
Summary of Consolidated Financial Results

**For the Second Quarter of FY2022
(January 1, 2022 – June 30, 2022)**

**This document is an English summary translation of a statement written initially in Japanese.
The original Japanese should be considered the primary version.*

Disclaimer Regarding Forward-Looking Statements

The forward-looking statements, including forecasts of performance of Hulic and its Group companies, contained in these materials are based on information currently available to the Hulic management and on certain assumptions deemed to be reasonable. Actual business and other results may vary substantially due to various factors.

Outline of Consolidated Financial Results for the Second Quarter of FY2022 <under Japanese GAAP>

July 28, 2022

Name of company listed: HULIC Co., Ltd.

Stock exchange listing: Tokyo (Prime Section)

Code number: 3003 URL: <https://www.hulic.co.jp/en/>

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Quarterly Securities Report to be filed on: August 4, 2022

Planned dividends payment date: September 2, 2022

Preparation of supplementary material on quarterly financial results: Yes

Holding of quarterly financial results presentation meeting: Yes (For institutional investors and analysts)

1. Consolidated Financial Results for the 2Q FY2022 (January 1, 2022 to June 30, 2022)

(1) Consolidated Financial Results (cumulative)

(Amounts indicated are displayed with amounts less than one million yen rounded off.)
(Percentages indicate the YoY increase/decrease.)

	Revenue from operations		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2Q FY2022	247,429	12.4	57,065	(2.7)	57,499	1.6	36,999	2.9
2Q FY2021	220,067	37.3	58,691	25.1	56,568	24.9	35,943	30.4

Note: Comprehensive income: 2Q FY2022: ¥36,838 million [(14.9%)], 2Q FY2021: 43,302 million [255.2%]

	EPS (Net income per share)	Diluted EPS
	Yen	Yen
2Q FY2022	48.59	48.56
2Q FY2021	53.80	-

Note: From the beginning of the current fiscal year, the Company applies “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020), etc. Accordingly, the above figures for FY2022 are the figures after the relevant accounting standards have been applied. Percentages of changes are calculated with the consolidated results of the same period of the previous fiscal year prior to the application of new accounting standards.

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	BPS (Net assets per share)
	Million yen	Million yen	%	Yen
2Q FY2022	2,316,871	658,455	28.4	865.02
FY2021	2,207,325	638,332	28.8	836.89

Reference: Equity: 2Q FY2022: ¥658,043 million, FY2021: ¥637,799 million

Note: From the beginning of the current fiscal year, the Company applies “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020), etc. Accordingly, the above figures for FY2022 are the figures after the relevant accounting standards have been applied.

2. Dividends

	Annual dividends				
	End of the 1st quarter	End of the 2nd quarter	End of the 3rd quarter	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY2021	-	19.00	-	20.00	39.00
FY2022	-	20.00			
FY2022 (Planned)			-	20.00	40.00

Note: Revision to the planned dividends announced recently: N/A

3. Forecasts of Consolidated Financial Results for FY2022 (January 1, 2022 to December 31, 2022)

(Percentages indicate the YoY increase/decrease.)

	Revenue from operations		Operating income		Ordinary income		Profit attributable to owners of parent		EPS (Net income per share)
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full fiscal year	-	-	123,000	7.4	115,000	4.9	75,000	7.8	98.54

Note: Revision to the forecasts of financial results announced recently: N/A

The Company has a stable business structure centered on leasing operations, however, revenue from operations (net sales) fluctuates substantially due to trends in the buying and selling of real estate for sale. Success or failure in this buying and selling of properties is affected significantly by economic conditions and the real estate market. As forecasting such trends is currently problematic, the Company has not provided a forecast of its revenue from operations. The Company will disclose this information promptly once it becomes possible to make a forecast.

