Consolidated Financial Results for the Fiscal Year Ended March 31, 2023

May 12, 2023 released

Company name: Sun Frontier Fudousan Co., Ltd.
Stock listing: Tokyo Stock Exchange Prime Section
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Presentation to explain for the financial results: Yes (For institutional investors and analysts)

*Amounts are rounded down to millions of yen.

1.Consolidated Performance in the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Consolidated Operating Results

(“¥” indicates millions of yen, percentage figures indicate year-on-year changes.)

	Net Sales		Operating Profit		Ordinary Profit		Net Income	
FY2023/3	¥82,777	16.2%	¥14,905	22.9%	¥14,722	20.5%	¥11,612	56.6%
FY2022/3	¥71,251	19.5%	¥12,127	53.3%	¥12,215	62.3%	¥7,415	73.5%

(Note) Comprehensive income: FY2023/3: 11,980 millions of yen (54.8%)
FY2022/3: 7,738 millions of yen (93.1%)

	Earnings per Share (yen)	Fully Diluted earnings per Share (yen)	ROE (%)	ROA (%)	Operating Income Margin (%)
FY2023/3	238.98	238.76	15.3%	10.2%	18.0%
FY2022/3	152.26	152.12	10.8%	9.3%	17.0%

(Reference) Income on investments based on equity method FY2023/3: -71 millions of yen
FY2022/3: -23 millions of yen

(2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (yen)
FY2023/3	¥152,519	¥83,965	52.9%	1,663.33
FY2022/3	¥136,512	¥74,452	52.2%	1,463.74

(Reference) Total Equity: FY2023/3: 80,702 millions of yen
FY2022/3: 71,282 millions of yen

(3) Consolidated Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Operating Activities	Cash Flows from Operating Activities	Cash Flows from Operating Activities
FY2023/3	¥ 16,544	¥-6,681	¥2,039	¥41,914
FY2022/3	¥ 17,443	¥-9,386	¥449	¥29,951

2.Cash Dividends

("¥" indicates millions of yen.)

	Cash Dividends per Share (yen)					Total Dividends	Consolidated Payout Ratio	Consolidated Net Asset dividend rate
	1st quarter end	2nd quarter end	3rd quarter end	Year end	Annual Total			
FY2022/3	-	21.00	-	23.00	44.00	¥2,145	28.9%	3.1%
FY2023/3		23.00		25.00	48.00	¥2,335	20.1%	3.1%
FY2024/3 (Forecast)		26.00		26.00	52.00		23.0%	

3.Forecast for Consolidated Financial Results for FY2024/3 (April 1, 2023 to March 31, 2024)

("¥" indicates millions of yen, percentage figures indicate year-on-year changes.)

	Net Sales		Operating income		Ordinary income		Profit Attributable to Owners of Parent		EPS (yen)
Full year	¥83,000	0.3%	¥16,500	10.7%	¥16,000	8.7%	¥11,000	-5.3%	266.37

※ Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changing scope of consolidation): None

New companies: -

Excluded companies: -

(2) Changes in accounting policies, estimates and retrospective restatement

1) Changes in accounting policies due to changes in accounting standard: None
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Retrospective restatement: None

(3) Number of outstanding shares (common stock)

1) Number of outstanding shares at the end of the period (including treasury stock):	FY2023/3	48,755,500 shares	FY2022/3	48,755,500 shares
2) Number of shares of treasury stock at the end of the period:	FY2023/3	237,169 shares	FY2022/3	56,644 shares
3) Average number of shares for the period:	FY2023/3	48,592,065 shares	FY2022/3	48,698,856 shares

(Note) The main increase/decrease in the number of shares of treasury stock at the end of the period is due to an increase of 143,800 shares by purchase of treasury shares pursuant to Article 156 of the Companies Act of Japan, as applied pursuant to Paragraph 3, Article 165 of the Companies Act, an increase of 71,800 shares by additional acquisition to the employee stock ownership plan (J-ESOP), and an increase of 49 shares by purchase of fractional shares, despite a decrease of 35,124 shares disposed of as renumeration of restricted stock.

(Reference) Overview of Non-consolidated Performance

1. Non-consolidated Performance in the Fiscal Year Ended March 31, 2023 (April 1, 2022 to March 31, 2023)

(1) Non-Consolidated Operating Results

(“¥” indicates millions of yen, percentage figures indicate year-on-year changes.)

	Net Sales		Operating Profit		Ordinary Profit		Net Income	
FY2023/3	¥52,097	-12.5%	¥11,949	-16.4%	¥11,753	-18.1%	¥7,871	-15.2%
FY2022/3	¥59,563	41.8%	¥14,300	78.4%	¥14,356	79.6%	¥9,284	74.7%

	Earnings per Share (yen)	Fully Diluted earnings per Share (yen)
FY2023/3	161.98	161.83
FY2022/3	190.65	190.47

(2) Non-Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (yen)
FY2023/3	¥137,212	¥79,859	58.2%	1,645.34
FY2022/3	¥ 124,800	¥74,432	59.6%	1,527.80

(Reference) Total Equity: FY2023/3: 79,829 millions of yen
FY2022/3: 74,402 millions of yen

※This Summary of Consolidated Financial Results is exempt from audit process by Certified public accountants or auditors.

※Explanation for appropriate use of forecast and other special matters

Earnings per share in the Forecast for Consolidated Financial Results for FY2024/3 is calculated based on 48,592,065 shares, the average number of shares for the period at the end of fiscal year ended March 31,2023.

