

Non-consolidated Financial Results for the Fiscal Year Ended July 31, 2021



[Japanese GAAP]
September 14, 2021

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Scheduled date of Annual General Meeting of Shareholders: October 28, 2021

Scheduled date of payment of dividend: October 29, 2021

Scheduled date of filing of Quarterly Report: October 29, 2021

Preparation of supplementary materials for financial results: Yes

Holding of financial results meeting: Yes (for analysts)

(All amounts are rounded down to the nearest million yen)

1. Non-consolidated Financial Results for the Fiscal Year Ended July 31, 2021 (August 1, 2020 - July 31, 2021)

(1) Results of operations (Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended Jul. 31, 2021	19,057	(28.6)	1,223	(31.3)	281	(54.8)	609	506.7
Fiscal year ended Jul. 31, 2020	26,703	12.5	1,780	(23.2)	624	(44.2)	100	(85.5)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Jul. 31, 2021	196.05	192.32	14.1	0.8	6.4
Fiscal year ended Jul. 31, 2020	33.07	32.35	2.6	1.4	6.7

Reference: Equity in earnings of affiliated companies Fiscal year ended Jul. 31, 2021 — Millions of yen Fiscal year ended Jul. 31, 2020 — Millions of yen

(2) Financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
Fiscal year ended Jul. 31, 2021	33,564	4,655	13.9	1,491.99
Fiscal year ended Jul. 31, 2020	40,981	4,012	9.8	1,273.45

Reference: Shareholders' equity (millions of yen) As of Jul. 31, 2021: 4,655 As of Jul. 31, 2020: 4,012

(3) 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
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended Jul. 31, 2021	7,505	516	(8,463)	1,197
Fiscal year ended Jul. 31, 2020	9,479	(787)	(7,542)	1,639

2. Dividends

	Dividend per share					Total dividends (Total)	Dividend Payout ratio	Net assets to dividend ratio
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended Jul. 31, 2020	—	0.00	—	6.00	6.00	18	18.1	0.5
Fiscal year ended Jul. 31, 2021	—	0.00	—	7.00	7.00	21	3.6	0.5
Fiscal year ending Jul. 31, 2022 (forecasts)	—	0.00	—	—	—		—	

Notes 1. For the year-end dividend for the fiscal year ended July 31, 2021, please refer to the "Notice of Revision to Dividend Forecast" announced September 14, 2021.

2. There is currently no forecast for the year-end dividend for the fiscal year ending July 31, 2022.

3. Earnings Forecast for the Fiscal Year Ending July 31, 2022 (August 1, 2021 to July 31, 2022)

(Percentages represent year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
Full year	18,634	(2.2)	(653)	—	(1,476)	—	(1,477)	—	(514.28)

Note: Only the full fiscal year forecast is shown because LeTech manages performance on a fiscal year basis.

* Notes

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

- 1) Changes in accounting policies due to amendment of accounting standards, etc.: None
- 2) Changes in accounting policies other than 1) above: None
- 3) Changes in accounting estimates: None
- 4) Restatements: None

(2) Number of shares outstanding (common shares)

1) Number of shares outstanding at end of period (including treasury shares)

As of Jul. 31, 2021: 3,162,178 shares As of Jul. 31, 2020: 3,152,978 shares

2) Number of treasury shares at end of period

Fiscal year ended Jul. 31, 2021: 41,908 shares Fiscal year ended Jul. 31, 2020: 2,332 shares

3) Average number of shares during the period

Fiscal year ended Jul. 31, 2021: 3,109,691 shares Fiscal year ended Jul. 31, 2020: 3,038,500 shares

* This summary of financial results is not subject to audit procedures by a public accountant or audit corporation.

* Explanation of appropriate use of earnings forecasts, and other special items

Forecasts of future performance in these materials are based on assumptions judged to be valid and information available at the time these materials were prepared, and such statements do not guarantee future performance. Actual business performance and other results may differ materially due to various factors. For the conditions forming the assumptions on which financial forecasts are based, notes for use of financial forecasts, and the like, please refer to the explanations on the forecast information described in “1. Overview of Operating Results, Etc.; (4) Future Outlook” of the Attachment.

