
Summary of Consolidated Financial Results

For FY2023

(January 1, 2023 – December 31, 2023)

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

Disclaimer Regarding Forward-Looking Statements

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



(TSE Code: 3003)

Outline of Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 <under Japanese GAAP>

January 30, 2024

Name of company listed: **Hulic Co., Ltd.**

Stock exchange listing: Tokyo (Prime Market)

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

Representative: Takaya Maeda, President, Representative Director

Contact: Mayumi Naruse, Managing Officer, General Manager of the Corporate Communications & Investor Relations Department and the Corporate Sustainability Department

E-mail: naruse.mayumi@hulic.co.jp

Annual General Meeting of Shareholders to be held on: March 26, 2024

Planned dividends payment date: March 27, 2024

Annual Securities Report to be filed on: March 19, 2024

Preparation of supplementary material on financial results: Yes

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

1. Consolidated Financial Results for the FY2023 (January 1, 2023 to December 31, 2023)

(1) Consolidated Financial Results (cumulative)

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

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2023	446,383	(14.7)	146,178	15.8	137,437	11.5	94,625	19.5
FY2022	523,424	17.0	126,147	10.1	123,222	12.4	79,150	13.7

Note: Comprehensive income: FY2023: ¥113,323 million [40.1%], FY2022: 80,866 million [1.7%]

	EPS (Net income per share)	Diluted EPS	ROE (Return on equity)	Ordinary profit on total assets	Operating profit on operating revenue
	Yen	Yen	%	%	%
FY2023	124.36	124.32	13.0	5.7	32.7
FY2022	104.00	103.96	11.9	5.4	24.1

Reference: Share of profit of entities accounted for using equity method: FY2023: (¥136 million), FY2022: ¥1,033 million

(2) Consolidated Financial Position

	Total assets	Net assets	Equity ratio	BPS (Net assets per share)
	Million yen	Million yen	%	Yen
FY2023	2,480,472	769,300	30.8	1,006.19
FY2022	2,320,337	687,153	29.5	902.70

Reference: Equity: FY2023: ¥765,656 million, FY2022: ¥686,728 million

(3) Consolidated Cash Flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2023	270,819	(298,330)	(28,024)	82,763
FY2022	266,108	(345,335)	11,441	138,300

2. Dividends

	Annual dividends					Dividends paid (Total)	Dividends payout ratio (Consolidated)	Dividends to net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2022	–	20.00	–	22.00	42.00	32,199	40.3	4.8
FY2023	–	23.00	–	27.00	50.00	38,332	40.2	5.2
FY2024 (Forecast)	–	26.00	–	26.00	52.00		40.3	

3. Forecasts of Consolidated Financial Results for FY2024 (January 1, 2024 to December 31, 2024)

(Percentages indicate the YoY increase / decrease.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		EPS (Net income per share)
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full fiscal year	–	–	153,000	4.6	144,000	4.7	98,000	3.5	128.78

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

* Notes

(1) Changes in Significant Subsidiaries during FY2023

(Changes in specific subsidiaries resulting in changes in the scope of consolidation): Yes.

Newly included: One: (company name) Godo Kaisha Shobu Property

Excluded: –

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

1. Changes in accounting policies due to revisions of accounting standards, etc.: N/A

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

3. Changes in accounting estimates: N/A

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

(3) Number of Issued Shares (common shares)

	FY2023	FY2022
1) Number of issued shares as of the end of each period (including treasury shares)	767,907,735	767,907,735
2) Number of treasury shares as of the end of each period	6,966,030	7,164,236
3) Average number of outstanding shares for each period (consolidated cumulative period)	760,879,930	761,061,166

(Reference) Overview of Non-Consolidated Financial Results

1. Non-Consolidated Financial Results for FY2023 (January 1, 2023 to December 31, 2023)

(1) Non-Consolidated Financial Results

	Operating revenue		Operating profit		Ordinary profit		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2023	396,464	(18.1)	136,227	13.6	133,452	17.3	91,594	16.8
FY2022	484,643	21.3	119,823	3.6	113,676	2.4	78,394	2.8

	EPS (Net income per share)	Diluted EPS
	Yen	Yen
FY2023	120.00	—
FY2022	102.68	—

(2) Non-Consolidated Financial Position

	Total assets	Net assets	Equity ratio	BPS (Net assets per share)
	Million yen	Million yen	%	Yen
FY2023	2,395,490	742,475	30.9	972.66
FY2022	2,261,488	666,838	29.4	873.80

Reference: Equity: FY2023: ¥742,475 million, FY2022: ¥666,838 million

* Disclaimer regarding progress of review

This summary of consolidated financial results is not subject to the audit procedures.

* Disclaimer regarding forward-looking statements

This document contains forward-looking statements about the performance of The Company and its Group companies, based on management's assumptions in light of current available information. Please note that the actual results may vary due to various factors. For preconditions for forecasts of business results and cautions to take when using the forecasts of business results, please refer to page 5 "1. Consolidated Business Results and Financial Position, (4) Outlook for FY2024" in the attached materials. In addition, for preconditions for planned dividends and cautions to take when using the planned dividends, please also refer to page 6 "1. Business Results and Financial Position, (5) Basic Policy for Dividend Distribution and Dividends for FY2023 and FY2024" in the attached materials.

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1. Consolidated Business Results and Financial Position

(1) Overview of Consolidated Business Results

1) Overview of FY2023

In FY2023, the Japanese economy showed signs of mild recovery, due to an improvement in employment conditions, corporate earnings and capital investment, as well as an increase in inbound tourism demand. In the real estate investment market, we observed a continued bullish investment attitude among real estate investors with a backdrop of low interest rates, which has shaped the market to remain stable.

