

Summary of Consolidated Financial Results for the Full-Term of the Fiscal Year 2022 (FY06/2022) [Japanese standards] (Consolidated)

Company name: AMBITION DX HOLDINGS Co., Ltd.
 Stock exchange listing: Tokyo
 Securities code: 3300 URL: <https://www.ambition.jp/>
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Scheduled date of ordinary general meeting of shareholders: September 29, 2022
 Scheduled date to file Securities Report: September 30, 2022
 Scheduled date to commence dividend payments: September 30, 2022
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results of FY06/2022 (July 1, 2021 – June 30, 2022)**(1) Consolidated operating results**

(Percentages indicate year-on-year changes)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Net profit (loss) attributable to owners of parent	
	million yen	%	million yen	%	million yen	%	million yen	%
FY06/2022	31,607	3.5	1,498	53.3	1,355	51.0	826	38.8
FY06/2021	30,529	11.4	978	6.1	897	9.8	595	81.6

(Note) Comprehensive profit FY06/2022: 307 million yen [—%]
 FY06/2021: 5 million yen [(99.7)%]

	Profit per share	Diluted profit per share	Return on equity	Ordinary profit to total assets ratio	Operating profit to total assets ratio
	yen	yen	%	%	%
FY06/2022	121.42	119.64	21.8	7.8	4.7
FY06/2021	87.45	83.86	15.4	5.5	3.2

(Reference) Share of loss of entities accounted for using equity method FY2021: — million yen
 FY2020: — million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
FY06/2022	17,036	3,744	21.9	548.25
FY06/2021	17,648	3,852	21.7	564.05

(Reference) Shareholders equity FY06/2022: 3,730 million yen
 FY06/2021: 3,838 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	million yen	million yen	million yen	million yen
FY06/2022	4,102	(1,064)	(1,589)	5,148
FY06/2021	(1,243)	(1,187)	3,076	3,699

2. Cash dividends

	Annual dividends per share					Total cash dividends	Dividend payout ratio (consolidated)	Ratio of dividends to net assets (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	yen	yen	yen	yen	yen	million yen	%	%
FY06/2021	—	0.00	—	13.60	13.60	92	15.6	2.4
FY06/2022	—	0.00	—	19.00	19.00	129	15.6	3.4
FY06/2023 (forecasts)	—	0.00	—	20.00	20.00		16.2	

3. Consolidated performance forecasts for FY06/2023 (July 1, 2022 – June 30, 2023)

(Percentages indicate year-on-year changes)

	Net sales		Operating profit (loss)		Ordinary profit (loss)		Net profit (loss) attributable to owners of parent		Net profit (loss) per share
	million yen	%	million yen	%	million yen	%	million yen	%	yen
2Q (cumulative)	17,153	18.0	748	38.1	675	33.4	391	46.4	57.60
Full year	34,510	9.2	1,508	0.6	1,371	1.2	838	1.5	123.24

***Notes**

- (1) Changes in significant subsidiaries during the current quarter consolidated cumulative period (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- ① Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
- ② Changes in accounting policies due to other reasons: No
- ③ Changes in accounting estimates: No
- ④ Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

- ① Total number of issued shares at the end of the period (including treasury stock)

FY06/2022:	6,804,400 shares	FY06/2021:	6,804,400 shares
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- ② Number of treasury stock at the end of the period

FY06/2022:	48 shares	FY06/2021:	48 shares
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- ③ Average number of shares during the period

FY06/2022:	6,804,352 shares	FY06/2021:	6,804,352 shares
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(Reference) Non-consolidated financial results

1. Non-consolidated financial results of 06/2022 (July 1, 2021 – June 30, 2022)

(1) Non-consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Net profit	
	million yen	%	million yen	%	million yen	%	million yen	%
FY06/2022	20,755	13.1	175	(41.3)	189	(81.2)	161	(83.8)
FY06/2021	18,355	8.1	298	(39.0)	1,005	178.9	993	628.4

	Earnings per share	Diluted earnings per share
	yen	yen
FY06/2022	23.66	23.32
FY06/2021	146.04	140.04

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	million yen	million yen	%	yen
FY06/2022	8,859	2,157	24.3	316.66
FY06/2021	9,153	2,947	32.2	432.57

(Reference) Shareholders equity FY06/2022: 2,154 million yen
FY06/2021: 2,943 million yen

<Reasons for the differences in non-consolidated financial results between the current and previous FYs>

Major reasons for the year-on-year difference in Net sales are increase in properties under management, increase in properties for sale/purchase, and rise in average unit price. Major reason for the difference in Operating profit is that, in the Leasing DX Property Management Business segment, offering cost increased due to widespread of COVID-19 infections, leading to substantial increase in sales cost and promotion expenses. Major reason for the differences in Ordinary profit and Net profit is that dividends provided by VERITAS INVESTMENT Co., Ltd., a subsidiary, decreased as compared to the previous FY.

* Summary of financial results is not included in a quarterly review by a certified public accountant or an auditing firm.

* Explanation regarding appropriate use of the earnings forecast and other special notes

1. Descriptions about the future such as performance forecasts contained in this document are based on information currently available to the Company and certain presumptions considered as reasonable, and those are not intended to indicate the Company should assure that it would realize such forecasts. Meanwhile, actual performance in the future may differ substantially, influenced by a wide variety of factors. For preconditions for performance forecasts and precaution statements in using such forecasts, please see the appendix, page 4, "1. Overall Operating Results, etc., (4) Forecasts for the future".