The net income per share forecast for the fiscal year ending July 31, 2022, is diluted to reflect the effects of purchase of restricted stock at no cost.

The Company plans to hold a financial results briefing session for analysts via video webcast on Tuesday, September 14, 2021. Materials to be distributed at this event will be posted on the Company’s website immediately afterward.

Contents of the Attachment

1. Overview of Results of Operations, Etc.	4
(1) Overview of Results of Operations for the Fiscal Year Under Review	4
(2) Overview of Financial Position for the Fiscal Year Under Review	5
(3) Overview of Cash Flows for the Fiscal Year Under Review	5
(4) Future Outlook	6
2. Basic Policy Regarding Selection of Accounting Standards	6
3. Non-consolidated Financial Statements and Notes	7
(1) Non-consolidated Balance Sheet	7
(2) Non-consolidated Statement of Income	9
(3) Non-consolidated Statement of Changes in Equity	10
(4) Non-consolidated Statement of Cash Flows	11
(5) Notes to Non-consolidated Financial Statements	12
(Notes on Going Concern Assumption)	12
(Additional Information)	12
(Segment Information, Etc.)	12
(Equity in Earnings of Affiliates)	15
(Per Share Information)	15
(Material Subsequent Events)	15

1. Overview of Results of Operations, Etc.

(1) Overview of Results of Operations for the Fiscal Year Under Review

The Japanese economy still faced challenging circumstances as economic and social activities were highly restricted due to the effects of the novel coronavirus (COVID-19) during the fiscal year ended July 31, 2021. As for the outlook for the economy, given that measures to curb the spread of infection have been taken along with efforts to promote COVID-19 vaccination, various measures have produced results, and overseas economies show signs of improvement, the Japanese economy is expected to keep recovering. With the state of emergency that has been repeatedly declared and preventive measures in place, the tourism and restaurant industries continue to be affected; the economy thus remains uncertain.

In the real estate industry where the Company is active, while the environment for buying homes remains favorable and, simultaneously, real estate investments centered on residential properties have become overheated, supply has been unable to keep up with growing demand, creating a sense of shortage of properties. With land prices remaining high and intensifying competition for purchasing land, the business environment remains challenging.

Under these business circumstances, the Company carried out numerous activities for achieving the numerical targets of the current business plan, bolstered the financial foundation, and promoted the business to continuously enhance corporate value and become a provider of a comprehensive line of real estate services. However, some real estate sales plans were postponed due to market uncertainty; the market remained challenging during the period under review.

Net sales decreased 28.6% year on year to 19.057 billion yen, with operating profit down 31.3% to 1.223 billion yen, ordinary profit down 54.8% to 281 million yen, and profit up 506.7% to 609 million yen. As net sales fell, operating profit and ordinary profit each decreased year on year, but extraordinary income was posted as the nursing care business was transferred and a contract cancellation penalty was recognized as extraordinary loss in the previous fiscal year. Consequently, increased profit year on year was posted.

Business segment performance was as follows:

1) Real Estate Solutions

Segment sales decreased 29.9% year on year to 16.813 billion yen and profit decreased 9.6% to 2.036 billion yen.

Real estate transactions for the core LEGALAND residential property brand remained strong, and accumulation of sales of highly profitable properties underpinned profit. However, due to market uncertainty stemming from the COVID-19 pandemic, in part because some sales plans, including a large-scale development project, were postponed, the segment saw both sales and profit decrease from a year earlier.

2) Real Estate Leasing

Segment sales decreased 26.3% year on year to 1.326 billion yen and profit was down 55.2% to 298 million yen.

This segment is a source of consistent income that is primarily from revenue-producing properties owned by the Company and properties that are held temporarily until they are sold.

During the fiscal year under review, occupancy rates at leased properties remained high. However, sales and profit were lower than the previous year because the number of properties decreased as real estate for sale was sold due to considerations involving long-term earnings and the high level of interest among buyers in purchasing these properties as well as weaker demand for vacation rentals attributable to a decline in inbound tourism due to the COVID-19 pandemic.

