

# Consolidated Financial Results for the Fiscal Year Ended March 31, 2022

May 13, 2022 released

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 Stock listing: Tokyo Stock Exchange Prime Section  
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\*Amounts are rounded down to millions of yen.

## 1. Consolidated Performance in the Fiscal Year Ended March 31, 2022

### (1) Consolidated Operating Results

(Percentage figures indicate year-on-year changes.)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2022	71,251	19.5	12,217	53.3	12,215	62.3	7,415	73.5
FY2021	59,632	△18.6	7,912	△52.3	7,524	△53.3	4,274	△59.9

(Note) Comprehensive income FY2022: 7,738 millions of yen (93.1%)

FY2021: 4,006 millions of yen (△62.3%)

	Earnings per Share	Fully Diluted Earnings per Share	ROE	ROA	Operating Income Margin
	yen	yen	%	%	%
FY2022	152.26	152.12	10.8	9.3	17.0
FY2021	87.77	87.73	6.5	5.8	13.3

Reference) Income on investments based on equity method FY2022: △23 millions of yen

FY2021: △55 millions of yen

### (2) Consolidated Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	yen
FY2022	136,512	74,452	52.2	1,463.74
FY2021	127,485	69,773	52.3	1,368.14

(Reference) Total Equity FY2022: 71,282 millions of yen FY2021: 66,627 millions of yen

### (3) Cash Flows

	Cash Flows from Operating Activities	Cash Flows from Investing Activities	Cash Flows from Financing Activities	Cash and Cash Equivalents at Year-End
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
FY2022	17,443	△9,386	449	29,951
FY2021	4,733	451	△1,150	21,319

## 2. Cash Dividends

	Cash Dividends per Share					Total Dividends	Payout ratio (Consolidated)	Net asset dividend rate (Consolidated)
	1 <sup>st</sup> quarter end	2 <sup>nd</sup> quarter end	3 <sup>rd</sup> quarter end	Year end	Annual Total			
	yen	yen	yen	yen	yen	Millions of yen	%	%
FY2021	-	0.00	-	42.00	42.00	2,047	47.9	3.1
FY2022	-	21.00	-	23.00	44.00	2,145	28.9	3.1
FY2023(Forecast)	-	23.00	-	23.00	46.00		27.0	

### 3. Forecast for Consolidated Financial Results for FY2023 (April 1, 2022 to March 31, 2023)

(Percentage figures indicate year-on-year changes.)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent		Earnings per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	yen
FY2023	84,000	17.9	13,300	9.7	12,800	4.8	8,300	11.9	170.44

#### ※ Notes

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

New companies: -

Excluded companies: -

(2) Changes in accounting policies, estimates and restatement

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

(3) Number of outstanding shares (common stock)

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

As of March 31, 2022: 48,755,500 shares

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

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

As of March 31, 2022: 56,644 shares

As of March 31, 2021: 56,644 shares

3) Average number of shares for the period:

As of March 31, 2022: 48,698,856 shares

As of March 31, 2021: 48,698,856 shares

#### Reference: Overview of Non-consolidated Performance

1. Non-consolidated Performance in FY ended March 31, 2022 (from April 1, 2021 to March 31, 2022)

(1) Operating Results

(Percentage figures indicate year-on-year changes.)

	Net Sales		Operating Profit		Ordinary Profit		Profit Attributable to Owners of Parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
FY2022	59,563	41.8	14,300	78.4	14,356	79.6	9,284	74.7
FY2021	42,002	△34.9	8,017	△54.9	7,994	△52.5	5,314	△52.2

	Earnings per Share	Fully Diluted Earnings per Share
	yen	yen
FY2022	190.65	190.47
FY2021	109.12	109.07

(2) Financial Position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	yen
FY2022	124,800	74,432	59.6	1,527.80
FY2021	114,729	68,204	59.4	1,400.21

(Reference) Total Equity FY2022: 74,402 millions of yen FY2021: 68,188 millions of yen

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

\*Explanation for appropriate use of forecast and other special matters

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

## Accompanying Materials

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## 1. Financial Highlights for the Fiscal Year Ended March 31, 2022