Note: From the beginning of the current fiscal year, the Company applies "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020), etc. Accordingly, the above Forecasts of Consolidated Financial Results for FY2022 are the figures after the relevant accounting standards have been applied. Percentages of changes are calculated with the consolidated results of the previous fiscal year prior to the application of new accounting standards.

* Notes

(1) Changes in Significant Subsidiaries during This Quarter

(Changes in specific subsidiaries resulting in changes in the scope of consolidation): N/A

Newly included: –

Excluded: –

(2) Application of Special Accounting for Preparing Quarterly Consolidated Financial Statements: N/A

(3) Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement of Prior Period Financial Statements

1. Changes in accounting policies due to revisions of accounting standards, etc.: Yes.

2. Changes in accounting policies due to other reasons: N/A

3. Changes in accounting estimates: N/A

4. Restatement of prior period financial statements: N/A

Note: For details, please refer to page 10, "2. Consolidated Financial Statements (Unaudited), (4) Footnotes on the Quarterly Consolidated Financial Statements, Changes in Accounting Policies" in the attached materials.

(4) Number of Issued Shares (common stock)

	2Q FY2022	FY2021
1) Number of issued shares as of the end of each period (including treasury stock)	767,907,735	767,907,735 (the end of FY2021)
2) Number of treasury shares as of the end of each period	7,186,150	5,802,693 (the end of FY2021)
3) Average number of outstanding shares for each period (consolidated cumulative period)	761,386,901	668,027,083 (2Q FY2021)

* The summary of quarterly financial results is not required to be subjected to quarterly reviews by certified accountants or auditors.

* Disclaimer regarding forward-looking statements.

This document contains forward-looking statements about the performance of Hulic and its Group companies, based on management's assumptions in light of currently available information. In no way do these statements provide any assurance by Hulic of achieving such results. Actual results may differ substantially from these statements due to various factors.

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1. Qualitative Information on Consolidated Financial Results of 2Q FY2022

From the beginning of the current fiscal year, the Company applies “Accounting Standard for Revenue Recognition” (ASBJ Statement No.29, March 31, 2020), etc. Comparisons with the same period in the previous year or the end of the previous fiscal year in the explanation of Operating Results and Financial Position are based on the consolidated results of the previous fiscal year prior to the application of the change in accounting standards. For details, please refer to page 10, “2. Consolidated Financial Statements (Unaudited)”, “(4) Footnotes on the Quarterly Consolidated Financial Statements, Changes in Accounting Policies”.

(1) Summary of Business Results

In cumulative 2Q FY2022, although COVID-19 had a negative impact on some of the Group’s business, rent income from real estate was stable due to the completion of properties and acquisition of properties in the previous fiscal year and in the current fiscal year. In addition, sales of real estate increased compared with the previous fiscal year. As a result, revenue from operations was ¥247,429 million (up ¥27,361 million or 12.4% year on year), operating income was ¥57,065 million (down ¥1,626 million or 2.7% year on year), ordinary income was ¥57,499 million (up ¥931 million or 1.6 % year on year) and profit attributable to owners of parent was ¥36,999 million (up ¥1,056 million or 2.9 % year on year).

The business results for each segment were as follows.

(Revenue from operations for each segment includes inter-segment revenue from operations and the balance of book-entry transfers.)

<Real Estate>

The Group’s core business is a leasing business that utilizes approximately 260 buildings and properties (excluding real estate for sale), amounting to approximately 1,380,000 square meters of floor space, located mainly in Tokyo’s 23 wards. From the perspective of improving the quality of its leasing portfolio with asset type balance meeting market needs and competitiveness, the Company works to further improve the overall value of its buildings and properties not only by reshuffling portfolio but also by developing and reconstructing properties that are highly earthquake resistant and energy efficient. In addition, the Company works to strengthen value-added business which brings profit by improving asset value with refurbishment or redevelopment.