While keeping a close watch on the market condition, the Company intends to select properties and increase the volume of properties it owns while maintaining high occupancy rates.

3) Other Business

Segment sales increased 0.4% from year on year to 917 million yen and profit decreased 33.6% to 61 million yen. Real estate consulting is the main activity in this segment. One major component of this segment is brokerage services, mostly for short sales of properties. This segment also includes the operation of private nursing homes and, in accordance with Japan's Long-term Care Insurance Law, the provision of services for helping seniors prevent conditions that require nursing care and the provision of home nursing care service.

Regarding the nursing care business, as the Company could not anticipate synergy with its core business composed of Real Estate Solutions and Information and Communication Technology, it transferred the business to a company that can grow it further to meet the most basic objective of providing stable services to users of the facilities.

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

1) Assets

Total assets were 33.564 billion yen, 7.417 billion yen lower than at the end of the previous fiscal year.

Current assets decreased 6.459 billion yen year on year to 27.336 billion yen. The main changes in current assets were a decrease of 12.715 billion yen in real estate for sale in process, chiefly the result of the completion of real estate for development projects, and an increase of 6.308 billion yen in real estate for sale.

Non-current assets decreased 958 million yen from a year earlier to 6.228 billion yen. This was mainly due to a decrease of 843 million yen in land, a decrease of 321 million yen in buildings because of the change in the purpose of ownership, and a decrease of 90 million yen in long-term prepaid expenses due to amortization in non-recoverable consumption taxes paid on certain non-current assets transactions, as well as an increase of 268 million yen in deferred tax assets due to an increased temporary difference through application of tax effect accounting.

2) Liabilities

Liabilities decreased 8.06 billion yen year on year to 28.909 billion yen.

Current liabilities decreased 3.418 billion yen year on year to 17.42 billion yen. This was mainly due to a decrease of 3.014 billion yen in short-term borrowings because of repayment on sale, a decrease of 951 million yen in long-term borrowings, and an increase of 756 million yen in advances received.

Non-current liabilities decreased 4.641 billion yen year on year to 11.488 billion yen. This was mainly due to a decrease of 4.445 billion yen in long-term borrowings because of transfer to current portion of long-term loans payable and repayment on sale.

3) Net assets

Net assets increased 643 million yen year on year to 4.655 billion yen. This was mainly due to 609 million yen in profit, an increase of 49 million yen in other capital surplus due to disposal of treasury shares, and a decrease of 18 million yen in dividends of surplus. The equity ratio increased to 13.9% from 9.8% at the end of the previous fiscal year.

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

Cash and cash equivalents (hereinafter, "cash") at the end of the fiscal year under review decreased 441 million yen from the end of the previous fiscal year to 1.197 billion yen.

Cash flows from operating activities

Net cash provided by operating activities was 7.505 billion yen, compared with 9.479 billion yen provided in the previous fiscal year. The increase is mainly attributable to the decrease in inventories of 7.563 billion yen.

Cash flows from investing activities

Net cash provided by investing activities was 516 million yen, compared with 787 million yen used in the previous fiscal year. The increase is mainly attributable to proceeds from sales of shares of subsidiaries and associates of 775 million yen. The decrease is mainly attributable to purchase of property, plant and equipment (mainly real estate for leasing) of 209 million yen.

Cash flows from financing activities

Net cash used in financing activities totaled 8.463 billion yen, compared with 7.542 billion yen used in the previous fiscal year. The decrease is mainly attributable to repayments of long-term borrowings of 9.174 billion yen and a decrease in short-term borrowings of 3.014 billion yen. The increase is mainly attributable to proceeds from long-term borrowings of 3.777 billion yen.

(4) Future Outlook

Regarding the Japanese economy, although there is still no predicting when the COVID-19 pandemic will end, economic activities are expected to recover gradually as vaccination accelerates both at home and abroad. However, due to concerns over the spread of COVID-19 variants and a surge in infections at home, the situation still does not allow for optimism.