Forward-looking statements, such as forecast of consolidated financial performance, stated in this document are based on information currently possessed by the Company as well as certain assumptions deemed rational. It does not mean that the Company assurances that the contents mentioned in these forward-looking statements will ever materialize. Actual financial performance may be significantly different from such expectations due to various factors.

Accompanying Materials

Contents

1. Financial Highlights for the Fiscal Year Ended March 31, 2023

(1) Business Performance

Forward-looking statements in this document are based on the judgments of the Group as of the end of the current fiscal year.

During the current consolidated fiscal year (hereinafter referred to as the current period), the Japanese economy continued to recover mainly in personal consumption and capital investment as restrictions on socio-economic activities further eased under coexisting with COVID-19. With regard to the global economy, there were concerns that the Ukraine problem was prolonged, inflation in various countries remained high, and interest rate hikes will lead to economic slowdown.

In the real estate market, the average rent in the Tokyo business district (5 Wards of the Central Tokyo: Chiyoda, Chuo, Minato, Shinjuku and Shibuya) in March was 19,991 yen (unit price per tsubo), down for the 32nd consecutive month (total 3,023 yen / 13. 1%), and the average vacancy rate for the same month was almost unchanged at 6.41% (according to a private research institution). Overall office market conditions remained weak. At the same time, in the real estate investment market, although the willingness to invest in institutional investors was generally strong, the outlook remained unpredictable due to the global monetary tightening phase.

In the Real Estate Revitalization Business, the Group's core business, sales of high-profit and high-quality properties was steady in the current period. Profit margin continued to be higher than the previous year, and continued to be a strong driver of overall performance, despite a year-on-year decline in net sales and profits due to a concentration of sales of relatively large-scale properties in the previous fiscal year. The Real Estate Service Business continued to perform well. In the Hotel Development Business, sales and profit increased significantly year on year due to the completion of the sale of two hotels. In the Hotel Operation Business, which has been greatly affected by the pandemic of COVID-19, demand continued to increase due to the easing of restrictions on socioeconomic activities. In addition, sales recovered sharply due to the Nationwide Travel Subsidy Program, which was launched in October to promote domestic tourism, and the lifting of the ban on personal travel from abroad.

As a result, net sales amounted to 82,777 million yen (up 16.2% YoY), operating profit amounted to 14,905 million yen (up 22.9% YoY), ordinary profit amounted to 14,722 million yen (up 20.5% YoY), and profit attributable to owners of parent amounted to 11,612 million yen (up 56.6% YoY).
Moreover, as a result of the rapid recovery in Hotel and Tourism Business, the business' tax loss carryforwards reduced taxable income and deferred tax assets were recorded resulting in significant growth in profit attributable to owners of parent.

The results of each segment are as follows.

(Real Estate Revitalization Business)

In the Real Estate Revitalization Business, we are engaged in (1) Replanning Business and (2) Rental Building Business.

(1) In the Replanning Business, all processes from purchase of buildings to revitalization and usage planning and development, tenant placement, management, sales, and subsequent support with building management are offered as a one stop service. Sales continued to grow steadily in the current period as well due to strong investor enthusiasm about purchasing. At the same time, we actively purchased properties while carefully selecting properties and assessing the real estate market conditions in macroeconomic fluctuations and the impact of monetary policies. In commercialization, we aim to create offices that can be chosen even in the new normal by catering to a hybrid working style while keeping a close eye on changes in the city, office

and work style. During the fiscal year under review, we continued our commercialization, focusing on set-up offices, which interior construction was carried out in advance, and it was possible to significantly reduce expenses for tenants when moving in and out. In addition, through coordinating with the leasing brokerage division we promoted the attraction of tenants and made our real estate products high-occupancy and high-added value so that we could sell them with the expectations of a wide range of clients in Japan and overseas. For example, in December, working in close coordination with the leasing brokerage division we were able to sell five office buildings in Tokyo to an investor with almost full occupancy. These five properties, which we are entrusted to manage, acquired the Building-Housing Energy-efficiency Labeling System BELS certification in January 2023. The Group will promote initiatives toward further conversion to energy conservation and decarbonization. In the Real Estate Revitalization Business in New York City, U.S.A., the Company sold two properties that had been commercialized in order to meet the diversification needs of clients' asset portfolio. In addition, as small-lot owned products in specified joint real estate ventures, the Company sold out medical and educational malls (new construction) (third and fourth composition) and a licensed nursery school (new construction) (first and second composition). Although the number of sales in the Replanning Business was 24 cases, 2 cases more than the previous period, the customer base expanded, including sales in New York. Although net sales and profits decreased year on year due to a decrease in sales of relatively large properties compared to the previous fiscal year, net sales and profits in this segment were 47,995 million yen and 14,943 million yen respectively, the third highest level after the previous fiscal year.

(2) In the Rental Building Business, with the aim of building a stable revenue base as a stock business, the Company is working to increase rent income over the medium to long term while expanding the number of rental buildings properties in the Replanning Business and utilizing the operational capabilities accumulated in the Real Estate Service division. Compared with the previous year, the current period's net sales and profits decreased due to a decrease in rent income from properties held as inventories.

As a result, net sales amounted to 50,066 million yen (down 10.5% YoY) and segment profit amounted to 15,343 million yen (down 5.7% YoY) in total for the Real Estate Revitalization Business.

