JINUSHI Co., Ltd.

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February 14, 2023

Summary of Consolidated Financial Results for the Fiscal Year Ended December 31, 2022

[Japanese GAAP]

Company name: JINUSHI Co., Ltd. Listing: TSE/NSE
Securities code: 3252 URL:https://www.jinushi-jp.com/
Representative: Tetsuya Matsuoka, Chief Executive Officer
Contact: Takahiro Tanaka, General Manager of Accounting Division Tel: +81-(0) 6-4706-7501
Scheduled date of Annual General Meeting of Shareholders: March 27, 2023
Scheduled date of filing of Annual Securities Report: March 28, 2023
Scheduled date of payment of dividend: March 28, 2023
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Dec. 31, 2022	49,887	(11.2)	6,411	17.1	5,943	18.8	3,641	16.5
Fiscal year ended Dec. 31, 2021	56,177	–	5,475	–	5,002	–	3,124	–

Note: Comprehensive income (million yen) Fiscal year ended Dec. 31, 2022: 4,042 (up 19.0%)
Fiscal year ended Dec. 31, 2021: 3,397 (–%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit on net sales
	Yen	Yen	%	%	%
Fiscal year ended Dec. 31, 2022	199.16	–	12.4	7.5	12.9
Fiscal year ended Dec. 31, 2021	170.90	–	11.9	6.4	9.7

Reference: Equity in earnings of associates (million yen) Fiscal year ended Dec. 31, 2022: (8)
Fiscal year ended Dec. 31, 2021: (83)

From the fiscal year ended December 31, 2020, JINUSHI Co., Ltd. (hereinafter, "the Company") has changed its financial closing date from March 31 to December 31 upon approval of the proposal: Partial Amendments to the Articles of Incorporation at the extraordinary meeting of shareholders held on December 24, 2020. The Company has also changed the financial closing date of its domestic subsidiaries from March 31 to December 31.

The year-on-year changes for the fiscal year ended December 31, 2021 are not presented because the fiscal year ended December 31, 2021 (January 1 to December 31, 2021) cannot be compared with the fiscal year ended December 31, 2020 (April 1 to December 31, 2020).

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2022	72,153	30,960	42.8	1,690.17
As of Dec. 31, 2021	86,337	27,781	32.2	1,519.30

Reference: Shareholders' equity (million yen) As of Dec. 31, 2022: 30,905 As of Dec. 31, 2021: 27,781

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Dec. 31, 2022	19,993	(156)	(13,975)	23,140
Fiscal year ended Dec. 31, 2021	11,373	(17,513)	2,363	17,178

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Dec. 31, 2021	–	0.00	–	50.00	50.00	914	29.3	3.5
Fiscal year ended Dec. 31, 2022	–	0.00	–	55.00	55.00	1,005	27.6	3.4
Fiscal year ending Dec. 31, 2023 (forecasts)	–	0.00	–	55.00	55.00		23.9	

3. Consolidated Forecast for the Fiscal Year Ending December 31, 2023 (January 1, 2023 – December 31, 2023)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Full year	42,000	(15.8)	6,300	(1.7)	5,500	(7.5)	4,200	15.3	229.69

*** Notes**

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

Newly added: – Excluded: –

(2) Changes in accounting policies and accounting estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: Yes
2) Changes in accounting policies other than 1) above: None
3) Changes in accounting estimates: None
4) Restatements: None

Note: For more details, please refer to "3. Consolidated Financial Statements and Notes, (5) Notes to Consolidated Financial Statements, Changes in Accounting Policies."

(3) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of the period (including treasury shares)
As of Dec. 31, 2022: 18,285,800 shares As of Dec. 31, 2021: 18,285,800 shares
2) Number of treasury shares at the end of the period
As of Dec. 31, 2022: 141 shares As of Dec. 31, 2021: 141 shares
3) Average number of shares outstanding during the period
Fiscal year ended Dec. 31, 2022: 18,285,659 shares Fiscal year ended Dec. 31, 2021: 18,285,659 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended December 31, 2022 (January 1, 2022 – December 31, 2022)

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Dec. 31, 2022	43,326	(4.7)	4,717	(1.5)	8,709	100.9	3,707	30.8
Fiscal year ended Dec. 31, 2021	45,446	–	4,790	–	4,335	–	2,835	–

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Dec. 31, 2022	202.77	–
Fiscal year ended Dec. 31, 2021	155.04	–

Note: From the fiscal year ended December 31, 2020, the Company has changed its financial closing date from March 31 to December 31. The year-on-year changes for the fiscal year ended December 31, 2021 are not presented because the fiscal year ended December 31, 2021 (January 1 to December 31, 2021) cannot be compared with the fiscal year ended December 31, 2020 (April 1 to December 31, 2020).