New acquisitions (non-current assets) in 2Q FY2022 included Hulic Shibuya Udagawa-cho Building (Shibuya-ku, Tokyo) (additional acquisition), Hitachi Solutions Tower (Shinagawa-ku, Tokyo), Hulic Minatomirai (Naka-ku, Yokohama-shi) and others.

In development and reconstruction business (non-current assets), HULIC & New GINZA NAMIKI 6 (Chuo-ku, Tokyo) was completed in May 2022. In addition, the Company acquired Ginza Core Building (Chuo-ku, Tokyo) and determined to take part in the joint redevelopment project of Ginza Core and entered into the basic agreement with the right holders. The Company also acquired land for (tentative name) Shinjuku 318 Development Project (Shinjuku-ku, Tokyo). Besides these activities, (tentative name) Hulic Fukuoka Building Reconstruction Project (Chuo-ku, Fukuoka-shi), (tentative name) Sendagaya Center Building Reconstruction Project (Shibuya-ku, Tokyo), (tentative name) Sapporo Reconstruction Project (Chuo-ku, Sapporo-shi), (tentative name) Ginza Building Reconstruction Project (Chuo-ku, Tokyo) and (tentative name) Shinsaibashi Project (Chuo-ku, Osaka), etc. were proceeded as planned.

In PPP (Public Private Partnership) business, the Company was selected as the scheduled developer of “Urban Renewal Step-Up Project (Shibuya Area) Shibuya 1-chome Area Joint Development Project” conducted by the Tokyo Metropolitan Government and the Shibuya City Government. In addition, (tentative name) Kinshicho Development Project (Sumida-ku, Tokyo), etc. were proceeded as planned.

In real estate for sale, properties including Ikebukuro Tokyu Hands (Toshima-ku, Tokyo), Bleu Cinq Point (Minato-ku, Tokyo), Hulic Kobunacho Building (Chuo-ku, Tokyo) (partial) and Leaf Minatomirai (Nishi-ku, Yokohama-shi), etc. were sold.

As described above, the segment operations progressed as planned because rent income from real estate increased due to completion of properties as well as acquisition of properties in the previous fiscal year and in the current fiscal year. In addition, sales of real estate increased compared with the same period of previous fiscal year. As a result, revenue from operations in this business segment totaled ¥234,269 million (up ¥24,475 million or 11.6% year on year) and operating income was ¥65,619 million (down ¥1,730 million or 2.5% year on year).

<Insurance Agency>

Hulic Insurance Service Co., Ltd., one of the Company’s consolidated subsidiaries, serves as an insurance agency for both Japanese and foreign insurance companies operating in Japan and sells various insurance products to both corporate and individual customers. Although a difficult business environment continues to surround the insurance business industry, the Company is pursuing expansion of this business, concentrating on corporate transactions, with a strategy of acquiring the business rights of existing non-life insurance agents.

As a result, revenue from operations in this business segment was ¥1,766 million (up ¥148 million or 9.1% year on year) and the

operating income was ¥510 million (up ¥32 million or 6.7% year on year).

<Hotels/ Ryokans>

In Hotels/ Ryokans Business, Hulic Hotel Management Co., Ltd., one of the Company's consolidated subsidiaries, manages "THE GATE HOTEL" brand hotel series, Hulic Fufu Co., Ltd., one of the Company's consolidated subsidiaries, manages "FUFU" ryokan series and NIPPON VIEW HOTEL Co., Ltd., one of the Company's consolidated subsidiaries, manages "View Hotel" brand hotel series. In 2Q FY2022, improvements were seen in ADR (Average Daily Rates) and occupancy rates due to the lifting of infection preventive measures and the increased demand during the holiday week of May.

As a result, revenue from operations was ¥11,505 million (up ¥3,414 million or 42.1% year on year) and operating loss was ¥3,899 million (¥4,311 million loss same period of the previous fiscal year).

<Others>

Hulic Build Co., Ltd., one of the Company's consolidated subsidiaries, regularly takes orders of repair constructions, constructions of refurbishment at the end of lease contracts and interior fit-outs at the beginning of lease contracts from the Company's existing properties.