The Group is promoting initiatives to support start-ups with the idea of "making Tokyo the most friendly city for start-up in the world." As one such initiatives, in January 2023, we opened "A Shibuya," an office that supports the growth of startups in Jinnan, Shibuya-ku, Tokyo (on the 3rd floor of the Tokyu Shibuya Station Building). In the same facility, we opened "Hive Shibuya," a share office for startups, jointly operated by Z Venture Capital, a corporate venture capital of Z Holdings Corporation, and East Ventures (hereinafter "EV"), one of the largest seed-stage venture capital firms in Southeast Asia. Also, in April 2023, we concluded a business alliance with StartPass Co., Ltd., which provides "StartPass," a cloud service to accelerate startup management. In order to realize our mission of "accelerating the management of start-up companies", we will provide various services that combine online and offline, which are our mutual strengths through this business alliance.

(Real Estate Service Business)

In the Real Estate Service Business, we are engaged in (1) Property Management Business, (2) Building Maintenance Business, (3) Sales Brokerage Business, (4) Leasing Brokerage Business, (5) Rental Conference Room Business, and (6) Rent Guarantee Business.

Each of these divisions is developing its business in the medium-sized office sector in central Tokyo by bringing together the expertise that has cultivated in the field and coordinating and working with each other. Also added value is created through a chain-reaction of expertise cultivated through originality and ingenuity in the field and this is the foundation for creating high profitability in the Replanning Business.

(1) In the Property Management Business, we are increasing the satisfaction of tenants through attentive property management and supporting owners also by realizing high-occupancy and high-profitability

building management by working with the leasing brokerage division to attract tenants and revising the conditions for appropriate rent. Despite weak market conditions, the number of entrusted buildings increased by more than 8% from the previous fiscal year. As a result, both net sales and profits increased.

	End of March 2021	End of March 2022	End of March 2023
Number of Entrusted Buildings	397 buildings	421 buildings	457 buildings
Occupancy Rate	94.4%	91.5%	89.6%

(2) In the Building Maintenance Business, under the slogan “making Tokyo the most beautiful city in the world,” we are conducting total maintenance of buildings, including inspections to maintain and manage the building, cleaning to maintain beautiful and comfortable spaces, and renovation construction. We are promoting cooperation with the Property Management division, taking advantage of high-rise cleaning of exterior windows and walls using swings, as well as waterproofing construction and exterior wall renovation construction. Both net sales and profits increased compared to the previous fiscal year due to synergies resulting from M&A and an increase in the number of entrusted buildings.

(3) In the Sales Brokerage Business, as a part of real estate consulting, we are responding swiftly to inquiries from Property Management Business and the Leasing Brokerage Business and other divisions. Office division works together to support owners managing buildings and expand the customer base. Based on the trust we have built, we are able to close brokerage deals. In the fiscal year under review, both net sales and profits increased compared with the previous fiscal year due to the strong brokerage with investors in Japan and overseas.

(4) In the Leasing Brokerage Business, we provide a service network based in 10 sites, mainly in central Tokyo, and serve as a convenient consultation window that is close to local building owners. In addition, by utilizing the needs and changes of tenants quickly acquired at leasing sites in research and proposals for optimal use of office space, we are creating new value from the customer's point of view in product planning for the Replanning Business. Both net sales and profits increased from the previous fiscal year due to an increase in the number of contracts concluded.

(5) In the Rental Conference Room Business, we have provided services that capture the changing times and have responded flexibly to clients’ needs through close contact with local communities and implemented flexible proposal-based marketing. Consequently, we were able to capture demand from new clients. During the current period, demand for corporate training, seminars and certification tests continued to recover amid further easing of restrictions on social and economic activities. Moreover, orders for large-scale projects in the two newly opened sites resulted in an increase in net sales compared to the previous fiscal year. Profits also increased despite a temporary increase in expenses associated with the opening of new sites and the expansion of existing site floors. In addition to the two sites newly established in September and November 2022, we expanded the floor space of several existing site and opened two new sites in February and April 2023 in order to meet increasing demand for rental conference rooms.

(6) In the Rent Guarantee Business, we provide services that are close to building owners, such as not only providing rent guarantees when tenants fall behind in their rent payments, but also providing support for tenants to vacate their property, thereby easing the burden on building management. “TRI-WINS,” a new brand launched in February, is a “win-win-win” service that resolves the risks and issues faced by both building owners and tenants and contributes to economic growth and social stability. Compared with general guarantee services, TRI-WINS has expanded the scope of its services to include investigation and screening,

rent guarantee, handling of arrears and removal, etc. During the fiscal year under review, both net sales and profits grew compared with the previous fiscal year, due to an increase in the number of new guarantee contracts as a result of an rise in consultations with building owners caused by a higher number of vacant rooms and concerns over the creditworthiness of tenants.

As a result, net sales amounted to 8,843 million yen (up 23.6% YoY) and segment profit amounted to 4,890 million yen (up 28.6% YoY) in total for the Real Estate Service Business.

(Hotel and Tourism Business)

In the Hotel and Tourism Business, we are engaged in (1) Hotel Development Business and (2) Hotel Operation Business.

(1) In the Hotel Development Business, both net sales and profits increased compared to the previous fiscal year, as two of the three hotels announced to be sold in August 2022 were handed over in October. One hotel that was announced to be sold at the same time as these two hotels was delivered in April 2023. Net sales and profits from this transaction are expected to be recorded in the 1st quarter for the fiscal year ending March 2024. The funds recovered from the sale of the hotel will be reinvested in hotel development, including M&A, centering on the "Tabi-no-Hotel" brand and commercial hotel condominiums, to expand the business.