(2) Non–consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 31, 2022	64,976	25,360	39.0	1,386.92
As of Dec. 31, 2021	78,121	22,550	28.9	1,233.25

Reference: Shareholders' equity (million yen) As of Dec. 31, 2022: 25,360 As of Dec. 31, 2021: 22,550

The current financial report is not subject to the audit by an auditing firm.

* Cautionary statement with respect to forward-looking statements, and other special items

1. Earnings forecasts regarding future performance in this material are based on assumptions judged to be valid and information currently available to the Company. Actual results may differ significantly from these forecasts for a number of factors. Please refer to "1. Overview of Results of Operations, (4) Outlook" on page 4 of the attachments for assumptions for forecasts and notes of caution for usage

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1. Overview of Results of Operations

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

In the fiscal year ended December 31, 2022 (January 1,2022 – December 31, 2022) (hereinafter, "the period under review"), the Japanese economy saw a gradual pickup amid the ongoing normalization of social and economic activities from the COVID-19 pandemic. On the other hand, the environment surrounding the Japanese economy grew increasingly severe, with concerns of a global economic recess The Company ion due to the soaring energy prices worldwide and monetary tightening in the U.S. and Europe, leaving the future of the economy uncertain.

In the overall market for real estate investment, while monetary tightening policies in the U.S. and Europe persist, domestic investors remain highly motivated to make investments against the backdrop of the sustained accommodative financial environment in Japan. Nevertheless, future trends still need to be monitored closely.

The Company has adopted the management philosophy, "Through our JINUSHI Business [note], we create safe real estate investment products and fulfill our part in protecting the assets of people throughout the world." In the period under review, we continued to promote purchases and sales of real estate for sale under the basic strategy of JINUSHI Business, which is resilient to natural disasters and market volatility and able to generate stable profits over the long term because landowners do not own the building. Although net sales decreased year-on-year, operating profit on net sales increased to 12.9% (up 3.1 percentage points year-on-year) due to the improved reputation of the JINUSHI Business and the creation and expansion of a highly liquid market for land with leasehold interest. Additionally, the Company recorded an impairment loss of 1,046 million yen for one of the fixed assets (land) owned by the Company as an extraordinary loss in the period under review in accordance with the "Accounting Standard for Impairment of Fixed Assets." Amid a solid business environment, this accounting treatment was made with comprehensive consideration of profit contribution through a decrease in income taxes resulting from the sale of subsidiary shares as well as the medium-term outlook.

As a result, the Company reported net sales for the period under review of 49,887 million yen (down 11.2% year-on-year), operating profit of 6,411 million yen (up 17.1% year-on-year), ordinary profit of 5,943 million yen (up 18.8% year-on-year), and profit attributable to owners of parent of 3,641 million yen (up 16.5% year-on-year).

Note: JINUSHI Business refers to a business model that is expected to generate stable profits over the long term by investing only in land with no additional investments for buildings because the investment in buildings is made by a tenant who enters into a long-term fixed-term land leasehold agreement for business use.

In February 2022, we formulated a five-year Medium-term Management Plan (from the fiscal year ended December 31, 2022 to the fiscal year ending December 31, 2026), including the period under review, as well as the ESG Policy to achieve the realization of a sustainable society and enhancement of our corporate value over the medium to long term.

Striving to achieve the Medium-term Management Plan, we will focus on further diversification of business types of tenants. To realize a sustainable society in line with our ESG Policy, we have started an investment business with hospice facilities as tenants during the period under review. Regarding our efforts to be carbon neutral (in our own operations), we are moving forward to achieve the plan based on our ESG roadmap in the Medium-term Management Plan, including implementation ahead of schedule.

