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August 5, 2022

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2023 <under Japanese GAAP>

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Scheduled date to file quarterly securities report: August 10, 2022
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: Yes (for institutional investors)

(Millions of yen with fractional amounts discarded, unless otherwise noted)

1. Consolidated financial results for the first three months of the fiscal year ending March 31, 2023 (from April 1, 2022 to June 30, 2022)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2022	28,351	16.5	3,486	9.6	3,445	10.0	2,328	10.4
June 30, 2021	24,337	8.2	3,181	31.6	3,131	33.0	2,109	37.5

Note: Comprehensive income Three months ended June 30, 2022: ¥2,328 million [10.4%]
 Three months ended June 30, 2021: ¥2,109 million [37.5%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2022	30.13	29.79
June 30, 2021	27.36	27.00

Reference:

(Percentages indicate year-on-year changes.)

	Adjusted profit attributable to owners of parent		Adjusted basic earnings per share	
	Millions of yen	%	Yen	%
Three months ended				
June 30, 2022	2,325	10.3	30.10	10.0
June 30, 2021	2,109	33.5	27.36	32.9

Note: The Company uses adjusted profit attributable to owners of parent and adjusted basic earnings per share as important management indicators. Regarding each indicator, please see the following “* Proper use of earnings forecasts, and other special matters, Notes regarding “Reference” in summary information.”

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2022	62,138	33,733	54.0
March 31, 2022	62,644	32,752	52.0

Reference: Equity As of June 30, 2022: ¥33,541 million
 As of March 31, 2022: ¥32,562 million

2. Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended March 31, 2022	Yen —	Yen 16.00	Yen —	Yen 17.50	Yen 33.50
Fiscal year ending March 31, 2023	—				
Fiscal year ending March 31, 2023 (Forecast)		24.00	—	24.50	48.50

Note: Revisions to the forecasts of dividends most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2023 (from April 1, 2022 to March 31, 2023)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2022	56,990	15.0	7,282	5.9	7,212	6.4	4,865	6.3	62.98
Fiscal year ending March 31, 2023	113,376	12.0	14,018	6.8	13,875	9.3	9,355	36.7	121.08

Note: Revisions to the earnings forecasts most recently announced: None

* Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting for preparing quarterly consolidated financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement
 - a. Changes in accounting policies in accordance with changes in accounting standards, etc.: Yes
 - b. Changes in accounting policies due to other reasons: None
 - c. Changes in accounting estimates: None
 - d. Restatement: None

Note: For details, please refer to “2. Quarterly consolidated financial statements and significant notes thereto, (3) Notes to quarterly consolidated financial statements, (Changes in accounting policies)” on page 7 of the attached materials.

(4) Number of issued shares (common shares)

- a. Total number of issued shares at the end of the period (including treasury shares)

As of June 30, 2022	78,650,640 shares	As of March 31, 2022	78,650,640 shares
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- b. Number of treasury shares at the end of the period

As of June 30, 2022	1,378,708 shares	As of March 31, 2022	1,388,308 shares
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- c. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2022	77,266,868 shares	Three months ended June 30, 2021	77,089,747 shares
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* Quarterly financial results reports are exempt from quarterly reviews conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

Caution regarding forward-looking statements and others

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, the statements herein do not constitute assurances regarding the Company’s actual results. Actual financial and other results may differ substantially from the statements herein due to various factors. Please refer to “1. Qualitative information regarding financial results for the first nine months, (3) Explanation regarding consolidated earnings forecasts and other forward-looking statements” on page 3 of the attached materials for the suppositions that form the assumptions for the earnings forecasts and cautions regarding the use of the earnings forecasts.

Notes regarding “Reference” in summary information

1. Adjusted profit attributable to owners of parent = Profit attributable to owners of parent + Adjustments (differences in consumption taxes, etc. and income taxes-current)
2. Adjusted basic earnings per share = Adjusted profit attributable to owners of parent / Average number of shares outstanding during the period
3. Adjusted profit attributable to owners of parent is a financial indicator that the Company and its subsidiaries (collectively, the “Group”) consider useful for evaluating the performance of the Group for investors. Effects of items that are nonrecurring (items that are not considered to be indicative of the results of ordinary operating activities, or items that do not appropriately indicate the Group’s performance to competitors) are excluded from this financial indicator.
4. Adjusted profit attributable to owners of parent excludes some items that affect profit, and its utilization as an analysis tool is significantly restricted. Consequently, there is a possibility that the indicator may not be comparable with the same or similar indicator of other companies in the same industry because of differences in calculation method, thereby decreasing the usefulness of the indicator.