In Japan's real estate industry where the Company is active, with new lifestyles on the back of the COVID-19 pandemic, interest in, and demand for housing grew in the era of the new normal. As for recovery of hotel-related markets that were affected by inbound tourism to Japan, which was heavily impacted by the COVID-19 pandemic, they are expected to recover gradually as vaccination accelerates. However, challenges remain in the lifting of travel restrictions and other restrictions, and it is unlikely that these markets will rebound rapidly in the short term.

Against this backdrop, the Company plans to formulate a Medium-Term Business Plan (fiscal year ending July 31, 2022 - fiscal year ending July 31, 2024) and promote its businesses with the aim of bolstering the management base, enhancing corporate value, and becoming a real estate tech company.

Net sales of 18.634 billion yen (down 2.2% year on year), operating loss of 653 million yen (operating profit of 1.223 billion yen in the previous fiscal year), ordinary loss of 1.476 billion yen (ordinary profit of 281 million yen in the previous fiscal year), and loss of 1.477 billion yen (profit of 609 million yen in the previous fiscal year) are forecast for the fiscal year ending July 31, 2022, the first year of the Medium-Term Business Plan.

For the fiscal year ending July 31, 2022, due to uncertainties over the economy as a whole stemming from the COVID-19 outbreak, the Company controlled the purchase of real estate given the business's continuous and stable operations for the two preceding fiscal years. Consequently, the number of properties sold is likely to fall due in part to postponements of sales of hotels and other properties until the market recovers, and the market that remains uncertain amid the COVID-19 pandemic. As the Company revised the expected proceeds from the sale of large-scale projects downward drastically over the initial budget, expect both sales and profit are expected to decrease. Accordingly, from the fiscal year ending July 31 2022, the Company plans to strengthen its exit strategy, including contracts in the pipeline, increase business efficiency through collaborating with partners, sharply reduce costs by revamping the compensation system, including remuneration for directors (and other officers), and review outsourced services, thereby cutting selling, general and administrative expenses as well.

Due in part to the impact of the COVID-19 pandemic, the outlook for the fiscal year ending July 31, 2022, is harsh as mentioned above, but assuming that the effects of COVID-19 will subside around the end of 2022, the Company plans to accelerate the development and purchase of properties centered on the LEGALAND residential property brand, which remains strong, in a bid to develop 50 buildings in total over the three years. Further, the Company plans to work on strengthening the exit strategy and cutting costs continuously to boost business efficiency as well as setting out to optimize business resources by leveraging digital transformation (DX), thereby establishing the business foundation and achieving a turnaround.

Note: For a summary of the Medium-Term Business Plan, please refer "Notice of Formulation of the Medium-Term Business Plan" announced on September 14, 2021.

2. Basic Policy Regarding Selection of Accounting Standards

The Company currently applies Japanese accounting standards for its financial statements to facilitate comparisons with prior-year performance and the performance of other companies.

3. Non-consolidated Financial Statements and Notes

(1) Non-consolidated Balance Sheet

(Thousands of yen)

	FY7/20 (As of Jul. 31, 2020)	FY7/21 (As of Jul. 31, 2021)
Assets		
Current assets		
Cash and deposits	1,982,825	1,544,650
Trade accounts receivable	215,835	84,591
Real estate for sale	10,939,358	17,247,986
Real estate for sale in process	20,006,201	7,290,813
Advance payments - trade	19,629	109,905
Prepaid expenses	197,591	79,654
Other	437,828	983,818
Allowance for doubtful accounts	(3,670)	(5,206)
Total current assets	33,795,601	27,336,214
Non-current assets		
Property, plant and equipment		
Buildings, net	2,960,883	2,639,587
Machinery and equipment, net	3,976	3,447
Tools, furniture and fixtures, net	11,442	11,493
Land	3,425,424	2,581,481
Leased assets, net	15,920	4,755
Total property, plant and equipment	6,417,647	5,240,765
Intangible assets		
Software	33,838	25,831
Other	1,537	1,407
Total intangible assets	35,375	27,238
Investments and other assets		
Investments in capital	139,431	139,431
Long-term prepaid expenses	156,088	65,727
Deferred tax assets	251,239	520,208
Other	186,604	234,868
Total investments and other assets	733,362	960,236
Total non-current assets	7,186,386	6,228,240
Total assets	40,981,987	33,564,455