JINUSHI Private REIT Investment Corporation (hereinafter "JINUSHI REIT") has achieved capital increase for seven consecutive years since the start of its operation, with the size of assets under management as of January 2023 amounting to approximately 180 billion yen. The Company has entered into the Sponsor Support Agreement with JINUSHI Asset Management Co., Ltd. and JINUSHI REIT, and will continue to strengthen support for JINUSHI REIT as a sponsor, focusing on the sale of real estate financial products through JINUSHI Business.

Results by business segment were as follows:

i) Real Estate Investment Business

The segment reported net sales of 48,236 million yen (down 12.5% year-on-year) with segment profit of 9,181 million yen (up 10.4% year-on-year).

ii) Subleasing, Leasing and Fund Fee Business
The segment reported net sales of 1,457 million yen (up 46.3% year-on-year) with segment profit of 1,076 million yen (up 64.0% year-on-year).

iii) Planning and Brokerage Business
The segment reported net sales of 194 million yen (up 730.8% year-on-year) with segment profit of 185 million yen (up 1,084.6% year-on-year).

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

Assets, Liabilities and Net Assets

Total assets decreased 14,184 million yen from the end of the previous fiscal year to 72,153 million yen at the end of the period under review. This decrease was attributable mainly to a decrease of 13,802 million yen in the balance of real estate held for sale as a result of sales of real estate for sale.

Total liabilities decreased 17,362 million yen from the end of the previous fiscal year to 41,193 million yen. This decrease was attributable mainly to the repayment of existing borrowings of 44,221 million yen and a decrease of 3,521 million yen in income taxes payable, which were partially offset by the borrowing of 31,163 million yen.

Net assets increased 3,178 million yen from the end of the previous fiscal year to 30,960 million yen. This increase was attributable mainly to the recording of profit attributable to owners of parent of 3,641 million yen and the distribution of dividends of surplus of 914 million yen.

Consequently, the equity ratio at the end of the period under review was 42.8%.

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

Cash and cash equivalents (hereinafter “net cash”) at the end of the fiscal year under review increased by 5,960 million yen from the end of the previous fiscal year to 23,140 million yen.

Cash flows from operating activities

Net cash provided by operating activities totaled 19,993 million yen (up 8,619 million yen year-on-year) in the fiscal year under review. This cash inflow was caused mainly by the booking of profit before income taxes of 4,612 million yen and a 13,443 million yen decrease in real estate for sale.

Cash flows from investing activities

Net cash used in investing activities totaled 156 million yen (up 17,357 million yen year-on-year) in the fiscal year under review.

Cash flows from financing activities

Net cash used in financing activities totaled 13,975 million yen (down 16,338 million yen year-on-year) in the fiscal year under review. This cash outflow was mainly attributable to the repayment of 43,291 million yen of long-term borrowings as a result of the sale of real estate for sale, which was partially offset by successful financing for purchases of real estate for sale.

(4) Outlook

Outlook for the Fiscal Year Ending December 31, 2023 (January 1, 2023 – December 31, 2023)

The JINUSHI Group (hereinafter "the Group") forecasts consolidated sales of 42,000 million yen, operating profit of 6,300 million yen, ordinary profit of 5,500 million yen, and profit attributable to owners of parent of 4,200 million yen for the fiscal year ending December 31, 2023 (January 1, 2023 – December 31, 2023).

To achieve the goals of the Medium-term Management Plan (from the fiscal year ended December 31, 2022 to the fiscal year ending December 31, 2026), the Group will continue to focus on purchasing real estate for sale, mainly in the JINUSHI Business, as well as on diversifying business types of tenants to expand the market for land with leasehold interest. As for the asset size of JINUSHI REIT, we aim to achieve a scale of at least 300 billion yen in line with the Medium-term Management Plan. Furthermore, we will continue to focus on initiatives for ESG Policy, aiming to realize a sustainable society and to enhance corporate value over the medium to long term.