Means of access to supplementary material on quarterly financial results

The Company plans to hold financial results presentation meeting for institutional investors on Friday, August 5, 2022.

The supplementary materials used for the quarterly financial results briefing on this date is to be posted on the Company's website promptly after the briefing has concluded.

Attached Materials

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1. Qualitative information regarding financial results for the first three months

(1) Explanation regarding operating results

During the first three months under review, the Japanese economy was moving toward normalization of socioeconomic activities as restrictions on activities associated with COVID-19 were eased with progress in vaccinations. However, the outlook remains uncertain due to concerns such as an increased burden on households from the rising price of raw materials and imported goods.

Under these circumstances, the Group aims to provide a “Fourth Option” as an alternative to newly built, “as-is” pre-owned, and rental houses, mainly targeting the middle- and lower-income market. We deal with older pre-owned single-family detached houses that competitors find challenging to bring to market and sell them after refurbishing and adding value to properties that are difficult to live in as they are.

In terms of sales, families living in rental homes, in particular, have a strong desire to buy inexpensive, high-quality houses or to improve their living environments, and the number of customer inquiries remained at a high level. Net sales for the Group increased partly as a result of the increase in the number of properties sold resulting from the increased in real estate for sale, etc., and partly as a result of a rise in sale prices of houses, particularly in suburban areas, and a rise in sale prices linked to pre-owned houses.

In terms of purchases, request for sale of vacant homes, which had stalled temporarily due to the spread of COVID-19 infections, recovered to pre-pandemic levels, which led to an increase in the number of purchases, and real estate for sale and real estate for sale in process increased from the end of the previous fiscal year.

In terms of profit, the gross margin declined 1.4 points year on year, due to a rise in purchasing prices, despite profit per property being higher than previous periods, particularly in the suburban areas. Regarding selling, general and administrative expenses, personnel expenses increased due to investments in human resources for stable growth in the future, and brokerage commissions increased as net sales increased. Other expenses continue to be operated with a strong cost awareness.

As a result, in the first three months under review, the number of properties sold was 1,663, up 11.2% year on year, net sales were ¥28,351 million, up 16.5% year on year, operating profit was ¥3,486 million, up 9.6% year on year, ordinary profit was ¥3,445 million, up 10.0% year on year and profit attributable to owners of parent was ¥2,328 million, up 10.4% year on year. Also, adjusted profit attributable to owners of parent was ¥2,325 million, up 10.3% year on year.

The Group’s sole reportable segment is the “used housing refurbishing and remodeling business.” Other businesses have been omitted due to a lack of materiality.

(2) Explanation regarding financial position

(i) Current assets

Current assets as of June 30, 2022 amounted to ¥60,562 million, a decrease of ¥211 million compared to ¥60,773 million at the end of the previous fiscal year. This was mainly due to a ¥3,777 million decrease in cash and deposits, despite an increase in real estate for sale and real estate for sale in process of ¥2,971 million.

(ii) Non-current assets

Non-current assets as of June 30, 2022 amounted to ¥1,575 million, a decrease of ¥295 million compared to ¥1,870 million at the end of the previous fiscal year. This was mainly due to a decrease of ¥226 million in investments and other assets.

(iii) Current liabilities

Current liabilities as of June 30, 2022 amounted to ¥9,793 million, a decrease of ¥1,458 million compared to ¥11,252 million at the end of the previous fiscal year. This was mainly due to a decrease of ¥1,393 million in income taxes payable.

(iv) Non-current liabilities

Non-current liabilities as of June 30, 2022 amounted to ¥18,610 million, a decrease of ¥28 million compared to ¥18,639 million at the end of the previous fiscal year. This was mainly due to a decrease of ¥26 million in provision for retirement benefits for directors (and other officers).

(v) Net assets

Net assets as of June 30, 2022 amounted to ¥33,733 million, an increase of ¥980 million compared to the ¥32,752 million at the end of the previous fiscal year. This was mainly due to the recording of ¥2,328 million in profit attributable to owners of parent while paying out dividends of surplus of ¥1,352 million. As a result, the equity-to-asset ratio was 54.0%.

