We also promoted the development of new projects with a diverse range of business approaches, including “Land Sale Project for Minoh Sun Plaza Building No. 1” (Minoh City, Osaka Prefecture), the Kansai region’s first example of utilizing a sale system for condominium land. With regard to for-sale properties for investors, we actively promoted the development of “Brillia ist” condominiums for rent, and completed two projects, including “Brillia ist Kuramae Residence” (Taito-ku, Tokyo).

In FY2023, sales of real estate were recorded through the above profitable projects as condominiums for sale, as well as other projects including “Brillia Nerima-Kasugacho” (Nerima-ku, Tokyo) and “Blan Canvas Rokkomichi” (Nada-ku, Kobe City) as property sales to investors.

Consequently, operating revenue was ¥134,140 million (up 2.1% from ¥131,390 million for the previous fiscal year), operating profit was ¥27,155 million (up 16.5% from ¥23,304 million for the previous fiscal year) and business profit was ¥27,149 million (up 16.5% from ¥23,304 million for the previous fiscal year).

Item	FY2022		FY2023	
	Quantity, etc.	Operating revenue (million yen)	Quantity, etc.	Operating revenue (million yen)
Residential sales	1,435 units	85,958	1,058 units	84,029
Sales of real estate	–	17,500	–	20,664
Residence leasing	Leased area of buildings 125,085 m ²	5,309	Leased area of buildings 117,973 m ²	5,948
Condominium management service	Number of managed units 98,006	13,743	Number of managed units 99,083	14,321
Other	–	8,879	–	9,176
Total operating revenue	–	131,390	–	134,140
Operating profit	–	23,304	–	27,155
Business profit	–	23,304	–	27,149

<Asset Service Business>

In the brokerage business operated by Tokyo Tatemono Real Estate Sales Co., Ltd., the company made efforts to further enhance profitability by strengthening relationships with corporate customers and expanding transactions with investors, among other initiatives. In the Asset Solution business operated by the company, the acquisition and sale of for-sale real estate made steady progress, primarily in collaboration with the brokerage business and by strengthening sales to existing clients, and as a new initiative, the company advanced the composition and sale of small-lot real estate products. In the parking lot business operated by Nihon Parking Corporation, efforts were made to acquire new facilities to further increase revenues, while also upgrading the functionality of parking lot systems and other measures to improve customer service.

In FY2023, the parking lot business continued to see a recovery in occupancy rates at existing facilities and an increase in the number of parking spaces following the opening of new parking lots, and there was a significant year-on-year increase in sales from property sales to investors in the Asset Solutions business. Consequently, operating revenue was ¥63,800 million (up 27.0% from ¥50,240 million for the previous fiscal year), and operating profit and business profit were each ¥12,907 million (up 74.4% from ¥7,399 million for the previous fiscal year).

Item	FY2022		FY2023	
	Quantity, etc.	Operating revenue (million yen)	Quantity, etc.	Operating revenue (million yen)
Brokerage	1,086 properties	4,626	1,097 properties	5,499
Asset solution (Note)	–	19,084	–	29,999
Management service, etc.	–	4,554	–	4,567
Parking lot operations	Number of parking spaces 80,057	21,975	Number of parking spaces 82,542	23,734
Total operating revenue	–	50,240	–	63,800
Operating profit	–	7,399	–	12,907
Business profit	–	7,399	–	12,907

Note: This business mainly improves the added value of acquired real estate for the purpose of resale.

<Other>

In the leisure & child care business, the dog-friendly hotel “Regina Resort” and golf courses operated by Tokyo Tatemono Resort Co., Ltd. continued to maintain high occupancy rates throughout the fiscal year, and both sales and guest numbers at hot-spring facilities, which had long been affected by the COVID-19 pandemic, also recovered. In addition, for initiatives to optimize our business portfolio, we transferred all shares in two subsidiaries, one in the childcare facility-related business and the other in the temporary staffing business. In overseas businesses, we participated in “Sukhumvit 25 Project” (Bangkok Metropolitan Administration), a project to develop medium-sized office buildings in Thailand, and “Herndon Project” (Virginia), a housing leasing development project in the suburbs of Washington, D.C. in the U.S.

In FY2023, revenues decreased from the previous fiscal year due to the impact of the transfer of all shares in two subsidiaries in the leisure & child care business, while the share of profit of entities accounted for using the equity method increased from the previous fiscal year in overseas businesses. Consequently, operating revenue was ¥22,748 million (down 1.8% from ¥23,154 million for the previous fiscal year), operating profit was ¥2,204 million (down 12.5% from ¥2,518 million for the previous fiscal year) and business profit was ¥4,460 million (up 10.1% from ¥4,050 million for the previous fiscal year).