(2) In the Hotel Operation Business, we opened “Shijo Kawaramachi Onsen Sora Niwa Terrace Kyoto” and “Shijo Kawaramachi Onsen Bettei Kamogawa” in June 2022. As of May 12, we operated a total of 21 hotels (2,477 rooms). During the current period, amid further recovery in domestic tourism demand due to the easing of restrictions on socio-economic activities, against the backdrop of the Nationwide Travel Subsidy Program, which was launched in October to promote domestic tourism, and the lifting of the ban on personal travel from abroad occupancy rates and room unit prices continued to rise based on the Group's high-value-added strategy. As a result, net sales increased, and profits were in the black compared with the previous fiscal year.

As a result, net sales amounted to 22,967 million yen (up 232.3% YoY) and segment profit amounted to 1,720 million yen compared with the previous fiscal year (segment loss was 1,950 million yen in the previous fiscal year) in total for the Hotel and Tourism Business.

(Other Business)

In Other Business, we are engaged in (1) Overseas Development Business and (2) Construction Business.

(1) In the Overseas Development Business, we have expanded into Southeast Asian countries where growth is expected and have developed real estate mainly for condominiums and houses using Japanese advanced construction technology. We are developing its business with a focus on providing an experience of Japanese quality to Asian people. Although net sales decreased compared with the previous fiscal year due to a decrease in revenue from property sales, revenue from the management of condominiums in Vietnam, which we are promoting as a stock business, increased. Profit for the fiscal year under review increased due to an increase in profit from the sale of properties in Vietnam, despite a write-down of inventories in Indonesia. As for our business in Indonesia, we started the withdrawal process with the sale of all our properties in November.

(2) In the Construction Business, renovation planning, repair and reform of commercial buildings, interior finishing work, and telecommunications work were carried out. Both net sales and profits increased compared to the previous fiscal year due to sales from large-scale construction projects at group subsidiaries.

As a result of the above, net sales amounted to 1,788 million yen (up 5.5% YoY) and segment profit amounted to 283 million yen (up 177.8% YoY) in total for Other Business.

The Group's mission is "We will protect all employees, pursue both material and spiritual well-being, and realize a sustainable and affluent society with a spirit of co-creation." To promote this philosophy, we made initiatives in various projects during the fiscal year under review. In November, we agreed to a core business and capital alliance with CONNEXX SYSTEMS Corporation, which develops storage battery technology essential for the spread of renewable energy. In March, we signed an agreement with NOTUS SOLAR JAPAN CO., LTD. which has next-generation agricultural photovoltaic power generation technology, to form a financial and core business partnership. In the Group, we will continue to contribute to the realization of a sustainable society through our operations.

(2) Consolidated Financial Position

Total assets at the end of the current consolidated fiscal year amounted to 152,519 million yen (up 11.7% YoY), liability amounted to 68,553 million yen (up 10.5% YoY), and net assets amounted to 83,965 million yen (up 12.8% YoY.)

The increase in total assets was mainly due to an increase of 11,962 million yen in cash and time deposits, an increase of 5,558 million yen in real estate for sale and an increase of 1,651 million yen in property plant and equipment buildings (net amount), despite a decrease of 2,679 million yen in real estate for sale in process and a decrease of 1,515 million yen in guarantee deposits.

The main factors for the increase in liabilities were an increase of 760 million yen in accounts payable – trade, an increase of 1,104 million yen in advances received included in other in current liabilities, and an increase of 6,000 million yen in long-term borrowings, despite a decrease of 1,431 million yen in current portion of long-term borrowings and a decrease of 1,829 million yen in income taxes payable.

The increase in net assets was mainly due to the recording of 11,612 million yen in profit attributable to owners of parent, despite the payment of 1,121 million in year-end dividends and 1,118 million yen in interim dividends.
Equity ratio increased 0.7 percentage points to 52.9%.

(3) Consolidated Cash Flows

Cash and cash equivalents (hereinafter called, "funds") at the end of the current period increased by 11,962 million yen from the beginning of the fiscal year to 41,914 million yen as a result of an increase of 16,544 million yen of funds provided by operating activities, a decrease of 6,681 million yen of funds provided by investing activities, and an increase of 2,039 million yen of funds provided by financing activities.

Cash flows for the current consolidated fiscal year and their factors are as follows.

(Cash flows from operating activities)
Net cash provided by operating activities was 16,544 million yen compared with net cash provided by operating activities of 17,443 million yen in the previous fiscal year. This was mainly due to profit before income taxes of 14,745 million yen, depreciation of 1,968 million yen, income from a decrease in inventories of 1,854 million yen, and income from an increase in notes and accounts payable - trade of 1,155 million yen, despite corporate income taxes payments of 5,729 million yen and interest pain of 490 million.

(Cash flows from investing activities)
Net cash outflow used in investing activities was 6,681 million yen compared with net cash outflow used in investing activities of 9,386 million yen in the previous fiscal year. This was mainly due to outflow of 7,531

million yen in purchase of property, plant and equipment, and outflow of 692 million yen in payments of guarantee deposits, despite 2,337 million yen in proceeds from collection of guarantee deposits.

(Cash flows from financing activities)
Net cash provided by financing activities was 2,039 million yen compared with net cash provided by financing activities of 449 million yen in the previous fiscal year. This was mainly due to 23,261 million yen in proceeds from long-term borrowings despite 18,691 million yen in repayments of long-term borrowings and 2,239 million yen in dividends paid.

(Sources of capital and liquidity of funds)
The main demand for funds in our business activities is purchase in inventory assets, which is related to the Real Estate Revitalization Business. Purchase of inventory assets is provided by long-term borrowings from financial institutions secured by individual inventory assets and funds acquired through operating activities. As a basic policy, the inventory asset is to be sold within one year, and a lump-sum repayment of borrowings is made at the time of sale of the inventory asset, while taking into account the monthly scheduled repayment and this ensures sufficient liquidity of funds.

