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February 14, 2024

Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (Under Japanese GAAP)



Company name: TOKYOTOKEIBA Co., Ltd.
 Listing: Tokyo Stock Exchange
 Securities code: 9672
 URL: <https://www.tokyotokeiba.co.jp/>
 Representative: Mitsuchika Tarao, President and Representative Director
 Inquiries: Mitsuhiro Matsumoto, General Manager of Finance Department
 Telephone: +81-3-5767-9731
 Scheduled date of the annual general meeting of shareholders: March 28, 2024
 Scheduled date of commencing dividend payments: March 29, 2024
 Scheduled date of filing annual securities report: March 28, 2024
 Preparation of supplementary material on annual financial results: Yes
 Holding of annual financial results briefing: Yes (for analysts and institutional investors)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (from January 1, 2023 to December 31, 2023)

(1) Consolidated operating results (Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	37,544	5.9	13,362	(5.7)	13,383	(5.6)	8,452	(9.9)
December 31, 2022	35,450	11.5	14,163	10.6	14,171	10.3	9,386	3.3

Note: Comprehensive income For the fiscal year ended December 31, 2023: ¥8,528 million [(7.6)%]
 For the fiscal year ended December 31, 2022: ¥9,234 million [2.1%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
December 31, 2023	308.37	—	10.1	11.1	35.6
December 31, 2022	342.41	—	12.3	12.1	40.0

(2) Consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2023	115,792	86,787	74.9	3,163.92
December 31, 2022	124,647	80,288	64.4	2,929.06

Reference: Equity As of December 31, 2023: ¥86,716 million
 As of December 31, 2022: ¥80,288 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
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
December 31, 2023	12,803	(8,729)	(8,284)	13,760
December 31, 2022	14,675	(14,844)	(2,764)	17,971

2. Dividends

	Annual dividends per share					Cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
December 31, 2022	—	30.00	—	45.00	75.00	2,055	21.9	2.7
December 31, 2023	—	30.00	—	60.00	90.00	2,466	29.2	3.0
December 31, 2024 (Forecast)	—	40.00	—	55.00	95.00		30.0	

3. Consolidated Financial Result Forecasts for the Fiscal Year Ending December 31, 2024 (from January 1, 2024 to December 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
First half	18,777	7.9	6,013	(5.5)	6,009	(5.7)	4,167	17.5	152.03
Full year	40,047	6.7	12,349	(7.6)	12,341	(7.8)	8,674	2.6	316.46

*Notes

(1) Changes in significant subsidiaries during the period under review: None
(Changes in specified subsidiaries resulting in change in scope of consolidation)

Newly included: — companies (Company name: —)

Excluded: — companies (Company name: —)

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

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies other than (i) above: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(3) Number of shares issued (common shares)

(i) Total number of shares issued at the end of the period (including treasury shares)

As of December 31, 2023 28,764,854 shares

As of December 31, 2022 28,764,854 shares

(ii) Number of treasury shares at the end of the period

As of December 31, 2023 1,357,026 shares

As of December 31, 2022 1,353,774 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended December 31, 2023 27,409,717 shares

Fiscal year ended December 31, 2022 27,412,334 shares

Reference: Overview of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2023 (January 1, 2023 to December 31, 2023)

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
December 31, 2023	33,030	2.8	11,943	(9.7)	11,969	(9.5)	7,444	(13.5)
December 31, 2022	32,141	11.8	13,222	6.8	13,230	7.1	8,608	(1.6)

Fiscal year ended	Basic earnings per share	Diluted earnings per share
	Yen	Yen
December 31, 2023	271.59	—
December 31, 2022	314.03	—

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity ratio	Book value per share
	Millions of yen	Millions of yen	%	Yen
December 31, 2023	100,937	74,844	74.1	2,730.77
December 31, 2022	113,385	71,236	62.8	2,598.82

Reference: Equity As of December 31, 2023: ¥74,844 million
As of December 31, 2022: ¥71,236 million

* Financial results reports are exempt from audits by certified public accountants or an audit corporation.

* Proper use of financial result forecasts and other special matters

Cautionary note on forward-looking statements, etc.

Financial result forecasts and other forward-looking statements herein are based on information currently available to the Company and certain assumptions deemed reasonable, and are not intended to be a guarantee that the Company will achieve them. Actual financial results may differ significantly from these forecasts due to diverse factors. For underlying assumptions and notes on the use of the financial result forecasts, please refer to “(4) Future Outlook” under “1. Overview of Business Performance” on page 5 of the attachments.

How to obtain supplementary material on annual financial results

The supplementary material on annual financial results is posted on the Company’s website.