Item	FY2022	FY2023
	Operating revenue (million yen)	Operating revenue (million yen)
Leisure & child care business	18,541	18,582
Other	4,612	4,166
Total operating revenue	23,154	22,748
Operating profit	2,518	2,204
Business profit	4,050	4,460

(2) Outline of Financial Position for the Fiscal Year Under Review

(Assets)

Total assets at the end of FY2023 were ¥1,905,309 million, up ¥185,175 million from the end of the previous fiscal year. This was primarily attributable to an increase in real estate for sale (including real estate for sale in process and real estate for development), cash and deposits, property, plant and equipment, and investment securities.

(Liabilities)

Total liabilities at the end of FY2023 were ¥1,397,274 million, up ¥133,977 million from the end of the previous fiscal year. This was primarily attributable to an increase in interest-bearing debt, the balance of which (excluding lease obligations) was ¥1,089,006 million, up ¥99,207 million from the end of the previous fiscal year.

(Net assets)

Total net assets at the end of FY2023 were ¥508,035 million, up ¥51,197 million from the end of the previous fiscal year. This was primarily attributable to an increase in retained earnings and valuation difference on available-for-sale securities.

(3) Outline of Cash Flows for the Fiscal Year Under Review

Consolidated cash and cash equivalents (hereinafter “cash”) at the end of FY2023 stood at ¥127,303 million, up ¥44,864 million from the end of the previous fiscal year. This was primarily attributable to ¥20,588 million provided by operating activities, ¥54,069 million used in investing activities and ¥77,908 million provided by financing activities.

Cash flows for each category are as follows:

(Cash flows from operating activities)

Cash provided by operating activities at the end of FY2023 stood at ¥20,588 million (up ¥23,921 million from the previous fiscal year). This was primarily attributable to cash outflows due to increased inventories on the one hand, and cash inflows due to profit before income taxes and depreciation expenses on the other.

(Cash flows from investing activities)

Cash used in investing activities at the end of FY2023 stood at ¥54,069 million (down ¥32,864 million from the previous fiscal year), primarily attributable to cash outflows due to purchase of non-current assets and loans.

(Cash flows from financing activities)

Cash provided by investing activities at the end of FY2023 stood at ¥77,908 million (up ¥59,487 million from the previous fiscal year), primarily attributable to cash inflows due to long-term borrowings.

(4) Outlook for the Next Fiscal Year

The following outlines the consolidated earnings forecasts for the next fiscal year (fiscal year ending December 31, 2024 (FY2024)).

(Million yen)

	Full-year forecast for FY2024	FY2023	Compared with FY2023
Operating revenue	495,000	375,946	+119,053
Operating profit	75,000	70,508	+4,491
Business profit	77,000	74,428	+2,571
Ordinary profit	67,000	69,471	(2,471)
Profit attributable to owners of parent	48,000	45,084	+2,915

* Business profit = Operating profit + Share of profit (loss) of entities accounted for using equity method

The outlook for FY2024 is increased revenue and profit compared with the previous fiscal year; specifically, operating revenue of ¥495,000 million, operating profit of ¥75,000 million and business profit of ¥77,000 million. This is due in part to an expected increase in sales from property sales to investors recorded in the Commercial Properties business and increases in the number of condominium units recorded in the Residential business.

(5) Basic Policy Regarding Distribution of Profit for the Fiscal Year Under Review and Next Fiscal Year

The Company's basic policy for distribution of profit is to make efforts to maintain and enhance stable distribution levels by comprehensively taking into account future management environment, business development, changes in business results, etc. while building internal reserve for reinvestment toward enhancement of corporate value. The Company has set a baseline dividend payout ratio of at least 30% for the period of the Tokyo Tatemono Group's medium-term business plan (FY2020–FY2024).

The year-end dividend payment plan for FY2023 will be ¥37 per share, resulting in a dividend payout ratio of 33.8% for FY2023.

For FY2024, in light of the earnings forecasts, the Company plans a per-share dividend of ¥79 (interim dividend of ¥37).

2. Basic Policy Regarding Selection of Accounting Standards

For the time being, the Tokyo Tatemono Group will prepare its consolidated financial statements based on Japanese accounting standards to ensure comparability between fiscal periods and with other companies.

That said, the Company will apply international accounting standards should it need to accordingly adapt to changes in various trends and circumstances in Japan and abroad.

3. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheet

(Million yen)

	End of FY2022 (December 31, 2022)	End of FY2023 (December 31, 2023)
Assets		
Current assets		
Cash and deposits	82,440	127,305
Trade notes, accounts receivable and contract assets	14,334	13,887
Real estate for sale	173,836	232,478
Real estate for sale in process	160,009	166,181
Real estate for development	81,069	100,339
Other	40,934	52,296
Allowance for doubtful accounts	(93)	(23)
Total current assets	552,531	692,464
Non-current assets		
Property, plant and equipment		
Buildings and structures	396,529	397,020
Accumulated depreciation	(174,775)	(183,025)
Buildings and structures, net	221,754	213,994
Land	537,397	529,506
Construction in progress	44,903	89,428
Other	31,198	31,920
Accumulated depreciation	(20,291)	(21,284)
Other, net	10,907	10,635
Total property, plant and equipment	814,963	843,565
Intangible assets		
Leasehold interests in land	130,042	127,628
Goodwill	1,716	1,486
Other	887	2,509
Total intangible assets	132,646	131,624
Investments and other assets		
Investment securities	128,701	153,814
Investments in silent partnerships	3,638	2,598
Long-term loans receivable	458	4,025
Deferred tax assets	2,001	2,327
Leasehold and guarantee deposits	21,469	20,671
Retirement benefit asset	1,151	1,561
Other	62,673	52,711
Allowance for doubtful accounts	(100)	(55)
Total investments and other assets	219,993	237,655
Total non-current assets	1,167,603	1,212,845
Total assets	1,720,134	1,905,309

(Million yen)

	End of FY2022 (December 31, 2022)	End of FY2023 (December 31, 2023)
Liabilities		
Current liabilities		
Short-term borrowings	52,047	56,754
Commercial papers	50,000	50,000
Current portion of bonds payable	10,000	10,000
Accounts payable - other	13,781	17,343
Income taxes payable	4,811	17,449
Provision for warranties for completed construction	11	8
Provision for bonuses	950	1,001
Provision for bonuses for directors (and other officers)	2	2
Provision for environmental measures	0	—
Deposits received under real estate specified joint enterprise law	—	11,300
Other	67,856	76,198
Total current liabilities	199,461	240,057
Non-current liabilities		
Bonds payable	245,000	255,000
Long-term borrowings	630,520	715,223
Deferred tax liabilities	17,647	23,999
Deferred tax liabilities for land revaluation	27,274	27,274
Provision for share awards for directors (and other officers)	259	282
Provision for retirement benefits for directors (and other officers)	98	97
Leasehold and guarantee deposits received	78,088	77,764
Retirement benefit liability	13,023	14,104
Deposits received under real estate specified joint enterprise law	21,684	10,447
Other	30,236	33,022
Total non-current liabilities	1,063,834	1,157,216
Total liabilities	1,263,296	1,397,274
Net assets		
Shareholders' equity		
Share capital	92,451	92,451
Capital surplus	66,539	66,262
Retained earnings	189,501	219,528
Treasury shares	(443)	(421)
Total shareholders' equity	348,048	377,821
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	50,332	71,526
Revaluation reserve for land	43,187	43,187
Foreign currency translation adjustment	4,604	5,011
Remeasurements of defined benefit plans	(179)	(647)
Total accumulated other comprehensive income	97,945	119,078
Non-controlling interests	10,843	11,135
Total net assets	456,838	508,035
Total liabilities and net assets	1,720,134	1,905,309

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income
(Consolidated statement of income)

(Million yen)

