

English translation

May 12, 2021

Consolidated Financial Results for the fiscal year ended March 31, 2021

Company name: Sun Frontier Fudousan Co., Ltd.
Stock listing: Tokyo Stock Exchange 1st Section
Code number: 8934
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Scheduled date of Annual General Meeting of Shareholders: June 22, 2021

Scheduled date of annual securities report: June 23, 2021

Scheduled date of dividend payable: June 23, 2021

Supplemental materials for annual results: Yes

Presentation on annual results to be held: Yes

*Amounts are rounded down to million yen.

1. Consolidated Performance for the fiscal year ended March 31, 2021

(1) Consolidated Operating Results

*Percentage figures shown under net sales, operating profit, ordinary profit, and profit attributable to owners of parent columns indicate year-on-year changes for those items.

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

	Net Sales		Operating Profit		Ordinary Profit	
FY Ended March 31, 2021	¥59,632	(18.6)%	¥7,912	(52.3)%	¥7,524	(53.3)%
FY Ended March 31, 2020	¥73,218	37.4%	¥16,571	24.6%	¥16,127	25.9%

(Note) Comprehensive income: For the year ended March 31, 2021: 4,006 million yen (down 62.3%)

For the year ended March 31, 2020: 10,632 million yen (up 24.1%)

	Profit Attributable to Owners of Parent		Earnings per Share (yen)	Fully Diluted Earnings per Share (yen)
FY Ended March 31, 2021	¥4,274	(59.9)%	87.77	87.73
FY Ended March 31, 2020	¥10,666	21.4%	219.03	218.97

	Return on Equity	Return on Asset	Return on Sales
FY Ended March 31, 2021	6.5%	5.8%	13.3%
FY Ended March 31, 2020	17.7%	13.4%	22.6%

(Reference) Loss on investments based on equity method: For the year ended March 31, 2021: 55 million yen
 For the year ended March 31, 2020: 1 million yen

(2) Consolidated Financial Position

("¥" indicates millions of yen)

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets Per Share (yen)
As of March 31, 2021	¥127,485	¥69,773	52.3%	1,368.14
As of March 31, 2020	¥130,293	¥64,809	49.6%	1,326.93

(Reference) Total Equity: As of March 31, 2021: 66,627 million yen
 As of March 31, 2020: 64,620 million yen

(3) Consolidated Cash Flows

("¥" indicates millions of yen)

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at Year-End
FY Ended March 31, 2020	¥4,733	¥451	(¥1,150)	¥21,319
FY Ended March 31, 2021	(¥2,697)	(¥4,441)	¥5,535	¥17,394

2. Cash Dividends

	Cash Dividends per Share (yen)				
	1st Quarter	2nd Quarter	3rd Quarter	Year-end	Annual Total
FY Ended March 31, 2020	-	0.00	-	42.00	42.00
FY Ended March 31, 2021	-	0.00	-	42.00	42.00
FY Ending March 31, 2022 (Forecast)	-	0.00	-	42.00	42.00

("¥" indicates millions of yen)

	Total Dividends	Payout Ratio (consolidated)	Dividends to Net Assets (consolidated)
FY Ended March 31, 2020	¥2,047	19.2%	3.4%
FY Ended March 31, 2021	¥2,047	47.9%	3.1%
FY Ending March 31, 2022 (Forecast)		27.6%	

3. Forecast for Consolidated Financial Results for the Fiscal Year Ending March 31, 2022

(From April 1, 2021 to March 31, 2022)

*Percentage figures indicate year-on-year changes for those items.
 ("¥" indicates millions of yen, except for per share figures.)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Earnings per Share
FY Ending March 31, 2022	¥76,000	27.4%	¥12,000	51.7%	¥11,500	52.8%	¥7,400	73.1%	151.95

4. Notes

(1) Changes in significant subsidiaries during the current fiscal year (changes in specific subsidiaries resulting in changes in the scope of consolidation): None

New companies: -

Excluded companies: -

(2) Changes in accounting principles, procedures and presentation methods

- 1) Changes caused by revision of accounting standards: None
- 2) Changes of accounting standards other than 1) above: None
- 3) Changes in accounting estimates: None
- 4) Restatement of corrections: None

(3) Number of outstanding shares (common shares)

1) Number of outstanding shares at the end of the period (including treasury shares):

As of March 31, 2021:	48,755,500 shares
As of March 31, 2020:	48,755,500 shares

2) Number of shares of treasury shares at the end of the period:

As of March 31, 2021:	56,644 shares
As of March 31, 2020:	56,644 shares

3) Average number of shares for the period:

For the fiscal year ended March 31, 2021:	48,698,856 shares
For the fiscal year ended March 31, 2020:	48,698,856 shares

(Reference) Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2021 (April 1, 2020 to March 31, 2021)

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

	Net Sales		Operating Profit		Ordinary Profit	
FY Ended March 31, 2021	¥42,002	(34.9)%	¥8,017	(54.9)%	¥7,994	(52.5)%
FY Ended March 31, 2020	¥64,472	32.3%	¥17,757	34.7%	¥16,822	31.0%

	Profit Attributable to Owners of Parent		Earnings per Share (yen)	Fully Diluted Earnings per Share (yen)
FY Ended March 31, 2021	¥5,314	(52.2)%	109.12	109.07
FY Ended March 31, 2020	¥11,122	26.3%	228.39	228.33

(2) Non-consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio (%)	Net Assets per Share (yen)
As of March 31, 2021	¥114,729	¥68,204	59.4%	1,400.21
As of March 31, 2020	¥121,708	¥64,934	53.3%	1,333.15

(Reference)Total Equity: As of March 31, 2021: 68,188 million yen
As of March 31, 2020: 64,923 million yen

*This Summary of Consolidated Financial Results is not subject to audit processes under the Financial Instruments and Exchange Act.