### (1) Business Performance

Although the Japanese economy showed signs of recovery after the state of emergency was lifted at the end of September 2021, the number of people infected with COVID-19 expanded toward the end of the current consolidated fiscal year due to the impact of the COVID-19 variant. As a result, the business environment surrounding corporate earnings continued to be severe, particularly in the accommodation and tourism industries. In the global economy, while the impact of this new variant continues, the rise in raw material prices due to the invasion of Ukraine by Russia and other factors has spurred a rise in consumer prices. Consequently, there has been increasing speculation in various countries that monetary easing will be scaled down and monetary tightening will be implemented. It is necessary to pay attention to fluctuations in financial and capital markets going forward.

Even though the deterioration in the average vacancy rate in the Tokyo business district (5 Wards of the Central Tokyo: Chiyoda, Chuo, Minato, Shinjuku, and Shibuya), where the Company operates Office Building Business, seems to have bottomed out in December 2021, it has been fluctuating since January (according to a survey by a private research institution). In addition, the average rent was 20,366 yen (unit price per tsubo), falling for the 20th consecutive month (total 2,648 yen / approximately 11.5%). The overall office market remained weak. In the real estate investment market, although institutional investors' demand remains strong, the outlook remains unpredictable due to the global monetary tightening phase.

Under these business environment the Company is steadily expanding its business based on the medium-term management plan announced in May 2021. During the consolidated fiscal year under review, even in the pandemic of COVID-19, the Company's core business, Real Estate Revitalization Business, is resulting in steady sales of real estate due to the progression of commercialization with high-margin and high-quality. Moreover, business performance expanded steadily in the Real Estate Service Business. On the other hand, in Hotel Operation Business, losses were recorded in the current consolidated fiscal year due to the impact of the declaration of a state of emergency and start-up expenses.

As a result, net sales amounted to 71,251 million yen (up 19.5% YoY), operating profit amounted to 12,127 million yen (up 53.3% YoY), ordinary profit amounted to 12,215 million yen (up 62.3% YoY), and profit attributable to owners of parent amounted to 7,415 million yen (up 73.5% YoY).

Due to partial change in the reportable segment from the beginning of the first quarter ended June 30, 2021, actual results for the consolidated fiscal year under review and the same period of the previous fiscal year have been reclassified into the new segment classification. The background and outline of the segment change are as follows. In November 2020, in order to utilize the know-how in Hotel Operation Business for the "Hotel Development Business" and enhance profitability in an integrated manner, the Company changed the organizational structure by transferring Hotel Development Business from Sun Frontier Fudousan Co., Ltd. into Sun Frontier Hotel Management Inc. Accordingly, the business segment will reflect this change and is renamed the reportable segment "Hotel and Tourism Business." Also, in order to strengthen further the coordination of each business segment in the real estate services field, the Company consolidated related business segments such as Conference Room Rental Business and Rent Guarantee Business into "Real Estate Service Business".

The results of each segment are as follows.

#### (Real Estate Revitalization Business)

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

(1) In the Replanning Business, all processes from purchase of buildings to planning and development, tenant placement, sales, and subsequent support are offered in-house. During the fiscal year under review, sales are making

steady progress against the backdrop of strong investment appetite among investors. On the other hand, the Company carefully selects and purchases properties while closely monitoring the impact of macroeconomic fluctuations on real estate market conditions and interest rate trends. In commercialization, we aim to create an office that can be chosen even in the new normal due to the fitness to a hybrid working style while keeping a close eye on changes in the city, office and work style. In addition, through coordinating with the leasing brokerage division, which has expanded its branch network in central Tokyo and conducts community-based sales activities, we promoted the attraction of tenants even during the COVID-19 pandemic and made our real estate products high-occupancy with high-added value which then we could sell as products that meet the expectations of a wide range of clients in Japan and overseas. As a result, the number of units sold in Replanning Business increased steadily to 21, and both net sales and profit increased significantly compared with the previous fiscal year.