As a result, revenue from operations was ¥3,891 million (up ¥183 million or 4.9 % year on year) and operating income was ¥375 million (up ¥ 70 million or 23.2% year on year).

(2) Qualitative Information on Consolidated Financial Position

1) Changes in Consolidated Financial Position

<Assets>

Total assets as of the balance sheet date was ¥2,316,871 million, up ¥109,546 million from the end of FY2021. From the perspective of strengthening of development and value-added business and improving the quality of the leasing portfolio, the Group is working to newly acquire, develop and reconstruct properties.

In addition, the Group strives to not only provide support and backup as a sponsor to maintain and improve the long-term revenues of Hulic Reit, Inc. & Hulic Private Reit and realize steady growth of its assets under management, but also put the real estate value added business on a profitable track.

Changes in amount of major items were as follows.

- Cash and deposits: Down ¥65,272 million
- Real estate for sale: Up ¥56,906 million (Transfer from non-current assets, acquisition and sales of properties, etc.)
- Buildings and structures: Up ¥17,587 million (Acquisition and completion of properties, transfer to real estate for sale, etc.)
- Land: Up ¥80,703 million (Acquisition of properties, transfer to real estate for sale, etc.)
- Investment securities: Up ¥5,883 million (Acquisition and sales of investment securities, etc.)

<Liabilities>

Total liabilities as at the end of 2Q FY2022 was ¥1,658,416 million, up ¥89,423 million from the end of FY2021. This was mainly attributable to financing carried out for capital investment and the like.

The balance of interest-bearing debts was ¥1,029,070 million, which included ¥11,775 million non-recourse borrowings owed by a consolidated SPC. Financing from banking facilities is operated stably at low cost thanks to the credit strength on the back of the Group's high earnings level.

<Net Assets>

Total net assets at the end of 2Q FY 2022 was ¥658,455 million, up ¥20,122 million from the end of FY2021. Total shareholders' equity was ¥619,648 million, up ¥20,392 million from the end of FY2021, due mainly to the increase of retained earnings in profit attributable to owners of parent and the decrease of retained earnings in the cash dividend payment.

Total accumulated other comprehensive income was ¥38,394 million, down ¥147 million from the end of FY2021.

2) Consolidated Cash Flows

In 2Q FY2022, cash and cash equivalents (hereinafter “cash”) was increased by ¥47,242 million through operating activities, decreased by ¥173,303 million through investing activities and increased by ¥60,789 million through financing activities and, as a result, amounted to ¥140,814 million as of the balance sheet date.

	Million yen	
	2Q (From January 1, 2022 to June 30, 2022)	Previous 2Q (From January 1, 2021 to June 30, 2021)
Net cash provided by (used in) operating activities	47,242	128,249
Net cash provided by (used in) investing activities	(173,303)	(87,149)
Net cash provided by (used in) financing activities	60,789	86,344
Cash and cash equivalents at end of period	140,814	222,148

Cash flows in each activities and the major contributing factors in 2Q FY2022 were presented as follows.

<Cash flows from operating activities>

Net cash of operating activities was ¥47,242 million (decreased ¥81,007 million year on year). This was mainly attributable to ¥55,299 million in profit before income taxes with the main factors of rent income from real estate and the sale of real estate for sale as well as ¥12,961 million income taxes paid.

<Cash flows from investing activities>

Net cash of investing activities was negative ¥173,303 million (decreased ¥86,153 million year on year). This was mainly attributable to ongoing development and reconstruction projects and acquisitions of new properties, both carried out from the perspective of creating a robust leasing portfolio.

<Cash flows from financing activities>

Net cash of financing activities was ¥60,789 million (decreased ¥25,555 million year on year). This was mainly attributable to financing for above-mentioned development and reconstruction projects and acquisitions of new properties.