Attachments
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1. Overview of Business Performance

(1) Overview of Operating Results for the Fiscal Year under Review

During the fiscal year ended December 31, 2023 (the “fiscal year under review”), COVID-19 was reclassified as a category 5 disease in May, which helped normalize social and economic activities, and Japan’s economy saw the flow of people increase and inbound demand recover. However, one still needs to pay close attention to the impacts of rising prices inside and outside Japan and tightening of financial policies worldwide.

Under these economic conditions, TOKYOTOKEIBA Co., Ltd. (the “Company”) and its subsidiaries (collectively, the “Group”) managed to record increased sales year on year as its public competition business, centered on the Four Minami-Kanto Racecourses Home Betting System (SPAT4), performed well and the number of visitors to the Company’s facilities increased due to the recovery of the flow of people. However, negative factors such as a rise in operating expenses and depreciation due to the 5th system upgrade of SPAT4, and the recording of an extraordinary loss due to expenditure on earthquake-resistance construction work at Tokyo Summerland led to a decline in profit. Therefore, sales increased but profit decreased compared to the previous year.

As a result, for the 100th fiscal year, the Group recorded net sales of ¥37,544 million (up 5.9% year on year), operating profit of ¥13,362 million (down 5.7% year on year), ordinary profit of ¥13,383 million (down 5.6% year on year), and profit attributable to owners of parent of ¥8,452 million (down 9.9% year on year).

Operating results by segment are as follows.

Public competition business

Oi Horse Racing was canceled for one day due to an approaching typhoon, resulting in a total of 97 horse racing days. An alternative race was held without spectators on December 9th for the cancellation on December 5th caused by issues in the electrical system.

Oi Racecourse lifted the restrictions on admission that had been in place to prevent the spread of COVID-19 since March 27th, and is now open for all customers to enjoy once again. The Group worked on facility maintenance by performing urethane paving work in the stable area and strengthening the drainage function of the horse track. In September, the Group began renovation work on the customer area (in front of the stands). Furthermore, in October, the Group introduced horse racing sand made in Australia, to enhance the safety of racing grounds.

SPAT4 sold betting tickets for 15,395 local horse races across Japan. SPAT4’s point service, SPAT4 Premium Point, rolled out initiatives to retain members and improve their satisfaction such as various campaigns, member-only services and events held by the Minami-Kanto Horse Racing Salon, a membership salon, and the resumption of physical tours as the restrictions were lifted.

On April 17, the Group released the SPAT4 App as a tool to facilitate access to various information on local horse racing and betting services, as part of its efforts to promote the use of SPAT4.

The sales of betting tickets in 2023 for all regional horse racing events including through SPAT4 were ¥1,073.4 billion, renewing the previous sales record of ¥1,065.1 billion set in 2022.

Furthermore, Oi Racecourse held the sixth winter illumination event Tokyo Mega Illumination 2023-2024 for 42 days from November 11th to January 8th. The event also featured an updated version of the collaboration program with a popular franchise that was well-received last season and added more events unique to racecourses, showcasing an interplay of lead ponies and fountains as well as opportunities for customers to pet miniature horses and ponies. The events were widely featured in the media and greatly contributed to the branding and increased recognition of Oi Racecourse as a venue for illumination events.

Also, Isesaki Auto Racetrack held on-site auto races for 117 days and sold off-track tickets for other racecourses for a cumulative total of 284 days. Although the number of race days decreased from the previous year due to track renovation work, sales of betting tickets continued to be strong. In August, the Racetrack held a race prediction event inviting active auto racers as guests in a bid to please fans.

As a result, the public competition business recorded net sales of ¥27,442 million (up 5.1% year on year), and segment profit of ¥10,838 million (down 9.7% year on year).

Amusement park business

At Tokyo Summerland, various events gained popularity, including a collaboration project with a popular smartphone game that was implemented as a new event during the summer period. The number of visitors increased as the record-breaking heat wave spurred outings, serving as a tailwind to the lifting of COVID-19 restrictions.

Outside of the summer season, the Group continued to hold flea markets in its parking lots and actively contributed to the local community by, for example, accepting social studies tours from nearby elementary schools.

Wonderful Nature Village, a multi-purpose outdoor facility, launched a new event called Wanichi (Wonderful Market), in which visitors can enjoy shopping with their beloved dogs. It is part of the Group's efforts to increase recognition and customer footfall.

The construction of MONSTER STREAM, the adventure experience swimming pool, is currently progressing smoothly and opening is scheduled in the summer of 2024.

As a result, the number of visitors to Tokyo Summerland and the other facilities increased by 16.8% year on year to 870 thousand, and the amusement park business recorded net sales of ¥3,202 million (up 19.9% year on year), and segment profit of ¥463 million (up 289.7% year on year).

Warehouse leasing business

In the warehouse leasing business, the operations of whole-building leases and the multi-tenant Katsushima Area 2 warehouse remained steady. The construction of a new warehouse in the Akanehama Area of Narashino City, Chiba Prefecture is progressing as planned and expected to be completed in March 2024.