2. Briefing for institutional investors will be held on August 25, 2022 (Thu.).

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1. Overall Operating Results, etc.

(1) Overall operating results of the current period

Operating results of the current term

During the current consolidated fiscal year, the Group has been in an environment where, amid the prolonged impacts of COVID-19, number of infected patients was temporarily suppressed due to rise in vaccination rate as requested by the Japanese government. But in addition to re-expansion of the infections caused by occurrence of the new highly-infectious mutant strains, price increase of resources and the unstable global situations have brought about tough business environment for us, still posing even more uncertainty for the future.

In such a business environment, the Group aims at its own business reform and also reforming the whole industry to which it belongs, through DX (digital transformation). In August 2021, the Company announced its new vision of “To reform real estate business through DX and become a sole real estate digital platformer which fuses digital and real world together”, and in October, changed its name to AMBITION DX HOLDINGS Co., Ltd. (formerly AMBITION Co., Ltd.). Also in August, AMBITION VENTURES Ltd. was established as the Company’s consolidated subsidiary to undertake investment business. Besides, Incubation Business segment was newly created and started full-swing operation during the second quarter consolidated cumulative period, so the way of describing this segment has been revised to present it as one of the reportable segments. Meanwhile, since the last second quarter consolidated fiscal period, names of reportable segments have been changed as follows: from “Property Management Business” to “Leasing DX Property Management Business”; from “Leasing Brokerage Business” to “Leasing DX Leasing Brokerage Business”; and from “Investment Business” to “Sales/Purchase DX Investment Business”.

The Company has its policy for FY06/2022 as “Reform of existing business by promoting DX and growth of Real Estate DX Business”. Firstly, the Company seeks to promote DX in its principal Leasing DX Property Management Business segment on a priority basis, and has worked proactively on building up its next-generation management system named “AMBITION Cloud”. Number of houses under management, as a KPI (Key Performance Indicator) of the Company, has substantially increased by more than 10%, and occupancy rates have maintained high level. Because not only Leasing DX Leasing Brokerage Business segment showed good performance, but also Incubation Business segment has contributed to overall results, the Company could achieve much higher operating profit than as planned. In the Sales/Purchase DX Business segment, number of houses sold during the current consolidated FY was as initially planned.

Consequently financial results of the current consolidated FY were as follows: Net sales of 31,607,815 thousand yen (increase by 3.5% [1,078,201 thousand yen] YoY); Operating profit of 1,498,903 thousand yen (increase by 53.3% [520,849 thousand yen] YoY); Ordinary profit of 1,355,413 thousand yen (increase by 51.0% [457,646 thousand yen] YoY); and Net profit attributable to owners of parent of 826,168 thousand yen (increase by 38.8% [231,094 thousand yen] YoY).

Operating results of individual business segments are as follows.

(Leasing DX Property Management Business)

This business segment is the Group’s principal one which undertakes mainly subleasing of residential real estates, and has its basic policies as to increase number of houses under its management and to maintain high occupancy rates. During the current term, the Company seeks to promote DX in this business on a priority basis and has put its efforts to building up a next-generation management system named “AMBITION Cloud” which facilitates higher operational efficiency.

Again during the current consolidated FY, as a result of putting efforts strategically to obtaining future profit, number of houses under its management which represents a KPI substantially increased to 24,121 (increase by 2,440 [11.3%] YoY), as well as 13,498 subleased houses (increase by 1,584 [13.3%] YoY). Please note that by ongoing measures for improved occupancy rate into which offering cost is put, as well as DX measures, occupancy rate after excluding newly contracted properties has maintained a high level of 97.7% as of the end of the current consolidated FY. In accordance with the Company’s policy to expand its market share, and by proactively obtaining new contracts, overall occupancy rate was 96.3% (in comparison, it was 95.7% at the end of the previous FY).

These operations resulted in Net sales of 17,167,530 thousand yen (increase by 10.7% [1,652,455 thousand yen] YoY), and Segment profit (Operating profit) of 1,039,286 thousand yen (decrease by 7.2% [81,010 thousand yen] YoY).

(Leasing DX Leasing Brokerage Business)

This business segment undertakes brokerage business for leased properties, mainly those managed by the Company. AMBITION AGENCY Co., Ltd. (which operates “ROOMPIA”) and VALOR Co., Ltd. (which operates “VALOR”), both of which are subsidiaries, run total 15 shops: 7 in Tokyo, 7 in Kanagawa Pref. and 1 in Saitama Pref., and thus high leasing ability of this segment contributes to the high occupancy rates maintained by the principal Leasing DX Property Management Business segment. Also during the current consolidated FY, “ROOMPIA Uenokachimachi Branch” being an “innovative DX shop” was opened in February. Further, in March, by partnering with membership-based shared offices 19 more shops located at highly accessible places have been added, not only leading to improved services for customers who want to search for rooms but also creating new ways of working such as remote-work and tele-work for staff who support finding rooms.