(3) Notes Regarding Forward-looking Statements such as Forecasts of Consolidated Financial Results

As the Company’s business performance for 2Q FY2022 is proceeding broadly according to plans, it has not made any changes to the forecasts of consolidated business results for the fiscal year ending December 31, 2022.

If the effect of the spread of COVID-19 is prolonged and it becomes necessary to revise the forecasts of business results, that information will be promptly disclosed.

2. Consolidated Financial Statements (Unaudited)

(1) Quarterly Consolidated Balance Sheets (Unaudited)

(Million yen)

Item	At the end of 2Q (June 30, 2022)	At the end of previous fiscal year (December 31, 2021)
ASSETS		
Current assets		
Cash and deposits	140,934	206,206
Notes and accounts receivable	-	4,876
Notes and accounts receivable, and contract assets	6,825	-
Merchandise	25	20
Real estate for sale	166,684	109,777
Real estate for sale in process	2,151	-
Advance payments – construction in progress	209	581
Supplies	345	321
Other current assets	10,648	7,381
Allowance for doubtful accounts	(21)	(232)
Total current assets	327,802	328,931
Non-current assets		
Tangible non-current assets		
Buildings and structures (Net amount)	251,263	233,675
Machinery, equipment and vehicles (Net amount)	7,152	5,624
Land	1,347,562	1,266,859
Construction in progress	10,438	9,630
Other tangible non-current assets (Net amount)	11,443	11,676
Total tangible non-current assets	1,627,860	1,527,466
Intangible non-current assets		
Goodwill	5,005	3,711
Leasehold rights	80,710	79,420
Other intangible non-current assets	1,849	1,559
Total intangible non-current assets	87,564	84,691
Investments and other assets		
Investment securities	231,431	225,547
Lease deposits	29,529	28,894
Deferred tax assets	834	951
Net defined benefit assets	492	326
Other investments and assets	9,358	8,168
Allowance for doubtful accounts	(30)	(14)
Total investments and other assets	271,615	263,873
Total non-current assets	1,987,041	1,876,031
Deferred assets		
Total deferred assets	2,027	2,362
Total assets	2,316,871	2,207,325

(Million yen)

Item	At the end of 2Q (June 30, 2022)	At the end of previous fiscal year (December 31, 2021)
LIABILITIES		
Current liabilities		
Short-term borrowings	169,448	72,160
Short-term bonds	100,004	-
Bonds payable within one year	50,000	-
Accounts payable	3,651	3,704
Income taxes payable	20,065	10,773
Cash in advance	13,062	6,720
Allowance for employees' bonus	168	352
Allowance for directors' and corporate auditors' bonus	168	351
Other current liabilities	9,756	12,988
Total current liabilities	366,325	107,052
Non-current liabilities		
Corporate bonds	295,000	345,000
Long-term borrowings	859,622	977,326
Deferred income taxes	37,409	40,499
Allowance for stock benefits	2,517	2,232
Net defined benefit liabilities	1,549	1,457
Deposits from tenants	83,345	82,573
Other non-current liabilities	12,646	12,852
Total non-current liabilities	1,292,091	1,461,940
Total liabilities	1,658,416	1,568,993
NET ASSETS		
Shareholders' equity		
Common stock	111,609	111,609
Capital surplus	137,760	137,759
Retained earnings	374,272	352,351
Treasury stock	(3,994)	(2,464)
Total shareholders' equity	619,648	599,256
Accumulated other comprehensive income		
Net unrealized gains (losses) on securities	38,376	38,401
Deferred gains (losses) on hedges	(280)	(54)
Foreign currency translation adjustment	0	-
Accumulated remeasurements of defined benefit plans	298	195
Total accumulated other comprehensive income	38,394	38,542
Non-controlling interests	411	533
Total net assets	658,455	638,332
Total liabilities and total net assets	2,316,871	2,207,325