Our basic dividend policy is to consistently pay a stable dividend. We will strive to increase shareholder value by considering the business environment, business performance, financial condition, and other factors, as well as to enhance retained earnings necessary to strengthen our business base in a long-term and stable manner, thereby returning profits to our shareholders. Based on this basic policy, for the period under review, we plan to pay a year-end dividend of 55 yen per share, which includes a commemorative dividend of 5 yen for the new company name. For the fiscal year ending December 31, 2023, as there will be no commemorative dividend, we plan to pay a year-end dividend of 55 yen per share, the same amount as in the period under review, which includes a 5 yen increase in ordinary dividend, from the viewpoint of maintaining stable dividends.

The planned figures for the fiscal year ending December 31, 2026 in the Medium-term Management Plan (2022–2026) announced in February 2022 are as follows.

Net sales	100 billion yen
Profit	7 billion yen
Total assets of JINUSHI REIT	About 300 billion yen
ROE	About 13%
Equity ratio	30% or more

2. Basic Approach to the Selection of Accounting Standards

The Group will continue to prepare consolidated financial statements using generally accepted accounting principles in Japan for the time being to permit comparisons with the financial data of our peer companies in Japan.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	FY12/21 (As of Dec. 31, 2021)	FY12/22 (As of Dec. 31, 2022)
Assets		
Current assets		
Cash and deposits	17,264	23,140
Trade accounts receivable	205	273
Real estate for sale	41,995	28,192
Advance payments to suppliers	169	333
Prepaid expenses	269	131
Other	97	780
Total current assets	60,002	52,850
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	364	562
Vehicles, tools, furniture and fixtures, net	54	84
Land	16,994	16,066
Leased assets, net	75	89
Total property, plant and equipment	17,488	16,803
Intangible assets		
Trademark right	3	11
Other	222	104
Total intangible assets	225	116
Investments and other assets		
Investment securities	581	319
Shares of subsidiaries and associates	6,465	24
Investments in capital of subsidiaries and associates	1	–
Investments in capital	676	973
Leasehold and guarantee deposits	623	755
Long-term prepaid expenses	98	102
Other	262	294
Allowance for doubtful accounts	(88)	(88)
Total investments and other assets	8,621	2,382
Total non-current assets	26,335	19,302
Total assets	86,337	72,153

(Millions of yen)

	FY12/21 (As of Dec. 31, 2021)	FY12/22 (As of Dec. 31, 2022)
Liabilities		
Current liabilities		
Trade accounts payable	112	103
Short-term borrowings	1,126	–
Current portion of long-term borrowings	5,903	1,843
Accounts payable-other	506	707
Accrued expenses	75	47
Lease liabilities	32	32
Income taxes payable	3,753	232
Accrued consumption taxes	53	58
Deposits received	114	126
Advances received	440	–
Unearned revenue	126	182
Current portion of guarantee deposits received	1,751	1,189
Other	2	58
Total current liabilities	13,999	4,583
Non-current liabilities		
Long-term borrowings	42,700	35,222
Long-term leasehold and guarantee deposits received	619	765
Lease liabilities	49	66
Deferred tax liabilities	1,000	398
Provision for execution of assumption of debt	110	110
Other	75	47
Total non-current liabilities	44,555	36,610
Total liabilities	58,555	41,193
Net assets		
Shareholders' equity		
Share capital	3,048	3,048
Capital surplus	4,657	4,657
Retained earnings	20,302	23,030
Treasury shares	(0)	(0)
Total shareholders' equity	28,009	30,736
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(38)	(22)
Foreign currency translation adjustment	(189)	191
Total accumulated other comprehensive income	(227)	169
Non-controlling interests	–	54
Total net assets	27,781	30,960
Total liabilities and net assets	86,337	72,153

(2) Consolidated Statements of Income and Comprehensive Income

Consolidated Statement of Income

(Millions of yen)

