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August 7, 2023

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2024 <under Japanese GAAP>

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 Scheduled date to file quarterly securities report: August 10, 2023
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results presentation meeting: Yes (for institutional investors)

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

1. Consolidated financial results for the first three months of the fiscal year ending March 31, 2024 (from April 1, 2023 to June 30, 2023)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Three months ended								
June 30, 2023	31,613	11.5	2,860	(17.9)	2,798	(18.8)	2,120	(8.9)
June 30, 2022	28,351	16.5	3,486	9.6	3,445	10.0	2,328	10.4

Note: Comprehensive income Three months ended June 30, 2023: ¥2,120 million [(8.9)%]
 Three months ended June 30, 2022: ¥2,328 million [10.4%]

	Basic earnings per share	Diluted earnings per share
Three months ended	Yen	Yen
June 30, 2023	27.29	27.15
June 30, 2022	30.13	29.79

Reference:

(Percentages indicate year-on-year changes.)

	Adjusted operating profit		Adjusted ordinary profit		Adjusted profit attributable to owners of parent		Adjusted basic earnings per share	
	Millions of yen	%	Millions of Yen	%	Millions of yen	%	Yen	%
Three months ended								
June 30, 2023	3,403	(2.4)	3,340	(3.1)	2,315	(0.4)	29.79	(1.0)
June 30, 2022	3,486	9.6	3,445	10.0	2,325	10.3	30.10	10.0

Note: The Company uses adjusted operating profit, adjusted ordinary profit, adjusted profit attributable to owners of parent and adjusted basic earnings per share (hereinafter, “adjusted multi-step profit”) as important management indicators. Regarding adjusted multi-step profit or loss, please see the following “* Proper use of earnings forecasts, and other special matters, Notes regarding “Reference” in summary information.”

(2) Consolidated financial position

	Total assets	Net assets	Equity-to-asset ratio
As of	Millions of yen	Millions of yen	%
June 30, 2023	66,950	35,946	53.5
March 31, 2023	66,304	35,768	53.8

Reference: Equity As of June 30, 2023: ¥35,833 million
 As of March 31, 2023: ¥35,655 million

2. Dividends

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
Fiscal year ended March 31, 2023	Yen —	Yen 24.00	Yen —	Yen 25.00	Yen 49.00
Fiscal year ending March 31, 2024	—				
Fiscal year ending March 31, 2024 (Forecast)		27.00	—	27.00	54.00

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

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2023	65,788	11.2	6,581	(11.5)	6,477	(11.9)	4,441	(10.7)	57.14
Fiscal year ending March 31, 2024	132,464	9.2	13,216	(6.0)	12,954	(6.4)	8,866	45.6	114.06

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

* Notes

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

As of June 30, 2023	78,650,640 shares	As of March 31, 2023	78,650,640 shares
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 - b. Number of treasury shares at the end of the period

As of June 30, 2023	916,916 shares	As of March 31, 2023	916,916 shares
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 - c. Average number of shares outstanding during the period (cumulative from the beginning of the fiscal year)

Three months ended June 30, 2023	77,733,724 shares	Three months ended June 30, 2022	77,266,868 shares
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* **Quarterly financial results reports are exempt from quarterly reviews conducted by certified public accountants or an audit corporation.**

* Proper use of earnings forecasts, and other special matters

Caution regarding forward-looking statements and others

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

Notes regarding "Reference" in summary information

1. The Company uses adjusted selling, general and administrative expenses, adjusted operating profit, adjusted ordinary profit, adjusted profit attributable to owners of parent, and adjusted basic earnings per share (hereinafter, "adjusted multi-step profit or loss") as important management indicators.
This is because, as stated in the "Notice Regarding Ruling on Lawsuit Filed by the Company for Revocation of Consumption Tax Reassessment Penalty, etc." released on May 25, 2023 and the "Notice Regarding Revision of Earnings Forecasts for the Fiscal Year ending March 31, 2024" released on May 26, 2023, the Company filed a lawsuit against the Regional Taxation Bureau seeking the revocation of the reassessment penalty, etc., and the Tokyo District Court rendered a judgment dismissing the Company's claim for revocation of the reassessment penalty, etc.
In light of the ruling, the Company has calculated the difference arising from the discrepancies between the existing accounting treatment of the Group and the calculation method advocated by the Regional Taxation Bureau and recorded it as differences in consumption taxes, etc. in selling, general and administrative expenses, starting from the fiscal year ending March 31, 2024.
2. Adjusted multi-step profit or loss excludes some items that affect any of the steps of profit or loss for the fiscal year ending March 31, 2024, for the purpose of enabling comparison with prior fiscal year financial results, and its utilization as an analysis tool is significantly restricted. Consequently, there is a possibility that the indicator may not be comparable with the same or similar indicator of other companies in the same industry because of differences in calculation method, thereby decreasing the usefulness of the indicator.