***Explanation for appropriate use of forecast and other notes**

Forward-looking statements, such as forecast of consolidated financial performance, stated in this document are based on information currently possessed by us or certain assumptions that we have deemed as rational. We cannot make any assurances that the contents mentioned in these forward-looking statements will ever materialize. Actual financial performance could be significantly different from our expectations as a result of various factors. For the assumptions used and other notes, please refer to “1. (4) Explanation regarding forward-looking statements such as consolidated earnings forecasts” on page 6.

(About changing the presentation unit of the amount)

The number of accounts and the others listed in the attached quarterly consolidated financial statements and key notes was previously stated in thousand yen unit but it is listed in million yen unit from the first quarter consolidated accounting period and the first quarter consolidated the cumulative period. Further, in the previous consolidated fiscal year and the previous third quarter consolidated cumulative period it is also changed to million-yen unit and stated.

In this document, the terms “we”, “us”, “our”, the “Company” and “Sun Frontier” refer to Sun Frontier Fudousan Co., Ltd. and consolidated subsidiaries or, as the context may require, Sun Frontier Fudousan Co., Ltd. on a non-consolidated basis.

Accompanying Materials

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1. Qualitative information regarding consolidated performance for the fiscal year

(1) Explanation regarding operating results

Matters concerning the future in this document are those judged by Sun Frontier as of the submission date of this consolidated performance for the fiscal year.

During the consolidated fiscal year under review, the Japanese economy remained stagnant for a long time due to the impact of the COVID-19. Although the spread of vaccines is expected to bring the economy back to normal in the future, the state of emergency was declared again in April 2021, and the outlook for the future is unclear. Therefore, it is necessary to continue to monitor developments closely. With regard to the global economy, although recovery is expected in the future due to the large-scale financial support and monetary easing continuing in each country, and vaccinations are widely spreading in some countries, outlook for the future remains uncertain due to the impact of COVID-19 and such.

In the real estate market in Japan, the average rent in the office building market in central Tokyo (5 Wards of the Central Tokyo: Chiyoda, Chuo, Minato, Shinjuku, and Shibuya Ward) as of March was 21,541 yen (unit price per tsubo), a decline for the eighth consecutive month (1,473 yen.) The average vacancy rate was 5.42%, worsening for the thirteenth consecutive month (increased 3.93% points according to a survey by a private research institution) and market conditions are becoming increasingly severe. Although against the backdrop of the recent damage caused by the outbreak of COVID-19, some companies are reducing their offices by promoting remote work, demand for small and medium-sized offices has been steady, as seen in the expansion of floor space at high-performing companies and the movement to disperse offices where employees are concentrated in one location. On the other hand, in the real estate investment market, institutional investors and J-REITs have a strong desire to invest due to the fact that the outlook for the office market in Tokyo is expected to bottom out to a certain extent and since the low interest rate environment continues.

Against this backdrop, we have continued its three management policies since last year to "thoroughly prevent the spread of the COVID-19 infection and continue business," "maintain financial stability," and "concentrate resources on our core business the 'revitalization and utilization of real estate'". We are also able to quickly grasp on-site trends and customer feedback, improve our ability to solve problems from the clients' point of view, and develop our business by flexibly changing ourselves.

As a result, net sales decreased 18.6% to 59,632 million yen from the same period of the previous fiscal year, operating profit decreased 52.3% to 7,912 million yen from the same period of the previous fiscal year, ordinary profit decreased 53.3% to 7,524 million yen from the same period of the previous fiscal year, and profit attributable to owners of parent decreased 59.9% to 4,274 million yen from the same period of the previous fiscal year.

The results of each segment are as follows.

(Real Estate Revitalization Business)

In the Real Estate Revitalization Business, we are engaged in (1) Replanning Business, (2) Rental Building Business, and (3) Hotel Development Business.

(1) In the Replanning Business, all processes from purchase of buildings to planning and development, tenant occupancy, sales, and subsequent support are manufactured in-house. In purchasing, even in the outbreak of the COVID-19, we carefully select properties while looking at the direction of the market. In commercialization, we aim to create an office that can be chosen in this "new normal", based on new values, by enhancing sensitivity to market movements such as the voices of tenants that are heard every day and by firmly grasping changes in offices, towns and working styles. During the fiscal year under review, we proposed to society the ideal form of office in line with the changing times. For example, "WEEK" which allows clients to lease our set-up office on a certain day of the week, "A Yotsuya" a Creative Art Office with mural wall paintings, "Designing the Air" an anti-virus office designed for social distance equipped with the

newest anti-virus machines, and “Work style close to life” offices and such. We are responding to the needs of a wide range of clients in Japan and overseas by creating highly profitable and highly added value products with our strengths in revitalization planning and tenant occupancy promotion. Furthermore, in the area of sales, in the fiscal year under review, with investment product in sub-divided real estate we sold out the second project (1,150 million yen), and in April, we began offering the third project operating newly built nursery schools. This product has also contributed to the expansion of the client base of the entire Company and has led to sales of office buildings and condominiums. As a result, despite the outbreak of COVID-19, the number of buildings sold in Replanning Business was 23 which secured a certain level, but both the net sales and profits declined significantly compared to the 43 buildings sold from the same period of the previous fiscal year.