(2) In Rental Building Business, with the aim of building a stable revenue base, we are working to increase rent income in the medium to long term by utilizing the operational capabilities cultivated in the Real Estate Service division while maintaining the number of properties in commercialization in Replanning Business. However, compared with the previous fiscal year, both net sales and income decreased due to the sale of mid-to-long term large buildings with high utilization rates.

As a result, net sales amounted to 55,958 million yen (up 54.2% YoY) and segment profit amounted to 16,262 million yen (up 78.5% YoY) for the total of Real Estate Revitalization Business.

(Real Estate Service Business)

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

By bringing together the expertise that each of these business divisions has cultivated in the field, they coordinate and work with each other on the small and medium-sized office buildings areas of central Tokyo. By also multiplying in a chain reaction, the expertise cultivated through creating on site, they create added value and work as the basis for creating high profitability in the Replanning Business.

(1) In Property Management Business, the Company has achieved high-occupancy and high-profitability building management by working with the leasing brokerage division to attract tenants and revise the conditions for appropriate rent. At the same time, we are working with the building maintenance division and the construction division to quickly support the recovery of building facilities in the event of earthquakes, typhoons, and other disasters, thereby providing safe and secure building management for owners and tenants. Although the number of buildings under management was maintained, revenue was sluggish due to a decline in occupancy rate. As a result, both net sales and profits declined slightly from the previous fiscal year.

	End of March 2020	End of March 2021	End of March 2022
Number of Managing Buildings	392 buildings	397 buildings	421 buildings
Occupancy Rate	98.6%	94.4%	91.5%

(2) In the Building Maintenance Business, we are promoting business based on our strengths in cleaning high places using swings for exterior windows and exterior walls, waterproofing work, and exterior wall repair work. In the previous fiscal year, we acquired 100% of shares in Japan System Service Inc., another company in the same industry, in an effort to strengthen the foundation of its cleaning business in central Tokyo. In the fiscal year under review, both net sales and profits increased significantly compared with the previous fiscal year, as a result of a rebound from a decrease in orders from clients due to the impact of COVID-19, as well as an increase in entrusted properties and the addition of sales and profits from Japan System Service Inc.

(3) In the Sales Brokerage Business, as part of its real estate consulting, we are responding swiftly to inquiries from other divisions, including Property Management Business and Leasing Brokerage Businesses. The office building business division works together to support building owner's building management, and based on the trust we have built, we are able to close brokerage deals. As a result of the above, both net sales and profit for the fiscal year under review increased compared with the previous fiscal year.

(4) In the Leasing Brokerage Business, we provide a service network based in 11 sites, mainly in central Tokyo, and serve as a convenient consultation window that is close to local building owners. We are also creating the clients' point of view's new values for Replanning Business in the product planning by reflecting the needs and changes of tenants that we have obtained quickly in the field of tenant leasing. Both net sales and profit increased in the fiscal year under review due to a rebound from the previous fiscal year when tenant relocation stagnated due to the impact of COVID-19.

(5) In the Conference Room Rental Business, although the need for meeting rooms remains limited due to the impact of COVID-19, we have provided services that capture the changing times and have responded flexibly to clients' needs through close contact with local communities and implemented flexible proposal-based marketing. Consequently, we were able to capture demand from new clients. As a result, although both net sales and profit increased compared with the previous fiscal year, profit significantly decreased due to the impact of new construction and closing of sites.

(6) In Rent Guarantee Business, we provide services that are close to building owners, such as not only providing rent guarantees when tenants fall behind in their rent payments, but also providing support for tenants to vacate their property, thereby easing the burden on building management. During the pandemic of COVID-19, the number of new guarantee and re-guarantee transactions remained steady as a result of an increase in building owners' consultations due to an increase in vacancies and concerns about credit from tenants. As a result, although net sales decreased slightly from the previous fiscal year, profit increased.

As a result, net sales for the total of Real Estate Service Business amounted to 7,154 million yen (up 15.7% YoY) and segment profit amounted to 3,803 million yen (up 9.0% YoY).

#### (Hotel and Tourism Business)

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

(1) In the Hotel Development Business, we sold out all rooms of the condominium hotel HIYORI OCEAN RESORT OKINAWA, and completed the delivery of 43 rooms during the fiscal year under review (total 203 rooms of which 1 were non-pre-sale). In the fiscal year under review, both net sales and profit decreased significantly due to a reaction to the addition of sales and profit from deliveries of 159 rooms in the previous fiscal year.