Under that environment, the Group based its measures on the slogan of “Driving Innovation and Accelerating Progress” as outlined in the Medium- to Long-Term Management Plan, for which FY2020 was the first year, and worked to move ahead with a flexible approach to environmental changes in order to achieve sustainable improvement in corporate value. As a result, ordinary profit recorded ¥137.4 billion, an increase of ¥5.4 billion compared with the forecasts announced at the beginning of FY2023, and an increase of ¥14.2 billion compared with the previous fiscal year.

2) Analysis of Business Results

<Operating revenue>

Operating revenue for FY2023 amounted to ¥446,383 million, decreased ¥77,040 million from the previous fiscal year. This was due to a stable rent income from properties completed and acquired in the previous fiscal year and in the current fiscal year, as well as stable sales from real estate for sale.

<Operating profit>

Operating profit for FY2023 amounted to ¥146,178 million, increased ¥20,031 million from the previous fiscal year. This was due to a stable rent income from properties completed and acquired, as well as higher gross sales margin from real estate for sale.

<Ordinary profit>

Ordinary profit for FY2023 amounted to ¥137,437 million, increased ¥14,214 million from the previous fiscal year. This was due to the above-mentioned increase in operating profit, while non-operating profit decreased as a result of lower income related to termination of lease contracts.

< Profit attributable to owners of parent >

Profit attributable to owners of parent for FY2023 was ¥94,625 million, increased ¥15,474 million from the previous fiscal year. This was due to the above-mentioned increase in ordinary profit, an increase in extraordinary income resulting from an increase in compensation income, a decrease in extraordinary losses resulting from a decrease in losses related to reconstruction, as well as an increase in taxes.

The business results for each segment were as follows.

(Operating revenue for each segment includes inter-segment operating revenue and the balance of book-entry transfers.)

<Real Estate>

The Group's core business is a leasing business that utilizes approximately 250 buildings and properties (excluding real estate for sale), amounting to approximately 1,380,000 square meters of floor space, located mainly in Tokyo's 23 wards. From the perspective of constructing a competitive leasing portfolio that addresses the changing environment, we work to further improve the overall value of our buildings and properties not only by continuous portfolio reshuffling but also by developing and reconstructing properties that are highly earthquake resistant and environmentally friendly. In addition, we work to acquire stable and continuous capital gains and asset management fees through expanding pipelines for development / reconstruction and value-added projects as well as diversifying exit strategies of properties.

New acquisitions (non-current assets) in FY2023 included Shimachu Fuchu Store (Fuchu-shi, Tokyo), ROOM DECO Makuhari Shin-Toshin (Chiba-shi, Chiba), COI Nishi Aoyama Building (Shibuya-ku, Tokyo), Uniden Hatchobori Building (Chuo-ku, Tokyo), Hulic Ginza 7-chome Building (partial) (Chuo-ku, Tokyo), Olinas Mall • Olinas Core (Sumida-ku, Tokyo), grand scape IKEBUKURO (land) (Toshima-ku, Tokyo) and others.

In development and reconstruction business (non-current assets), we acquired land for development of (tentative name) Minami Hashimoto Development Project (Chuo-ku, Sagami-hara-shi). In addition, (tentative name) Sendagaya Center Building Reconstruction Project (Shibuya-ku, Tokyo), (tentative name) Hulic Fukuoka Building Reconstruction Project (Chuo-ku, Fukuoka-shi), (tentative name) Misato Logistics Development Project I (Misato-shi, Saitama), (tentative name) Ginza Building Reconstruction Project (Chuo-ku, Tokyo), (tentative name) Sapporo Reconstruction Project II (Chuo-ku, Sapporo-shi), (tentative name) Shinsaibashi

Project (Chuo-ku, Osaka), (tentative name) Misato Logistics Development Project II (Misato-shi, Saitama), Ginza Core (Chuo-ku, Tokyo), and (tentative name) Shinjuku 318 Development Project (Shinjuku-ku, Tokyo), etc. were proceeded as planned.

In PPP (Public Private Partnership) business, Hulic Kinshicho Collabo Tree (Sumida-ku, Tokyo) was completed in January 2023. In addition, projects including “Urban Renewal Step-Up Project (Shibuya Area) Shibuya 1-chome Area Joint Development Project” conducted by the Tokyo Metropolitan Government and the Shibuya City Government were proceeded as planned.

As for real estate for sale, properties including Hulic Akihabara Chuo-dori Building (Chiyoda-ku, Tokyo), Sagamihara land (partial) (Chuo-ku, Sagamihara-shi), Hulic Shinjuku 5-chome building, etc. were sold.

As described above, the segment business progressed as planned because rent income from real estate was firm and stable due to completion of properties as well as acquisition of properties in the previous fiscal year and in the current fiscal year. In addition, sales of real estate progressed steadily during FY2023. As a result, operating revenue in this business segment totaled ¥408,599 million (decreased ¥84,543 million or 17.1% year on year) and operating profit was ¥154,432 million (increased ¥14,652 million or 10.4% year on year).

<Insurance Agency>

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

As a result, operating revenue in this business segment was ¥3,646 million (increased ¥30 million or 0.8% year on year) and the operating profit was ¥1,087 million (increased ¥47 million or 4.5% year on year).

<Hotels / Ryokans>

In Hotels / Ryokans business, as the Company’s consolidated subsidiaries, Hulic Hotel Management Co., Ltd. manages “THE GATE HOTEL” brand hotel series, “View Hotel” brand hotel series, and “FUFU” ryokan series.