(2) In Rental Building Business, with the aim of building a stable revenue base as a stock business, we are working to increase rent income in the medium to long term by expanding the number of rental buildings properties in Replanning Business while utilizing the operational capabilities cultivated in the real estate service division. Both net sales and income decreased compared with the same period of the previous fiscal year due to decrease in rent income from Hotel Business caused by reduction and exemption of rent.

(3) In the Hotel Development Business, the development of HIYORI OCEAN RESORT OKINAWA (203 lots) a condominium development project in Onna Village, Okinawa Prefecture, which was completed in December 2020, made steady progress, completing the delivery of a total of 159 lots. In March, we completed the sale of Hiyori Hotel Maihama, which opened in 2017 as the first hotel under our own brand. As a result of our efforts to improve cash flow, both net sales and profit increased significantly from the same period of the previous year.

As a result, net sales decreased 19.4% to 48,398 million yen from the same period of the previous fiscal year and segment profit decreased 40.3% to 11,261 million yen from the same period of the previous fiscal year for the Real Estate Revitalization Business as a whole.

(Real Estate Service Business)

In the Real Estate Service Business, we are engaged in (1) Property Management Business, (2) Building Maintenance Business, (3) Brokerage Business, and (4) Leasing Business. By bringing together the expertise that each of these business divisions has cultivated in the field, they cooperate with each other, and by applying their originality and ingenuity, they create a chain of added value which also serves as the basis for creating high profitability in the Replanning Business.

(1) In Property Management Business, we have improved the satisfaction of tenants through meticulous property management and maintenance. At the same time, we have implemented highly profitable and highly operational building management through efforts such as attracting tenants by taking advantage of its community-based strengths and improving profits by revising conditions for appropriate rent and reviewing power supply and demand contracts. We provide accurate and prompt information to tenants who are affected by the COVID-19 outbreak and building owners who are concerned and utilizes its accumulated experience and organizational power to resolve any new requests or problems arising from the spread of COVID-19 infections. As a result, the number of managing buildings have grown steadily even during the outbreak of COVID-19. Both net sales and profits increased compared with the same period of the previous year.

	End of March 2019	End of March 2020	End of March 2021
Number of Managing Buildings	373 buildings	392 buildings	397 buildings
Occupancy Rate	97.6%	98.6%	94.4%

(2) In the Building Maintenance Business, we are promoting cooperation with the property management division, taking advantage of our strengths in cleaning high places, waterproofing work, and exterior wall repair work using swings for exterior windows and exterior walls. In addition, during the fiscal year under review, we acquired 100% of the shares of Japan System Service Inc., which is in the same industry as the Building Maintenance Business and strengthened its services in the western area of central Tokyo (Minato, Shibuya, and Shinjuku Ward), which we have been comparatively less entrusted with, in an effort to raise the foundation of its cleaning business in central Tokyo. Although demand for COVID-19 decontamination and disinfection work was newly captured, there was decrease in revenue associated with the Replanning Business. As a result, both net sales and profits increased compared to the same period of the previous year.

(3) In the Brokerage Business, as part of its real estate consulting, we are responding swiftly to inquiries from other divisions, including Property Management Business and Leasing Businesses. In addition, while it is difficult for Clients, wealthy individuals, to visit Japan due to the impact of COVID-19, we have strived to increase the value of our Japanese investment properties and with the trust we have built up over the years Clients have purchased several replanning properties in the fiscal year under review, making a significant contribution to our performance. As a result, both net sales and profits increased compared with the same period of the previous fiscal year.

(4) In the Leasing Business, we provide a service network based in 12 sites, mainly in the 5 wards of central Tokyo. It functions as a window for consultation close to the local building owners. We don't consult only one aspect of problems like vacancy for building owners, but also a variety of fundamental problems related to real estate, such as management, inheritance, and deterioration of buildings that are difficult to deal with due to the aging of the population through communicating with clients at the site. By working to solve these problems from a multi-faceted and long-term perspective, our business as a whole has been strengthened and expanded by creating opportunities for Replanning Business purchase, sales, construction orders, and brokerage. In addition, we understand the needs of tenants in detail at the site of tenant leasing by thinking together, researching, and making proposals to them. In this way, we anticipate changes quickly and find out new values and needs from the client's perspective. As a result of the damage caused by the outbreak of COVID-19, both net sales and profits decreased compared with the same period of the previous fiscal year.

As a result, net sales in Real Estate Service Business as a whole increased 5.2% to 3,656 million yen from the same period of the previous fiscal year and segment profit increased 4.0% to 2,345 million yen from the same period of the previous fiscal year.

(Operation Business)

In the Operation Business, we are engaged in (1) Hotel Operation Business and (2) Conference Room Rental Business.