	FY2022 (Jan. 1, 2022 to Dec. 31, 2022)	FY2023 (Jan. 1, 2023 to Dec. 31, 2023)
Operating revenue	349,940	375,946
Operating costs	248,452	266,829
Operating gross profit	101,488	109,116
Selling, general and administrative expenses	37,009	38,608
Operating profit	64,478	70,508
Non-operating income		
Interest income	28	251
Dividend income	3,621	4,556
Share of profit of entities accounted for using equity method	1,825	3,920
Other	830	481
Total non-operating income	6,307	9,209
Non-operating expenses		
Interest expenses	6,094	7,262
Borrowing fee	862	974
Bond issuance costs	—	105
Foreign exchange losses	—	1,250
Dividends paid on real estate specified joint enterprise law	94	87
Other	202	565
Total non-operating expenses	7,254	10,246
Ordinary profit	63,531	69,471
Extraordinary income		
Gain on sale of non-current assets	726	241
Gain on sale of investment securities	50	—
Gain on sale of shares of subsidiaries and associates	—	498
Gain on liquidation and sale of investments in capital of subsidiaries and associates	—	2,265
Gain on bargain purchase	870	—
Gain on step acquisitions	12	—
Total extraordinary income	1,659	3,004
Extraordinary losses		
Loss on sale of non-current assets	9	—
Loss on retirement of non-current assets	139	150
Impairment losses	462	157
Loss on building reconstruction	1,772	—
Loss on valuation of investment securities	50	—
Loss on sale of shares of subsidiaries and associates	—	43
Loss on liquidation of subsidiaries and associates	6	—
Loss on termination of joint venture agreement	—	* 3,712
Total extraordinary losses	2,440	4,064
Profit before income taxes	62,750	68,411
Income taxes - current	15,580	26,202
Income taxes - deferred	3,086	(3,634)
Total income taxes	18,666	22,568
Profit	44,084	45,843
Profit attributable to non-controlling interests	1,021	758
Profit attributable to owners of parent	43,062	45,084

(Consolidated statement of comprehensive income)

(Million yen)

	FY2022 (Jan. 1, 2022 to Dec. 31, 2022)	FY2023 (Jan. 1, 2023 to Dec. 31, 2023)
Profit	44,084	45,843
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,021)	21,728
Foreign currency translation adjustment	118	2,196
Remeasurements of defined benefit plans, net of tax	(924)	(465)
Share of other comprehensive income of entities accounted for using equity method	2,359	(1,790)
Total other comprehensive income	(2,467)	21,668
Comprehensive income	41,616	67,511
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	40,680	66,217
Comprehensive income attributable to non-controlling interests	935	1,294

(3) Consolidated Statement of Changes in Equity
FY2022 (January 1, 2022 to December 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	92,451	66,587	166,356	(439)	324,955
Cumulative effect of changes in accounting policies			22		22
Restated balance	92,451	66,587	166,378	(439)	324,978
Changes during period					
Dividends of surplus			(11,711)		(11,711)
Profit attributable to owners of parent			43,062		43,062
Reversal of revaluation reserve for land			(8,228)		(8,228)
Purchase of treasury shares				(4)	(4)
Disposal of treasury shares		0		0	0
Change in ownership interest of parent due to transactions with non-controlling interests		(48)			(48)
Net changes in items other than shareholders' equity					
Total changes during period	—	(47)	23,123	(4)	23,070
Balance at end of period	92,451	66,539	189,501	(443)	348,048

	Accumulated other comprehensive income						Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	54,276	(17)	34,959	2,144	736	92,099	10,605	427,661
Cumulative effect of changes in accounting policies								22
Restated balance	54,276	(17)	34,959	2,144	736	92,099	10,605	427,683
Changes during period								
Dividends of surplus								(11,711)
Profit attributable to owners of parent								43,062
Reversal of revaluation reserve for land								(8,228)
Purchase of treasury shares								(4)
Disposal of treasury shares								0
Change in ownership interest of parent due to transactions with non-controlling interests								(48)
Net changes in items other than shareholders' equity	(3,944)	17	8,228	2,460	(915)	5,846	238	6,084
Total changes during period	(3,944)	17	8,228	2,460	(915)	5,846	238	29,155
Balance at end of period	50,332	—	43,187	4,604	(179)	97,945	10,843	456,838

FY2023 (January 1, 2023 to December 31, 2023)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	92,451	66,539	189,501	(443)	348,048
Changes during period					
Dividends of surplus			(15,057)		(15,057)
Profit attributable to owners of parent			45,084		45,084
Purchase of treasury shares				(3)	(3)
Disposal of treasury shares		0		26	26
Change in ownership interest of parent due to transactions with non-controlling interests		(276)			(276)
Net changes in items other than shareholders' equity					
Total changes during period	—	(276)	30,026	22	29,772
Balance at end of period	92,451	66,262	219,528	(421)	377,821

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	50,332	43,187	4,604	(179)	97,945	10,843	456,838
Changes during period							
Dividends of surplus							(15,057)
Profit attributable to owners of parent							45,084
Purchase of treasury shares							(3)
Disposal of treasury shares							26
Change in ownership interest of parent due to transactions with non-controlling interests							(276)
Net changes in items other than shareholders' equity	21,194	—	406	(467)	21,133	291	21,424
Total changes during period	21,194	—	406	(467)	21,133	291	51,197
Balance at end of period	71,526	43,187	5,011	(647)	119,078	11,135	508,035