(Thousands of yen)

	FY7/20 (As of Jul. 31, 2020)	FY7/21 (As of Jul. 31, 2021)
Liabilities		
Current liabilities		
Trade accounts payable	514,613	82,445
Short-term borrowings	5,813,636	2,799,542
Current portion of bonds payable	28,000	28,000
Current portion of long-term borrowings	13,332,258	12,380,361
Lease obligations	8,522	4,867
Accounts payable - other	111,003	63,554
Accrued expenses	470,628	339,984
Income taxes payable	99,880	498,021
Advances received	9,947	766,389
Deposits received	197,495	317,721
Unearned revenue	58,867	21,851
Provision for bonuses	57,310	24,937
Other	137,533	93,113
Total current liabilities	20,839,697	17,420,789
Non-current liabilities		
Bonds payable	74,000	46,000
Long-term borrowings	15,732,643	11,287,160
Lease obligations	9,593	905
Other	313,876	154,197
Total non-current liabilities	16,130,114	11,488,263
Total liabilities	36,969,811	28,909,053
Net assets		
Shareholders' equity		
Share capital	790,016	791,396
Capital surplus		
Legal capital surplus	700,016	701,396
Other capital surplus	—	49,732
Total capital surplus	700,016	751,129
Retained earnings		
Other retained earnings		
Retained earnings brought forward	2,522,178	3,112,925
Total retained earnings	2,522,178	3,112,925
Treasury shares	(36)	(48)
Total shareholders' equity	4,012,175	4,655,402
Total net assets	4,012,175	4,655,402
Total liabilities and net assets	40,981,987	33,564,455

(2) Non-consolidated Statement of Income

(Thousands of yen)

	FY7/20 (Aug. 1, 2019 - Jul. 31, 2020)	FY7/21 (Aug. 1, 2020 - Jul. 31, 2021)
Net sales		
Real estate sales	23,974,334	16,813,889
Lease revenue	1,541,072	959,746
Other sales	1,188,300	1,283,990
Net sales	26,703,707	19,057,626
Cost of sales		
Cost of sales - real estate	20,217,082	13,563,117
Cost of lease revenue	735,281	591,734
Other costs	937,548	1,055,328
Total cost of sales	21,889,912	15,210,180
Gross profit	4,813,795	3,847,446
Selling, general and administrative expenses	3,033,332	2,624,389
Operating profit	1,780,463	1,223,056
Non-operating income		
Interest income	111	54
Dividend income	882	868
Subsidy income	5,308	10,643
Penalty income	—	6,161
Surrender value of insurance policies	53,536	81
Other	12,085	6,354
Total non-operating income	71,924	24,164
Non-operating expenses		
Interest expenses	1,097,754	856,670
Commission expenses	107,731	61,410
Other	22,562	47,240
Total non-operating expenses	1,228,048	965,321
Ordinary profit	624,339	281,899
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	—	657,025
Total extraordinary income	—	657,025
Extraordinary losses		
Cancellation penalty	410,000	—
Loss on retirement of non-current assets	18,143	1,205
Total extraordinary losses	428,143	1,205
Profit before income taxes	196,196	937,720
Income taxes - current	279,235	597,039
Income taxes - deferred	(183,518)	(268,969)
Total income taxes	95,717	328,069
Profit	100,479	609,650

(3) Non-consolidated Statement of Changes in Equity

FY7/20 (Aug. 1, 2019 - Jul. 31, 2020)

(Thousands of yen)