(2) The Hotel Operation Business operates a total of 20 hotels (2,859 rooms). During the fiscal year under review, the Company recorded a loss despite an increase in net sales due to a significant decline in occupancy rate and unit prices, mainly for hotels in urban areas caused by voluntary restraint on tourism under the declaration of a state of emergency, and the recording of start-up expenses for newly-opened hotels.

As a result, net sales for total of Hotel and Tourism Business amounted to 6,911 million yen (down 48.5% YoY) and segment loss amounted to 1,950 million yen compared with the previous fiscal year (segment profit was 710 million yen).

## (Other Business)

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

(1) In Overseas Development 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. In the fiscal year under review, the Company recorded a loss due to a significant decrease in net sales due to a reaction to the addition of sales of high-rise condominium project in Da Nang, Viet Nam in the previous fiscal year.

(2) In the Construction Business, renewal planning, repair and reform of commercial buildings, interior finishing work, and telecommunications work were carried out. In the fiscal year under review, as a result of the addition of Communication Development Inc., which the Company acquired 100% of the shares in the previous fiscal year, profits increased significantly despite a decrease in net sales.

As a result, net sales for the total of Other Business amounted to 1,695 million yen (down 59.8% YoY) and segment profit amounted to 101 million yen (down 81.9% YoY).

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020 hereinafter referred to as the “Revenue Recognition Accounting Standard”), etc. has been applied from the beginning of the three months ended June 30, 2021.

Moreover, as a result of the application of Revenue Recognition Accounting Standard, net sales in the Construction Business of the “Other Business” segment increased by 17 million yen in the current consolidated fiscal year.

## (2) Consolidated Financial Position

Total assets at the end of the current consolidated fiscal year amounted to 136,512 million yen (up 7.1% YoY), liability amounted to 62,060 million yen (up 7.5% YoY), and net assets amounted to 74,452 million yen (up 6.7% YoY.)

The increase in total assets was mainly due to increase of 8,544 million yen in cash and time deposits, 621 million yen in real estate for sale, 5,886 million yen in property plant and equipment buildings (net amount), 3,225 million yen in land and 729 million yen in guarantee deposits, despite a decrease of 9,348 million yen in real estate for sale in process.

The main factors for the increase in liabilities were due to an increase of 1,344 million yen in current portion of long-term borrowings, an increase of 2,627 million yen in income taxes payable and an increase of 2,178 million yen in long-term borrowings, despite a decrease of 425 million yen in unpaid consumption tax included in current liabilities and others and a decrease of 685 million yen in long-term guarantee deposits included in non-current liabilities and others.

The increase in net assets was mainly due to the recording of 7,415 million yen in profit attributable to owners of parent, despite the payment of 2,047 million in year-end dividends and 1,023 million yen in interim dividends. Equity ratio decreased 0.1 percentage points to 52.2%.

### (3) Consolidated Cash Flows

Cash and cash equivalents (hereinafter called, “funds”) at the end of the current fiscal year increased by 8,632 million yen from the beginning of the fiscal year to 29,951 million yen as a result of an increase of 17,443 million yen of funds provided by operating activities, a decrease of 9,386 million yen of funds provided by investing activities, and an increase of 449 million yen of funds 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 17,443 million yen compared with a net cash provided by operating activities was 4,733 million yen in the previous fiscal year. This was mainly due to profit before income taxes of 12,135 million yen, income from a decrease in inventories of 7,874 million yen and depreciation of 1,632 million yen, despite corporate income taxes payments of 2,460 million yen and expenditures of 776 million yen due to a decrease in trade payables.

#### (Cash flows from investing activities)

Net cash outflow provided by investing activities was 9,386 million yen compared with net cash provided by investing activities was 451 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. This was mainly due to cash outflow of 8,484 million yen in purchase of property, plant and equipment, 822 million yen in payments of guarantee deposits and 183 million yen in payments into time deposits, despite the provision of 271 million yen in proceeds from withdrawal of time deposits.