3. Adjusted multi-step profit or loss is a reference figure estimated by the Company and is not subject to audit by a certified public accountant or audit corporation.

Means of access to supplementary material on quarterly financial results

The Company plans to hold financial results presentation meeting for institutional investors on Monday, August 7, 2023.

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

Attached Materials

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

(1) Explanation regarding operating results

During the first three months under review, the Japanese economy moved toward normalization of socioeconomic activities, including recoveries in service consumption and inbound demand, as a result of the shift in the status of COVID-19 to Class 5. However, the economic outlook remains uncertain due to concerns about declining consumption demand caused by rising price of raw materials and imported goods.

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

In terms of sales, families living in rental homes, in particular, have a strong desire to buy inexpensive, high-quality houses or to improve their living environments, and the number of customer inquiries increased year on year. In addition, as a result of an increase in the amount of completed inventory in line with the Group’s thorough management of the renovation construction period, the number of properties sold increased year on year. In addition, sales increased year on year due to the reflection of higher raw material prices in selling prices. In terms of purchases, real estate for sale and real estate for sale in process remained flat compared to the end of the previous fiscal year as a result of carefully selecting properties to purchase for the purpose of reviewing inventory levels since the second half of the previous fiscal year, while at the same time conducting balanced purchasing with a view toward future sales.

In terms of profit, the gross margin declined 1.8 points year on year, despite an increase in the selling price per property, mainly in suburban areas, which were not sufficiently passed on to compensate for the higher cost of sales. Also, selling, general and administrative expenses increased due to brokerage commissions resulting from the increase in sales and personnel expenses resulting from the increase in the number of sales employees. In addition to this, due to the Company’s loss in the first instance in the court case filed against the Regional Taxation Bureau by the Company, the difference arising from the discrepancies between the existing accounting treatment of the Group and the calculation method advocated by the Regional Taxation Bureau with regard to consumption tax has been calculated and recorded as differences in consumption taxes, etc. in selling, general and administrative expenses from the current fiscal year. As a result, selling, general and administrative expenses rose by 26.5% year on year. Excluding the impact of said differences in consumption taxes, etc., adjusted selling, general and administrative expenses rose by 8.6% year on year.

As a result, in the first three months under review, the number of properties sold was 1,789, up 7.6% year on year, net sales were ¥31,613 million, up 11.5% year on year, operating profit was ¥2,860 million, down 17.9% year on year, ordinary profit was ¥2,798 million, down 18.8% year on year and profit attributable to owners of parent was ¥2,120 million, down 8.9% year on year. Excluding the impact of the aforementioned differences in consumption taxes, etc., adjusted operating profit was ¥3,403 million (down 2.4% year on year), adjusted ordinary profit was ¥3,340 million (down 3.1% year on year), and adjusted profit attributable to owners of parent was ¥2,315 million (down 0.4% year on year).

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

(2) Explanation regarding financial position

(i) Current assets

Current assets as of June 30, 2023 amounted to ¥65,225 million, an increase of ¥719 million compared to ¥64,505 million at the end of the previous fiscal year. This was mainly due to a decrease of ¥358 million in income taxes refund receivable, while cash and deposits increased by ¥952 million.

(ii) Non-current assets

Non-current assets as of June 30, 2023 amounted to ¥1,725 million, a decrease of ¥73 million compared to ¥1,798 million at the end of the previous fiscal year. This was mainly due to a decrease of ¥84 million in investments and other assets.

(iii) Current liabilities

Current liabilities as of June 30, 2023 amounted to ¥12,413 million, an increase of ¥468 million compared to ¥11,944 million at the end of the previous fiscal year. This was mainly due to decreases of ¥1,048 million in income taxes payable and ¥2,623 million in accrued consumption taxes, despite an increase of ¥4,500 million in short-term borrowings.

(iv) Non-current liabilities

Non-current liabilities as of June 30, 2023 amounted to ¥18,590 million, a decrease of ¥0 million compared to ¥18,590 million at the end of the previous fiscal year. This was mainly due to a decrease of ¥0 million in other non-current liabilities.

(v) Net assets

Net assets as of June 30, 2023 amounted to ¥35,946 million, an increase of ¥177 million compared to the ¥35,768 million at the end of the previous fiscal year. This was mainly due to the recording of ¥2,120 million in profit attributable to owners of parent while paying out dividends of surplus of ¥1,943 million. As a result, the equity-to-asset ratio was 53.5%.