	FY12/21 (Jan. 1, 2021 – Dec. 31, 2021)	FY12/22 (Jan. 1, 2022 – Dec. 31, 2022)
Net sales	56,177	49,887
Cost of sales	46,913	39,030
Gross profit	9,263	10,857
Selling, general and administrative expenses	3,788	4,446
Operating profit	5,475	6,411
Non-operating income		
Interest income	0	9
Dividend income	0	8
Interest on securities	5	–
Outsourcing service income	116	95
Foreign exchange gains	138	296
Other	23	25
Total non-operating income	285	435
Non-operating expenses		
Interest expenses	457	598
Financing expenses	212	267
Share of loss of entities accounted for using equity method	83	8
Other	5	28
Total non-operating expenses	758	903
Ordinary profit	5,002	5,943
Extraordinary losses		
Loss on liquidation of subsidiaries	73	–
Impairment losses	–	1,203
Loss on sale of shares of subsidiaries and associates	–	64
Office relocation expenses	–	63
Total extraordinary losses	73	1,331
Profit before distributions of profit or loss on silent partnerships and income taxes	4,928	4,612
Distributions of profit or loss on silent partnerships	0	0
Profit before income taxes	4,927	4,612
Income taxes-current	4,006	1,423
Income taxes-deferred	(2,203)	(456)
Total income taxes	1,802	967
Profit	3,124	3,644
Profit attributable to non-controlling interests	–	3
Profit attributable to owners of parent	3,124	3,641

Consolidated Statement of Comprehensive Income

(Millions of yen)

	FY12/21 (Jan. 1, 2021 – Dec. 31, 2021)	FY12/22 (Jan. 1, 2022 – Dec. 31, 2022)
Profit	3,124	3,644
Other comprehensive income		
Valuation difference on available-for-sale securities	(5)	16
Foreign currency translation adjustment	278	380
Total other comprehensive income	272	397
Comprehensive income	3,397	4,042
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,397	4,038
Comprehensive income attributable to non-controlling interests	–	3

(3) Consolidated Statement of Changes in Equity

FY12/21 (Jan. 1, 2021 – Dec. 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,048	4,657	17,634	(0)	25,341
Changes during period					
Dividends of surplus			(457)		(457)
Profit attributable to owners of parent			3,124		3,124
Net changes in items other than shareholders' equity					
Total changes during period	–	–	2,667	–	2,667
Balance at end of period	3,048	4,657	20,302	(0)	28,009

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	(32)	(467)	(499)	24,841
Changes during period				
Dividends of surplus				(457)
Profit attributable to owners of parent				3,124
Net changes in items other than shareholders' equity	(5)	278	272	272
Total changes during period	(5)	278	272	2,940
Balance at end of period	(38)	(189)	(227)	27,781

FY12/22 (Jan. 1, 2022 – Dec. 31, 2022)

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	3,048	4,657	20,302	(0)	28,009
Changes during period					
Dividends of surplus			(914)		(914)
Profit attributable to owners of parent			3,641		3,641
Net changes in items other than shareholders' equity					
Total changes during period	–	–	2,727	–	2,727
Balance at end of period	3,048	4,657	23,030	(0)	30,736

	Accumulated other comprehensive income			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 period	(38)	(189)	(227)	–	27,781
Changes during period					
Dividends of surplus					(914)
Profit attributable to owners of parent					3,641
Net changes in items other than shareholders' equity	16	380	397	54	451
Total changes during period	16	380	397	54	3,178
Balance at end of period	(22)	191	169	54	30,960

(4) Consolidated Statement of Cash Flows

(Millions of yen)