Also, the Company has made use of an AIxRPA tool named “RAC·TECH” provided by Re-Tech RaaS Inc. which is a subsidiary carrying out Real Estate DX Business, which contributed to its success in personnel downsizing for inputting work and substantial increase in the number of response. In addition, attracting guests on the WEB by strengthened

advertising strategies is doing well, and measures for attracting guests including enhanced non-face-to-face services such as remote customer services, VR preview, electronic contract, are also successful. Besides, productivity per shop has improved.

These operations resulted in Net sales of 762,794 thousand yen (increase by 2.9% [21,667 thousand yen]YoY), and Segment profit (Operating profit) of 99,649 thousand yen (increase by 36.3% [26,538 thousand yen]YoY).

(Sales/Purchase DX Investment Business)

This business segment is, with its strength of “Good location (Tokyo premium area) by Good design (fashionable designers)”, in collaboration with VERITAS INVESTMENT Co., Ltd., a subsidiary of the Company, which develops its business around selling self-developed studio apartments offered for investment in new building, and by means of its ability to purchase properties from diverse routes, undertaken by Investment Division of the Company which develops its business around selling renovated condominium apartments with emphasis on location. In addition, starting from the current consolidated FY, the Company could reduce cost for interior finishing works which has continuously been sharply rising, by lowering percentage of outsourcing such works and instead establishing its structure for doing them independently.

During the current consolidated FY, 247 properties (decrease by 33 YoY) were sold by VERITAS and 106 properties (increase by 7 YoY) were sold by Investment Division. These results were as initially planned.

These operations resulted in Net sales of 12,641,669 thousand yen (decrease by 8.5% [1,176,095 thousand yen]YoY), and Segment profit (Operating profit) of 1,570,418 thousand yen (increase by 6.6% [96,942 thousand yen]YoY).

(Incubation Business)

In this business segment, investment in venture companies which carry out businesses highly compatible with those of the Group, capital tie-up, and support for invested companies and other operations, are undertaken by AMBITION VENTURES Ltd. which is a subsidiary.

As of the end of the current consolidated FY, the Company has invested in 19 venture companies. During the current consolidated FY, some of investment securities of invested companies were sold.

These operations resulted in Net sales of 559,442 thousand yen and Segment Profit (Operating profit) of 524,242 thousand yen.

(Other Business)

Other Business segment consists collectively of Real Estate DX Business (including an overseas subsidiary for system development), Small Amount Short-term Insurance Business, and Hotel Business. For Real Estate DX Business, the next-generation management system “AMBITION Cloud” has been developed by the overseas subsidiary, AMBITION VIETNAM Co., Ltd., which is promoted on a priority basis for internal DX. During the current consolidated FY, the AIxRPA tool named “RAC·TECH” developed by a subsidiary, Re-Tech RaaS Inc. has been functionally enhanced, and a new brand “RAC·TECH Auto-input” was also released in December 2021. In addition, the application for searching for rooms named “Room concierge” which is the Group’s first BtoC matching service has been deployed in full-swing and has increasing number of registered users.

On May 12, 2021, laws on digital reforms were passed at the Japanese Congress, which enabled computerization of various paper procedures in the real estate industry such as explanation of important matters (related to Articles 34, 35 and 37 of the Building Lots and Buildings Transaction Business Law) on May 18, 2022 and onwards.

Test introduction of an electronic contract package in which IT explanation of important matters and the electronic contract system named “Cloud Sign” developed by Bengo4.com, Inc. had already started since August 2021, and additionally since March 2022, the Company has started to provide its unique electronic signature system named “AMBITION Sign” which utilizes blockchain (distributed ledger) technologies. It enabled customers to execute contracts easily on their smartphones or PCs while doing video conferences with salespersons. Moreover, with respect to highly confidential information about real estate contracts, by utilizing blockchain (distributed ledger) technologies, information leakage/alteration is prevented and robustness is reinforced such as preventing impersonation, thereby making it possible to execute contracts in a secure environment.

Small Amount Short-term Insurance Business has obtained new contracts smoothly during the current consolidated FY, along with playing a role in DX in the Group by using the new system named “MONOLITH” introduced during the previous term in which the whole process from application through to payment can be completed on a paperless basis.

Hotel Business has still been impacted by declined demand from inbound tourists during the current consolidated FY, and shrank its business such as termination of a contract with one facility.

These operations resulted in Net sales of 476,378 thousand yen (increase by 4.6% [20,732 thousand yen]YoY) and Segment loss (Operating loss) of 213,125 thousand yen (in comparison, it was 259,334 thousand yen in the previous FY).

(2) Overall financial position of the current period

① Assets

Total assets at the end of the current consolidated FY was 17,036,770 thousand yen, i.e. decrease by 611,882 thousand yen as compared to the end of the previous consolidated FY. This is mainly due to increase in cash and deposits by 1,442,184 thousand yen and in real estate for sale by 475,812 thousand yen on one hand, whereas decrease in real estate for sale in progress by 1,761,347 thousand yen and in investment securities by 823,814 thousand yen on the other.

② Liabilities

Total liabilities at the end of the current consolidated FY was 13,292,454 thousand yen, i.e. decrease by 503,875 thousand yen as compared to the end of the previous consolidated FY. This is mainly due to increase in current portion of long-term loans payable by 661,089 thousand yen and in advances received by 566,933 thousand yen on one hand, whereas decrease in long-term loans payable by 2,306,734 thousand yen and in bonds by 111,000 thousand yen on the other.