In FY2023, both occupancy rates and ADR (Average Daily Rates) remained at high levels reflecting favorable tourism demand from both domestic and overseas customers, since COVID-19 was downgraded to the class 5 (common infectious disease).

As a result, operating revenue was ¥37,351 million (increased ¥9,716 million or 35.1% year on year) and operating profit was ¥1,026 million (¥5,099 million loss same period of the previous fiscal year).

<Others>

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

As a result, operating revenue was ¥6,550 million (decreased ¥1,076 million or 14.1 % year on year) and operating profit was ¥511 million (decreased ¥96 million or 15.8% year on year).

(2) Overview of Consolidated Financial Position

1) Changes in Consolidated Financial Position

<Assets>

Total assets at the end of FY2023 was ¥2,480,472 million, increased ¥160,135 million from the end of FY2022. From the perspective of constructing a competitive leasing portfolio that addresses the changing circumstances, we work to further improve the overall value of our buildings and properties not only by continuous portfolio reshuffling but also by developing and reconstructing properties that are highly earthquake resistant and environmentally friendly.

In addition, the Group strives to provide support and backup as a sponsor to maintain and improve the long-term earnings of Hulic Reit, Inc. & Hulic Private Reit, Inc. and realize steady growth of its assets under management.

Changes in amount of major items were as follows.

- Cash and deposits: Decreased ¥55,521 million
- Real estate for sale: Increased ¥172,319 million (Transfer from non-current assets, acquisition and sale of properties, etc.)
- Land: Decreased ¥58,103 million (Acquisition of properties, transfer to real estate for sale, etc.)
- Investment securities: Increased ¥43,757 million (Acquisition and sales of investment securities, and an increase in valuation difference on available-for-sale securities, etc.)

<Liabilities>

Total liabilities at the end of FY2023 was ¥1,711,172 million, increased ¥77,988 million from the end of FY2022. This was mainly attributable to financing carried out for capital investment and the like.

The balance of borrowings was ¥1,034,029 million, which included ¥31,144 million non-recourse borrowings owed by a consolidated SPC. Financing from financial institutions was operated stably at low cost thanks to the credit strength on the back of the Group's high earnings level.

<Net Assets>

Total net assets at the end of FY2023 was ¥769,300 million, increased ¥82,146 million from the end of FY2022. Total shareholders' equity was ¥706,794 million, increased ¥60,324 million from the end of FY2022, due mainly to an increase of retained earnings in profit attributable to owners of parent and a decrease of retained earnings in the cash dividend payment.

Total accumulated other comprehensive income was ¥58,862 million, increased ¥18,603 million from the end of FY2022, due mainly to an increase in valuation difference on available-for-sale securities as a result of an increase of ¥ 26,742 million in unrealized gains on marketable securities.

(3) Consolidated Cash Flows

In FY2023, cash and cash equivalents (hereinafter "cash") amounted to ¥82,763 million at the end of FY2023 as a result of an increase of ¥270,819 million through operating activities, a decrease of ¥298,330 million through investing activities and a decrease of ¥28,024 million through financing activities.

Million yen

	FY2023 (From January 1, 2023 to December 31, 2023)	FY2022 (From January 1, 2022 to December 31, 2022)
Cash flows from operating activities	270,819	266,108
Cash flows from investing activities	(298,330)	(345,335)
Cash flows from financing activities	(28,024)	11,441
Cash and cash equivalents at end of period	82,763	138,300

Cash flows in each activities and the major contributing factors in FY2023 were as follows.

<Cash flows from operating activities>

Net cash of operating activities was ¥270,819 million (increased ¥4,710 million year on year). This was mainly attributable to ¥136,698 million in profit before income taxes with the main factors of rent income from real estate and sales of real estate for sale as well as ¥16,307 million of depreciation and a decrease of ¥145,984 million in real estate for sale.

<Cash flows from investing activities>

Net cash of investing activities was negative ¥298,330 million (decreased ¥47,005 million year on year). This was mainly attributable to portfolio reshuffling, development and reconstruction, from the perspective of constructing a competitive leasing portfolio that addresses the changing environment.

<Cash flows from financing activities>

Net cash of financing activities was negative ¥28,024 million (decreased ¥39,465 million year on year). This was mainly attributable to financing for above-mentioned development and reconstruction projects and acquisitions of new properties, as well as cash dividend paid.

(Reference) Trends in cash flow indicators

	FY2023	FY2022	FY2021
a. Equity ratio (%)	30.8	29.5	28.8
b. Equity ratio in terms of market capitalization (%)	45.2	34.0	37.7
c. Interest bearing debts to cash flows from operating activities (times)	5.3	5.4	4.8
d. Interest coverage ratio (times)	23.3	26.0	28.5

Definitions:

- a. Equity ratio = Equity / Total assets
- b. Equity ratio in terms of market capitalization = Market capitalization / Total assets
- c. Interest bearing debts to cash flows from operating activities = Interest bearing debts / Cash flows from operating activities
- d. Interest coverage ratio = Cash flows from operating activities / Interest expenses paid

- Notes:
1. The criteria for each indicator was calculated based on consolidated financial statements.
 2. Market capitalization was calculated based on the number of issued shares excluding treasury shares.
 3. The figure used for cash flows is cash flows from operating activities on the consolidated statements of cash flows.
 4. Interest-bearing debts cover all debts reported in the consolidated financial statements for which interests were paid. Interest expenses paid was equal to interest expenses paid as stated in the consolidated statements of cash flows.