(1) In the Hotel Operation Business, we opened HIYORI Ocean Resort Okinawa (203 rooms) in February and have 16 (2,295 rooms) operating hotels. Due to the outbreak of COVID-19 there was a sharp decline in the number of inbound tourists, closure of tourist facilities and events, the government's request to refrain not only from traveling on vacation, but also from business trips resulted in a significant decrease in occupancy rate especially in city hotels. As a result, despite efforts to reduce expenses, we recorded a loss due to a large decrease in net sales compared with the same period of the previous fiscal year.

(2) In the Conference Room Rental Business, the need for training, seminars, and various events has decreased due to the outbreak of COVID-19, making it difficult for us to offer existing business services. However, we have quickly responded to clients' requests by developing new services that take into account the changing times such as custom-made spaces. At the same time, despite thorough cost reductions, both net sales and profits declined compared with the same period of the previous fiscal year.

As a result, net sales in Operation Business as a whole decreased 43.2% to 3,069 million yen from the same period of the previous fiscal year and segment loss was 1,266 million yen compared with 192 million yen in segment loss from the same period of the previous fiscal year.

(Other Business)

In Other Business, we are engaged in (1) Rent Guarantee Business, (2) Overseas Business, and (3) Construction Business.

(1) In Rent Guarantee Business, when contract of guarantee is implemented, we conduct fact-finding surveys thoroughly and rigorously in tenant guarantee examinations. When rent arrears occur, we provide services tailored to building owners not only with rent guarantee, but also sincere support until the lease is surrendered. Consultations from building owners increased due to the increase of vacant rooms and tenant credit concerns, caused by the outbreak of COVID-19, and the switching from personal guarantee to institutional guarantee due to the revision of the Civil Code. As a result, the number of new and renewed guarantees handled remained steady and both net sales and profits increased compared with the same period of the previous fiscal year.

(2) In Overseas Business, we have expanded into Southeast Asian countries where growth is expected and has developed real estate mainly for condominiums and houses using Japanese advanced construction technology. We are developing its business with a focus on providing Asian people with experience of Japanese quality. The HIYORI Garden Tower (306 units), a high-rise condominium in Da Nang, Vietnam, was completed in December 2019 and delivered until September 2020. As a result, net sales decreased and profits increased compared with the same period of the previous fiscal year because the portion delivered from January to September 2020 was recorded during this fiscal year.

(3) In the Construction Business, renewal planning, repair and reform, interior finishing work, and telecommunications work for commercial buildings are carried out. Both net sales and profits declined due to a reactionary decline following the delivery of large-scale construction work from the same period of the previous fiscal year.

As a result, net sales of Other Business as a whole decreased 6.4% to 5,294 million yen from the same period of the previous fiscal year and segment profit increased 4.9% to 1,489 million yen from the same period of the previous fiscal year.

(2) Explanation regarding financial position

Total assets decreased 2.2% to 127,485 million yen as of March 31, 2021 compared to March 31, 2020. Liabilities decreased 11.9% to 57,712 million yen as of March 31, 2021 compared to March 31, 2020 and net assets increased to 7.7% to 69,773 million yen as of March 31, 2021 compared to March 31, 2020.

The main factors behind the decrease in total assets were a decrease of 8,647 million yen in real estate for sale in process, a decrease of 658 million yen in accrued consumption taxes and advance payments included in other current assets, and a decrease of 444 million yen in costs of uncompleted construction contracts, while there was an increase of 3,400 million yen in real estate for sale of current assets, an increase of 2,880 million yen in cash and time deposits, and an increase of 641 million yen in notes and accounts receivable.

The main factors behind the decrease in liabilities was a decrease of 2,915 million yen in long-term borrowings in non-current liabilities, a decrease of 2,665 million yen in income taxes payable of current liabilities, a decrease of 1,864 million yen in advances received included in other, and a decrease of 1,498 million yen in accounts payable, while there was an increase of 1,545 million yen in long-term borrowings scheduled to be repaid within one year.

The main factors behind the increase in net assets was the increase of recording of 4,274 million yen in profit attributable to owners of parent, while there was payment of year-end dividends of 2,047 million yen and an

increase of 3,000 million yen in non-controlling interests. The increase in non-controlling interests was due to the issuance of preferred shares by subsidiaries.

As a result, sales in equity ratio increased 2.7 percentage points to 52.3% as of March 31, 2021 compared to March 31, 2020.

(3) Explanation regarding cash flows

Cash and cash equivalents at the end of the fiscal year increased by 3,924 million yen from the beginning of the fiscal year to 21,319 million yen as a result of an increase of 4,733 million yen in cash provided by operating activities, an increase of 451 million yen in cash provided by investing activities, and a decrease of 1,150 million yen in cash provided by financing activities.

Cash flows for the fiscal year under review and their factors are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities was 4,733 million yen compared with a net cash outflow of 2,697 million yen in the previous fiscal year. This was mainly due to payment of 5,964 million yen for corporate income taxes, an increase of 2,688 million yen in notes and accounts receivable-trade, and a decrease of 1,509 million yen in accounts payable, while there was cash inflow of 7,462 million yen from profit before income taxes, depreciation of 1,326 million yen, and a decrease of 4,396 million yen in inventories.

(Cash flows from investing activities)

Net cash provided by investing activities was 451 million yen compared with net cash outflow of 4,441 million yen in the previous fiscal year. This was mainly due to cash outflow of 530 million yen for the payments into time deposits, outflow of 319 million yen in purchase of property, plant and equipment, and outflow of 221 million yen in payments of guarantee deposits, while there was provision of 1,574 million yen in proceeds from withdrawal of time deposits.