	FY12/21 (Jan. 1, 2021 – Dec. 31, 2021)	FY12/22 (Jan. 1, 2022 – Dec. 31, 2022)
Cash flows from operating activities		
Profit before income taxes	4,927	4,612
Depreciation	92	120
Impairment losses	–	1,203
Amortization of goodwill	56	28
Loss (gain) on sale of shares of subsidiaries and associates	–	64
Share of loss (profit) of entities accounted for using equity method	378	6,669
Loss on liquidation of subsidiaries	73	–
Office relocation expenses	–	37
Interest income	(0)	(9)
Dividend income	(0)	(9)
Interest income on securities	(5)	–
Interest expenses	457	598
Foreign exchange losses (gains)	43	174
Non-deductible consumption taxes	335	301
Decrease (increase) in trade receivables	(7)	(67)
Decrease (increase) in inventories	5,364	13,443
Increase (decrease) in trade payables	(80)	11
Decrease (increase) in advance payments-trade	139	(164)
Decrease (increase) in prepaid expenses	(165)	138
Increase (decrease) in accrued expenses	(23)	(32)
Increase (decrease) in accounts payable-other	91	213
Increase (decrease) in accrued consumption taxes	50	5
Increase (decrease) in deposits received	(0)	11
Increase (decrease) in advances received	420	(440)
Increase (decrease) in unearned revenue	(26)	59
Increase (decrease) in leasehold and guarantee deposits received	(19)	(382)
Other, net	112	(595)
Subtotal	12,212	25,992
Interest and dividends received	12	59
Interest paid	(473)	(631)
Income taxes paid	(377)	(5,426)
Net cash provided by (used in) operating activities	11,373	19,993
Cash flows from investing activities		
Decrease (increase) in time deposits	(85)	85
Purchase of property, plant and equipment	(13,373)	(379)
Payments of leasehold and guarantee deposits	(129)	(138)
Purchase of investments in unconsolidated subsidiaries	(299)	–
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(3,134)	–
Payments for investments in capital	(171)	(297)
Proceeds from redemption of investment securities	–	263
Purchase of investment securities	(303)	–
Proceeds from sale of shares of subsidiaries and associates	–	371
Other, net	(16)	(61)
Net cash provided by (used in) investing activities	(17,513)	(156)

(Millions of yen)

	FY12/21 (Jan. 1, 2021 – Dec. 31, 2021)	FY12/22 (Jan. 1, 2022 – Dec. 31, 2022)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	329	(930)
Proceeds from long-term borrowings	37,599	31,163
Repayments of long-term borrowings	(35,078)	(43,291)
Repayments of lease liabilities	(27)	(32)
Dividends paid	(458)	(913)
Other, net	0	29
Net cash provided by (used in) financing activities	2,363	(13,975)
Effect of exchange rate change on cash and cash equivalents	57	99
Net increase (decrease) in cash and cash equivalents	(3,718)	5,960
Cash and cash equivalents at beginning of period	20,897	17,178
Increase in cash and cash equivalents resulting from inclusion of subsidiaries in consolidation	–	0
Cash and cash equivalents at end of period	17,178	23,140

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Accounting Policies

Application of the Revenue Recognition Accounting Standard, etc.

We have applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29 issued on March 31, 2020; hereinafter the "Revenue Recognition Accounting Standard"), etc. from the beginning of the period under review When control of promised goods or services is transferred to a customer, we recognize revenue at the amount expected to be received in exchange for the goods or services.

Major changes as a result of this change are as follows.

Revenue recognition for variable consideration

Previously, variable consideration included in sales contracts was recorded as an expense when the amount was fixed. However, it is now reflected in the transaction price by estimating the amount of the portion of the variable consideration that is likely to cause a significant reduction in the revenue recorded up to that point when the uncertainty related to the variable consideration is resolved ex post.

The application of the Revenue Recognition Accounting Standard, etc. is pursuant to the transitional treatment set forth in the proviso of Paragraph 84 of the Revenue Recognition Accounting Standard. The cumulative effect of the retrospective application, assuming the new accounting policy had been applied to periods prior to the beginning of the period under review, was added to or subtracted from the beginning balance of retained earnings at the beginning of the period under review, and then the new accounting policy was applied to the said beginning balance.

As a result, net sales and cost of sales decreased 15 million yen and 15 million yen, respectively, for the period under review, but there is no impact on the balance of retained earnings at the beginning of the period under review.

Upon the application of the Revenue Recognition Accounting Standard, etc., refund liabilities are included in "other" under "current liabilities."

Application of the Accounting Standard for Fair Value Measurement, etc.

"Accounting Standard for Fair Value Measurement" (ASBJ Statement No. 30 issued on July 4, 2019; hereinafter the "Accounting Standard for Fair Value Measurement") is applied from the beginning of the period under review. In accordance with the transitional treatment stipulated in Paragraph 19 of the Accounting Standard for Fair Value Measurements and Paragraph 44-2 of the "Accounting Standard for Financial Instruments" (ASBJ Statement No. 10 issued on July 4, 2019), the new accounting policies stipulated in the Accounting Standard for Fair Value Measurements, etc., will be applied into the future.