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

There are no changes to the consolidated earnings forecasts for the first half and full year for the fiscal year ending March 31, 2024 announced in the “Notice Regarding Revision of Earnings Forecasts for the Fiscal Year ending March 31, 2024” on May 26, 2023.

2. Quarterly consolidated financial statements and significant notes thereto

(1) Quarterly consolidated balance sheet

(Millions of yen)

	As of March 31, 2023	As of June 30, 2023
Assets		
Current assets		
Cash and deposits	8,728	9,680
Real estate for sale	34,064	36,203
Real estate for sale in process	20,079	17,948
Income taxes refund receivable	914	555
Other	723	839
Allowance for doubtful accounts	(4)	(2)
Total current assets	64,505	65,225
Non-current assets		
Property, plant and equipment	726	722
Intangible assets	51	66
Investments and other assets		
Other	1,024	939
Allowance for doubtful accounts	(3)	(3)
Total investments and other assets	1,020	935
Total non-current assets	1,798	1,725
Total assets	66,304	66,950
Liabilities		
Current liabilities		
Accounts payable - trade	4,340	4,123
Short-term borrowings	-	4,500
Income taxes payable	1,817	768
Accrued consumption taxes	2,851	228
Provision for bonuses	429	70
Construction warranty reserve	348	344
Provision for loss on litigation	2	3
Provision for loss on disaster	53	53
Other	2,101	2,321
Total current liabilities	11,944	12,413
Non-current liabilities		
Long-term borrowings	18,500	18,500
Provision for retirement benefits for directors (and other officers)	71	71
Other	19	18
Total non-current liabilities	18,590	18,590
Total liabilities	30,535	31,004
Net assets		
Shareholders' equity		
Share capital	3,778	3,778
Capital surplus	3,640	3,640
Retained earnings	28,685	28,862
Treasury shares	(448)	(448)
Total shareholders' equity	35,655	35,833
Share acquisition rights	112	112
Total net assets	35,768	35,946
Total liabilities and net assets	66,304	66,950

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

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Net sales	28,351	31,613
Cost of sales	21,837	24,923
Gross profit	6,513	6,690
Selling, general and administrative expenses	3,027	3,829
Operating profit	3,486	2,860
Non-operating income		
Commission income	1	1
Discount revenue	1	2
Other	8	10
Total non-operating income	10	14
Non-operating expenses		
Interest expenses	44	51
Other	6	25
Total non-operating expenses	51	77
Ordinary profit	3,445	2,798
Extraordinary income		
Gain on sale of non-current assets	1	–
Differences in consumption taxes, etc.	–	175
Total extraordinary income	1	175
Profit before income taxes	3,447	2,973
Income taxes - current	893	722
Income taxes - deferred	225	129
Total income taxes	1,118	852
Profit	2,328	2,120
Profit attributable to owners of parent	2,328	2,120

Quarterly consolidated statement of comprehensive income (cumulative)

(Millions of yen)

	Three months ended June 30, 2022	Three months ended June 30, 2023
Profit	2,328	2,120
Comprehensive income	2,328	2,120
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,328	2,120

(3) Notes to quarterly consolidated financial statements

(Notes on premise of going concern)

No items to report.

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

No items to report.

(Additional information)

(Regarding progress of the ruling on the lawsuit seeking the revocation of the reassessment penalty, etc. received from the Regional Taxation Bureau)

The Company filed a lawsuit against Kantoshinetsu Regional Taxation Bureau (hereinafter, the "Regional Taxation Bureau"), seeking the revocation of a Written Notice of Reassessment of Consumption Tax and Local Consumption Tax and a Written Notice of Assessment and Determination Regarding Additional Tax (hereinafter, the "Reassessment Penalty, etc.") the Company received from the Regional Taxation Bureau on April 28, 2020, and the Tokyo District Court rendered a judgment dismissing the Company's claim for revocation of the Reassessment Penalty, etc. (hereinafter, the "Original Judgment").

After closely scrutinizing the court's decision with its counsel, the Company decided that it cannot accept the Original Judgment, and the Board of Directors resolved on June 8, 2023 to file an appeal to the Tokyo High Court against the Original Judgment (hereinafter, the "Appeal").

With regard to the calculation method of consumption tax, the Company has calculated the amount of difference between the Group's conventional accounting treatment and the calculation method stressed by the Regional Taxation Bureau and recorded it as selling, general and administrative expenses from the current fiscal year.

(Segment information, etc.)

Segment information

I. Three months ended June 30, 2022

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

II. Three months ended June 30, 2023

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