(Reference) Cash Flows-Related Indicators

	FY Ended March 31, 2019	FY Ended March 31, 2020	FY Ended March 31, 2021	FY Ended March 31, 2022	FY Ended March 31, 2023
Equity ratio	50.3	49.6	52.3	52.2	52.9
Equity ratio at market value	52.0	30.7	36.9	37.5	40.8
Interest-bearing debt to cash flow ratio	-	-	10.0	2.9	3.4
Interest coverage ratio	-	-	9.4	39.1	34.5

Equity Ratio: Equity/Total assets
Equity Ratio at Market Value: Market capitalization/Total assets
Interest-Bearing Debt to Cash Flow Ratio: Interest-bearing debt/Cash flows from operating activities
Interest Coverage Ratio: Cash flows from operating activities/Interest expenses

(4) Outlook for the Fiscal Year Ending March 31, 2024

Amid the rapid normalization of socio-economic activities in Japan and overseas under the coexisting with COVID-19, it is expected that the Japanese economy will continue to recover mainly in domestic demand such as personal consumption and capital investment. Although the Chinese economy is showing signs of recovery, downside risks to the global economy are increasing due to factors such as the prolonged Ukraine crisis, high inflation, and credit instability in some financial institutions caused by interest rate hikes by central banks in the United States and Europe.
Under such circumstances, in the office building market in central Tokyo, both the average vacancy rate and average rents cannot be said to be improving, and the market is expected to remain weak due to a significant increase in the supply of new large-scale office buildings. However, there is a strong need to move into mid-sized offices in central Tokyo, where the Group is increasing its value, and the Company will continue to actively sell highly profitable and highly utilized properties to investors in Japan and overseas. Also, in order to solve the problems of the owners of buildings managed by the Group, we will provide various real estate services this fiscal year as well.

In the Hotel Tourism Business, inbound demand is expected to expand further due to the end of border enforcement measures in early May. In such a business environment, clients using our Group’s hotels are expected to increase further. This year too, we will aim for our hotels to become “the only hotel in the world for clients”, and we will continue to enhance our heartfelt service.

As a result, the Company forecasts consolidated financial results for the fiscal year ending March 31, 2024 to be 83,000 million yen in net sales (up 0.3% YoY), 16,500 million yen in operating profit (up 10.7% YoY), 16,000 million yen in ordinary profit (up 8.7% YoY) and 11,000 million yen in profit attributable to owners of parent (down 5.3% YoY).

The business environment surrounding the Group has changed significantly due to the impact of the spread of COVID-19 since the beginning of 2020.
Against the backdrop of these changes in the business environment and the shift to the new normal, the Group reviewed medium-term management plan in May 2021 in order to reestablish a sustainable growth path.
The final year of the plan was extended for two years to the year ending March 2025 without changing the quantitative target (100 billion yen in net sales, 20,000 million yen in ordinary profit and 14,000 in profit attributable to owners of parent).
Under the basic policy of "a place where people gather and communicate with each other to create social development and people's happiness," we will focus on the three fields of offices, hotels, and abroad. We will also actively utilize M&As and other initiatives to promote businesses that contribute to achieving our medium-term management plan's goals and realizing a sustainable society.

2. Basic Views on the Selection of Accounting Standards

Our policy is to prepare consolidated financial statements for Japanese GAAP for the time being, taking into account comparability of consolidated financial statements over time and comparability among companies.
With regard to the application of IFRS, we intend to take appropriate measures in consideration of various situations in Japan and overseas.

3. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheet

(Unit: million yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and time deposits	30,053	42,016
Notes, accounts receivable, and contract assets	945	1,625
Real estate for sale	14,222	19,781
Real estate for sale in process	62,934	60,254
Costs of uncompleted construction contracts	100	57
Supplies	83	87
Other	2,603	2,080
Allowance for doubtful accounts	(21)	(18)
Total current assets	110,920	125,886
Non-current assets		
Property, plant and equipment		
Buildings	11,489	13,416
Accumulated depreciation	(3,609)	(3,878)
Accumulated impairment	(3)	(8)
Buildings (net amount)	7,876	9,528
Land	10,046	10,117
Other	1,800	1,767
Accumulated depreciation	(921)	(995)
Accumulated impairment	(6)	(6)
Other (net amount)	872	764
Total property, plant and equipment	18,796	20,410
Intangible assets		
Goodwill	408	343
Other	164	472
Total intangible assets	572	815
Investments and other assets		
Guarantee deposits	4,726	3,210
Deferred tax assets	1,036	2,033
Other	460	173
Allowance for doubtful accounts	(0)	(11)
Total investments and other assets	6,222	5,406
Total non-current assets	25,591	26,633
Total assets	136,512	152,519

(Unit: million yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	1,345	2,106
Short-term borrowings	30	50
Current portion of long-term borrowings	6,874	5,442
Income taxes payable	3,528	1,699
Provision for bonuses	191	237
Provision for bonuses for directors (and other officers)	73	73
Provision for fulfillment of guarantees	39	22
Other	4,126	6,731
Total current liabilities	16,210	16,363
Non-current liabilities		
Long-term borrowings	44,169	50,170
Retirement benefit liability	6	5
Provision for share-based remuneration	68	83
Other	1,605	1,930
Total non-current liabilities	45,849	52,190
Total liabilities	62,060	68,553
Net Assets		
Shareholders’ equity		
Share capital	11,965	11,965
Capital surplus	6,445	6,445
Retained earnings	52,917	62,289
Treasury shares	(67)	(270)
Total shareholders’ equity	71,260	80,430
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3	2
Foreign currency translation adjustment	19	269
Total accumulated other comprehensive income	22	271
Share acquisition rights	30	30
Non-controlling interests	3,139	3,233
Total net assets	74,452	83,965
Total liabilities and net assets	136,512	152,519