(2) Quarterly Consolidated Statements of Income (Unaudited) and Quarterly Consolidated Statements of Comprehensive Income

(Million yen)

Item	2Q (From January 1, 2022 to June 30, 2022)	Previous 2Q (From January 1, 2021 to June 30, 2021)
Revenue from operations	247,429	220,067
Cost of revenue from operations	167,188	140,427
Gross operating profit	80,241	79,640
Selling, general and administrative expenses	23,175	20,949
Operating income	57,065	58,691
Non-operating income		
Interest income	5	14
Dividend income	1,696	1,394
Equity in income of affiliated companies	830	253
Termination of lease contracts	3,449	879
Other	477	922
Total non-operating income	6,459	3,464
Non-operating expenses		
Interest expenses	5,048	5,017
Other	975	569
Total non-operating expenses	6,024	5,587
Ordinary income	57,499	56,568
Extraordinary gains		
Gain on sales of investment securities	19	85
Gains on investments in silent partnership	66	101
Proceeds from contribution for construction	6	84
Subsidies for employment adjustment, etc.	14	117
Other	1	-
Total extraordinary gains	107	388
Extraordinary losses		
Loss on disposal of non-current assets	1,308	620
Loss on reconstructions of buildings	957	473
Loss on COVID-19	-	1,287
Other	41	133
Total extraordinary losses	2,307	2,515
Income before income taxes and minority interests	55,299	54,441
Current income taxes	21,926	18,892
Deferred income taxes	(3,613)	(478)
Total current income taxes and deferred income taxes	18,312	18,414
Net income before minority interests	36,986	36,027
Profit (loss) attributable to non-controlling interests	(13)	83
Profit attributable to owners of parent	36,999	35,943

Quarterly Consolidated Statements of Comprehensive Income

(Million yen)

Item	2Q (From January 1, 2022 to June 30, 2022)	Previous 2Q (From January 1, 2021 to June 30, 2021)
Net income before minority interests	36,986	36,027
Other comprehensive income		
Net unrealized gains (losses) on securities	1,080	6,759
Deferred gains (losses) on hedges	(226)	2
Remeasurements of defined benefit plans, net of tax	114	444
Share of other comprehensive income of associates accounted for using equity method	(1,117)	68
Total other comprehensive income	(147)	7,275
Quarterly comprehensive income	36,838	43,302
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	36,851	43,218
Comprehensive income attributable to non-controlling interests	(13)	83

(3) Quarterly Consolidated Statements of Cash Flows (Unaudited)

(Million yen)