(4) Outlook for FY2024

As for FY2024, the Japanese economy is expected to continue its recovery, however there will be some uncertainty about the future due to changes in the financial capital market, upward pressure on inflation, worsening labor shortages and so on.

As for the real estate business environment, despite the Bank of Japan's steps toward monetary normalization, the investment market for income-yielding properties is expected to generally remain firm, as no immediate concerns about rapid financial tightening are expected.

In these circumstances, the Group started the new Medium-term Management Plan (2023-2025) which represented the second phase of the Long-term Management Plan (2020-2029). The plan is pursuing five priority challenges; (1) Create a high-quality leasing portfolio and maintain / enhance the flexible earnings structure, (2) Expand pipelines for development / reconstruction and value-added (the "VA") projects, diversify exits to ensure profitability, (3) Promote new businesses to diversify revenue source, (4) Ensure financial soundness and manage risks to maintain credit ratings, and (5) Continue to promote the sustainable management to address environmental issues and human capital development, etc., and aims the Company to grow further as a result.

For FY2024 (the fiscal year ending December 31, 2024), the Group forecasts the following consolidated business results and financial position.

• The forecasts of consolidated business results for FY2024

Forecasts of Consolidated Business Results (Million yen)

	Forecasts for FY2024
Operating profit	153,000
Ordinary profit	144,000
Profit attributable to owners of parent	98,000

• The forecasts of financial situation for FY2024

In FY2024, the Company will continue strategically promoting reconstruction and property acquisition, and will also focus on new development. Expenditure of cash flows of capital investments will be financed primarily by borrowings from financial institutions and corporate bonds, etc.

The forecasts of business results contained in these materials reflect analysis and judgments based on the information available as of the date of announcement of these materials. In no way do these statements provide any assurance by the Company of achieving such results. Actual business results may vary due to changes in the operating environment, among other factors.

(5) Basic Policy for Dividend Distribution and Dividends for FY2023 and FY2024

The Company's basic policy for dividend distribution is to continue a stable dividend as a return of profits to shareholders while replenishing internal reserves required to strengthen long-term and stable business platform from the principal business standpoint of a real estate leasing operator. Equally important for the Company is to pay dividends reflective of business performance trends.

The Company's basic policy for dividend is to provide dividends from surplus once a year by payment of a year-end dividend. However, as the Company is adopting an interim dividend system as presented below, the Company may pay dividends from surplus twice a year by paying an interim dividend after considering business performance in the respective fiscal year. The organizations that determine these dividends from surplus shall be the General Meeting of Shareholders for the year-end dividend and the Board of Directors for the interim dividend.

Under this basic policy, the Company plans to put forward a proposal to be approved at the Company's Annual General Meeting of Shareholders to be held on March 26, 2024, of a year-end dividend per share of ¥27.0 (interim dividend was ¥23.0).

The Company has adopted the interim dividend system based on Article 454, Paragraph 5 of the Companies Act.

Dividends for FY2023 is as follows.

Date and venue of decision	Total amount of dividends (Million yen)	Dividends per share (Yen)
Board of Directors meeting held on July 28, 2023	17,633	23.0
Annual General Meeting of Shareholders to be held on March 26, 2024	20,699	27.0

Based on the above-mentioned policy, with regard to the dividend for FY2024, the dividend of ¥52.0 (¥26.0 for interim dividend, ¥26.0 for year-end dividend) is anticipated for the full year.

2. Basic Perspective on Selection of Accounting Standards

The Group currently employs Japanese accounting standards. At present, the Group is undecided on whether to employ International Financial Reporting Standards in the future.

3. Consolidated Financial Statements (Unaudited)

(1) Consolidated Balance Sheets (Unaudited)

(Million yen)

Item	At the end of FY2023 (December 31, 2023)	At the end of FY2022 (December 31, 2022)
ASSETS		
Current assets		
Cash and deposits	82,878	138,400
Trade accounts receivable and contract assets	8,992	7,097
Merchandise	24	21
Real estate for sale	263,089	90,770
Real estate for sale in process	2,871	4,355
Costs on construction contracts in progress	39	21
Supplies	373	371
Other	14,707	9,870
Allowance for doubtful accounts	(4)	(7)
Total current assets	372,973	250,901
Non-current assets		
Property, plant and equipment		
Buildings and structures	305,967	303,251
Accumulated depreciation	(70,638)	(69,776)
Buildings and structures, net	235,329	233,474
Machinery, equipment and vehicles	14,894	11,373
Accumulated depreciation	(2,902)	(2,483)
Machinery, equipment and vehicles, net	11,991	8,890
Land	1,316,801	1,374,904
Construction in progress	42,755	16,207
Other	16,228	15,669
Accumulated depreciation	(5,701)	(4,696)
Other, net	10,527	10,972
Total property, plant and equipment	1,617,405	1,644,449
Intangible assets		
Goodwill	4,164	4,795
Leasehold interests in land	70,695	81,233
Other	3,079	2,199
Total intangible assets	77,938	88,228
Investments and other assets		
Investment securities	328,463	284,706
Guarantee deposits	47,384	37,545
Deferred tax assets	947	856
Net defined benefit asset	752	493
Other	32,838	10,865
Allowance for doubtful accounts	(0)	(31)
Total investments and other assets	410,387	334,436
Total non-current assets	2,105,731	2,067,114
Deferred assets		
Business commencement expenses	15	22
Share issuance costs	210	404
Bond issuance costs	1,542	1,895
Total deferred assets	1,768	2,321
Total assets	2,480,472	2,320,337