	Shareholders' equity							Total net assets
	Share capital	Capital surplus			Retained earnings	Treasury shares	Total shareholders' equity	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward			
Balance at beginning of period	651,924	561,924	—	561,924	2,436,125	—	3,649,975	3,649,975
Changes during period								
Issuance of new shares	138,091	138,091		138,091			276,183	276,183
Dividends of surplus					(14,426)		(14,426)	(14,426)
Profit					100,479		100,479	100,479
Purchase of treasury shares						(36)	(36)	(36)
Disposal of treasury shares							—	—
Net changes in items other than shareholders' equity								—
Total changes during period	138,091	138,091	—	138,091	86,053	(36)	362,200	362,200
Balance at end of period	790,016	700,016	—	700,016	2,522,178	(36)	4,012,175	4,012,175

FY7/21 (Aug. 1, 2020 - Jul. 31, 2021)

(Thousands of yen)

	Shareholders' equity							Total net assets
	Share capital	Capital surplus			Retained earnings	Treasury shares	Total shareholders' equity	
		Legal capital surplus	Other capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward			
Balance at beginning of period	790,016	700,016	—	700,016	2,522,178	(36)	4,012,175	4,012,175
Changes during period								
Issuance of new shares	1,380	1,380		1,380			2,760	2,760
Dividends of surplus					(18,903)		(18,903)	(18,903)
Profit					609,650		609,650	609,650
Purchase of treasury shares						(35)	(35)	(35)
Disposal of treasury shares			49,732	49,732		22	49,755	49,755
Net changes in items other than shareholders' equity								—
Total changes during period	1,380	1,380	49,732	51,112	590,746	(12)	643,226	643,226
Balance at end of period	791,396	701,396	49,732	751,129	3,112,925	(48)	4,655,402	4,655,402

(4) Non-consolidated Statement of Cash Flows

(Thousands of yen)

	FY7/20 (Aug. 1, 2019 - Jul. 31, 2020)	FY7/21 (Aug. 1, 2020 - Jul. 31, 2021)
Cash flows from operating activities		
Profit before income taxes	196,196	937,720
Depreciation	201,156	160,839
Share-based remuneration expenses	112,401	152,776
Increase (decrease) in allowance for doubtful accounts	989	1,535
Interest and dividend income	(994)	(922)
Interest expenses	1,097,754	856,670
Commission expenses	107,731	61,410
Cancellation penalty	410,000	—
Loss on retirement of non-current assets	18,143	1,205
Decrease (increase) in trade receivables	(86,535)	22,447
Decrease (increase) in inventories	9,661,942	7,563,962
Increase (decrease) in trade payables	244,377	(409,093)
Loss (gain) on sales of shares of subsidiaries and associates	—	(657,025)
Decrease (increase) in long-term prepaid expenses	149,970	(11,707)
Increase (decrease) in guarantee deposits received	(271,210)	(143,279)
Increase (decrease) in advances received	(2,092)	756,441
Increase (decrease) in accounts payable - other	48,212	(46,333)
Increase (decrease) in accrued expenses	(270,248)	(80,397)
Other	(253,208)	(632,960)
Subtotal	11,364,585	8,533,289
Interest and dividends received	995	922
Interest paid	(1,098,670)	(822,537)
Cancellation penalty paid	(310,000)	—
Income taxes paid	(477,483)	(206,271)
Cash flows from operating activities	9,479,427	7,505,403
Cash flows from investing activities		
Purchase of property, plant and equipment	(966,902)	(209,881)
Payments into time deposits	(302,500)	(67,150)
Proceeds from withdrawal of time deposits	381,267	48,813
Purchase of shares of subsidiaries and associates	—	(1,000)
Proceeds from sales of shares of subsidiaries and associates	—	775,000
Payments for investments in capital	(100,000)	—
Other	200,760	(29,730)
Cash flows from investing activities	(787,373)	516,052
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(2,380,233)	(3,014,094)
Proceeds from long-term borrowings	7,503,000	3,777,162
Repayments of long-term borrowings	(12,606,124)	(9,174,542)
Redemption of bonds	(53,000)	(28,000)
Proceeds from exercise of employee share options	16,050	2,760
Purchase of treasury shares	(36)	(35)
Dividends paid	(12,454)	(18,826)
Repayments of lease obligations	(9,496)	(7,658)
Cash flows from financing activities	(7,542,295)	(8,463,234)
Net increase (decrease) in cash and cash equivalents	1,149,758	(441,778)
Cash and cash equivalents at beginning of period	489,955	1,639,713
Cash and cash equivalents at end of period	1,639,713	1,197,935

(5) Notes to Non-consolidated Financial Statements

(Notes on Going Concern Assumption)

Not applicable.