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Unit: million yen)

	For the year ended March 31,2022	For the year ended March 31,2023
Net sales	71,251	82,777
Cost of sales	51,907	59,971
Gross profit	19,344	22,805
Selling, general and administrative expenses	7,216	7,900
Operating profit	12,127	14,905
Non-operating income		
Interest and dividend income	35	55
Penalty income	200	133
Foreign exchange gains	86	83
Subsidy income	215	62
Other	77	72
Total non-operating income	614	406
Non-operating Expenses		
Interest expenses	446	477
Loss on investments based on equity method	23	71
Other	56	41
Total non-operating expenses	526	589
Ordinary profit	12,215	14,722
Extraordinary income		
Government subsidy	-	232
Gain on sale of shares of subsidiaries and associates	-	101
Gain on liquidation of subsidiaries and associates	-	64
Settlement money	144	-
Gain on bargain purchase	115	-
Other	0	1
Total extraordinary income	260	400
Extraordinary loss		
Loss on reduction of fixed assets	-	232
Loss on devaluation of investment securities	-	104
Impairment loss	65	27
Loss on sales of non-current assets	0	-
Settlement money	254	-
Other	20	12
Total extraordinary losses	340	377
Profit before income taxes	12,135	14,745
Income taxes - current	4,812	3,876
Income taxes - deferred	(85)	(852)
Total income taxes	4,726	3,024
Profit	7,408	11,721
Profit (loss) attributable to non-controlling interests	(6)	108
Profit attributable to owners of parent	7,415	11,612

Consolidated Statement of Comprehensive Income

(Unit: million yen)

	For the year ended March 31,2022	For the year ended March 31,2023
Profit	7,408	11,721
Other comprehensive income		
Valuation difference on available-for-sale securities	0	(1)
Foreign currency translation adjustment	329	259
Total other comprehensive income	330	258
Comprehensive income	7,738	11,980
Comprehensive income attributable to		
owners of parent	7,727	11,861
Non-controlling interests	11	118

(3) Consolidated Statement of Changes in Equity

For the fiscal year ended March 31, 2022

(Unit: million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the period	11,965	6,445	48,573	(67)	66,916
Changes during period					
Dividends of surplus			(3,071)		(3,071)
Profit attributable to owners of parent			7,415		7,415
Acquisition of treasury shares					-
Disposal of treasury shares					-
Change in ownership interest of parent due to transactions with non -controlling interests					-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	4,343	-	4,343
Balance at end of the period	11,965	6,445	52,917	(67)	71,260

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of the period	2	(292)	(289)	16	3,129	69,773
Changes during period						
Dividends of surplus						(3,071)
Profit attributable to owners of parent						7,415
Acquisition of treasury shares						-
Disposal of treasury shares						-
Change in ownership interest of parent due to transactions with non -controlling interests						-
Net changes in items other than shareholders' equity	0	311	312	14	9	335
Total changes during period	0	311	312	14	9	4,679
Balance at end of the period	3	19	22	30	3,139	74,452

For the fiscal year ended March 31, 2023

(Unit: million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the period	11,965	6,445	52,917	(67)	71,260
Changes during period					
Dividends of surplus			(2,240)		(2,240)
Profit attributable to owners of parent			11,612		11,612
Acquisition of treasury shares				(239)	(239)
Disposal of treasury shares		(0)		36	36
Change in ownership interest of parent due to transactions with non -controlling interests		0			0
Net changes in items other than shareholders' equity					
Total changes during period	-	0	9,372	(202)	9,169
Balance at end of the period	11,965	6,445	62,289	(270)	80,430

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of the period	3	19	22	30	3,139	74,452
Changes during period						
Dividends of surplus						(2,240)
Profit attributable to owners of parent						11,612
Acquisition of treasury shares						(239)
Disposal of treasury shares						36
Change in ownership interest of parent due to transactions with non -controlling interests						0
Net changes in items other than shareholders' equity	(1)	250	249	-	94	343
Total changes during period	(1)	250	249	-	94	9,513
Balance at end of the period	2	269	271	30	3,233	83,965

(4) Consolidated Statement of Cash Flows

(Unit: million yen)

	For the year ended March 31,2022	For the year ended March 31,2023
Cash flows from operating activities		
Profit before income taxes	12,135	14,745
Depreciation	1,632	1,968
Impairment loss	65	27
Amortization of goodwill	78	64
Loss (gain) on liquidation of subsidiaries and associates	-	(64)
Loss on reduction of fixed assets	-	232
Government subsidy	-	(232)
Increase (decrease) in allowance for doubtful accounts	(14)	6
Increase (decrease) in provision for bonuses	(8)	(87)
Increase (decrease) in provision for bonuses for directors (and other officers)	21	(0)
Increase (decrease) in provision for fulfillment of guarantees	(13)	(17)
Increase (decrease) in provision for share-based remuneration	11	15
Interest and dividend income	(35)	(55)
Subsidy income	(215)	(62)
Interest expenses	446	477
Loss (gain) on investments based on equity method	23	71
Loss on retirement of non-current assets	20	12
Gain on bargain purchase	(115)	-
Decrease (increase) in trade receivables	496	409
Decrease (increase) in inventories	7,874	1,854
Increase (decrease) in trade payables	(776)	1,155
Other	(1,271)	1,751
Subtotal	20,354	22,274
Interest and dividends received	35	55
Interest paid	(447)	(490)
Income taxes (paid) refund	(2,460)	(5,729)
Proceeds from subsidy income	215	62
Proceeds from Government subsidy	-	232
Settlement money paid	(254)	-
Proceeds from settlement	-	150
Other	-	(10)
Net cash provided by (used in) operating activities	17,443	16,544
Cash flows from investing activities		
Proceeds from sales of shares of subsidiaries and associates	-	125
Payments into time deposits	(183)	(100)
Proceeds from withdrawal of time deposits	271	100
Purchase of property, plant and equipment	(8,484)	(7,531)
Proceeds from sales of property, plant and equipment	5	27
Purchase of intangible assets	(48)	(312)
Payments of guarantee deposits	(822)	(692)
Proceeds from collection of lease and guarantee deposits	44	2,337
Other	(168)	(634)
Net cash provided by (used in) investing activities	(9,386)	(6,681)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	30	20
Proceeds from long-term borrowings	24,183	23,261