(4) Consolidated Statement of Cash Flows

(Million yen)

	FY2022 (Jan. 1, 2022 to Dec. 31, 2022)	FY2023 (Jan. 1, 2023 to Dec. 31, 2023)
Cash flows from operating activities		
Profit before income taxes	62,750	68,411
Depreciation	18,796	20,457
Impairment losses	462	157
Loss on building reconstruction	1,772	—
Amortization of goodwill	317	229
Gain on bargain purchase	(870)	—
Loss (gain) on step acquisitions	(12)	—
Share of loss (profit) of entities accounted for using equity method	(1,825)	(3,920)
Increase (decrease) in allowance for doubtful accounts	36	(107)
Increase (decrease) in provision for bonuses	5	104
Increase (decrease) in provision for bonuses for directors (and other officers)	(0)	—
Increase (decrease) in provision for share awards for directors (and other officers)	69	22
Increase (decrease) in provision for retirement benefits for directors (and other officers)	4	(1)
Increase (decrease) in provision for loss on guarantees	(30)	—
Increase (decrease) in provision for environmental measures	(26)	(0)
Increase (decrease) in retirement benefit liability	(198)	(34)
Interest and dividend income	(3,650)	(4,807)
Interest expenses	6,094	7,262
Loss (gain) on valuation of investment securities	50	—
Loss (gain) on sale of investment securities	(50)	—
Loss (gain) on sale of shares of subsidiaries and associates	—	(454)
Loss (gain) on sale of investments in capital of subsidiaries and associates	—	(2,265)
Loss (gain) on liquidation of subsidiaries and associates	6	—
Loss on termination of joint venture agreement	—	3,712
Loss (gain) on sale and retirement of non-current assets	(577)	(90)
Decrease (increase) in trade receivables	(292)	9
Decrease (increase) in inventories	(65,006)	(73,779)
Increase (decrease) in leasehold and guarantee deposits received	(1,885)	(673)
Increase (decrease) in trade payables	813	809
Decrease (increase) in leasehold and guarantee deposits	(849)	589
Increase (decrease) in deposits received	3,839	(1,593)
Compensation income	—	5,079
Other, net	(1,094)	14,713
Subtotal	18,648	33,830
Interest and dividends received	6,203	7,491
Interest paid	(6,101)	(7,035)
Income taxes refund (paid)	(22,083)	(13,697)
Net cash provided by (used in) operating activities	(3,332)	20,588

(Million yen)

	FY2022 (Jan. 1, 2022 to Dec. 31, 2022)	FY2023 (Jan. 1, 2023 to Dec. 31, 2023)
Cash flows from investing activities		
Proceeds from sale and redemption of investment securities	2,188	7,641
Purchase of investment securities	(5,604)	(3,330)
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	654	—
Proceeds from sale of shares of subsidiaries resulting in change in scope of consolidation	—	1,229
Proceeds from withdrawal of investments in silent partnerships	4,460	1,085
Payments for investments in silent partnerships	—	(16)
Proceeds from sale of non-current assets	4,244	703
Purchase of non-current assets	(22,495)	(44,796)
Loan advances	(433)	(17,669)
Increase (decrease) in deposits received under real estate specified joint enterprise law	(1,892)	63
Other, net	(2,326)	1,019
Net cash provided by (used in) investing activities	(21,204)	(54,069)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(0)	(0)
Increase (decrease) in commercial papers	10,000	—
Proceeds from long-term borrowings	135,500	137,400
Repayments of long-term borrowings	(112,534)	(52,127)
Repayments of long-term accounts payable - other	(202)	(202)
Proceeds from issuance of bonds	—	20,000
Redemption of bonds	—	(10,000)
Purchase of shares of subsidiaries not resulting in change in scope of consolidation	—	(722)
Purchase of equity interests in silent partnerships of subsidiaries and associates not resulting in change in scope of consolidation	(648)	—
Proceeds from sale of treasury shares	0	0
Purchase of treasury shares	(4)	(3)
Dividends paid	(11,700)	(15,047)
Dividends paid to non-controlling interests	(708)	(636)
Proceeds from share issuance to non-controlling shareholders	34	40
Other, net	(1,312)	(789)
Net cash provided by (used in) financing activities	18,421	77,908
Effect of exchange rate change on cash and cash equivalents	1,545	435
Net increase (decrease) in cash and cash equivalents	(4,569)	44,864
Cash and cash equivalents at beginning of period	87,008	82,439
Cash and cash equivalents at end of period	82,439	127,303