(Additional Information)

A change in the purpose of holding assets

Following the change in the purpose of holding assets, 1.151769 billion yen out of property, plant and equipment has been transferred to real estate for sale.

(Segment Information, Etc.)

Segment information

1. Overview of reportable segment

(1) Method of determining the reportable segments

The reportable segments are business components for which separate financial information is available and operating results are regularly reviewed by the Board of Directors to make decisions about resource allocation and to assess performance.

The Company establishes comprehensive strategies for the products and services of each business unit and conducts the associated business operations based on these strategies.

Consequently, there are two reportable segments consisting of products and services that are divided in accordance with business domains: Real Estate Solutions and Real Estate Leasing.

(2) Products and services of reportable segments

Real Estate Solutions

The Company uses information about available properties from a variety of sources for purchasing properties and then makes carefully selected investments in order to increase the asset value of these properties. Then properties are sold primarily to wealthy individuals and companies created for the purpose of holding assets. Every property precisely matches the requirements of the investor who is purchasing the property. The asset value of these income-producing properties, which are purchased by using information acquired through proprietary channels, is increased by improving the building's management, altering its use, replacing tenants, performing extensive renovations or other measures. Properties are sold for the purpose of productively utilizing land, developing condominium buildings, supplying buildings suitable for use as offices, hotels, vacation rentals or other commercial use, conversions of buildings to new uses, renovations, and other purposes.

Real Estate Leasing

The primary activity of this business is leasing income-producing properties owned by the Company and real estate for sale that is held temporarily by the Company until a sale is completed. Further, the Company runs the facility management business to connect a real estate management company and tenants better and support repair work or restoration to original state for buildings and condominiums. In this business, to boost rent revenue and occupancy rates in the real estate leasing business, the Company is present when a tenant vacates a property it owns and conducts work to restore to original state, renovate or repair buildings as well.

2. Calculation methods for net sales, profit or loss, assets, liabilities and other items for each reportable segment

The accounting methods used for reportable segments are generally the same as those adopted for preparation of the financial statements. Earnings for each reportable segment indicates the figure of operating profit.

3. Information related to net sales, profit or loss, assets, liabilities and other items for each reportable segment

FY7/20 (Aug. 1, 2019 - Jul. 31, 2020)

(Thousands of yen)

	Reportable segment			Others (Note) 1	Total
	Real Estate Solutions (Note) 2	Real Estate Leasing	Total		
Net sales					
Sales to outside customers	23,989,336	1,800,442	25,789,779	913,928	26,703,707
Inter-segment sales and transfers	—	—	—	—	—
Total	23,989,336	1,800,442	25,789,779	913,928	26,703,707
Segment profit	2,252,383	665,374	2,917,757	93,223	3,010,981
Ordinary profit	—	—	1,843,961	89,939	1,933,900
Segment assets	—	—	38,120,991	107,172	38,228,164
Other items					
Depreciation	—	—	180,282	296	180,579
Increase in property, plant and equipment and intangible assets	—	—	3,758,996	958	3,759,954

Notes 1. Other is businesses that are not included in the reportable segments and mainly consist of real estate consulting and nursing care businesses.

2. In the real estate solution business segment, selling, general and administrative expenses have decreased as a result of a change in personnel due to changes in staffing assignment in order to strengthen sales strategies and management structure.