Other initiatives included maintenance work on existing warehouses, such as repainting the exterior walls of the general-purpose warehouse building in Katsushima Area 2; mitigating the Group's environmental footprint through the introduction of green electricity (derived from renewable energy) that achieves net zero CO₂ emissions in Katsushima Area 2 in September, following Katsushima Area 1.

As a result, the warehouse leasing business recorded net sales of ¥5,233 million (up 2.7% year on year) and segment profit of ¥3,293 million (up 12.2% year on year).

Service business

The Group strived to secure stable revenue from the office building Wira Omori Building and the air conditioning equipment business. Many seasonal events were held at Wira Oi, a shopping mall facing Oi Racecourse, as part of the Group's efforts to improve customer satisfaction and strengthen community engagement.

The Group has been working on a development plan that capitalizes on Oi Racecourse No. 3 parking lot. A musical theater, newly named Theater H, is to be opened, and tenants of the commercial facility have also finalized. Construction is currently in smooth progress targeting the opening in spring 2024.

As a result, the service business recorded net sales of ¥2,235 million (down 2.1% year on year), and segment profit of ¥236 million (down 40.4% year on year) as various expenses were incurred for the business transfer (company split) of Wira Oi.

Segment sales and profit

(Millions of yen)

Reportable segment	Net sales		Segment profit	
	Amount	Year-on-year change	Amount	Year-on-year change
Public competition business	27,442	5.1%	10,838	(9.7)%
Amusement park business	3,202	19.9%	463	289.7%
Warehouse leasing business	5,233	2.7%	3,293	12.2%
Service business	2,235	(2.1)%	236	(40.4)%
Elimination of inter-segment transactions, etc.	(570)	—	(1,469)	—
Total	37,544	5.9%	13,362	(5.7)%

(2) Overview of Financial Position for the Fiscal Year under Review

Assets at the end of the fiscal year under review decreased by ¥8,855 million from the end of the previous fiscal year to ¥115,792 million. This was mainly due to a decrease in cash and deposits of ¥14,079 million caused in part by the redemption of the third series of unsecured bonds, and a decrease in securities of ¥1,319 million, despite an increase in property, plant and equipment of ¥6,935 million representing the capitalization of interim payments for the construction of the new Narashino Akanehama No. 2 warehouse (tentative name).

Liabilities at the end of the fiscal year under review decreased by ¥15,354 million from the end of the previous fiscal year to ¥29,004 million. This was mainly due to decreases in current portion of bonds payable of ¥10,000 million, accounts payable - other of ¥7,875 million, and income taxes payable of ¥1,617 million, all of which resulted from the redemption of the third series of unsecured bonds. These decreases offset increases in long-term borrowings of ¥3,250 million and current portion of long-term borrowings of ¥500 million.

Net assets at the end of the fiscal year under review increased by ¥6,499 million from the end of the previous fiscal year to ¥86,787 million. This was mainly due to an increase in retained earnings of ¥6,396 million resulting from the recording of profit attributable to owners of parent of ¥8,452 million, which offset a decrease due to the payment of year-end and interim dividends of ¥2,055 million.

As a result, the equity ratio at the end of the fiscal year under review was 74.9%, rising from 64.4% at the end of the previous fiscal year.

(3) Overview of Cash Flows for the Fiscal Year under Review

Cash and cash equivalents at the end of the fiscal year under review decreased by ¥4,210 million from the end of the previous fiscal year to ¥13,760 million. This was mainly due to cash inflows of profit before income taxes of ¥12,149 million, a net increase in time deposits of ¥9,868 million and depreciation of ¥5,554 million being offset by cash outflows mainly due to purchase of property, plant and equipment of ¥13,952 million, purchase of intangible assets of ¥5,927 million, income taxes paid of ¥5,136 million, and redemption of bonds of ¥10,000 million.

Cash flows from operating activities

Net cash provided by operating activities was ¥12,803 million. The principal factors were cash inflows mainly of profit before income taxes of ¥12,149 million and depreciation of ¥5,554 million, which offset cash outflows mainly of income taxes paid of ¥5,136 million.

Cash flows from investment activities

Net cash used in investment activities was ¥8,729 million. The principal factors were cash inflows mainly of a net increase in time deposits of ¥9,868 million, which were offset by cash outflows mainly of purchase of property, plant and equipment of ¥13,952 million and purchase of intangible assets of ¥5,927 million.

Cash flows from financing activities

Net cash used in financing activities was ¥8,284 million. The principal factors were cash inflows mainly of proceeds from long-term borrowings of ¥5,000 million, which were offset by cash outflows of redemption of bonds of ¥10,000 million, dividends paid of ¥2,048 million, and repayments of long-term borrowings of ¥1,250 million.