(5) Notes on Consolidated Financial Statements

(Notes on Going Assumptions)

Not applicable

(Changes in Accounting Policies)

(Application of the implementation guidance on accounting standard for fair value measurement)

The Company has applied the “Implementation Guidance on Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 31, June 17, 2021) (hereinafter, the “Accounting Standard for Fair Value Measurement Implementation Guidance”) from the beginning of the first quarter of the fiscal year ending December 2023 and, in accordance with the transitional treatment stipulated in paragraph 27-2 of the Accounting Standard for Fair Value Measurement Implementation Guidance, the Company decided to apply the new accounting policies stipulated in the Accounting Standard for Fair Value Measurement Implementation Guidance into the future.

The impact of the application of the implementation guidance on the financial statements for the first three quarters of the fiscal year ending December 2023 will be minor.

(Consolidated Statement of Income)

* Loss on termination of joint venture agreement

The Tokyo Tatemono Group, through PT Dharma Tatemono Property (“DTP”) and PT Dharma Tatemono Residences (collectively with DTP, the “Project Companies”), which were established with its joint venture, has participated in the “Dharmawangsa Project (tentative name)” (the “Project”), a project to develop condominiums and offices and sell them as individual units in Jakarta, Indonesia. Given that the Project has come to a standstill due to the impact of the spread of COVID-19 and unfavorable conditions in the real estate market, we held a series of consultations with the joint venture. As a result, it was decided to terminate the joint venture agreement and to make the Project Companies subsidiaries, with the aim of optimizing the framework of decision-making involving the Project Companies. In connection with the termination of the joint venture agreement, in addition to the existing equity, the differences between the joint venture equity of Project Companies, which was accepted as payment in substitution for the loan receivable to the joint venture, and the assets and liabilities assumed on the consolidated balance sheet, were recorded as a loss on termination of the joint venture agreement.

(Segment Information, etc.)

Segment Information

1. Overview of Reportable Segments

The reportable segments of the Company are the constituent units of the Company for which separate financial information is available and for which the Board of Directors conducts a regular review to determine the allocation of management resources and assess the business performance.

The Company operates business activities by establishing divisions corresponding to their line of business, with the divisions formulating comprehensive strategies for the businesses they operate.

Therefore, the Company comprises business segments with the divisions as the basis and conducts the three businesses of Commercial Properties, Residential, and Asset Service as its reportable segments.

In the Commercial Properties business, operations include developing, selling, leasing out, operating, and managing office buildings, commercial facilities, logistics properties, etc. In the Residential business, operations include developing, selling, leasing out and managing condominiums. In the Asset Service business, operations include real estate sales, brokerage, consulting and parking lot development and operations.

2. Information on Operating Revenue, Profit (Loss), Assets and Other Items by Reportable Segment

FY2022 (January 1, 2022 to December 31, 2022)

(Million yen)

	Reportable segments				Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated financial statements (Note 3)
	Commercial Properties	Residential	Asset Service	Total				
Operating revenue								
External customers	145,155	131,390	50,240	326,786	23,154	349,940	—	349,940
Inter-segment or transfer	1,606	330	558	2,495	256	2,752	(2,752)	—
Total	146,761	131,721	50,799	329,282	23,410	352,693	(2,752)	349,940
Segment profit (loss) (Business profit (loss))								
Operating profit (loss)	40,910	23,304	7,399	71,615	2,518	74,133	(9,655)	64,478
Share of profit (loss) of entities accounted for using equity method	293	—	—	293	1,532	1,825	—	1,825
Total	41,204	23,304	7,399	71,908	4,050	75,959	(9,655)	66,304
Segment assets	1,142,724	269,870	85,999	1,498,594	99,806	1,598,401	121,733	1,720,134
Other items								
Depreciation	13,651	1,514	2,363	17,528	1,042	18,571	225	18,796
Investments in entities accounted for using equity method	1,525	—	—	1,525	41,126	42,652	—	42,652
Increase in property, plant and equipment and intangible assets	23,307	1,357	1,519	26,184	635	26,819	74	26,893

Note 1: The “Other” business segment is not included in reportable segments. “Other” includes businesses such as “leisure & child care,” “fund,” and “overseas.”

Note 2: (1) Adjustment of -¥9,655 million for segment profit (loss) includes inter-segment elimination of ¥34 million and corporate expenses of -¥9,689 million that is not distributed to the reportable segments. Corporate expenses are primarily general and administrative expenses that do not belong to the reportable segments.