There is no impact on the consolidated financial statements.

Segment and Other Information

Segment information

1. Overview of reportable segment

Segments used for financial reporting are the Group's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Group is primarily engaged in the real estate business with three reportable segments: Real Estate Investment Business, Subleasing, Leasing and Fund Fee Business, and Planning and Brokerage Business.

The Real Estate Investment Business segment includes activities involving real estate investments.

The Subleasing, Leasing and Fund Fee Business segment includes activities involving subleasing, leasing, and fund fees.

The Planning and Brokerage Business segment includes activities involving planning and brokerage services.

2. Calculation methods for net sales, profits or losses, assets, liabilities, and other items for each reportable segment

The accounting methods used for reportable segments are generally the same as those adopted for preparation of the consolidated financial statements.

Profits for reportable segments are operating profit figures.

Inter-segment sales and transfers between the segments are based on prevailing market prices.

3. Information related to net sales, profits or losses, assets, liabilities, and other items for each reportable segment

FY12/21 (Jan. 1, 2021 – Dec. 31, 2021) (Millions of yen)

	Reportable segment				Other (Note 1)	Adjustments (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Real Estate Investment Business	Subleasing, Leasing and Fund Fee Business	Planning and Brokerage Business	Subtotal			
Net sales							
Sales to external customers	55,157	996	23	56,177	–	–	56,177
Inter-segment sales and transfers	–	–	–	–	–	–	–
Total	55,157	996	23	56,177	–	–	56,177
Segment profits (losses)	8,319	656	15	8,991	–	(3,516)	5,475
Segment assets	42,643	17,433	–	60,076	6,169	20,090	86,337
Other items							
Depreciation	9	–	–	9	–	83	92
Amortization of goodwill	56	–	–	56	–	–	56
Increase in property, plant and equipment and intangible assets (Note 4)	–	14,111	–	14,111	–	30	14,142

Notes: 1. The “Other” segment represents businesses not included in any reportable segments and includes the overseas PFI business.

2. The above adjustments are as follows:

To segment profits (Millions of yen)

Corporate expenses *	(3,516)
Total	(3,516)

* Corporate expenses mainly include selling, general and administrative expenses that cannot be attributed to any reportable segments.

To segment assets (Millions of yen)

Corporate assets *	20,090
Total	20,090

* Corporate assets mainly include assets which belong to administration department of the Company.

To depreciation and amortization (Millions of yen)

Corporate expenses *	83
Total	83

* Corporate expenses mainly include expenses which belong to administration department of the Company that cannot be attributed to any reportable segments.

3. Segment profit is adjusted to be consistent with operating profit shown on the consolidated financial statements.

4. Increase in property, plant and equipment and intangible assets includes 750 million yen that was transferred from real estate for sale to property, plant and equipment due to the change of holding purpose.

FY12/22 (Jan. 1, 2022 – Dec. 31, 2022) (Millions of yen)

	Reportable segment				Other (Note 1)	Adjustments (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Real Estate Investment Business	Subleasing, Leasing and Fund Fee Business	Planning and Brokerage Business	Subtotal			
Net sales							
Sales to external customers	48,236	1,457	194	49,887	–	–	49,887
Inter-segment sales and transfers	–	–	–	–	–	–	–
Total	48,236	1,457	194	49,887	–	—	49,887
Segment profits (losses)	9,181	1,076	185	10,443	–	(4,031)	6,411
Segment assets	28,736	16,597	–	45,333	30	26,788	72,153
Other items							
Depreciation	28	–	–	28	0	91	120
Amortization of goodwill	28	–	–	28	–	–	28
Increase in property, plant and equipment and intangible assets	–	99	–	99	–	401	500

Notes: 1. The “Other” segment represents businesses not included in any reportable segments and includes the overseas PFI business.

2. The above adjustments are as follows:

To segment profits (Millions of yen)

Corporate expenses *	(4,031)
Total	(4,031)

* Corporate expenses mainly include selling, general and administrative expenses that cannot be attributed to any reportable segments.

To segment assets (Millions of yen)

Corporate assets *	26,788
Total	26,788

* Corporate assets mainly include assets which belong to administration department of the Company.