Reference: Trends in cash flow metrics

	Fiscal year ended December 31, 2019	Fiscal year ended December 31, 2020	Fiscal year ended December 31, 2021	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Equity ratio (%)	71.3	71.7	66.2	64.4	74.9
Equity ratio based on market value (%)	104.6	135.9	106.2	83.2	105.0
Interest-bearing debt to cash flow (Years)	1.9	1.3	1.8	1.7	1.5
Interest coverage ratio (Times)	290.7	422.1	488.0	307.9	295.8

Equity ratio: Equity/Total assets
Equity ratio based on market value: Market capitalization of shares/Total assets
Interest-bearing debt to cash flow: Interest-bearing debt/Operating cash flow
Interest coverage ratio: Operating cash flow/Interest paid

Notes:

- 1) All metrics are stated on a consolidated basis.
- 2) Market capitalization of shares is based on the number of shares outstanding (excluding treasury shares).
- 3) Interest-bearing debt includes all debt in the consolidated balance sheets for which interest is paid. Interest paid represents "Interest paid" in the consolidated statements of cash flows.

(4) Future Outlook

Performance outlook by reportable segment for the fiscal year ending December 31, 2024

(Millions of yen)

Reportable segment	Net sales		Segment profit	
	Amount	Year-on-year change	Amount	Year-on-year change
Public competition business	28,533	4.0%	9,913	(8.5)%
Amusement park business	3,648	13.9%	461	(0.4)%
Warehouse leasing business	5,848	11.7%	3,450	4.8%
Service business	2,328	4.1%	39	(83.2)%
Elimination of inter-segment transactions, etc.	(311)	—	(1,517)	—
Total	40,047	6.7%	12,349	(7.6)%

Company management policy

Based on the corporate philosophy "reimagining space and creating smiles" the Group has been operating businesses with a highly public nature. Our highest priority is the safety, security, and trust of people who visit the public stadiums, amusement parks, and other "spaces" held by the Company.

Going forward, we will continue to meet the expectations of all stakeholders and contribute to the development of society based on the Group's corporate philosophy, and diversify our business, secure and develop the structure and foundation for sincere and sound management, and actively address social issues.

Business environment

The environment surrounding the Group is becoming increasingly uncertain due to rising prices and changes in personal consumption in Japan and overseas, supply-side constraints caused by the instability of the global situation, and soaring resource prices. Against this backdrop, Japan is suffering a shrinking workforce and domestic market triggered by a plunging population that is aging with a falling birth rate. As a result, long-term problems affecting Japanese companies as a whole, such as a slowdown in socio-economic activities and a decline in economic growth potential, are becoming more visible.

In such an environment, we will continue to accurately grasp changes in the business environment and respond appropriately, while promoting businesses and responding to issues, to achieve growth and development as a Group.

Medium- to long-term corporate strategy and issues to be addressed

In marking the 75th anniversary of the Group's founding in 2024, we have formulated a long-term vision that sets our vision for 2035, to show our direction for the next decade. This long-term vision will drive our efforts to achieve the Group's sustainable growth and development as well as the enhancement of corporate value over

the medium to long term.

In addition, we aim to strengthen and expand our business foundation by steadily promoting the segment initiatives in the Third Medium-Term Management Plan—Galloping into the future—, while appropriately addressing various environmental and social issues by promoting sustainability management.

● Initiatives by segment

Public competition business	<ul style="list-style-type: none"> ◆ Strengthen and improve the operation and usability of the Four Minami-Kanto Racecourses Home Betting System (SPAT4) ◆ Acquire new fans and revitalize the market by strengthening marketing and public relations for SPAT4 ◆ Promote facility redevelopment to further enhance existing facilities (Oi Racecourse, Kobayashi Ranch, etc.)
Amusement park business	<ul style="list-style-type: none"> ◆ Increase customer footfall by introducing the new swimming pool MONSTER STREAM and deploying effective public relations activities
Warehouse leasing business	<ul style="list-style-type: none"> ◆ Secure further revenue through the completion of the new warehouse (Narashino Akanehama area)
Service business	<ul style="list-style-type: none"> ◆ Strengthen the earnings base by utilizing the former site of the Oi Racecourse No. 3 parking lot

2. Basic Policy on Selection of Accounting Standards

The Group applies accounting standards generally accepted in Japan (Japanese GAAP), as its business development and funding is not carried out internationally. The Group's policy on applying International Financial Reporting Standards is to take appropriate steps while monitoring trends in Japan and overseas.