③ Net assets

Total net assets at the end of the current consolidated FY was 3,744,316 thousand yen, i.e. decrease by 108,006 thousand yen as compared to the end of the previous consolidated FY. This is mainly due to registering net income attributable to owners of parent of 826,168 thousand yen, and decrease in retained earnings at the beginning of the current term by 321,542 thousand yen because of decrease in valuation difference on available-for-sale securities by 521,357 thousand yen and applying “Accounting Standard for Revenue Recognition” which had influences cumulatively on net assets at the beginning of the current term.

(3) Overall cash flows of the current period

Balance of cash and cash equivalents at the end of the current consolidated FY was 5,148,939 thousand yen, i.e. increase by 1,449,808 thousand yen as compared to the end of the previous consolidated FY).

Cash flow status for each activity category and main factors thereof are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities during the current consolidated FY was 4,102,249 thousand yen (in comparison, 1,243,130 thousand yen had been used during the previous consolidated FY). This is mainly due to earning 1,761,347 thousand yen from decrease in real estate for sale in progress, allocating net profit before income taxes and minority interests of 1,322,599 thousand yen, earning 832,759 thousand yen from decrease in real estate for sale, and spending 289,129 thousand yen for payment of income taxes.

(Cash flows from investing activities)

Net cash used in investing activities during the current consolidated FY was 1,064,162 thousand yen (in comparison, 1,187,030 thousand yen had been used during the previous consolidated FY). This is mainly due to earning 402,580 thousand yen from collection of investments in capital, and spending 1,428,399 thousand yen for purchase of property, plant and equipment.

(Cash flows from financing activities)

Net cash used in financing activities during the current consolidated FY was 1,589,995 thousand yen (in comparison, 3,076,497 thousand yen had been provided during the previous consolidated FY). This is mainly due to earning 4,005,800 thousand yen from long-term loans payable, and spending 5,651,444 thousand yen for repayments of long-term loans payable.

(4) Forecasts for the future

For the future, the Company expects continuous increase in the number of households in Tokyo area, especially single-person households of 20's and 30's. However, there is still no signs of ceasing the widespread COVID-19 infections and at the present moment it is likely that situations with a sense of stagnation would remain. The Group has taken thorough measures for preventing wider spread of infections and put its efforts to providing cooperation to society.

In such an environment, the Group will promote digital transformation (DX) and evolve to a leading company in the real estate industry.

The principal Leasing DX Property Management Business segment believes it can realize exponential improvement in efficiency for the whole industry, and will capture changes in business environment due to COVID-19 ahead of others and reinforce its structure for DX promotion. Leasing DX Leasing Brokerage Business segment not only promotes non-face-to-face services such as remote customer services, VR preview and electronic contract, but also supports customers far away. In addition, Sales/Purchase DX Investment Business segment will, despite rise in real estate prices, try to embrace demands while avoiding risks as much as possible by properly facilitating information screening.

At the same time, Real Estate DX Business segment will put its efforts to maximizing customer acquisition while continuously carrying out timely up-front investment for growing up, such as strengthening sales personnel and reinforcing advertisement.

Consolidated performance forecasts for the next term (FY06/2023) are as follows: Net sales of 34,510,393 thousand yen (increase by 9.2% YoY); Operating profit of 1,508,161 thousand yen (increase by 0.6% YoY); Ordinary profit of 1,371,697 thousand yen (increase by 1.2% YoY); and Net profit attributable to owners of parent of 838,593 thousand yen (increase by 1.5% YoY).

2. Basic Idea for the Selection of Accounting Standards

Since many of the Group's stakeholders such as its shareholders, creditors and business partners reside in Japan and therefore there is little need for funding from overseas, the Group employs Japanese accounting standards.

3. Consolidated Financial Statements and Principal Notes**(1) Consolidated Balance Sheets**

	Previous consolidated fiscal year (June 30, 2021)	Current consolidated fiscal year (June 30, 2021)
(thousand yen)		
Assets		
Current assets		
Cash and deposits	3,774,754	5,216,939
Operating accounts receivable	272,627	326,747
Real estate for sale	1,739,256	2,215,068
Real estate for sale in process	7,041,423	5,280,075
Supplies	5,448	8,296
Operational investment securities	—	197,913
Others	315,095	461,736
Allowance for doubtful accounts	(69,542)	(26,994)
Total current assets	13,079,062	13,679,781
Non-current assets		
Property, plant and equipment		
Buildings and structures	425,391	375,864
Land	985,745	1,058,995
Others	30,638	38,386
Total property, plant and equipment	1,441,775	1,473,247
Intangible assets		
Goodwill	846,626	706,259
Others	135,040	143,220
Total intangible assets	981,667	849,480
Investments and other assets		
Investment securities	846,304	22,490
Guarantee deposits	217,859	202,741
Deferred tax assets	45,240	250,614
Others	1,066,259	566,392
Allowance for doubtful accounts	(34,281)	(10,852)
Total investment and other assets	2,141,382	1,031,386
Total non-current assets	4,564,825	3,354,113
Deferred assets		
Bond issuance cost	4,766	2,875
Total deferred assets	4,766	2,875
Total assets	17,648,653	17,036,770