(Cash flows from financing activities)

Net cash used in financing activities was 1,150 million yen compared with net cash provided of 5,535 million yen in the previous fiscal year. This was mainly due to increases such as 19,990 million yen in proceeds from long-term borrowings and 3,000 million yen in non-controlling interests, while there was cash outflow of 21,461 million yen in proceeds from issuance of bonds and 2,046 million yen in dividends paid.

(Sources of Capital and Liquidity of Funds)

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

(Reference) Cash Flows-Related Indicators

	FY Ended March 31, 2017	FY Ended March 31, 2018	FY Ended March 31, 2019	FY Ended March 31, 2020	FY Ended March 31, 2021
Equity ratio	56.0	53.2	50.3	49.6	52.3
Equity ratio at market value	65.2	62.2	52.0	30.7	36.9
Interest-bearing debt to cash flow ratio	506.8	-	-	-	10.0
Interest coverage ratio	19.9	-	-	-	9.4

Equity Ratio: Equity/Total assets

Equity Ratio at Market Value: Market Capitalization/Total assets

Interest-Bearing Debt to Cash Flow Ratio: Interest-bearing debt/Cash flows from operating activities

Interest Coverage Ratio: Cash flows from operating activities/Interest expenses

(4) Explanation regarding forward-looking statements such as consolidated earnings forecasts

In response to the spread of COVID-19 infections, countries around the world are going through full-scale vaccination and is working toward the end of the spread of COVID-19. In Japan, although vaccination has begun, the vaccination rate remains low compared with OECD member countries. In addition, the state of emergency, which was reissued in April 2021, was extended until May 31. As a result, the environment remains unpredictable for the end of the spread of COVID-19. According to the IMF's forecast for global economic growth in fiscal year 2021 (released in April), the global economy is expected to grow by 6.0%. In Japan, however, the growth rate is expected to remain at 3.3% due to the slow pace of the spread of vaccines, although recovery can be observed compared to fiscal year 2020.

Against this backdrop, in the Japanese real estate market, while the average rent of office building market in central Tokyo continues to decline and the average vacancy rate index continues to rise, there were signs of a recovery in sales and purchases due to a certain level of bottoming out in the Tokyo office market and the continued low interest rate environment.

As a result of these initiatives, we expect forecast consolidated financial results for the fiscal year ending March 31, 2022 to be 27.4% increase in net sales to 76,000 million yen from the same period of the previous fiscal year, 51.7% increase in operating profit to 12,000 million yen from the same period of the previous fiscal year, 52.8% increase in ordinary profit to 11,500 million yen from the same period of the previous fiscal year, and 73.1% increase in profit attributable to owners of parent to 7,400 million yen from the same period of the previous fiscal year.

In addition, in consideration of the recent changes in business environment and the new state of post COVID-19, it has been decided that it is necessary to revise the timing for achieving medium-term management plan. The numerical targets for medium-term management plan (100 billion yen for net sales, 20 billion yen for ordinary profit, and 14 billion yen for profit attributable to owners of parent) will remain unchanged as a milestone in our sustainable growth, but the final fiscal year of the medium-term management plan will be extended by two years to the fiscal year ending March 31, 2025. Based on our new growth strategy and focus points, we aim to establish a business structure that balances flow and stock, and to be a corporate group that will continue to grow sustainably in and after the final fiscal year in the medium-term management plan.

2. Basic Views on the Selection of Accounting Standards

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

3. Consolidated Financial Statements and Key Notes

(1) Consolidated Balance Sheet

(Unit: million yen)

	As of March 31, 2020	As of March 31, 2021
Assets		
Current assets		
Cash and time deposits	18,627	21,508
Notes and accounts receivable - trade	891	1,532
Real estate for sale	9,426	13,601
Real estate for sale in process	81,703	72,282
Costs of uncompleted construction contracts	602	157
Supplies	33	46
Other	2,575	1,693
Allowance for doubtful accounts	(18)	(36)
Total current assets	113,842	110,785
Non-current assets		
Property, plant and equipment		
Buildings	2,627	2,851
Accumulated depreciation	(721)	(855)
Accumulated impairment	(6)	(6)
Buildings (net amount)	1,900	1,989
Land	6,821	6,821
Other	2,010	2,016
Accumulated depreciation	(299)	(291)
Accumulated impairment	(19)	(7)
Other (net amount)	1,692	1,717
Total property, plant and equipment	10,413	10,528
Intangible assets		
Goodwill	524	552
Other	188	149
Total intangible assets	712	701
Investments and other assets		
Guarantee deposits	3,856	3,997
Deferred tax assets	1,041	973
Other	426	500
Allowance for doubtful accounts	(1)	(1)
Total investments and other assets	5,324	5,470
Total non-current assets	16,450	16,700
Total assets	130,293	127,485

(Unit: million yen)