	For the year ended March 31,2022	For the year ended March 31,2023
Repayments of long-term borrowings	(20,661)	(18,691)
Dividends paid	(3,070)	(2,239)
Purchase of treasury shares	-	(239)
Proceeds from share issuance to non-controlling shareholders	6	1
Payments for refunds to non-controlling shareholders	-	(69)
Proceeds from sales of shares in subsidiaries not resulting in in change in scope of consolidation	-	4
Other	(39)	(5)
Net cash provided by (used in) financing activities	449	2,039
Effect of exchange rate change on cash and cash equivalents	125	59
Increase in cash and cash equivalents	8,632	11,962
Cash and cash equivalents at beginning of period	21,319	29,951
Cash and cash equivalents at end of period	29,951	41,914

(5) Notes to Consolidated Financial Statements

(Notes to Assumption of Going Concern)

Not applicable.

(Segment Information, etc.)

Segment Information

1. Overview of Reportable Segments

The reportable segments of the Company are the constituent units of the company group for which separate financial information is available and which are subject to periodic review by the Board of Directors in order to determine the allocation of management resources and evaluate performance.

The head office formulates comprehensive strategies for each type of product and service and conducts business activities.

Accordingly, the Company consists of three reportable segments: “Real Estate Revitalization Business”, “Real Estate Service Business”, and “Hotel and Tourism Business”, which are defined by the product and service segments established by the head office.

“Real Estate Revitalization Business” is engaged in Replanning Business and Rental Building Business. “Real Estate Service Business” is engaged in Property Management Business, Building Maintenance Business, Sales Brokerage Business, Leasing Brokerage Business, Conference Room Rental Business, and Rent Guarantee Business. “Hotel and Tourism Business” is engaged in Hotel Development Business and Hotel Operation Business.

2. Method for calculating the amount of sales, profit or loss, assets, liabilities and other items for each reportable segment

The method of accounting for the reportable segments is the same as that described in “Significant basis for preparation of consolidated financial statements” in the Annual Securities Report. Reportable segment profits are based on ordinary profit.

3. Information on net sales and profit and disaggregation of revenue for each reportable segment

For the year ended March 31, 2022

(Unit: million yen)

	Reportable segments				Other (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated financial statement (Note 3)
	Real Estate Revitalization Business	Real Estate Service Business	Hotel and Tourism Business	Total				
Net sales								
Revenue from contracts with customers	51,644	5,447	6,797	63,889	1,690	65,580	-	65,580
Other income	4,301	1,255	114	5,671	-	5,671	-	5,671
Net sales to external customers	55,946	6,703	6,911	69,561	1,690	71,251	-	71,251
Internal sales or transfers	12	450	-	462	5	467	(467)	-
Subtotal	55,958	7,154	6,911	70,023	1,695	71,719	(467)	71,251
Segment profit (loss)	16,262	3,803	(1,950)	18,115	101	18,217	(6,001)	12,215
Segment assets	70,812	1,941	29,809	102,563	1,029	103,592	32,919	136,512
Segment liabilities	37,388	3,049	13,789	54,226	192	54,419	7,640	62,060
Others								
Depreciation	829	40	657	1,527	11	1,539	93	1,632
Amortization of goodwill	-	17	-	17	61	78	-	78
Interest expenses	283	1	119	404	-	404	41	446
Income(loss) on investments based on equity method	-	-	-	-	-	-	(23)	(23)
Increase in Property, plant and equipment and intangible assets	4,568	107	3,842	8,517	1	8,518	14	8,533

Note 1. The “Other” segment is a business segment that is not included in the reportable segment and includes Overseas Development Business and Construction Business.

Note 2. Details of the “Adjustment” are as follows:

(1) Adjustment in segment profit of negative 6,001 million yen includes elimination of intersegment transactions of negative 2 million yen and company-wide expenses of negative 5,999 million yen not allocated to each reportable segment. Company-wide expenses are mainly selling, general and administrative expenses that are not attributable to reportable segments.

(2) Adjustment in segment assets of 32,919 million yen include eliminations of intersegment transactions of negative 19,189 million yen and company-wide assets of 52,109 million yen that are not allocated to each reportable segment. Company-wide assets consist mainly of surplus operating funds (cash and time deposits and available-for-sale securities) and administration department’s assets that do not belong to any reportable segment.

(3) Adjustment in segment liabilities of 7,640 million yen include elimination of intersegment transactions of negative 97 million yen and company-wide liabilities of 7,737 million yen that are not allocated to each reportable segment.

(4) Adjustment of depreciation under “Other” of 93 million yen includes depreciation of company-wide assets not allocated to each reportable segment of 93 million yen.