(thousand yen)

	Previous consolidated fiscal year (June 30, 2021)	Current consolidated fiscal year (June 30, 2021)
Liabilities		
Current liabilities		
Operating accounts payable	243,477	610,954
Short-term loans payable	612,764	885,832
Current portion of long-term loans payable	1,987,487	2,648,577
Current portion of bonds	123,400	111,000
Accounts payable - other	89,644	113,132
Accrued expenses	265,100	319,986
Income taxes payable	226,219	361,406
Consumption taxes payable	110,248	46,528
Advances received	742,128	1,309,062
Operating deposits received	197,987	192,088
Others	130,042	128,988
Total current liabilities	4,728,501	6,727,558
Non-current liabilities		
Bonds payable	203,000	92,000
Long-term loans payable	8,054,499	5,747,764
Long-term guarantee deposits	575,044	648,239
Deferred tax liabilities	170,014	10,483
Others	65,269	66,407
Total non-current liabilities	9,067,828	6,564,896
Total liabilities	13,796,330	13,292,454
Net assets		
Shareholders' equity		
Capital stock	379,780	379,780
Capital surplus	464,229	464,229
Retained earnings	2,447,105	2,859,192
Treasury stock	(57)	(57)
Total shareholders' equity	3,291,057	3,703,143
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	548,768	27,410
Foreign currency translation adjustment	(1,816)	(99)
Total accumulated other comprehensive income	546,951	27,311
Subscription rights to shares	4,328	2,961
Non-controlling interests	9,986	10,899
Total net assets	3,852,323	3,744,316
Total liabilities and net assets	17,648,653	17,036,770

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

(Consolidated Statements of Income)

(thousand yen)

	Previous consolidated fiscal year (Jul. 1, 2020 – Jun. 30, 2021)	Current consolidated fiscal year (Jul. 1, 2021 – Jun. 30, 2022)
Net sales	30,529,613	31,607,815
Cost of sales	25,018,431	25,497,853
Gross profit	5,511,182	6,109,962
SG&A expenses	4,533,128	4,611,058
Operating profit (loss)	978,053	1,498,903
Non-operating profit (loss)		
Interest income	222	77
Dividend income	191	217
Brokerage income	3	1
Gain on investments in partnership	16,146	20,923
Subsidy income	88,123	73,736
Miscellaneous income	5,046	11,658
Total non-operating profit	109,734	106,615
Non-operating expenses		
Interest expenses	107,855	128,817
Amortization of bond issuance cost	1,704	1,890
Foreign exchange losses	752	3,621
Commission fee	53,968	112,748
Loss on investments in partnership	18,995	444
Miscellaneous loss	6,745	2,582
Total non-operating expenses	190,020	250,104
Ordinary profit (loss)	897,767	1,355,413
Extraordinary profit		
Gain on sales of investments in capital	—	20,825
Gain on sales of non-current assets	18	3,035
Gain on sales of investment securities	195,959	—
Reversal of provision for loss on store closing	208	—
Other extraordinary profit	—	664
Total extraordinary profit	196,185	24,525
Extraordinary losses		
Commission fee	—	40,758
Loss on retirement of non-current assets	3,628	840
Loss on valuation of investment securities	55,899	—
Loss on valuation of investments in capital	37,499	—
Cancellation penalty	18,992	—
Impairment loss	4,572	15,740
Others	7,054	—
Total extraordinary losses	127,648	57,339
Net profit (loss) before income taxes and minority interests	966,305	1,322,599
Income taxes	407,984	505,438
Income taxes - deferred	(36,673)	(9,920)
Total income taxes	371,311	495,518
Net profit (loss)	594,993	827,081
Net profit (loss) attributable to non-controlling shareholders	(80)	913
Net profit (loss) attributable to owners of parent	595,074	826,168

(Consolidated Statements of Comprehensive Income)

(Thousand yen)

	Previous consolidated fiscal year (Jul. 1, 2020 – Jun. 30, 2021)	Current consolidated fiscal year (Jul. 1, 2021 – Jun. 30, 2022)
Net profit (loss)	594,993	827,081
Other comprehensive income (loss)		
Valuation difference on available-for-sale securities	(589,982)	(521,357)
Foreign currency translation adjustment	53	1,717
Total other comprehensive income (loss)	(589,929)	(519,640)
Comprehensive income (loss)	5,064	307,441
(detail)		
Comprehensive income (loss) attributable to owners of parent	5,144	306,527
Comprehensive income (loss) attributable to non-controlling interests	(80)	913

(3) Consolidated Statements of Changes in Equity

Previous consolidated fiscal year (July 1, 2020 – June 30, 2021)

(thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	379,780	464,229	1,903,608	(57)	2,747,560
Changes of items during the period					
Changes in accounting treatment according to Accounting Standard for Revenue Recognition					—
Dividends of surplus			(51,577)		(51,577)
Profit attributable to owners of parent			595,074		595,074
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	543,497	—	543,497
Balance at the end of the period	379,780	464,229	2,447,105	(57)	3,291,057