	As of March 31, 2020	As of March 31, 2021
Liabilities		
Current liabilities		
Accounts payable - trade	3,132	1,634
Short-term borrowings	478	-
Current portion of long-term borrowings	3,985	5,530
Income taxes payable	3,566	901
Provision for bonuses	215	197
Provision for bonuses for directors (and other officers)	80	52
Provision for fulfillment of guarantees	50	53
Other	6,543	4,988
Total current liabilities	<u>18,052</u>	<u>13,358</u>
Non-current liabilities		
Long-term borrowings	44,906	41,991
Retirement benefit liability	11	11
Provision for share-based remuneration	40	56
Other	2,473	2,295
Total non-current liabilities	<u>47,431</u>	<u>44,354</u>
Total liabilities	<u>65,483</u>	<u>57,712</u>
Net assets		
Shareholders' equity		
Share capital	11,965	11,965
Capital surplus	6,445	6,445
Retained earnings	46,347	48,573
Treasury shares	(67)	(67)
Total shareholders' equity	<u>64,690</u>	<u>66,916</u>
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3	2
Foreign currency translation adjustment	(73)	(292)
Total accumulated other comprehensive income	<u>(69)</u>	<u>(289)</u>
Share acquisition rights	11	16
Non-controlling interests	177	3,129
Total net assets	<u>64,809</u>	<u>69,773</u>
Total liabilities and net assets	<u>130,293</u>	<u>127,485</u>

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Unit: million yen)

	For the year ended March 31,2020	For the year ended March 31,2021
Net sales	73,218	59,632
Cost of sales	49,189	44,549
Gross profit	24,028	15,083
Selling, general and administrative expenses	7,456	7,170
Operating profit	16,571	7,912
Non-operating income		
Interest income	45	43
Dividend income	0	0
Penalty income	159	-
Foreign exchange gains	-	33
Subsidy income	1	154
Other	53	38
Total non-operating income	260	270
Non-operating Expenses		
Interest expenses	455	502
Foreign exchange losses	78	-
Loss on investments based on equity method	1	55
Provision of allowance for doubtful accounts	0	-
Other	168	99
Total non-operating expenses	704	658
Ordinary profit	16,127	7,524
Extraordinary income		
Gain on sales of non-current assets	3	1
Total extraordinary income	3	1
Extraordinary loss		
Loss on sales of non-current assets	-	0
Loss on retirement of non-current assets	-	5
Impairment loss	23	51
Other	21	6
Total extraordinary loss	44	63
Profit before income taxes	16,086	7,462
Income taxes - current	5,552	3,295
Income taxes - deferred	(49)	(70)
Total income taxes	5,503	3,224
Profit	10,583	4,238
Loss attributable to non-controlling interests	83	36
Profit attributable to owners of parent	10,666	4,274

Consolidated Statement of Comprehensive Income

(Unit: million yen)

	For the year ended March 31, 2020	For the year ended March 31, 2021
Profit	10,583	4,238
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	(0)
Foreign currency translation adjustment	49	(230)
Total other comprehensive income	48	(231)
Comprehensive income	<u>10,632</u>	<u>4,006</u>
Comprehensive income attributable to		
Owners of parent	10,720	4,054
Non-controlling interests	(88)	(47)

(3) Consolidated Statement of Changes in Equity

For the fiscal year ended March 31, 2020

(Unit: million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the period	11,965	6,445	37,557	(67)	55,900
Changes during period					
Dividends of surplus			(1,877)		(1,877)
Profit attributable to owners of parent			10,666		10,666
Change in ownership interest of parent due to transactions with non-controlling interests					-
Net changes in items other than shareholders' equity					
Total changes during period	-	-	8,789	-	8,789
Balance at end of the period	11,965	6,445	46,347	(67)	64,690

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of the period	3	(126)	(123)	5	77	55,860
Changes during period						
Dividends of surplus						(1,877)
Profit attributable to owners of parent						10,666
Change in ownership interest of parent due to transactions with non-controlling interests						-
Net changes in items other than shareholders' equity	(0)	53	53	5	100	159
Total changes during period	(0)	53	53	5	100	8,949
Balance at end of the period	3	(73)	(69)	11	177	64,809

For the fiscal year ended March 31, 2021

(Unit: million yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of the period	11,965	6,445	46,347	(67)	64,690
Changes during period					
Dividends of surplus			(2,047)		(2,047)
Profit attributable to owners of parent			4,274		4,274
Change in ownership interest of parent due to transactions with non-controlling interests		(0)			(0)
Net changes in items other than shareholders' equity					
Total changes during period	-	(0)	2,226	-	2,226
Balance at end of the period	11,965	6,445	48,573	(67)	66,916

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of the period	3	(73)	(69)	11	177	64,809
Changes during period						
Dividends of surplus						(2,047)
Profit attributable to owners of parent						4,274
Change in ownership interest of parent due to transactions with non-controlling interests						(0)
Net changes in items other than shareholders' equity	(0)	(219)	(219)	4	2,952	2,737
Total changes during period	(0)	(219)	(219)	4	2,952	4,963
Balance at end of the period	2	(292)	(289)	16	3,129	69,773

(4) Consolidated Statement of Cash Flows

(Unit: million yen)