Item	2Q (From January 1, 2022 to June 30, 2022)	Previous 2Q (From January 1, 2021 to June 30, 2021)
Cash flows from operating activities		
Profit before income taxes	55,299	54,441
Depreciation and amortization	8,009	7,984
Increase (decrease) in allowance for doubtful accounts	227	7
Increase (decrease) in allowance for employees' bonus	(183)	(180)
Increase (decrease) in allowance for directors' and corporate auditors' bonus	(183)	(174)
Increase (decrease) in allowance for stock benefits	285	195
Increase (decrease) in net defined benefit asset and liability	94	54
Interest and dividend income	(1,701)	(1,408)
Interest expenses	5,048	5,017
Equity in loss (profit) of affiliated companies	(830)	(253)
Loss on disposal of non-current assets	1,308	620
Loss (gain) on sales of non-current assets	3	-
Loss (gain) on sales of investment securities	(8)	(62)
Loss (gain) on investments in silent partnership	(66)	(53)
Decrease (increase) in receivables	(809)	1,155
Decrease (increase) in real estate for sale	(3,295)	88,821
Decrease (increase) in operational investment securities	-	2,712
Decrease (increase) in lease deposits	(634)	(870)
Increase (decrease) in deposits from tenants	766	(5,848)
Decrease (increase) in other assets	(2,623)	(265)
Increase (decrease) in other liabilities	2,011	(1,587)
Subtotal	62,718	150,306
Cash receipts of interest and dividend income	2,503	1,452
Cash payments of interest expense	(5,110)	(5,050)
Income taxes paid	(12,961)	(18,460)
Income taxes refund	92	1
Net cash provided by (used in) operating activities	47,242	128,249
Cash flows from investing activities		
Purchase of tangible non-current assets	(166,061)	(81,738)
Purchase of intangible non-current assets	(1,908)	(355)
Sales of non-current assets	2	-
Purchase of investment securities	(19,368)	(7,042)
Sales of investment securities	768	1,638
Proceeds from redemption of investment securities	13,013	257
Payment of sales of investments in subsidiaries resulting in change in scope of consolidation	574	-
Payments of loans receivable	(3)	(5)
Collections of loans receivable	3	4
Other	(323)	92
Net cash provided by (used in) investing activities	(173,303)	(87,149)
Cash flows from financing activities		
Increase (decrease) in short-term corporate bonds	100,007	50,004
Proceeds from long-term debt	17,000	70,000
Repayment of long-term debt	(38,992)	(20,870)
Proceeds from exercise of stock option	0	0
Payment for acquisition of treasury shares	(1,530)	(1)
Cash dividend paid	(15,333)	(12,444)
Dividends paid to non-controlling interests	(4)	(31)
Other	(358)	(312)
Net cash provided by (used in) financing activities	60,789	86,344
Net increase (decrease) in cash and cash equivalents	(65,272)	127,444
Cash and cash equivalents at beginning of year	206,086	94,704
Cash and cash equivalents at end of year	140,814	222,148

(4) Footnotes on the Quarterly Consolidated Financial Statements

(Footnotes on the Assumption of Going Concern)

N/A

(Footnotes on Shareholders' Equity in Case of Significant Changes)

N/A

(Changes in Accounting Policies, Changes in Accounting Estimates, and Restatement of Prior Period Financial Statements: Changes in Accounting Policies)

Application of Accounting Standard for Revenue Recognition, etc.

From the beginning of the current fiscal year, the Company applies "Accounting Standard for Revenue Recognition" (ASBJ Statement No.29, March 31, 2020), etc. and recognizes revenue with the amounts expected to be received in exchange for the promised goods or services when the control of such goods or services is transferred to the customer.

The Company hereby recognizes the revenue from transactions where the Company's role is an agent, including utility expenses received from tenants, to which the Company previously recognized the revenue as the gross amount received from the customers, as the net amount that remains after deducting the amount to be paid to the third parties from the amount received from the customers.

The application of such changes in accounting policies follows the transitional treatment stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the first quarter of the current fiscal year, was added to or subtracted from the beginning balance of retained earnings of the first quarter of the current fiscal year.

The impact on the Consolidated Financial Statements of 2Q FY2022 was immaterial.

Due to the application of the Accounting Standard for Revenue Recognition, "Trade notes and accounts receivable" presented under "Current assets" in the consolidated balance sheet for the previous fiscal year was included in "Notes and accounts receivable, and contract assets" from the current fiscal year. In accordance with the transitional treatment stipulated in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new presentation. Furthermore, in accordance with the transitional treatment stipulated in Paragraph 28-15 of the Accounting Standard for Quarterly Financial Reporting (ASBJ Statement No. 12, March 31, 2020), information on the breakdown of revenue from the contracts with customers for cumulative 2Q of the previous consolidated fiscal year is not presented.

Application of Accounting Standard for Fair Value Measurement, etc.

From the beginning of the current fiscal year, the Company applies "Accounting Standard for Fair Value Measurement" (ASBJ Statement No.30, July 4, 2019), etc. in accordance with the transitional treatment stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurement and Paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019).