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the beginning of the period	1,138,751	(1,869)	1,136,881	2,963	10,066	3,897,471
Changes of items during the period						
Changes in accounting treatment according to Accounting Standard for Revenue Recognition						—
Dividends of surplus						(51,577)
Profit attributable to owners of parent						595,074
Net changes of items other than shareholders' equity	(589,982)	53	(589,929)	1,365	(80)	(588,644)
Total changes of items during the period	(589,982)	53	(589,929)	1,365	(80)	(45,147)
Balance at the end of the period	548,768	(1,816)	546,951	4,328	9,986	3,852,323

Current consolidated fiscal year (July 1, 2021 – June 30, 2022)

(thousand yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at the beginning of the period	379,780	464,229	2,447,105	(57)	3,291,057
Changes of items during the period					
Changes in accounting treatment according to Accounting Standard for Revenue Recognition			(321,542)		(321,542)
Dividends of surplus			(92,539)		(92,539)
Profit attributable to owners of parent			826,168		826,168
Net changes of items other than shareholders' equity					
Total changes of items during the period	—	—	412,086	—	412,086
Balance at the end of the period	379,780	464,229	2,859,192	(57)	3,703,143

	Accumulated other comprehensive income			Subscription rights to shares	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at the beginning of the period	548,768	(1,816)	546,951	4,328	9,986	3,852,323
Changes of items during the period						
Changes in accounting treatment according to Accounting Standard for Revenue Recognition						(321,542)
Dividends of surplus						(92,539)
Profit attributable to owners of parent						826,168
Net changes of items other than shareholders' equity	(521,357)	1,717	(519,640)	(1,366)	913	(520,093)
Total changes of items during the period	(521,357)	1,717	(519,640)	(1,366)	913	(108,006)
Balance at the end of the period	27,410	(99)	27,311	2,961	10,899	3,744,316

(4) Consolidated Cash Flow Statements

	(thousand yen)	
	Previous consolidated fiscal year (Jul. 1, 2020 – Jun. 30, 2021)	Current consolidated fiscal year (Jul. 1, 2021 – Jun. 30, 2022)
Cash flows from operating activities		
Net profit (loss) before income taxes and minority interests	966,305	1,322,599
Depreciation	113,202	119,224
Impairment loss	4,572	15,740
Amortization of goodwill	140,367	140,367
Increase (decrease) in allowance for doubtful accounts	(3,690)	(65,977)
Increase (decrease) in reserve for bonuses	106	111
Increase (decrease) in provision for loss on office transfer	—	(7,054)
Increase (decrease) in provision for loss on store closing	(1,527)	—
Increase (decrease) in ordinary underwriting reserve	8,035	33,499
Loss on retirement of non-current assets	3,628	840
Loss (gain) on sales of investment securities	(195,959)	—
Loss (gain) on valuation of investment securities	55,899	—
Gain on investments in partnership	—	(20,479)
Decrease (increase) in operational investment securities	—	(197,913)
Loss (gain) on valuation of investments in capital	37,499	—
Loss (gain) on sales of investments in capital	—	(20,825)
Interest and dividends income	(414)	(295)
Interest expenses	107,855	128,817
Amortization of bond issuance cost	1,704	1,890
Decrease (increase) in notes and accounts receivable - trade	(37,345)	(46,818)
Decrease (increase) in real estate for sale	1,543,591	832,759
Decrease (increase) in real estate for sale in progress	(3,353,939)	1,761,347
Increase (decrease) in long-term guarantee deposits	(13,209)	32,262
Increase (decrease) in operating deposits received	(565)	(5,899)
Increase (decrease) in advances received	117,762	120,764
Decrease (increase) in prepaid expenses	33,458	41,359
Increase (decrease) in notes and accounts payable - trade	(415,156)	385,052
Increase (decrease) in accrued expenses	(10,070)	51,592
Increase (decrease) in accrued consumption taxes	(4,687)	(65,530)
Others	179,482	(42,860)
Subtotal	(723,091)	4,514,576
Income taxes paid	(411,389)	(289,129)
Interest and dividends income received	414	295
Interest expenses paid	(109,064)	(123,491)
Net cash provided by (used in) operating activities	(1,243,130)	4,102,249
Cash flows from investing activities		
Payments into time deposits	(99,623)	(70,000)
Proceeds from withdrawal of time deposits	77,623	87,624
Purchase of property, plant and equipment	(1,247,817)	(1,428,399)
Purchase of intangible assets	(41,446)	(52,552)
Purchase of investment securities	(30,816)	(580)
Proceeds from sales of investment securities	216,838	—
Payments for investments in capital	(120,601)	(15,160)
Collection of investments in capital	47,905	402,580
Expense by payment of guarantee deposits	(7,043)	(6,256)
Proceeds from collection of guarantee deposits	13,646	21,049
Others	4,303	(2,467)
Net cash provided by (used in) investing activities	(1,187,030)	(1,064,162)

	(thousand yen)	
	Previous consolidated fiscal year (Jul. 1, 2020 – Jun. 30, 2021)	Current consolidated fiscal year (Jul. 1, 2021 – Jun. 30, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(30,236)	273,068
Proceeds from long-term loans payable	7,331,300	4,005,800
Repayments of long-term loans payable	(4,270,735)	(5,651,444)
Proceeds from issuance of bonds	197,702	—
Expense by redemption of bonds	(100,600)	(123,400)
Dividends paid	(51,714)	(92,652)
Others	780	(1,366)
Net cash provided by (used in) financing activities	3,076,497	(1,589,995)
Effect of exchange rate change on cash and cash equivalents	53	1,717
Net increase (decrease) in cash and cash equivalents	646,388	1,449,808
Cash and cash equivalents at beginning of period	3,052,741	3,699,130
Cash and cash equivalents at end of period	3,699,130	5,148,939

(5) Notes on Consolidated Financial Statements

(Going Concern Assumption)

Not applicable.