#### (Cash flows from financing activities)

Net cash provided by financing activities was 449 million yen compared with net cash used of 1,150 million yen in the previous fiscal year. This was mainly due to the fact that there were 20,661 million yen in proceeds from issuance of bonds and 3,070 million yen in dividends paid by the parent company, but there were 24,183, million yen in proceeds from long-term borrowings.

#### (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, 2018	FY Ended March 31, 2019	FY Ended March 31, 2020	FY Ended March 31, 2021	FY Ended March 31, 2022
Equity ratio	53.2	50.3	49.6	52.3	52.2
Equity ratio at market value	62.2	52.0	30.7	36.9	37.5
Interest-bearing debt to cash flow ratio	-	-	-	10.0	2.9
Interest coverage ratio	-	-	-	9.4	39.1

Equity Ratio: Equity/Total assets

Equity Ratio at Market Value: Market Capitalization/Total assets

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

(4) Outlook for the Fiscal Year Ending March 31, 2023

In response to the spread of COVID-19, countries are searching for policies to coexist with COVID-19. In Japan, despite the lifting of the state of emergency, the number of people infected with COVID-19 continues to fluctuate, and the environment remains unpredictable for the settlement of COVID-19. In addition, the rise in raw material prices due to the invasion of Ukraine by Russia and other factors have spurred price increases, and monetary easing has been curtailed and monetary tightening has been strengthened in various countries. Therefore, it is necessary to continue to pay attention to fluctuations in the financial markets.

Against this backdrop, in the office building market in central Tokyo, while the average vacancy rate seems to have stopped declining, the average rent has continued to decline. Moreover, the improvement in vacancy rate was largely due to the effects of tenant attraction campaigns such as the revision of lease application conditions and free rent (rent exemption period) and the office market as a whole remains weak. In addition, although the low interest rate environment has continued, it is necessary to pay more attention to developments and the impact of financial markets.

As a result, the Company forecasts consolidated financial results for the fiscal year ending March 31, 2023 to be 84,000 million yen in net sales (up 17.9% YoY), 13,300 million yen in operating profit (up 9.7% YoY), 12,800 million yen in ordinary profit (up 4.8% YoY) and 8,300 million yen in profit attributable to owners of parent (up 11.9% year on year).

The impact of the spread of COVID-19 since the beginning of 2020 has significantly changed the business environment in which the Company operates. Against the backdrop of these changes in the business environment and the shift to a new state (new normal), the Company reviewed the medium-term management plan in May 2021 in order to re-establish a sustainable growth path. The quantitative target (net sales 100 billion yen, ordinary profit 20 billion yen, profit attributable to owners of parent 14 billion yen) set forth in this plan has not changed, and the final year has been extended for two years to the year ending March 2025. Basic policy is set to provide “places where people gather and communicate with each other, and create social development and happiness for people.” We will redefine the value of the place where people gather amid the great changes in values with the pandemic of COVID-19, and solve new social issues through offices and hotels.

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. Quarterly consolidated financial statements and key notes

#### (1) Consolidated balance sheet

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
<b>Assets</b>		
Current assets		
Cash and time deposits	21,508	30,053
Notes, accounts receivable, and contract assets	1,532	945
Real estate for sale	13,601	14,222
Real estate for sale in process	72,282	62,934
Costs of uncompleted construction contracts	157	100
Supplies	46	83
Other	1,693	2,603
Allowance for doubtful accounts	(36)	(21)
Total current assets	110,785	110,920
Non-current assets		
Property, plant and equipment		
Buildings	2,851	11,489
Accumulated depreciation	(855)	(3,609)
Accumulated impairment	(6)	(3)
Buildings (net amount)	1,989	7,876
Land	6,821	10,046
Other	2,016	1,800
Accumulated depreciation	(291)	(921)
Accumulated impairment	(7)	(6)
Other (net amount)	1,717	872
Total property, plant and equipment	10,528	18,796
Intangible assets		
Goodwill	552	408
Other	149	164
Total intangible assets	701	572
Investments and other assets		
Guarantee deposits	3,997	4,726
Deferred tax assets	973	1,036
Other	500	460
Allowance for doubtful accounts	(1)	(0)
Total investments and other assets	5,470	6,222
Total non-current assets	16,700	25,591
Total assets	127,485	136,512