Furthermore, from the beginning of the current fiscal year, the Company applies "Implementation Guidance on Accounting Standard for Fair Value Measurement" (ASBJ Guidance No.31, June 17, 2021) in accordance with the transitional treatment stipulated in Paragraph 27-2 of the Implementation Guidance on Accounting Standard for Fair Value Measurement.

As a result, the Company changes the valuation basis for other marketable securities with market prices from the market value method based on the average market price during the month prior to the balance sheet date to the market value method as of the balance sheet date. The Company also changes the valuation basis for some of the investment trusts whose fair value were previously deemed extremely difficult to determine and so the amounts on the quarterly consolidated balance sheets were recorded at the acquisition costs, to be recorded at their market fair values .

The impact on the Consolidated Financial Statements of 2Q FY2022 was immaterial.

(Additional Information)

(Accounting Estimates Related to Impact from Spread of COVID-19)

No significant changes in the assumption of accounting estimates due to the spread of COVID-19 from the end of FY2021.

Segment Information

I. 2Q FY2022 (from January 1, 2022 to June 30, 2022)

1. Information on revenue from operations, income or loss by reportable segment

(Million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Value recorded in the quarterly consolidated statements of income (Note 3)
	Real estate business	Insurance agency business (subsidiary)	Hotels/ Ryokans (subsidiaries)	Total				
Revenue from operations								
Outside customers	231,720	1,766	11,362	244,849	2,579	247,429	-	247,429
Inter-segment	2,549	-	143	2,693	1,311	4,005	(4,005)	-
Total	234,269	1,766	11,505	247,542	3,891	251,434	(4,005)	247,429
Segment income	65,619	510	(3,899)	62,230	375	62,606	(5,540)	57,065

Notes:

1. The category of "Others" includes business segments that are not included in the reportable segments, such as general construction, design, construction management, etc.
2. Adjustment of segment income of negative ¥5,540 million includes elimination of intersegment transactions of ¥329 million and corporate expenses of negative ¥5,870 million, which are not distributed to reportable segments. Corporate expenses are expenses mainly related to general administrative departments that do not belong to reportable segments.
3. Segment income or (loss) is adjusted with operating income reported in the quarterly consolidated statement of income.

2. Note regarding changes in reportable segment, etc.

As described in "Changes in Accounting Policies" (on page 10, "2. Consolidated Financial Statements (Unaudited), (4) Footnotes on the Quarterly Consolidated Financial Statements"), from the beginning of the current fiscal year, the Company applies "Accounting Standard for Revenue Recognition", etc. and modifies the method for accounting process as well as the method for calculating income or loss of each reportable segment. The impact of this change on segment income and loss for 2Q FY2022 is immaterial.

3. Information on assets for each reportable segment: N/A

Segment Information

I. 2Q FY2021 (from January 1, 2021 to June 30, 2021)

1. Information on revenue from operations, income or loss by reportable segment

(Million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Value recorded in the quarterly consolidated statements of income (Note 3)
	Real estate business	Insurance agency business (subsidiary)	Hotels/ Ryokans (subsidiaries)	Total				
Revenue from operations								
Outside customers	207,701	1,618	7,950	217,271	2,796	220,067	-	220,067
Inter-segment	2,092	-	141	2,234	911	3,145	(3,145)	-
Total	209,794	1,618	8,091	219,505	3,708	223,213	(3,145)	220,067
Segment income	67,349	478	(4,311)	63,515	304	63,820	(5,128)	58,691

Notes:

1. The category of "Others" includes business segments that are not included in the reportable segments, such as general construction, design, construction management, etc.
2. Adjustment of segment income of negative ¥5,128 million includes elimination of intersegment transactions of negative ¥233 million and corporate expenses of negative ¥4,895 million, which are not distributed to reportable segments. Corporate expenses are expenses mainly related to general administrative departments that do not belong to reportable segments.
3. Segment income or (loss) is adjusted with operating income reported in the quarterly consolidated statement of income.

2. Information on assets for each reportable segment: N/A