(Change in Accounting Principles)

(Application of accounting standard for revenue recognition)

The Company has applied the “Accounting Standard for Revenue Recognition” (Accounting Standards Board of Japan Statement No. 29 of March 31, 2020) and “Implementation Guidance on Accounting Standard for Revenue Recognition” (Implementation Guidance of Accounting Standards Board of Japan Statement No. 30 of March 26, 2021) since the beginning of the first quarter consolidated fiscal period, and decided to recognize as its revenue an amount which could be received in exchange of a promised good or service upon transfer of control over such good or service to a customer.

Accordingly, with respect to honorarium, renewal fee, and administrative fees for executing/renewing contracts previously recognized as revenues collectively at the time of executing/renewing lease contracts, the Company decided to recognize them throughout the terms of those lease contracts.

In addition, concerning revenues pertaining to restoration to original state upon vacating, in line with applying the Accounting Standard for Revenue Recognition, the Company decided to investigate into actual transactions, reconsider its administrative structure for debt recovery, and recognize only those highly likely to be collected.

With respect to applying the Accounting Standard for Revenue Recognition, etc., the Company follows the provisional treatment as set forth in the note to Section 84 of the Accounting Standard for Revenue Recognition, and has applied the new accounting policy to the balance at the beginning of the first quarter consolidated fiscal period and onward, where any amount, which could be affected cumulatively by assuming that the new accounting policy was applied retrospectively to the period prior to the beginning of the first quarter consolidated fiscal period, is added to or subtracted from the retained earnings at the beginning of that period.

As a result, as compared to the figures before applying the standard retrospectively, for the current consolidated FY, Net sales decreased by 60,778 thousand yen, SG&A expenses decreased by 35,968 thousand yen, and each of Operating profit, Ordinary profit and Net profit before income taxes and minority interests decreased by 24,809 thousand yen. Because amounts which were influenced cumulatively have been reflected on net assets at the beginning of the current consolidated FY, retained earnings at the beginning of the current term decreased by 321,542 thousand yen as shown in the Consolidated Statements of Changes in Equity.

In the Consolidated Cash Flow Statement for the current consolidated FY, Net profit before income taxes and minority interests has decreased by 24,809 thousand yen.

Effects on per share data are described in the relevant sections.

Meanwhile, in accordance with the provisional treatment as set forth in Section 89-2 of the Accounting Standard for Revenue Recognition, no interchange in line with the new presentation method was done for the previous consolidated FY. In addition, in accordance with the provisional treatment as set forth in Section 89-3 of the Accounting Standard for Revenue Recognition, no notes are included herein on “revenue recognition” for the previous consolidated FY.

(Application of Accounting Standard for Fair Value Measurement, etc.)

Applying the “Accounting Standard for Fair Value Measurement” (Accounting Standards Board of Japan Guidance No. 30 of July 4, 2019), etc. since the beginning of the first quarter consolidated fiscal period, and in accordance with Section 19 of the Accounting Standard for Fair Value Measurement and Section 44-2 of the “Accounting Standard for Financial Instruments” (Accounting Standards Board of Japan Guidance No. 10 of July 4, 2019), the Company decided to apply the new accounting policies as set forth in the Accounting Standard for Fair Value Measurement, etc. now and in the future.

Such application of accounting standard, etc. has no effect on the consolidated financial statements.

(Additional Information)

(Changes in the purpose of holding assets)

Since purpose of holding for a portion of real estate for rent has been changed to real estate for sale, 1,308,571 thousand yen of real estate for rent has been transferred to real estate for sale.

(Impacts of COVID-19)

Although it is still difficult to predict how COVID-19 infections would spread and when such a situation would be over, the Company assumes it would gradually return to normal and has made accounting estimates accordingly.

Nevertheless, impacts of COVID-19 involve many uncertain elements, and various factors such as decrease in visitors to shops due to travel restrictions and slowdown of sales activities due to reduction in operational financial institutions may well have impacts on financial position and operating results of the Group during the next consolidated FY.

(Segment Information, etc.)

I Previous consolidated fiscal year (July 1, 2020 – June 30, 2021)

1. Information on net sales and profit/loss of each reportable segment

(thousand yen)

	Reportable segments				Other Business (see Note)	Total
	Property Management Business	Leasing Brokerage Business	Investment Business	Subtotal		
Net sales						
Sales to external customers	15,515,074	741,127	13,817,764	30,073,967	455,646	30,529,613
Inter-segment sales or transfer	30,743	127,076	—	157,819	15,678	173,498
Total	15,545,818	868,204	13,817,764	30,231,787	471,324	30,703,111
Segment profit (loss)	1,120,297	73,111	1,473,476	2,666,884	(259,334)	2,407,549

Note: The category "Others" refers to business segment not included in the reportable segments, which includes Real Estate DX Business (including an overseas subsidiary for system development), Small Amount Short-term Insurance Business and Hotel Business.