(5) Adjustment of income(loss) on investments based on equity method under “Other” of negative 23 million yen includes income(loss) on investments based on equity method of negative 23 million yen related to company-wide assets not allocated to each reportable segment.

(6) Adjustment of increase in property, plant and equipment and intangible assets under “Other” of 14 million yen includes the 14 million yen increase in property, plant and equipment and intangible assets related to company-wide assets not allocated to each reportable segment.

Note 3. Segment profit is reconciled to ordinary profit in the consolidated statement income.

For the year ended March 31, 2023

(Unit: million yen)

	Reportable segments				Other (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated financial statement (Note 3)
	Real Estate Revitalization Business	Real Estate Service Business	Hotel and Tourism Business	Total				
Net sales								
Revenue from contracts with customers	45,687	6,714	22,808	75,211	1,774	76,985	-	76,985
Other income	4,362	1,299	129	5,792	-	5,792	-	5,792
Net sales to external customers	50,050	8,014	22,938	81,003	1,774	82,777	-	82,777
Internal sales or transfers	16	828	28	874	13	887	(887)	-
Subtotal	50,066	8,843	22,967	81,877	1,788	83,665	(887)	82,777
Segment profit (loss)	15,343	4,890	1,720	21,954	283	22,237	(7,514)	14,722
Segment assets	78,440	2,950	24,442	105,832	676	106,509	46,010	152,519
Segment liabilities	46,560	3,709	11,467	61,737	194	61,932	6,621	68,553
Others								
Depreciation	872	45	889	1,807	4	1,811	151	1,963
Amortization of goodwill	-	4	-	4	47	51	12	64
Interest expenses	332	3	113	450	-	450	26	477
Income(loss) on investments based on equity method	-	-	-	-	-	-	(71)	(71)
Increase in Property, plant and equipment and intangible assets	6,216	163	1,031	7,411	1	7,412	431	7,844

Note 1. The “Other” segment is a business segment that is not included in the reportable segment and includes Overseas Development Business and Construction Business.

Note 2. Details of the “Adjustment” are as follows:

(1) Adjustment in segment profit of negative 7,514 million yen includes elimination of intersegment transactions of 3 million yen and company-wide expenses of negative 7,517 million yen not allocated to each reportable segment. Company-wide expenses are mainly selling, general and administrative expenses that are not attributable to reportable segments.

(2) Adjustment in segment assets of 46,010 million yen include eliminations of intersegment transactions of negative 17,749 million yen and company-wide assets of 63,759 million yen that are not allocated to each reportable segment. Company-wide assets consist mainly of surplus operating funds (cash and time deposits and available-for-sale securities) and administration department’s assets that do not belong to any reportable segment.

(3) Adjustment in segment liabilities of 6,621 million yen include elimination of intersegment transactions of negative 264 million yen and company-wide liabilities of 6,885 million yen that are not allocated to each reportable segment.

(4) Adjustment of depreciation under “Other” of 151 million yen includes depreciation of company-wide assets not allocated to each reportable segment of 151 million yen.

(5) Adjustment of income(loss) on investments based on equity method under “Other” of negative 71 million yen includes income(loss) on investments based on equity method of negative 71 million yen related to company-wide assets not allocated to each reportable segment.

(6) Adjustment of increase in property, plant and equipment and intangible assets under “Other” of 431 million yen includes the 431 million yen increase in property, plant and equipment and intangible assets related to company-wide assets not allocated to each reportable segment.

Note 3. Segment profit is reconciled to ordinary profit in the consolidated statement income.

(Per Share Information)

	For the year ended March 31,2022	For the year ended March 31,2023
Net assets per share (yen)	1,463.74	1,663.33
Earnings per share (yen)	152.26	238.98
Fully diluted earnings per share (yen)	152.12	238.76

Note 1. Basis for calculation of earnings per share and fully diluted earnings per share is as follows.

("¥" indicates millions of yen, except for per share figures.)

	For the year ended March 31,2022	For the year ended March 31,2023
Earnings per share		
Profit attributable to owners of parent	¥7,415	¥11,612
Amount not attributable to common shareholders	-	-
Profit attributable to owners of parent related to common shares	¥7,415	¥11,612
Average number of common shares	48,698,856	48,592,065
Fully diluted earnings per share		
Adjustment of profit attributable to owners of parent	-	-
Common shares increase	45,267	45,270
(including share acquisition rights)	(¥30)	(¥)
Outline of dilutive shares not included in the calculation of fully diluted earnings per share because they have no dilutive effect	-	

Note 2. Basis for calculation of net assets per share is as follows.

("¥" indicates millions of yen, except for per share figures.)

	For the year ended March 31,2022	For the year ended March 31,2023
Total net assets	¥74,452	¥83,965
Amount of deduction from total net assets	¥3,169	¥3,263
(Share acquisition rights)	(¥30)	(¥30)
(Non-controlling interests)	(¥3,139)	(¥3,233)
Net assets at year end available to common shares	¥71,282	¥80,702
Number of common shares used for the calculation of net assets per share	48,698,856	48,518,331

Note 3. The Company's shares held by the trust account of the Employee Stock Ownership Plan (J-ESOP) are included in weighted average number of shares for the period in common shares and treasury shares deducted in the calculation of the total number of outstanding shares at the end of the fiscal year under review. The weighted average number of shares for the period of the Company's shares held by the trust account is 56,500 shares for the previous fiscal year and 62,921 shares for the current fiscal year. The number of shares at the end of the fiscal year is 56,500 shares for the previous fiscal year and 128,300 shares for the current fiscal year.

(Significant Subsequent Events)

Not applicable.