3. Consolidated Financial Statements and Principal Notes

(1) Consolidated Balance Sheets

(Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Assets		
Current assets		
Cash and deposits	28,241,317	14,161,529
Trade notes, accounts receivable and contract assets	4,079,786	4,066,617
Securities	4,319,000	3,000,000
Merchandise	31,945	30,864
Costs on construction contracts in progress	29,516	44,736
Raw materials and supplies	41,099	61,206
Advances paid	168,717	340,536
Other	547,075	93,203
Total current assets	37,458,458	21,798,694
Non-current assets		
Property, plant and equipment		
Buildings, net	20,823,489	19,957,868
Facilities attached to buildings, net	5,612,247	5,502,173
Structures, net	5,767,112	6,407,661
Machinery, equipment and vehicles, net	1,892,450	1,455,211
Land	32,537,201	32,537,201
Construction in progress	2,804,049	10,784,652
Buildings in trust, net	1,300,325	1,238,170
Facilities attached to buildings in trust, net	149,065	126,546
Land in trust	2,174,126	2,174,126
Other, net	3,241,518	3,053,273
Total property, plant and equipment	76,301,586	83,236,886
Intangible assets		
Software	6,312,479	5,315,723
Software in progress	19,508	383,300
Right to use facilities	421	29
Total intangible assets	6,332,408	5,699,053
Investments and other assets		
Investment securities	1,618,425	1,808,280
Long-term prepaid expenses	68,328	27,799
Deferred tax assets	2,439,347	2,176,350
Long-term advances paid	336,865	957,340
Other	92,432	87,969
Total investments and other assets	4,555,399	5,057,740
Total non-current assets	87,189,394	93,993,681
Total assets	124,647,853	115,792,376

(Thousands of yen)

	As of December 31, 2022	As of December 31, 2023
Liabilities		
Current liabilities		
Trade accounts payable	1,282,226	1,497,047
Short-term borrowings	41,200	41,200
Current portion of bonds payable	10,000,000	—
Current portion of long-term borrowings	1,000,000	1,500,000
Accounts payable - other	8,996,473	1,121,395
Income taxes payable	2,897,079	1,279,229
Accrued consumption taxes	177,461	553,368
Provision for bonuses	93,003	98,541
Provision for point card certificates	871,588	940,007
Other	1,179,046	883,693
Total current liabilities	26,538,079	7,914,483
Non-current liabilities		
Bonds payable	10,000,000	10,000,000
Long-term borrowings	4,000,000	7,250,000
Leasehold and guarantee deposits received	2,072,241	2,163,915
Retirement benefit liability	1,246,720	1,262,297
Asset retirement obligations	387,411	390,927
Other	114,670	22,753
Total non-current liabilities	17,821,043	21,089,893
Total liabilities	44,359,123	29,004,377
Net assets		
Shareholders' equity		
Share capital	10,586,297	10,586,297
Capital surplus	6,857,668	6,790,886
Retained earnings	68,145,207	74,541,753
Treasury shares	(5,502,917)	(5,516,008)
Total shareholders' equity	80,086,255	86,402,930
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	202,474	313,382
Total accumulated other comprehensive income	202,474	313,382
Non-controlling interests	—	71,686
Total net assets	80,288,730	86,787,998
Total liabilities and net assets	124,647,853	115,792,376

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

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Net sales	35,450,407	37,544,792
Cost of sales	19,493,138	22,127,520
Gross profit	15,957,269	15,417,272
Selling, general and administrative expenses	1,793,472	2,054,642
Operating profit	14,163,796	13,362,630
Non-operating income		
Interest income	4,264	4,162
Dividend income	25,228	27,108
Gain on forfeiture of unclaimed dividends	6,622	7,414
Insurance claim income	10,692	13,280
Subsidies for employment adjustment, etc.	6,082	5,520
Other	4,616	8,772
Total non-operating income	57,505	66,259
Non-operating expenses		
Interest expenses	47,497	43,332
Other	2,759	1,741
Total non-operating expenses	50,256	45,074
Ordinary profit	14,171,045	13,383,815
Extraordinary income		
Subsidy income	404,401	114,171
Gain on sale of investment securities	536,736	—
Total extraordinary income	941,137	114,171
Extraordinary losses		
Loss on retirement of non-current assets	1,758,304	—
Expenditure on earthquake-resistance construction work	—	1,273,500
Compensation for eviction	—	20,541
Other	—	54,000
Total extraordinary losses	1,758,304	1,348,041
Profit before income taxes	13,353,878	12,149,945
Income taxes - current	4,725,781	3,518,651
Income taxes - deferred	(758,165)	214,049
Total income taxes	3,967,616	3,732,701
Profit	9,386,262	8,417,244
Loss attributable to non-controlling interests	—	(35,094)
Profit attributable to owners of parent	9,386,262	8,452,338

Consolidated Statements of Comprehensive Income

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit	9,386,262	8,417,244
Other comprehensive income		
Valuation difference on available-for-sale securities	(152,256)	110,907
Total other comprehensive income	(152,256)	110,907
Comprehensive income	9,234,005	8,528,151
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	9,234,005	8,563,246
Comprehensive income attributable to non-controlling interests	—	(35,094)