(2) Adjustment of segment assets of ¥121,733 million includes the company-level assets of ¥205,259 million and inter-segment elimination of -¥83,526 million. The company-level assets chiefly consist of the Company’s cash, deposits and investment securities and assets, etc. relating to the corporate divisions.

Note 3: Segment profit (loss) is adjusted with the sum of operating profit and share of profit (loss) of entities accounted for using the equity method in the consolidated statement of income.

FY2023 (January 1, 2023 to December 31, 2023)

(Million yen)

	Reportable segments				Other (Note 1)	Total	Adjustment (Note 2)	Amount recorded in consolidated financial statements (Note 3)
	Commercial Properties	Residential	Asset Service	Total				
Operating revenue								
External customers	155,256	134,140	63,800	353,198	22,748	375,946	—	375,946
Inter-segment or transfer	1,021	383	1,791	3,197	138	3,335	(3,335)	—
Total	156,278	134,524	65,592	356,395	22,886	379,282	(3,335)	375,946
Segment profit (Business profit)								
Operating profit	38,483	27,155	12,907	78,546	2,204	80,750	(10,242)	70,508
Share of profit (loss) of entities accounted for using equity method	1,670	(6)	—	1,664	2,256	3,920	—	3,920
Total	40,153	27,149	12,907	80,210	4,460	84,670	(10,242)	74,428
Segment assets	1,210,526	298,805	87,764	1,597,096	126,056	1,723,152	182,156	1,905,309
Other items								
Depreciation	14,933	1,805	2,508	19,248	996	20,244	213	20,457
Investments in entities accounted for using equity method	1,653	—	—	1,653	26,266	27,920	—	27,920
Increase in property, plant and equipment and intangible assets	40,710	884	1,307	42,902	2,522	45,425	86	45,512

Note 1: The “Other” business segment is not included in reportable segments. “Other” includes businesses such as “leisure & child care,” “fund,” and “overseas.”

Note 2: (1) Adjustment of -¥10,242 million for segment profit includes inter-segment elimination of ¥72 million and corporate expenses of -¥10,314 million that is not distributed to the reportable segments. Corporate expenses are primarily general and administrative expenses that do not belong to the reportable segments.

(2) Adjustment of segment assets of ¥182,156 million includes the company-level assets of ¥272,891 million and inter-segment elimination of -¥90,734 million. The company-level assets chiefly consist of the Company’s cash, deposits and investment securities and assets, etc. relating to the corporate divisions.

Note 3: Segment profit is adjusted with the sum of operating profit and share of profit of entities accounted for using the equity method in the consolidated statement of income.

Related Information

FY2022 (January 1, 2022 to December 31, 2022)

FY2023 (January 1, 2023 to December 31, 2023)

1. Information by Product and Service

Information by product and service is omitted, as similar information is stated in “2. Information on Operating Revenue, Profit (Loss), Assets and Other Items by Reportable Segment” in “Segment Information.”

2. Information by Region

(1) Operating revenue

Operating revenue is omitted because the amount of operating revenue to external customers in Japan exceeded 90% of the amount of operating revenue stated in the consolidated statement of income.

(2) Property, plant and equipment

Property, plant and equipment is omitted because the amount of property, plant and equipment located in Japan exceeded 90% of the amount of property, plant and equipment stated in the consolidated balance sheet.

3. Information by Major Customer

Information by major customer is omitted because the amount of operating revenue to specified customers, which is included in operating revenue to external customers, is less than 10% of the operating revenue stated in the consolidated statement of income.

Information on Impairment Losses of Non-Current Assets by Reportable Segment

FY2022 (January 1, 2022 to December 31, 2022)

(Million yen)

	Reportable segments				Other	Total	Adjustment	Amount recorded in consolidated financial statements
	Commercial Properties (Note)	Residential	Asset Service	Total				
Impairment losses	1,772	—	320	2,093	141	2,234	—	2,234

Note: Includes ¥1,772 million recorded as loss on building reconstruction.