FY7/21 (Aug. 1, 2020 - Jul. 31, 2021)

(Thousands of yen)

	Reportable segment			Others (Note) 1	Total
	Real Estate Solutions (Note) 2	Real Estate Leasing	Total		
Net sales					
Sales to outside customers	16,813,889	1,326,031	18,139,921	917,705	19,057,626
Inter-segment sales and transfers	—	—	—	—	—
Total	16,813,889	1,326,031	18,139,921	917,705	19,057,626
Segment profit	2,036,203	298,032	2,334,235	61,912	2,396,147
Ordinary profit	—	—	1,520,065	71,035	1,591,101
Segment assets	—	—	31,070,946	137	31,071,083
Other items					
Depreciation	—	—	141,085	387	141,472
Increase in property, plant and equipment and intangible assets	—	—	131,635	—	131,635

Notes 1. Other is businesses that are not included in the reportable segments and mainly consist of real estate consulting and nursing care businesses.

As the nursing care business that comprised Others was separated and transferred as of July 1, 2021, its performance until the end of June 2021 is included.

2. In the real estate solutions business segment, selling, general and administrative expenses have partly increased as a result of a change in staffing assignment to expedite decision-making and streamline business activities further.

4. Reconciliation of amounts shown in the financial statements with total for reportable segments

(Thousands of yen)

Net sales	FY7/20	FY7/21
Total for reportable segments	25,789,779	18,139,921
Net sales in "Others"	913,928	917,705
Elimination of inter-segment transactions	—	—
Net sales in financial statements	26,703,707	19,057,626

(Thousands of yen)

Profit	FY7/20	FY7/21
Total for reportable segments	2,917,757	2,334,235
Profit in "Others"	93,223	61,912
Elimination of inter-segment transactions	—	—
Corporate expenses (Notes 1 and 2)	(1,230,518)	(1,173,091)
Operating profit in financial statements	1,780,463	1,223,056

Notes 1. Corporate expenses mainly include head office expenses that cannot be allocated to a reportable segment.

2. Regarding corporate expenses for FY 7/20, selling, general and administrative expenses increased as a result of a change in personnel due to changes in staffing assignment in order to strengthen sales strategies and management structure. Regarding corporate expenses for FY 7/21, selling, general and administrative expenses decreased as a result of a change in personnel due to changes in staffing assignment in order to expedite decision-making and streamline business activities further.

(Thousands of yen)

Assets	FY7/20	FY7/21
Total for reportable segments	38,120,991	31,070,946
Assets in "Others"	107,172	137
Corporate assets (Note)	2,753,823	2,493,371
Total assets in financial statements	40,981,987	33,564,455

Note: Corporate assets mainly include assets that cannot be allocated to a reportable segment.

(Thousands of yen)

Other items	Total for reportable segments		Other		Adjustment (Note)		Amounts shown on financial statements	
	FY7/20	FY7/21	FY7/20	FY7/21	FY7/20	FY7/21	FY7/20	FY7/21
Depreciation	180,282	141,085	296	387	20,576	19,366	201,156	160,839
Increase in property, plant and equipment and intangible assets	3,758,996	131,635	958	—	7,300	6,982	3,767,255	138,617

Note: The adjustment consists mainly of head office expenses and assets that cannot be allocated to a reportable segment.

(Equity in Earnings of Affiliates)

Not applicable.

(Per Share Information)

	FY7/20 (Aug. 1, 2019 - Jul. 31, 2020)	FY7/21 (Aug. 1, 2020 - Jul. 31, 2021)
Net assets per share	1,273.45 yen	1,491.99 yen
Net income per share	33.07 yen	196.05 yen
Diluted net income per share	32.35 yen	192.32 yen

Note: The basis of calculating the net income per share and diluted net income per share is as follows:

	FY7/20 (Aug. 1, 2019 - Jul. 31, 2020)	FY7/21 (Aug. 1, 2020 - Jul. 31, 2021)
Net income per share		
Profit (thousand yen)	100,479	609,650
Amount not attributable to common shareholders (thousand yen)	—	—
Profit applicable to common shares (thousand yen)	100,479	609,650
Average number of common shares outstanding during the period (shares)	3,038,500	3,109,691
Diluted net income per share		
Increase in the number of common shares (shares)	67,822	60,315
(of which, share acquisition rights (shares))	(67,822)	(60,315)
Description of potentially dilutive shares not included in calculation of diluted net income per share, because they are antidilutive	—	

(Material Subsequent Events)

Not applicable.