(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements

There are no changes to the consolidated earnings forecasts for the first half and full year for the fiscal year ending March 31, 2023 announced in the “Consolidated Financial Results for the Fiscal Year Ended March 31, 2022” on May 13, 2022.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2022	As of June 30, 2022
Assets		
Current assets		
Cash and deposits	13,409	9,632
Real estate for sale	25,440	28,298
Real estate for sale in process	19,422	19,535
Income taxes refund receivable	671	672
Other	1,833	2,426
Allowance for doubtful accounts	(3)	(3)
Total current assets	60,773	60,562
Non-current assets		
Property, plant and equipment	697	680
Intangible assets		
Goodwill	198	148
Other	31	29
Total intangible assets	230	178
Investments and other assets		
Other	948	721
Allowance for doubtful accounts	(4)	(4)
Total investments and other assets	943	716
Total non-current assets	1,870	1,575
Total assets	62,644	62,138
Liabilities		
Current liabilities		
Accounts payable - trade	3,769	3,952
Income taxes payable	2,330	937
Accrued consumption taxes	2,409	2,406
Provision for bonuses	390	61
Construction warranty reserve	305	300
Provision for loss on litigation	2	1
Provision for loss on disaster	5	0
Other	2,038	2,134
Total current liabilities	11,252	9,793
Non-current liabilities		
Long-term borrowings	18,500	18,500
Provision for retirement benefits for directors (and other officers)	98	71
Other	40	38
Total non-current liabilities	18,639	18,610
Total liabilities	29,891	28,404
Net assets		
Shareholders' equity		
Share capital	3,778	3,778
Capital surplus	3,649	3,647
Retained earnings	25,813	26,789
Treasury shares	(679)	(674)
Total shareholders' equity	32,562	33,541
Share acquisition rights	190	192
Total net assets	32,752	33,733
Total liabilities and net assets	62,644	62,138

(2) Quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income
 Quarterly consolidated statement of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Net sales	24,337	28,351
Cost of sales	18,407	21,837
Gross profit	5,930	6,513
Selling, general and administrative expenses	2,748	3,027
Operating profit	3,181	3,486
Non-operating income		
Commission income	1	1
Discount revenue	1	1
Differences in consumption taxes, etc.	–	3
Other	2	4
Total non-operating income	6	10
Non-operating expenses		
Interest expenses	44	44
Other	11	6
Total non-operating expenses	55	51
Ordinary profit	3,131	3,445
Extraordinary income		
Gain on sale of non-current assets	–	1
Total extraordinary income	–	1
Profit before income taxes	3,131	3,447
Income taxes - current	781	893
Income taxes - deferred	240	225
Total income taxes	1,022	1,118
Profit	2,109	2,328
Profit attributable to owners of parent	2,109	2,328

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2021	Three months ended June 30, 2022
Profit	2,109	2,328
Comprehensive income	2,109	2,328
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,109	2,328

(3) Notes to quarterly consolidated financial statements

(Notes on premise of going concern)

No items to report.

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

No items to report.

(Changes in accounting policies)

Application of Guidance on Accounting Standard for Measurement of Fair Value

The "Guidance on Accounting Standard for Measurement of Fair Value" (ASBJ Guidance No. 31, June 17, 2021) is applied from the beginning of the first three months under review, and the new accounting policy will be applied prospectively in accordance with the transitional treatment stipulated in Paragraph 27-2 of Guidance on Accounting Standard for Measurement of Fair Value. This has no effect on the quarterly consolidated financial statements for the first three months ended June 30, 2022.

(Additional information)

Receipt of Written Notice of Reassessment Order from the Kantoshinetsu Regional Taxation Bureau

The Company was subject to a tax examination covering the fiscal years ended March 31, 2020 and March 31, 2021, and on July 11, 2022, the Company received a "Notice of Reassessment Order for Consumption Tax and Local Consumption Tax and Notice of Decision to Impose Additional Tax" (hereinafter the "Reassessment Order, etc."). As of March 31, 2022, the Company expected to receive the Reassessment Order, etc., and accordingly, the Company recorded the estimated difference in consumption taxes, etc. in the fiscal year ended March 31, 2022. Therefore, the impact of the receipt on the quarterly consolidated financial statements for the three months ended June 30, 2022 was immaterial.

The Company plans to promptly file an appeal or take other necessary procedures against the reassessment order by the tax authorities, as the Company views it as unacceptable.

The Company received the Reassessment Order, etc. from the tax authorities for the four-year period from the fiscal year ended March 31, 2016 to the fiscal year ended March 31, 2019. In response to said reassessment order, the Company has appointed Mori Hamada & Matsumoto and others to represent the Company and has filed a lawsuit against the tax authorities seeking the revocation of said penalties, etc.

(Segment information, etc.)

Segment information

I. Three months ended June 30, 2021

The Group's sole reportable segment is the "used housing refurbishing and remodeling business." Other businesses have been omitted due to a lack of materiality.

II. Three months ended June 30, 2022

The Group's sole reportable segment is the "used housing refurbishing and remodeling business." Other businesses have been omitted due to a lack of materiality.