(Million yen)

Item	At the end of FY2023 (December 31, 2023)	At the end of FY2022 (December 31, 2022)
LIABILITIES		
Current liabilities		
Short-term borrowings	1,774	660
Current portion of long-term borrowings	103,109	161,577
Current portion of bonds payable	30,000	50,000
Accrued expenses	4,523	3,843
Income taxes payable	18,760	11,531
Advances received	6,510	6,543
Provision for bonuses	532	377
Provision for bonuses for directors (and other officers)	382	340
Other	19,715	10,883
Total current liabilities	185,306	245,757
Non-current liabilities		
Bonds payable	381,000	371,000
Long-term borrowings	929,145	857,748
Deferred tax liabilities	73,210	53,532
Provision for share awards	3,238	2,846
Net defined benefit liability	1,706	1,634
Long-term guarantee deposits	93,307	88,287
Other	44,257	12,376
Total non-current liabilities	1,525,865	1,387,426
Total liabilities	1,711,172	1,633,183
NET ASSETS		
Shareholders' equity		
Share capital	111,609	111,609
Capital surplus	137,731	137,741
Retained earnings	461,214	401,090
Treasury shares	(3,760)	(3,971)
Total shareholders' equity	706,794	646,469
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	58,943	40,267
Deferred gains or losses on hedges	(436)	(261)
Foreign currency translation adjustment	—	0
Remeasurements of defined benefit plans	355	252
Total accumulated other comprehensive income	58,862	40,258
Non-controlling interests	3,643	424
Total net assets	769,300	687,153
Total liabilities and net assets	2,480,472	2,320,337

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

(Million yen)

Item	FY2023 (From January 1, 2023 to December 31, 2023)	FY2022 (From January 1, 2022 to December 31, 2022)
Operating revenue	446,383	523,424
Operating costs	249,875	350,854
Operating gross profit	196,508	172,569
Selling, general and administrative expenses	50,329	46,422
Operating profit	146,178	126,147
Non-operating income		
Interest income	72	10
Dividend income	3,511	3,131
Share of profit of entities accounted for using equity method	—	1,033
Termination of lease contracts	446	4,303
Subsidies for employment adjustment, etc.	12	352
Other	815	470
Total non-operating income	4,858	9,301
Non-operating expenses		
Interest expenses	11,576	10,415
Share of loss of entities accounted for using equity method	136	—
Other	1,887	1,810
Total non-operating expenses	13,599	12,225
Ordinary profit	137,437	123,222
Extraordinary income		
Gain on sale of investment securities	21	2,380
Gain on investments in silent partnership, etc.	58	132
Subsidies for employment adjustment, etc.	—	14
Contribution received for construction	—	6
Compensation income	3,351	10
Other	295	7
Total extraordinary income	3,727	2,552
Extraordinary losses		
Loss on retirement of non-current assets	1,880	3,387
Loss on reconstructions of buildings	803	4,080
Loss on sale of investment securities	—	12
Impairment losses	1,693	430
Other	88	386
Total extraordinary losses	4,466	8,296
Profit before income taxes	136,698	117,478
Income taxes - current	30,753	26,666
Income taxes - deferred	11,224	11,661
Total income taxes	41,978	38,328
Profit	94,719	79,150
Profit attributable to non-controlling interests	94	0
Profit attributable to owners of parent	94,625	79,150

Consolidated Statements of Comprehensive Income (Unaudited)

(Million yen)

Item	FY2023 (From January 1, 2023 to December 31, 2023)	FY2022 (From January 1, 2022 to December 31, 2022)
Net income before non-controlling interests	94,719	79,150
Other comprehensive income		
Valuation difference on available-for-sale securities	18,510	2,963
Deferred gains or losses on hedges	(175)	(206)
Remeasurements of defined benefit plans, net of tax	120	64
Share of other comprehensive income of entities accounted for using equity method	147	(1,105)
Total other comprehensive income	18,603	1,715
Comprehensive income	113,323	80,866
Comprehensive income attributable to		
Owners of parent	113,228	80,866
Non-controlling interests	94	0

(3) Consolidated Statements of Changes in Shareholders' Equity (Unaudited)

I. FY2023 (from January 1, 2023 to December 31, 2023)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	111,609	137,741	401,090	(3,971)	646,469
Changes during period					
Dividends of surplus			(34,499)		(34,499)
Profit attributable to owners of parent			94,625		94,625
Change in scope of consolidation in entities accounted for using equity method			(1)		(1)
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares				211	211
Change in treasury shares arising from change in equity in entities accounted for using equity method				(0)	(0)
Change in ownership interest of parent due to transactions with non-controlling interests		(9)			(9)
Net changes in items other than shareholders' equity					
Total changes during period	—	(9)	60,123	210	60,324
Balance at end of period	111,609	137,731	461,214	(3,760)	706,794

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	40,267	(261)	0	252	40,258	424	687,153
Changes during period							
Dividends of surplus							(34,499)
Profit attributable to owners of parent							94,625
Change in scope of consolidation in entities accounted for using equity method							(1)
Purchase of treasury shares							(0)
Disposal of treasury shares							211
Change in treasury shares arising from change in equity in entities accounted for using equity method							(0)
Change in ownership interest of parent due to transactions with non-controlling interests							(9)
Net changes in items other than shareholders' equity	18,675	(175)	(0)	102	18,603	3,218	21,822
Total changes during period	18,675	(175)	(0)	102	18,603	3,218	82,146
Balance at end of period	58,943	(436)	—	355	58,862	3,643	769,300