(3) Consolidated Statements of Changes in Equity

Fiscal year ended December 31, 2022

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,586,297	6,857,668	60,540,784	(5,493,251)	72,491,498
Changes during period					
Dividends of surplus			(1,781,838)		(1,781,838)
Profit attributable to owners of parent			9,386,262		9,386,262
Purchase of treasury shares				(9,665)	(9,665)
Capital increase of consolidated subsidiaries					—
Net changes in items other than shareholders' equity					
Total changes during period	—	—	7,604,423	(9,665)	7,594,757
Balance at end of period	10,586,297	6,857,668	68,145,207	(5,502,917)	80,086,255

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	354,730	354,730	—	72,846,229
Changes during period				
Dividends of surplus				(1,781,838)
Profit attributable to owners of parent				9,386,262
Purchase of treasury shares				(9,665)
Capital increase of consolidated subsidiaries				—
Net changes in items other than shareholders' equity	(152,256)	(152,256)	—	(152,256)
Total changes during period	(152,256)	(152,256)	—	7,442,501
Balance at end of period	202,474	202,474	—	80,288,730

Fiscal year ended December 31, 2023

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	10,586,297	6,857,668	68,145,207	(5,502,917)	80,086,255
Changes during period					
Dividends of surplus			(2,055,792)		(2,055,792)
Profit attributable to owners of parent			8,452,338		8,452,338
Purchase of treasury shares				(13,090)	(13,090)
Capital increase of consolidated subsidiaries		(66,781)			(66,781)
Net changes in items other than shareholders' equity					
Total changes during period	—	(66,781)	6,396,546	(13,090)	6,316,674
Balance at end of period	10,586,297	6,790,886	74,541,753	(5,516,008)	86,402,930

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of period	202,474	202,474	—	80,288,730
Changes during period				
Dividends of surplus				(2,055,792)
Profit attributable to owners of parent				8,452,338
Purchase of treasury shares				(13,090)
Capital increase of consolidated subsidiaries				(66,781)
Net changes in items other than shareholders' equity	110,907	110,907	71,686	182,594
Total changes during period	110,907	110,907	71,686	6,499,268
Balance at end of period	313,382	313,382	71,686	86,787,998

(4) Consolidated Statements of Cash Flows

(Thousands of yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Cash flows from operating activities		
Profit before income taxes	13,353,878	12,149,945
Depreciation	4,896,080	5,554,170
Loss (gain) on sale of investment securities	(536,736)	—
Loss on retirement of non-current assets	1,758,304	—
Increase (decrease) in provision for bonuses	2,745	5,537
Increase (decrease) in retirement benefit liability	30,608	15,577
Increase (decrease) in provision for point card certificates	82,364	68,419
Interest and dividend income	(29,492)	(31,270)
Interest expenses	47,497	43,332
Decrease (increase) in trade receivables	(880,159)	13,169
Decrease (increase) in inventories	(6,410)	(34,245)
Decrease (increase) in long-term advances paid	168,432	(620,474)
Increase (decrease) in trade payables	386,150	214,820
Increase (decrease) in accrued consumption taxes	(264,224)	375,907
Other, net	(155,324)	197,328
Subtotal	18,853,715	17,952,217
Interest and dividends received	29,492	31,270
Interest paid	(47,667)	(43,280)
Income taxes paid	(4,160,314)	(5,136,501)
Net cash provided by (used in) operating activities	14,675,226	12,803,705
Cash flows from investing activities		
Net decrease (increase) in time deposits	(8,965,002)	9,868,997
Net decrease (increase) in short-term investment securities	439,552	1,319,000
Purchase of property, plant and equipment	(5,368,398)	(13,952,188)
Purchase of intangible assets	(1,485,615)	(5,927,404)
Proceeds from sale of investment securities	539,398	—
Other, net	(4,271)	(38,134)
Net cash provided by (used in) investing activities	(14,844,337)	(8,729,730)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	19,730	—
Proceeds from long-term borrowings	—	5,000,000
Repayments of long-term borrowings	(1,000,000)	(1,250,000)
Redemption of bonds	—	(10,000,000)
Purchase of treasury shares	(9,665)	(13,090)
Dividends paid	(1,774,448)	(2,048,444)
Proceeds from share issuance to non-controlling shareholders	—	40,000
Other, net	—	(13,230)
Net cash provided by (used in) financing activities	(2,764,384)	(8,284,765)
Net increase (decrease) in cash and cash equivalents	(2,933,494)	(4,210,790)
Cash and cash equivalents at beginning of period	20,904,742	17,971,247
Cash and cash equivalents at end of period	17,971,247	13,760,457

(5) Notes to Consolidated Financial Statements

Notes on going concern assumption

Not applicable.