	For the year ended March 31, 2020	For the year ended March 31, 2021
Cash flows from operating activities		
Profit before income taxes	16,086	7,462
Depreciation	1,301	1,326
Amortization of goodwill	109	110
Increase (decrease) in allowance for doubtful accounts	10	18
Increase (decrease) in provision for bonuses	27	(19)
Increase (decrease) in provision for bonuses for directors (and other officers)	10	(27)
Increase (decrease) in provision for provision for fulfillment of guarantees	18	2
Increase (decrease) in provision for share-based remuneration	15	16
Interest and dividend income	(45)	(44)
Subsidy income	-	(154)
Interest expenses	455	502
Loss (gain) on investments based on equity method	1	55
Loss (gain) on sales of non-current assets	(3)	(1)
Loss on retirement of non-current assets	-	5
Impairment loss	44	51
Decrease (increase) in trade receivables	481	(2,688)
Decrease (increase) in inventories	(16,962)	4,396
Increase (decrease) in trade payables	1,644	(1,509)
Other	(735)	1,488
Subtotal	2,460	10,993
Interest and dividends received	42	48
Interest paid	(464)	(497)
Income taxes (paid) refund	(4,735)	(5,964)
Proceeds from subsidy income	-	154
Net cash provided by (used in) operating activities	(2,697)	4,733
Cash flows from investing activities		
Payments into time deposits	(2,075)	(530)
Proceeds from withdrawal of time deposits	2,165	1,574
Purchase of property, plant and equipment	(2,859)	(319)
Proceeds from sales of property, plant and equipment	12	3
Purchase of intangible assets	(46)	(25)
Payments of guarantee deposits	(1,614)	(221)
Other	(22)	(30)
Net cash provided by (used in) investing activities	(4,441)	451
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	478	(564)
Proceeds from long-term borrowings	27,800	19,990
Repayments of long-term borrowings	(20,895)	(21,461)
Dividends paid	(1,875)	(2,046)
Proceeds from share issuance to non-controlling shareholders	188	3,000
Other	(158)	(67)
Net cash provided by (used in) financing activities	5,535	(1,150)
Effect of exchange rate change on cash and cash equivalents	63	(110)
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	(1,539)	3,924
Cash and cash equivalents at beginning of period	18,933	17,394
Cash and cash equivalents at end of period	17,394	21,319

(5) Notes to Consolidated Financial Statements

(Notes to Assumption of Going Concerns)

Not applicable.

(Additional Information)

The Company conducts transactions to deliver its own shares through trust for the purpose of employee welfare.

(1) Overview of transaction

The Plan provides the Company's shares to employees of the Company who meet certain requirements based on the share benefit regulations established by the Company in advance.

The Company will grant points to employees who satisfy certain conditions at the end of the consolidated fiscal year, and when they acquire the right to receive benefits, the Company shares corresponding to the granted points will be delivered. The shares to be granted to employees are acquired in the future with the money set in trust in advance and managed separately as trust assets.

The total amount method is applied to the Employee Stock Ownership Plan (J-ESOP) in accordance with the "Practical Solution on Transactions of Delivering the Company's Own Shares to Employees etc. through Trusts" (ASBJ PITF No. 30, March 26, 2015).

(2) Own shares remaining in the trust

The book value of the Company's shares remaining in the trust (excluding the amount of incidental expenses) is included in net assets. The book value and number of shares of the treasury shares at the end of the previous fiscal year were 67 million yen and 56,500 shares, and at the end of the current fiscal year were 67 million yen and 56,500 shares.

(Segment Information, etc.)

[Segment Information]

1. Overview of Reportable Segments

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

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

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

"Real Estate Revitalization Business" is engaged in Replanning Business, Hotel Development Business and Rental Building Business. Real Estate Service Business is engaged in Property Management Business, Building Maintenance Business, Brokerage Business, and Leasing Business. "Operation Business" is engaged in Hotel Operation Business and Conference Room Rental Business.

2. Method of Calculating the Net Sales, Profit (loss), Assets and Liabilities for Each Reportable Segment

The methods of accounting for the reportable business segments are the same as those described in "Significant matters that form the basis of preparation of consolidated financial statements" Reportable segment profit is based on ordinary profit (loss).

3. Information on Net Sales, Profit (loss), Assets and Liabilities for Each Reportable Segment

For the fiscal year ended March 31,2020

	Reportable segments				Other (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated statement of income (Note 3)
	Real Estate Revitalization Business	Real Estate Service Business	Operation Business	Total				
Net sales								
Net sales to external customers	59,103	3,079	5,405	67,588	5,629	73,218	-	73,218
Internal sales or transfers	958	396	-	1,354	29	1,384	(1,384)	-
Subtotal	60,061	3,476	5,405	68,943	5,659	74,602	(1,384)	73,218
Segment profit	18,855	2,253	(192)	20,917	1,419	22,337	(6,209)	16,127
Segment assets	101,581	621	2,375	104,578	4,360	108,939	21,353	130,293
Segment liabilities	54,912	1,286	347	56,547	4,038	60,585	4,898	65,483
Others								
Depreciation	1,057	0	97	1,155	16	1,172	129	1,301
Amortization of goodwill	-	-	83	83	47	130	-	130
Interest expenses	453	-	0	454	26	480	(25)	455
Income(loss) on investments based on equity method	-	-	-	-	-	-	(1)	(1)
Increase in Property, plant and equipment and intangible assets	1,612	8	176	1,797	9	1,807	143	1,951

Note 1. The "Other" segment is a business segment that is not included in the reportable segment and includes the rent guarantee business, overseas business, construction solutions business, etc.

Note 2. Details of the "Adjustment" are as follows:

(1) Adjustment in segment profit of negative 6,209 million yen includes elimination of intersegment transactions of negative 157 million yen and company-wide expenses of negative 6,052 million yen is not allocated to each reportable segment.