II. FY2022 (from January 1, 2022 to December 31, 2022)

(Million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	111,609	137,759	352,351	(2,464)	599,256
Cumulative effects of changes in accounting policies			254		254
Restated balance	111,609	137,759	352,606	(2,464)	599,511
Changes during period					
Dividends of surplus			(30,666)		(30,666)
Profit attributable to owners of parent			79,150		79,150
Purchase of treasury shares				(1,530)	(1,530)
Disposal of treasury shares		0		23	23
Change in treasury shares arising from change in equity in entities accounted for using equity method				0	0
Change in ownership interest of parent due to transactions with non-controlling interests		(18)			(18)
Net changes in items other than shareholders' equity					
Total changes during period	—	(18)	48,484	(1,507)	46,958
Balance at end of period	111,609	137,741	401,090	(3,971)	646,469

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	38,401	(54)	—	195	38,542	533	638,332
Cumulative effects of changes in accounting policies							254
Restated balance	38,401	(54)	—	195	38,542	533	638,587
Changes during period							
Dividends of surplus							(30,666)
Profit attributable to owners of parent							79,150
Purchase of treasury shares							(1,530)
Disposal of treasury shares							23
Change in treasury shares arising from change in equity in entities accounted for using equity method							0
Change in ownership interest of parent due to transactions with non-controlling interests							(18)
Net changes in items other than shareholders' equity	1,866	(206)	0	56	1,715	(108)	1,607
Total changes during period	1,866	(206)	0	56	1,715	(108)	48,566
Balance at end of period	40,267	(261)	0	252	40,258	424	687,153

(4) Consolidated Statements of Cash Flows (Unaudited)

(Million yen)

Item	FY2023 (From January 1, 2023 to December 31, 2023)	FY2022 (From January 1, 2022 to December 31, 2022)
Cash flows from operating activities		
Profit before income taxes	136,698	117,478
Depreciation	16,307	16,253
Increase (decrease) in allowance for doubtful accounts	(33)	214
Increase (decrease) in provision for bonuses	154	25
Increase (decrease) in provision for bonuses for directors (and other officers)	41	(10)
Increase (decrease) in provision for share awards	603	637
Increase (decrease) in net defined benefit asset and liability	11	114
Interest and dividend income	(3,583)	(3,141)
Interest expenses	11,576	10,415
Share of loss (profit) of entities accounted for using equity method	136	(1,033)
Loss on retirement of non-current assets	1,880	3,387
Loss (gain) on sale of non-current assets	(127)	(2)
Loss (gain) on sale of investment securities	(21)	(2,368)
Loss (gain) on investments in silent partnership, etc.	(58)	(132)
Decrease (increase) in trade receivables	(1,869)	(1,203)
Decrease (increase) in real estate for sale	145,984	166,066
Decrease (increase) in guarantee deposits	(8,585)	(8,651)
Increase (decrease) in guarantee deposits received	4,662	5,714
Decrease (increase) in other assets	(4,929)	(804)
Increase (decrease) in other liabilities	2,045	(4,780)
Subtotal	300,893	298,178
Interest and dividends received	5,323	4,053
Interest paid	(11,613)	(10,195)
Income taxes paid	(23,864)	(26,020)
Income taxes refund	80	92
Cash flows from operating activities	270,819	266,108
Cash flows from investing activities		
Payments into time deposits	(115)	(100)
Proceeds from withdrawal of time deposits	100	120
Purchase of property, plant and equipment	(257,237)	(291,108)
Proceeds from sale of non-current assets	1,034	16
Purchase of intangible assets	(7,397)	(2,125)
Purchase of investment securities	(17,025)	(71,594)
Proceeds from sale of investment securities	169	5,943
Proceeds from redemption of investment securities	602	13,289
Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation	—	574
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,228)	—
Loan advances	(104)	(3)
Proceeds from collection of loans receivable	4	4
Other, net	(17,133)	(350)
Cash flows from investing activities	(298,330)	(345,335)

(Million yen)

Item	FY2023 (From January 1, 2023 to December 31, 2023)	FY2022 (From January 1, 2022 to December 31, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,114	—
Net increase (decrease) in short-term bonds payable	(63)	7
Proceeds from long-term borrowings	174,500	42,000
Repayments of long-term borrowings	(161,570)	(73,076)
Proceeds from issuance of bonds	39,855	75,346
Redemption of bonds	(50,000)	—
Proceeds from sale of treasury shares	—	0
Purchase of treasury shares	(0)	(1,530)
Dividends paid	(34,499)	(30,666)
Proceeds from share issuance to non-controlling interests	3,125	—
Dividends paid to non-controlling interests	—	(4)
Other, net	(484)	(635)
Cash flows from financing activities	(28,024)	11,441
Net increase (decrease) in cash and cash equivalents	(55,535)	(67,785)
Cash and cash equivalents at beginning of period	138,300	206,086
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(1)	—
Cash and cash equivalents at end of period	82,763	138,300

(5) Footnotes on the Consolidated Financial Statements

(Footnotes on the Assumption of Going Concern)

N/A

(Changes in Presentation)

(Consolidated Statements of Income)

“Compensation income” which was included in “Other” under “Extraordinary income” in FY2022, was separately presented for FY2023 because it exceeded ten hundredths of total amount of “Extraordinary income“. To reflect these changes in presentation, the financial statements for FY2022 have been reclassified. As a result, ¥18 million previously recorded in “Other” under “Extraordinary income” in the Consolidated Statements of Income for FY2022 has been reclassified as ¥10 million in “Compensation income” and ¥7 million in “Other” under “Extraordinary income”.