(Unit: million yen)

	As of March 31, 2021	As of March 31, 2022
<b>Liabilities</b>		
Current liabilities		
Accounts payable - trade	1,634	1,345
Short-term borrowings	-	30
Current portion of long-term borrowings	5,530	6,874
Income taxes payable	901	3,528
Provision for bonuses	197	191
Provision for bonuses for directors (and other officers)	52	73
Provision for fulfillment of guarantees	53	39
Other	4,988	4,126
Total current liabilities	13,358	16,210
Non-current liabilities		
Long-term borrowings	41,991	44,169
Retirement benefit liability	11	6
Provision for share-based remuneration	56	68
Other	2,295	1,605
Total non-current liabilities	44,354	45,849
Total liabilities	57,712	62,060
<b>Net Assets</b>		
Shareholders' equity		
Share capital	11,965	11,965
Capital surplus	6,445	6,445
Retained Earnings	48,573	52,917
Treasury shares	(67)	(67)
Total shareholders' equity	66,916	71,260
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2	3
Foreign currency translation adjustment	(292)	19
Total accumulated other comprehensive income	(289)	22
Share acquisition rights	16	30
Non-controlling interests	3,129	3,139
Total net assets	69,773	74,452
<b>Total liabilities and net assets</b>	<b>127,485</b>	<b>136,512</b>

## (2) Consolidated statements of income and comprehensive income

## Consolidated statement of income

(Unit: million yen)

	For the year ended March 31,2021	For the year ended March 31,2022
Net sales	59,632	71,251
Cost of sales	44,549	51,907
Gross profit	15,083	19,344
Selling, general and administrative expenses	7,170	7,216
Operating profit	7,912	12,127
Non-operating income		
Interest income	43	35
Dividend income	0	0
Penalty income	-	200
Foreign exchange gains	33	86
Subsidy income	154	215
Other	38	77
Total non-operating income	270	614
Non-operating Expenses		
Interest expenses	502	446
Loss on investments based on equity method	55	23
Others	99	56
Total non-operating expenses	658	526
Ordinary profit	7,524	12,215
Extraordinary income		
Gain on bargain purchase	-	115
Settlement money	-	144
Other	1	0
Total extraordinary income	1	260
Extraordinary loss		
Loss on sales of non-current assets	0	0
Loss on retirement of non-current assets	5	20
Impairment loss	51	65
Settlement money	-	254
Other	6	-
Total extraordinary losses	63	340
Profit before income taxes	7,462	12,135
Income taxes - current	3,295	4,812
Income taxes - deferred	(70)	(85)
Total income taxes	3,224	4,726
Profit	4,238	7,408
Loss attributable to non-controlling interests	(36)	(6)
Profit attributable to owners of parent	4,274	7,415

Consolidated Statement of Comprehensive Income

(Unit: million yen)

	For the year ended March 31,2021	For the year ended March 31,2022
Profit	4,238	7,408
Other comprehensive income		
Valuation difference on available-for-sale securities	(0)	0
Foreign currency translation adjustment	(230)	329
Total other comprehensive income	(231)	330
Comprehensive income	4,006	7,738
Comprehensive income attributable to		
Owners of parent	4,054	7,727
Non-controlling interests	(47)	11

### (3) Consolidated statement of changes in equity

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

For the fiscal year ended March 31, 2022

(Unit: million yen)

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

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

## (4) Consolidated statement of cash flows

(Unit: million yen)