Company-wide expenses are mainly selling, general and administrative expenses that are not attributable to reportable segments.

(2) Adjustment in segment assets of 21,353 million yen include eliminations of intersegment transactions of 676 million yen and company-wide assets of 22,030 million yen that are not allocated to each reportable segment. Company-wide assets consist mainly of surplus operating funds (cash and time deposits and marketable securities) and administration department's assets that do not belong to any reportable segment.

- (3) Adjustment in segment liabilities of 4,898 million yen include elimination of intersegment transactions of 369 million yen and company-wide liabilities of 5,268 million yen that are not allocated to each reportable segment.
- (4) Adjustment of depreciation under the “Others” of 129 million yen includes depreciation of company-wide assets not allocated to each reportable segment of 129 million yen.
- (5) Adjustment of income(loss) on investments based on equity method under the “Others” of 1 million includes 1 million yen of income(loss) on investments based on equity method relating to company-wide assets not allocated to each reportable segment.
- (6) Adjustment of increase in property, plant and equipment and intangible assets under the “Others” of 143 million yen includes the 143 million yen increase in property, plant and equipment and intangible assets related to company-wide assets not allocated to each reportable segment.

Note 3. Segment profit is reconciled to ordinary profit (loss) in the consolidated statement of income.

For the fiscal year ended March 31, 2021

	Reportable segments				Other (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated statement of income (Note 3)
	Real Estate Revitalization Business	Real Estate Service Business	Operation Business	Total				
Net sales								
Net sales to external customers	48,077	3,239	3,069	54,386	5,246	59,632	-	59,632
Internal sales or transfers	321	416	-	737	48	785	(785)	-
Subtotal	48,398	3,656	3,069	55,123	5,294	60,418	(785)	59,632
Segment profit	11,261	2,345	(1,266)	12,339	1,489	13,828	(6,304)	7,524
Segment assets	96,566	817	5,127	102,511	1,605	104,117	23,368	127,485
Segment liabilities	50,544	1,625	905	53,075	1,275	54,350	3,361	57,712
Others								
Depreciation	1,054	8	157	1,219	19	1,239	87	1,326
Amortization of goodwill	-	2	59	62	48	110	-	110
Interest expenses	463	-	-	463	4	467	35	502
Income(loss) on investments based on equity method	-	-	-	-	-	-	(55)	(55)
Increase in Property, plant and equipment and intangible assets	173	122	135	431	81	513	15	528

Note 1. The “Other” segment is a business segment that is not included in the reportable segment and includes the rent guarantee business, overseas business, construction solutions business, etc.

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

- (1) Adjustment in segment profit of negative 6,304 million yen includes elimination of intersegment transactions of negative 229 million yen and company-wide expenses of negative 6,074 million yen not allocated to each reportable segment. Company-wide expenses are mainly selling, general and administrative expenses that are not attributable to reportable segments.
- (2) Adjustment in segment assets of 23,368 million yen include eliminations of intersegment transactions of 208 million yen and company-wide assets of 23,577 million yen that are not allocated to each reportable segment. Company-wide assets consist mainly of surplus operating funds (cash and time deposits and marketable securities) and administration department's assets that do not belong to any reportable segment.
- (3) Adjustment in segment liabilities of 3,361 million yen include elimination of intersegment transactions of 34 million yen and company-wide liabilities of 3,396 million yen that are not allocated to each reportable segment.
- (4) Adjustment of depreciation under the “Others” of 87 million yen includes depreciation of company-wide assets not allocated to each reportable segment of 87 million yen.
- (5) Adjustment of income(loss) on investments based on equity method in the “Others” of negative 55 million yen includes income(loss) on investments based on equity method of negative 55 million yen related to company-wide assets not allocated to each reportable segment.
- (6) Adjustment of increase in property, plant and equipment and intangible assets under the “Others” of 15 million yen includes the 15 million yen increase in property, plant and equipment and intangible assets related to company-wide assets not allocated to each reportable segment.

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

(Per Share Information)

	For the year ended March 31,2020	For the year ended March 31,2021
Net assets per share (yen)	1,326.93	1,368.14
Earnings per share (yen)	219.03	87.77
Fully diluted earnings per share (yen)	218.97	87.73

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

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

	For the year ended March 31,2020	For the year ended March 31,2021
Earnings per share		
Profit attributable to owners of parent	¥10,666	¥4,274
Amount not attributable to common shareholders	-	-
Profit attributable to owners of parent related to common shares	¥10,666	¥4,274
Average number of shares	48,698,856	48,698,856
Fully diluted earnings per share		
Adjustment of profit attributable to owners of parent	-	-
Common shares increase (including Share acquisition rights)	12,630	20,021
Outline of dilutive shares not included in the calculation of fully diluted earnings per share because they have no dilutive effect		-

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

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

	For the year ended March 31,2020	For the year ended March 31,2021
Total net assets	¥64,809	¥69,773
Amount of deduction from total net assets	¥188	¥3,145
Share acquisition rights	¥11	¥16
Non-controlling interests	¥177	¥3,129
Net assets at year end available to common shares	¥64,620	¥66,627
Number of common shares used for the calculation of net assets per share	48,698,856	48,698,856

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

(Significant Subsequent Events)

Not applicable.