Notes in case of significant changes in shareholders' equity

Not applicable.

Changes in accounting policies

Application of Implementation Guidance on Accounting Standard for Fair Value Measurement

The Company has applied the "Implementation Guidance on Accounting Standard for Fair Value Measurement" (Accounting Standards Board of Japan ("ASBJ") Guidance No. 31, June 17, 2021; hereinafter "Fair Value Measurement Guidance") from the beginning of the fiscal year under review, and will prospectively apply the new accounting policies stipulated by the Fair Value Measurement Guidance in accordance with the transitional treatment provided in Paragraph 27-2 of the Fair Value Measurement Guidance. This does not affect the consolidated financial statements.

Business combinations

Transactions under common control

Company split

1. Overview of transaction

(1) Business subject to split

Name: Commercial facility business

Description: Operation and management of Wira Oi, a shopping mall facing Oi Racecourse

(2) Date of business combination

January 1, 2023

(3) Legal form of business combination

A company split in which the Company is the split company and Tokyo Property Service Co., Ltd. (a consolidated subsidiary of the Company; hereinafter "Tokyo Property Service") is the successor company (absorption-type split without consideration)

(4) Name of company after combination

Tokyo Property Service Co., Ltd. (consolidated subsidiary of the Company)

(5) Other supplementary information

In the service business of the Group, Tokyo Property Service, a wholly-owned subsidiary of the Company, has played a central role in the management and operation of office buildings and other facilities, and has thereby contributed to sales. While Tokyo Property Service's office building, Wira Omori, has secured stable earnings, the impact of COVID-19 and other factors have prevented sufficient business activities at Oi Racecourse such as those related to booking seats, parking lots, and food and beverages.

Accordingly, for the Group's service business to further develop, it is essential that Tokyo Property Service is fully leveraged in the process. By having Tokyo Property Service take over the business, hold assets on its own, and manage and operate them, the Group aims not only to strengthen its earnings capability but also accumulate business know-how and ensure a stable business foundation. This will ultimately increase corporate value. Therefore, the Group has decided to perform the company split.

2. Accounting procedure

The business combination has been treated as a transaction under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

Capital increase of consolidated subsidiaries through third-party allotment

1. Overview of transaction

(1) Combined entity and business

Name: e Paddock Co., Ltd.

Description: Operation of Four Minami-Kanto Racecourses Home Betting System (SPAT4), etc.

(2) Date of business combination

April 20, 2023

(3) Legal form of business combination

Third-party allotment of shares to a non-Group entity

(4) Name of the company after combination

e Paddock Co., Ltd. (consolidated subsidiary of the Company)

(5) Other supplementary information

The Group performed a third-party allotment of shares to the Kanto Regional Public Horse Racing Association to further expand the business by strengthening the relationship with the Association and to build a strong and stable financial base for the SPAT4 operation business by strengthening the equity of the combined entity.

The third-party allotment brings the Company's stake to 60%, compared to 100% before the capital increase.

2. Accounting procedure

The business combination has been treated as a transaction with a non-controlling shareholder under common control in accordance with the "Accounting Standard for Business Combinations" (ASBJ Statement No. 21, January 16, 2019) and the "Implementation Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

3. Changes in the Company's equity resulting from transaction with non-controlling shareholder

(1) Major factors of change in capital surplus

Change in equity resulting from a third-party allotment of shares to a non-Group entity

(2) Decrease in capital surplus resulting from the transaction

¥66,781 thousand

Segment information, etc.

Segment information

1. Overview of reportable segments

(1) Method of determining reportable segments

Reportable segments are components of the Group whose operating results are reviewed regularly by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance and for which discrete financial information is available.

The Group has four reportable segments categorized by the type of facilities it holds and services it provides, namely, public competition business; amusement park business; warehouse leasing business; and service business.

(2) Types of products and services attributed to each reportable segment

The main range of products and services by reportable segment are as follows.

Public competition business:	Leasing and ancillary business of Oi Racecourse and off-site sales facilities Leasing of Isesaki Auto Racetrack
Amusement park business:	Operation of Tokyo Summerland and other facilities
Warehouse leasing business:	Leasing of logistics facilities
Service business:	Leasing of commercial facilities and other facilities, operation of service facilities, and air conditioning equipment business

2. Calculation of net sales, profit or loss, assets, liabilities and other items by reportable segment

Segment profit is based on operating profit. Inter-segment sales and transfers are based on prevailing market prices.