	For the year ended March 31,2021	For the year ended March 31,2022
<b>Cash flows from operating activities</b>		
Profit before income taxes	7,462	12,135
Depreciation	1,346	1,632
Impairment loss	51	65
Amortization of goodwill	110	78
Increase (decrease) in allowance for doubtful accounts	18	(14)
Increase (decrease) in provision for bonuses	(19)	(8)
Increase (decrease) in provision for bonuses for directors (and other officers)	(27)	21
Increase (decrease) in provision for fulfillment of guarantees	2	(13)
Increase (decrease) in provision for share-based remuneration	16	11
Interest and dividend income	(44)	(35)
Subsidy income	(154)	(215)
Interest expenses	502	446
Settlement money	-	(144)
Loss (gain) on investments based on equity method	55	23
Loss on retirement of non-current assets	5	20
Gain on bargain purchase	-	(115)
Settlement money	-	254
Decrease (increase) in trade receivables	(2,688)	496
Increase/decrease (increase) in inventories	4,377	7,874
Increase (decrease) in trade payables	(1,509)	(776)
Other	1,486	(1,381)
Subtotal	10,993	20,354
Interest and dividends received	48	35
Interest paid	(497)	(447)
Income taxes (paid) refund	(5,964)	(2,460)
Proceeds from subsidy income	154	215
Settlement money paid	-	(254)
Net cash provided by (used in) operating activities	4,733	17,443
<b>Cash flows from investing activities</b>		
Payments into time deposits	(530)	(183)
Proceeds from withdrawal of time deposits	1,574	271
Purchase of property, plant and equipment	(319)	(8,484)
Proceeds from sales of property, plant and equipment	3	5
Purchase of intangible assets	(25)	(48)
Payments of guarantee deposits	(221)	(822)
Other	(30)	(123)
Net cash provided by (used in) investing activities	451	(9,386)
<b>Cash flows from financing activities</b>		
Net increase (decrease) in short-term borrowings	(564)	30
Proceeds from long-term borrowings	19,990	24,183
Repayments of long-term borrowings	(21,461)	(20,661)
Dividends paid	(2,046)	(3,070)
Proceeds from share issuance to non-controlling shareholders	3,000	6
Other	(67)	(39)
Net cash provided by (used in) financing activities	(1,150)	449
Effect of exchange rate change on cash and cash equivalents	(110)	125

	For the year ended March 31,2021	For the year ended March 31,2022
Increase in cash and cash equivalents	3,924	8,632
Cash and cash equivalents at beginning of period	17,394	21,319
Cash and cash equivalents at end of period	21,319	29,951

(5) Notes to consolidated financial statements

(Notes to assumption of going concerns)

Not applicable.

(Change of accounting policies)

1. Application of accounting standards for revenue recognition

“Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) was applied at the beginning of the three months ended June 30, 2021 and so revenue is recognized in the amount expected to be received in exchange for the promised goods or services at the time when control of the goods or services is transferred to the customer.

Consequently, if the event that control over goods or services related to renewal planning, repair and renovation work for commercial buildings, telecommunications work, contracted interior construction work for large, medium, and small facilities, etc., is transferred to customers over a certain period of time, revenue will be recorded over a certain period of time as performance obligations to transfer goods or services to customers are fulfilled.

The application of the said accounting standard is in accordance with the transitional treatment provided in the proviso to Paragraph 84 of the Revenue Recognition Accounting Standard, but there is no impact on the balance at beginning of the period of retained earnings. As a result of the application of the said accounting standard, net sales in current consolidated fiscal year increased by 17 million yen and operating profit, ordinary profit and profit before income taxes each increased by 3 million yen. Moreover, “notes and accounts receivable – trade” that was included in “current assets” in the Consolidated Balance Sheet of the previous fiscal year, has been included in “Notes, Account receivable and contract assets” from the current consolidated fiscal year.

2. Application of accounting standards for fair value measurement

“Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019. Hereinafter referred to as “Fair Value Measurement Accounting Standard”) was applied at the beginning of the first quarter ended June 30, 2021 and so in accordance with the transitional treatment set forth in Paragraph 19 of the Fair Value Measurement Accounting Standard, and Paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the new accounting policies set forth in the said accounting standard will be applied in the future.

Moreover, there is no impact on the Consolidated Financial Statements.

(Segment information, etc.)