“Impairment losses” which was included in “Other” under “Extraordinary losses” in FY2022, was separately presented for FY2023 because it exceeded ten hundredths of total amount of “Extraordinary losses“. To reflect these changes in presentation, the financial statements for FY2022 have been reclassified. As a result, ¥816 million previously recorded in “Other” under “Extraordinary losses” in the Consolidated Statements of Income for FY2022 has been reclassified as ¥430 million in “Impairment losses” and ¥386 million in “Other” under “Extraordinary losses”.

< Leasing Properties and Investment >

The Company and some of its consolidated subsidiaries own office buildings, rental condominiums and retail commercial facilities in Tokyo and other major cities in Japan with the aim of obtaining leasing revenue. A portion of these leased office buildings are used by The Company and some of its consolidated subsidiaries and therefore have been classified as real estate that includes portions used as leasing properties and investment.

The amount on the consolidated balance sheets, the increase / decrease during period, and the fair value of such leasing properties and investment and real estate that includes portions used as leasing properties and investment are shown below.

(Million yen)

	FY2023 (From January 1, 2023 to December 31, 2023)	FY2022 (From January 1, 2022 to December 31, 2022)
Leasing properties and investment		
Amount on consolidated balance sheets		
Balance at beginning of period	1,448,145	1,376,282
Increase / decrease during period	(57,689)	71,863
Balance at end of period	1,390,455	1,448,145
Fair value at end of period	1,705,239	1,753,289
Real estate including portions used as leasing properties and investment		
Amount on consolidated balance sheets		
Balance at beginning of period	134,571	131,821
Increase / decrease during period	15,012	2,749
Balance at end of period	149,583	134,571
Fair value at end of period	219,746	205,259

Notes: 1. The amount on the consolidated balance sheets represents the acquisition cost less the accumulated depreciation and impairment loss.

2. Of the increase / decrease during period, the key increase / decrease during FY2022 was the increase due to real estate acquisitions (¥275,842 million) and the decrease due to transfer to real estate for sale (¥151,075 million). The key increase / decrease during FY2023 was the increase due to real estate acquisitions (¥284,909 million) and the decrease due to transfer to real estate for sale (¥313,494 million)

3. For major properties, the fair value at the end of each period was the amount calculated by the Company based on the

“Real Estate Appraisal Standards”. For other major properties, the fair value at the end of the year was the amount calculated by the Company using indicators and others believed to appropriately reflect market prices, while for certain properties, the fair value at the end of each period was the amount determined by an outside real estate appraiser based on a real estate appraisal report. If there have been no critical changes to certain assessment values or indicators believed to appropriately reflect market prices since the time that a property was acquired from a third party or since the most recent assessment, the fair value at the end of each period was the amount determined after making an adjustment using said assessment value or indicators. For properties newly acquired during FY2023, the fair value was the amount on the consolidated balance sheets due to the fact that the change in the fair value was believed to be immaterial.

The profit / loss for leasing properties and investment as well as real estate including portions used as leasing properties and investment is shown below.

(Million yen)

	FY2023 (From January 1, 2023 to December 31, 2023)	FY2022 (From January 1, 2022 to December 31, 2022)
Leasing properties and investment		
Leasing revenue	66,414	67,710
Leasing cost	29,475	29,772
Difference	36,939	37,937
Other profit or (loss)	2,150	(3,285)
Real estate including portions used as leasing properties and investment		
Leasing revenue	4,609	4,065
Leasing cost	5,058	5,015
Difference	(448)	(950)
Other profit or (loss)	(2,148)	(1,286)

Notes: 1. Real estate including portions used as leasing properties and investment includes portions used by the Company and / or some of its consolidated subsidiaries as services provided and management. Therefore, leasing revenue for these portions was not posted. In addition, such real estate related costs (depreciation, repair expenses, insurance expenses, taxes and dues, etc.) were included in the leasing cost.

2. Other profit or (loss) for FY2022 mainly included loss on reconstructions of buildings and loss on retirement of non-current assets posted under “Extraordinary losses”. For FY2023, other profit or (loss) included compensation income posted under “Extraordinary income”, impairment losses and loss on retirement of non-current assets posted under “Extraordinary losses”.

<Segment Information>

1. Description of reportable segments

The Group’s reportable segments are those business units for which separate financial information can be obtained and regarding which the Board of Directors regularly holds deliberations in order to decide the allocation of management resources as well as evaluate business performance.

The Group comprises segments for each industry based on the Company and the Company’s consolidated subsidiaries. The three reportable segments are “Real Estate”, “Insurance Agency” and “Hotels / Ryokans”.

The major businesses included in of each reportable segment are noted below.

- | | |
|-------------------------------------|---|
| (1) Real Estate | Leasing, development and asset management, etc. |
| (2) Insurance Agency (subsidiary) | Insurance agency |
| (3) Hotels / Ryokans (subsidiaries) | Management of Hotels / Ryokans |

2. Explanation of measurements of operating revenue, profit / loss, assets, liabilities, and other items for each reportable segment

The accounting methods of reportable segments are generally the same as those described in “Significant matters forming the basis of preparing the consolidated financial statements”, which have been omitted from these materials.

Profits of reportable segments are figures based on operating profit. Inter-segment operating revenue and the balance of book-entry transfers are based on prices to market realities.