FY2023 (January 1, 2023 to December 31, 2023)

(Million yen)

	Reportable segments				Other	Total	Adjustment	Amount recorded in consolidated financial statements
	Commercial Properties	Residential	Asset Service	Total				
Impairment losses	—	—	157	157	—	157	—	157

Information on Amortization of Goodwill and the Balance of Unamortized Goodwill by Reportable Segment
FY2022 (January 1, 2022 to December 31, 2022)

(Million yen)

	Reportable segments				Other	Total	Adjustment	Amount recorded in consolidated financial statements
	Commercial Properties	Residential	Asset Service	Total				
Amortization during period	221	62	33	317	—	317	—	317
Balance at end of period	1,511	205	—	1,716	—	1,716	—	1,716

FY2023 (January 1, 2023 to December 31, 2023)

(Million yen)

	Reportable segments				Other	Total	Adjustment	Amount recorded in consolidated financial statements
	Commercial Properties	Residential	Asset Service	Total				
Amortization during period	177	51	—	229	—	229	—	229
Balance at end of period	1,333	153	—	1,486	—	1,486	—	1,486

Information on Gain on Bargain Purchase by Reportable Segment

FY2022 (January 1, 2022 to December 31, 2022)

Gain on bargain purchase of ¥870 million has been recorded in the Commercial Properties business segment. When business results for Kasumigaseki Building No. 7 PFI Co., Ltd. were recorded on a consolidated basis, the acquisition cost of the shares was less than the market value of net assets at the time of the business combination, and the difference was recognized as a gain on bargain purchase.

FY2023 (January 1, 2023 to December 31, 2023)

Not applicable

(Relating to Rental Properties)

The Company and a certain number of its consolidated subsidiaries own office buildings for rent, condominiums for rent, commercial facilities for rent and such in Tokyo and other regions. As some of the office buildings for rent and such are used by the Company and some of its consolidated subsidiaries, they are posted as real estate including portions used as rental property.

The amounts recorded in the consolidated balance sheet, the amounts of changes during the period, and the market value of these rental properties and real estate including portions used as rental property are as follows:

(Million yen)

			FY2022 (Jan. 1, 2022 to Dec. 31, 2022)	FY2023 (Jan. 1, 2023 to Dec. 31, 2023)
Rental properties	Amount recorded in consolidated balance sheet	Balance at beginning of period	693,406	692,631
		Changes during period	(775)	9,324
		Balance at end of period	692,631	701,955
	Market value at end of period	1,179,703	1,196,349	
Real estate including portions used as rental property	Amount recorded in consolidated balance sheet	Balance at beginning of period	199,175	198,568
		Changes during period	(606)	16,891
		Balance at end of period	198,568	215,459
	Market value at end of period	237,908	250,481	

Note 1: The amount recorded in the consolidated balance sheet is the amount obtained by subtracting accumulated depreciation from acquisition costs.

Note 2: The market value at the end of the period is the value based on the valuation of properties by an outside licensed real-estate appraiser for principal properties and the value calculated by the Company based on the Real Estate Appraisal Standards (including values adjusted using indicators) for other properties.

(Per Share Information)

	FY2022 (Jan. 1, 2022 to Dec. 31, 2022)	FY2023 (Jan. 1, 2023 to Dec. 31, 2023)
Net assets per share	¥2,135.08	¥2,378.61
Profit per share	¥206.15	¥215.82

Note 1: Diluted profit per share is not posted as there is no potential share.

Note 2: In the calculation of net assets per share and profit per share, the shares of the Company held by the Board Benefit Trust (BBT) are included in the treasury shares deducted in the calculation of the total number of shares outstanding at the end of the period and the average number of shares during the period. The number of shares outstanding at the end of the period of the concerned treasury shares deducted in the calculation of the total number of shares outstanding at the end of the period was 241,000 shares for FY2022 and 225,000 shares for FY2023, and the average number of shares during the period of the concerned treasury shares deducted in the calculation of the average number of shares during the period was 241,000 shares for FY2022 and 229,000 shares for FY2023.

Note 3: The calculation basis for profit per share is as shown below.

	FY2022 (Jan. 1, 2022 to Dec. 31, 2022)	FY2023 (Jan. 1, 2023 to Dec. 31, 2023)
Profit per share		
Profit attributable to owners of parent (million yen)	43,062	45,084
Amount not attributable to common shareholders (million yen)	—	—
Profit attributable to owners of parent that pertain to common shares (million yen)	43,062	45,084
Average number of common shares during the period (thousand shares)	208,890	208,900

Note 4: The calculation basis for net assets per share is as shown below.

Item	End of FY2022 (Dec. 31, 2022)	End of FY2023 (Dec. 31, 2023)
Total net assets (million yen)	456,838	508,035
Amount of deduction from total net assets (million yen)	10,843	11,135
[Non-controlling interests included in the above (million yen)]	10,843	11,135
Net assets at the end of the period that pertain to common shares (million yen)	445,994	496,900
Number of common shares at the end of the period, which was used for the calculation of net assets per share (thousand shares)	208,889	208,903

(Major Subsequent Events)

Not applicable