2. Difference between the total amount of profit or loss of reportable segments and the amount presented on the Quarterly Consolidated Statements of Income; and main contents of said difference (items in relation to adjustment of difference)

(thousand yen)

Profit	Previous consolidated fiscal year
Reportable segments total	2,666,884
"Other" profit	(259,334)
Corporate expenses (see Note)	(1,429,496)
Operating profit (loss) on the Quarterly Consolidated Statements of Income	978,053

Note: Corporate expenses comprises of general and administrative expenses not attributable to reportable segments.

3. Information on impairment loss of non-current assets and goodwill, etc., for each reportable segment

(Important impairment loss on non-current assets)

Impairment loss was recorded for "Other Business" segment. 4,572 thousand yen was allocated as impairment loss in the relevant consolidated cumulative period.

(Amortization of goodwill and undepreciated balance)

For the "Investment Business" segment, amortization of goodwill was 126,736 thousand yen and undepreciated balance was 792,105 thousand yen. Amortization of goodwill and undepreciated balance not attributable to any reportable segment were 13,630 thousand yen and 54,520 thousand yen respectively.

II Current consolidated fiscal year (July 1, 2021 – June 30, 2022)

1. Information on net sales and profit/loss of each reportable segment

(thousand yen)

	Reportable segments					Other Business (see Note)	Total
	Leasing DX Property Management Business	Sales/Purchase DX Investment Business	Leasing DX Leasing Brokerage Business	Incubation Business	Subtotal		
Net sales							
Sales to external customers	17,167,530	762,794	12,641,669	559,442	31,131,437	476,378	31,607,815
Inter-segment sales or transfer	21,493	203,495	—	—	224,989	17,292	242,281
Total	17,189,024	966,290	12,641,669	559,442	31,356,426	493,670	31,850,096
Segment profit (loss)	1,039,286	99,649	1,570,418	524,242	3,233,597	(213,125)	3,020,472

Note: The category "Others" refers to business segment not included in the reportable segments, which includes Real Estate DX Business (including an overseas subsidiary for system development), Small Amount Short-term Insurance Business and Hotel Business.

2. Difference between the total amount of profit or loss of reportable segments and the amount presented on the Quarterly Consolidated Statements of Income; and main contents of said difference (items in relation to adjustment of difference)

(thousand yen)

Profit	Current consolidated fiscal year
Reportable segments total	3,233,597
"Other" profit	(213,125)
Corporate expenses (see Note)	(1,521,568)
Operating profit (loss) on the Quarterly Consolidated Statements of Income	1,498,903

Note: Corporate expenses comprises of general and administrative expenses not attributable to reportable segments.

3. Information on impairment loss of non-current assets and goodwill, etc., for each reportable segment

(Important impairment loss on non-current assets)

Impairment loss was recorded for "Other Business" segment. 15,740 thousand yen was allocated as impairment loss in the relevant consolidated cumulative period.

(Amortization of goodwill and undepreciated balance)

For the "Investment Business" segment, amortization of goodwill was 126,736 thousand yen and undepreciated balance was 665,368 thousand yen. Amortization of goodwill and undepreciated balance not attributable to any reportable segment were 13,630 thousand yen and 40,890 thousand yen respectively.

(Per share data)

	Previous consolidated fiscal year (July 1, 2020 – June 30, 2021)	Current consolidated fiscal year (July 1, 2021 – June 30, 2022)
Net assets per share	564.05 yen	548.25 yen
Net profit per share	87.45 yen	121.42 yen
Diluted net profit per share	83.86 yen	119.64 yen

1. Calculation bases of net profit per share and diluted net profit per share are as follows.

	Previous consolidated fiscal year (July 1, 2020 – June 30, 2021)	Current consolidated fiscal year (July 1, 2021 – June 30, 2022)
Net profit (loss) per share		
Net profit attributable to owners of parent (thousand yen)	595,074	826,168
Amount not attributable to common stockholders (thousand yen)	—	—
Net profit (loss) attributable to owners of parent applicable to common shares (thousand yen)	595,074	826,168
Average number of common shares outstanding during the period (shares)	6,804,352	6,804,352
Diluted net profit per share		
Adjusted quarterly net profit (loss) attributable to owners of parent (thousand yen)	—	—
Increased number of shares (common stock) (shares)	291,529	101,164
(number of shares with subscription rights) (shares)	(291,529)	(101,164)
Summary of residual securities not included in calculating diluted earnings per share, because of having no dilution effect	Sixth subscription rights to shares decided by the board of directors on Sep. 1, 2020 Number: 5,000 500,000 common shares	Fourth subscription rights to shares decided by the board of directors on Nov. 16, 2017 Number: 1,400 280,000 common shares Fifth subscription rights to shares decided by the board of directors on Nov. 16, 2017 Number: 3,016 603,200 common shares

2. As previously described under “(Change in Accounting Principles)”, the Company has applied the "Accounting Standard for Revenue Recognition" (Accounting Standards Board of Japan Guidance No. 29 of March 31, 2020), etc. Consequently, Net assets per share, Net profit per share and Diluted net profit per share decreased by 47.26 yen, 3.65 yen and 3.59 yen, respectively.

(Significant Post-Balance Sheet Events)

Not applicable.