[Segment Information]

### 1. Overview of Reportable Segments

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

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

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

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

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

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

### 3. Information on net sales and profit for each reportable segment

For the year ended March 31, 2021

	Reportable segments				Other (Note 1)	Total	Adjustment (Note 2)	Amount on consolidated financial statement (Note 3)
	Real Estate Revitalization Business	Real Estate Service Business	Hotel and Tourism Business	Total				
Net sales								
Net sales to external customers	36,261	5,730	13,419	55,411	4,221	59,632	-	59,632
Internal sales or transfers	23	452	-	475	(0)	475	(475)	-
Subtotal	36,284	6,182	13,419	55,886	4,221	60,107	(475)	59,632
Segment profit (loss)	9,111	3,490	710	13,312	562	13,874	(6,349)	7,524
Segment assets	73,628	1,784	26,893	102,306	1,563	103,870	23,615	127,485
Segment liabilities	38,437	2,588	10,701	51,727	282	52,010	5,702	57,712
Others								
Depreciation	1,054	36	151	1,242	16	1,259	87	1,346
Amortization of goodwill	-	2	59	62	48	110	-	110
Interest expenses	349	0	90	439	-	439	63	502
Income(loss) on investments based on equity method	-	-	-	-	-	-	(55)	(55)
Increase in Property, plant and equipment and intangible assets	74	167	173	415	81	496	31	528

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

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

(1) Adjustment in segment profit of negative 6,349 million yen includes elimination of intersegment transactions of negative 0

million yen and company-wide expenses of negative 6,349 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 23,615 million yen include eliminations of intersegment transactions of negative 17,297 million yen and company-wide assets of 40,913 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 5,702 million yen include elimination of intersegment transactions of negative 90 million yen and company-wide liabilities of 5,792 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 31 million yen includes the 31 million yen increase in property, plant and equipment and intangible assets related to company-wide assets not allocated to each reportable segment.

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

For the year ended March 31, 2022

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

"Other" segment is a business segment that is not included in the reportable segment and includes Overseas Development Business and Construction Business.

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

- (1) Adjustment in segment profit of negative 6,001 million yen includes elimination of intersegment transactions of negative 2 million yen and company-wide expenses of negative 5,999 million yen not allocated to each reportable segment. Company-wide expenses are mainly selling, general and administrative expenses that are not attributable to reportable segments.
- (2) Adjustment in segment assets of 32,919 million yen include eliminations of intersegment transactions of negative 19,189 million yen and company-wide assets of 52,109 million yen that are not allocated to each reportable segment. Company-wide assets consist mainly of surplus operating funds (cash and time deposits and marketable securities) and administration department's assets that do not belong to any reportable segment.
- (3) Adjustment in segment liabilities of 7,640 million yen include elimination of intersegment transactions of negative 97 million yen and company-wide liabilities of 7,737 million yen that are not allocated to each reportable segment.
- (4) Adjustment of depreciation under the "Others" of 93 million yen includes depreciation of company-wide assets not allocated to each reportable segment of 93 million yen.
- (5) Adjustment of income(loss) on investments based on equity method in the "Others" of negative 23 million yen includes

income(loss) on investments based on equity method of negative 23 million yen related to company-wide assets not allocated to each reportable segment.

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

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

(Per share information)

	For the year ended March 31,2021	For the year ended March 31,2022
Net assets per share (yen)	1,368.14	1,463.74
Earnings per share (yen)	87.77	152.26
Fully diluted earnings per share (yen)	87.73	152.12

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 31,2021	For the year ended March 31,2022
Earnings per share		
Profit attributable to owners of parent	¥4,274	¥7,415
Amount not attributable to common shareholders	-	-
Profit attributable to owners of parent related to common shares	¥4,274	¥7,415
Average number of common shares	48,698,856	48,698,856
Fully diluted earnings per share		
Adjustment of profit attributable to owners of parent	-	-
Common shares increase	20,021	45,267
(including Share acquisition rights)	¥16	¥30
Outline of dilutive shares not included in the calculation of fully diluted earnings per share because they have no dilutive effect		-

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

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

	For the year ended March 31,2021	For the year ended March 31,2022
Total net assets	¥69,773	¥74,452
Amount of deduction from total net assets	¥3,145	¥3,169
Share acquisition rights	¥16	¥30
Non-controlling interests	¥3,129	¥3,139
Net assets at year end available to common shares	¥66,627	¥71,282
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.