3. Information on operating revenue, operating profit, assets, liabilities, and other items for each reportable segment
I. FY2023 (from January 1, 2023 to December 31, 2023)

(Million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Value recorded in the consolidated statements of income (Note 3)
	Real estate business	Insurance agency business (subsidiary)	Hotels / Ryokans (subsidiaries)	Total				
Operating revenue								
Outside customers	401,428	3,646	37,127	442,201	4,182	446,383	—	446,383
Inter-segment	7,171	—	224	7,396	2,368	9,765	(9,765)	—
Total	408,599	3,646	37,351	449,597	6,550	456,148	(9,765)	446,383
Segment profit	154,432	1,087	1,026	156,546	511	157,057	(10,878)	146,178
Segment assets	2,201,031	7,041	29,977	2,238,050	19,856	2,257,907	222,565	2,480,472
Other items								
Depreciation	13,904	30	1,209	15,144	0	15,145	1,162	16,307
Investment in entities accounted for using equity methods	124,567	—	—	124,567	16,129	140,696	—	140,696
Increase in tangible non-current assets and intangible assets	291,566	1	724	292,292	0	292,292	9,322	301,615

Notes:

1. The category of “Others” included business segments that were not included in the reportable segments, such as general construction, design, construction management, etc.
2. The details of adjustment amounts were as follows:
 - (1) The adjustment of negative ¥10,878 million in segment profit included ¥891 million in inter-segment transaction eliminations and negative ¥11,769 million in corporate expenses not allocated to any reportable segment. Corporate expenses mainly consisted of expenses related to general and administrative divisions not attributable to any reportable segment.
 - (2) The adjustment of ¥222,565 million in segment assets included negative ¥6,155 million in inter-segment transaction eliminations and ¥228,720 million in corporate assets not allocated to any reportable segment. Corporate assets mainly consisted of surplus operating funds (cash and deposits), investment securities and assets related to general and administrative divisions.
3. Segment profit was adjusted with operating profit reported in the consolidated statements of income.

II. FY2022 (from January 1, 2022 to December 31, 2022)

(Million yen)

	Reportable segment				Others (Note 1)	Total	Adjustment (Note 2)	Value recorded in the consolidated statements of income (Note 3)
	Real estate business	Insurance agency business (subsidiary)	Hotels / Ryokans (subsidiaries)	Total				
Operating revenue								
Outside customers	487,627	3,616	27,332	518,576	4,847	523,424	—	523,424
Inter-segment	5,515	—	302	5,818	2,779	8,597	(8,597)	—
Total	493,143	3,616	27,635	524,394	7,627	532,022	(8,597)	523,424
Segment profit or (loss)	139,779	1,040	(5,099)	135,720	607	136,328	(10,180)	126,147
Segment assets	2,012,784	6,602	28,623	2,048,010	19,698	2,067,709	252,628	2,320,337
Other items								
Depreciation	13,984	44	1,389	15,418	0	15,418	835	16,253
Investment in entities accounted for using equity methods	119,956	—	—	119,956	16,980	136,936	—	136,936
Increase in tangible non-current assets and intangible assets	279,224	16	692	279,933	6	279,940	13,704	293,644

Notes:

1. The category of “Others” included business segments that were not included in the reportable segments, such as general construction, design, construction management, etc.
2. The details of adjustment amounts were as follows:
 - (1) The adjustment of negative ¥10,180 million in segment profit or (loss) included ¥650 million in inter-segment transaction eliminations and negative ¥10,831 million in corporate expenses not allocated to any reportable segment. Corporate expenses mainly consisted of expenses related to general and administrative divisions not attributable to any reportable segment.
 - (2) The adjustment of ¥252,628 million in segment assets included negative ¥15,481 million in inter-segment transaction eliminations and ¥268,110 million in corporate assets not allocated to any reportable segment. Corporate assets mainly consisted of surplus operating funds (cash and deposits), investment securities and assets related to general and administrative divisions.
3. Segment profit or (loss) was adjusted with operating profit reported in the consolidated statements of income.

<Information per Share>

	FY2023 (From January 1, 2023 to December 31, 2023)	FY2022 (From January 1, 2022 to December 31, 2022)
BPS	1,006.19 yen	902.70 yen
EPS	124.36 yen	104.00 yen
Diluted EPS	124.32 yen	103.96 yen

Notes: 1. The Company's own shares remaining in the Board Benefit Trust (BBT), which have been recorded as treasury shares in shareholders' equity, were included in treasury shares to be deducted in the calculation of the average number of outstanding shares for each period for the purpose of calculating EPS, and included in the number of treasury shares to be deducted from the number of issued shares as of the end of each period for the purpose of calculating BPS.

The average number of treasury shares deducted for each period for the purpose of calculating EPS was 3,197 thousand shares for FY2022 and 3,378 thousand shares for FY2023 whereas the number of treasury shares deducted as of the end of each period for the purpose of calculating BPS was 3,515 thousand shares for FY2022 and 3,316 thousand shares for FY2023.

2. The basis for the calculation of EPS and Diluted EPS is as follows:

	FY2023 (From January 1, 2023 to December 31, 2023)	FY2022 (From January 1, 2022 to December 31, 2022)
EPS		
Profit attributable to owners of parent (million yen)	94,625	79,150
Amount not attributable to holders of common shares (million yen)	—	—
Profit attributable to owners of parent related to common shares (million yen)	94,625	79,150
Average number of outstanding common shares for each period (thousand shares)	760,879	761,061
Diluted EPS		
Adjustment to profit attributable to owners of parent (million yen)	(26)	(23)
(Adjustment related to dilutive shares of affiliates (million yen))	(26)	(23)
Increase in common shares (thousand shares)	0	0
Description of antidilutive securities which were not included in the calculation of diluted EPS	—	—

(Significant Subsequent Events)

N/A