3. Information on net sales, profit or loss, assets, liabilities and other items by reportable segment

Fiscal year ended December 31, 2022

(Thousands of yen)

	Reportable segment					Adjustment (Note 1)	Consolidation (Note 2)
	Public competition business	Amusement park business	Warehouse leasing business	Service business	Total		
Net sales							
Sales to outside customers	26,100,201	2,592,835	5,097,761	1,659,608	35,450,407	—	35,450,407
Inter-segment sales or transfers	2,694	78,038	—	623,415	704,147	(704,147)	—
Total	26,102,896	2,670,873	5,097,761	2,283,023	36,154,555	(704,147)	35,450,407
Segment profit	11,998,355	118,958	2,936,254	397,418	15,450,987	(1,287,191)	14,163,796
Segment assets	43,458,360	4,730,934	36,401,461	8,151,874	92,742,630	31,905,223	124,647,853
Other items							
Depreciation	3,439,733	157,323	1,029,331	262,327	4,888,715	7,365	4,896,080
Increase in property, plant and equipment and intangible assets	11,253,507	428,464	2,376,397	177,695	14,236,064	51	14,236,115

Notes: 1. Adjustment represents the following:

- (1) Adjustment to segment profit primarily represents selling, general and administrative expenses that are not attributable to reportable segments.
 - (2) Company-wide assets included in adjustment to segment assets primarily represent the parent company's surplus operating funds (cash, deposits, and securities), long-term investment funds (investment securities), and assets related to the administrative division, amounting to ¥32,601,799 thousand.
2. Segment profit is adjusted with operating profit in the consolidated statements of income.

Fiscal year ended December 31, 2023

(Thousands of yen)

	Reportable segment					Adjustment (Note 1)	Consolidation (Note 2)
	Public competition business	Amusement park business	Warehouse leasing business	Service business	Total		
Net sales							
Sales to outside customers	27,439,026	3,150,786	5,233,804	1,721,175	37,544,792	—	37,544,792
Inter-segment sales or transfers	3,960	51,681	—	514,514	570,156	(570,156)	—
Total	27,442,987	3,202,467	5,233,804	2,235,689	38,114,949	(570,156)	37,544,792
Segment profit	10,838,654	463,625	3,293,132	236,997	14,832,409	(1,469,779)	13,362,630
Segment assets	44,238,181	5,516,452	39,684,359	11,887,383	101,326,377	14,465,998	115,792,376
Other items							
Depreciation	4,223,904	165,707	905,256	257,288	5,552,157	2,013	5,554,170
Increase in property, plant and equipment and intangible assets	3,414,239	583,248	4,398,408	3,543,455	11,939,352	—	11,939,352

Notes: 1. Adjustment represents the following:

- (1) Adjustment to segment profit primarily represents selling, general and administrative expenses that are not attributable to reportable segments.
 - (2) Company-wide assets included in adjustment to segment assets primarily represent the parent company's surplus operating funds (cash, deposits, and securities), long-term investment funds (investment securities), and assets related to the administrative division, amounting to ¥14,923,106 thousand.
2. Segment profit is adjusted with operating profit in the consolidated statements of income.

Revenue recognition

Information on the disaggregation of the Group's revenue by reportable segment into contracts with customers and revenue from other sources is as follows.

Fiscal year ended December 31, 2022

(Thousands of yen)

	Reportable segment				Total
	Public competition business	Amusement park business	Warehouse leasing business	Service business	
Revenue from contracts with customers	1,112,220	2,531,683	144,889	708,300	4,497,094
Revenue from other sources	24,987,981	61,152	4,952,871	951,307	30,953,313
Total	26,100,201	2,592,835	5,097,761	1,659,608	35,450,407

Note: Revenue from other sources includes lease revenue pursuant to the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13).

Fiscal year ended December 31, 2023

(Thousands of yen)

	Reportable segment				Total
	Public competition business	Amusement park business	Warehouse leasing business	Service business	
Revenue from contracts with customers	1,835,989	3,088,734	156,089	779,555	5,860,369
Revenue from other sources	25,603,037	62,052	5,077,714	941,619	31,684,423
Total	27,439,026	3,150,786	5,233,804	1,721,175	37,544,792

Note: Revenue from other sources includes lease revenue pursuant to the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13).

Per share information

(Yen)

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Book value per share	2,929.06	3,163.92
Basic earnings per share	342.41	308.37

Notes: 1. Diluted earnings per share is not stated because there are no potential shares.

2. The basis for calculating basic earnings per share is as follows.

	Fiscal year ended December 31, 2022	Fiscal year ended December 31, 2023
Profit attributable to owners of parent (Thousands of yen)	9,386,262	8,452,338
Profit attributable to owners of parent related to common shares (Thousands of yen)	9,386,262	8,452,338
Average number of common shares outstanding during the period (Thousands of shares)	27,412	27,409

Subsequent events

Not applicable.

4. Other

(1) Changes in Officers

(i) Changes in representative directors

Not applicable.

(ii) Changes in other officers (to be announced on March 28, 2024)

- Retiring directors

Keiichi Inoguchi, Director

Nobuyuki Okuda, Director and General Manager of Planning Department