To depreciation and amortization (Millions of yen)

Corporate expenses *	91
Total	91

* Corporate expenses mainly include expenses which belong to administration department of the Company that cannot be attributed to any reportable segments.

3. Segment profit is adjusted to be consistent with operating profit shown on the consolidated financial statements.

Related information

FY12/21 (Jan. 1, 2021 – Dec. 31, 2021)

1. Information by product or service

This information is omitted because the same information is presented in "Segment information, 3. Information related to net sales, profits or losses, assets, liabilities, and other items for each reportable segment."

2. Information by region

(1) Net sales

This information is omitted because sales to external customers in Japan exceeded 90% of net sales presented in the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted since property, plant and equipment in Japan exceeded 90% of property, plant and equipment on the consolidated balance sheet.

3. Information by major client (Millions of yen)

Company name	Net sales	Business segment
JINUSHI Private REIT Investment Corporation	13,161	Real Estate Investment Business Subleasing, Leasing and Fund Fee Business
DREAM Private REIT Inc.	8,790	Real Estate Investment Business Subleasing, Leasing and Fund Fee Business
SMFL MIRAI Partners Co., Ltd.	7,480	Real Estate Investment Business

FY12/22 (Jan. 1, 2022 – Dec. 31, 2022)

1. Information by product or service

This information is omitted because the same information is presented in "Segment information, 3. Information related to net sales, profits or losses, assets, liabilities, and other items for each reportable segment."

2. Information by region

(1) Net sales

This information is omitted because sales to external customers in Japan exceeded 90% of net sales presented in the consolidated statement of income.

(2) Property, plant and equipment

This information is omitted since property, plant and equipment in Japan exceeded 90% of property, plant and equipment on the consolidated balance sheet.

3. Information by major client (Millions of yen)

Company name	Net sales	Business segment
SMFL MIRAI Partners Co., Ltd.	9,750	Real Estate Investment Business Subleasing, Leasing and Fund Fee Business
JINUSHI Private REIT Investment Corporation	9,164	Real Estate Investment Business Subleasing, Leasing and Fund Fee Business

Information related to impairment losses on non-current assets for each reportable segment

FY12/21 (Jan. 1, 2021 – Dec. 31, 2021)

Not applicable.

FY12/22 (Jan. 1, 2022 – Dec. 31, 2022)

In the Real Estate Investment Business segment, a goodwill impairment loss of 140 million yen was recorded.

In the Subleasing, Leasing and Fund Fee Business segment, an impairment loss of 1,046 million yen was recorded.

Information related to amortization and unamortized balance of goodwill for each reportable segment

FY12/21 (Jan. 1, 2021 – Dec. 31, 2021)

In the Real Estate Investment Business segment, a goodwill amortization of 56 million yen was recorded. The unamortized balance of the said goodwill is 169 million yen.

FY12/22 (Jan. 1, 2022 – Dec. 31, 2022)

In the Real Estate Investment Business segment, a goodwill amortization of 28 million yen was recorded. There is no unamortized balance of the said goodwill.

Information related to gain on negative goodwill for each reportable segment

FY12/21 (Jan. 1, 2021 – Dec. 31, 2021)

Not applicable.

FY12/22 (Jan. 1, 2022 – Dec. 31, 2022)

Not applicable.

Per Share Information

(Yen)

	FY12/21 (Jan. 1, 2021 – Dec. 31, 2021)	FY12/22 (Jan. 1, 2022 – Dec. 31, 2022)
Net assets per share	1,519.30	1,690.17
Net income per share	170.90	199.16

Notes: 1. Diluted net income per share is omitted because there is no potentially dilutive share.

2. The basis for the calculation of net income per share and diluted net income per share is as follows.

	FY12/21 (Jan. 1, 2021 – Dec. 31, 2021)	FY12/22 (Jan. 1, 2022 – Dec. 31, 2022)
Net income per share		
Profit attributable to owners of parent (Millions of yen)	3,124	3,641
Profit not attributable to common shareholders (Millions of yen)	–	–
Profit attributable to owners of parent applicable to common shares (Millions of yen)	3,124	3,641
Average number of common shares outstanding during the period (Shares)	18,285,659	18,285,659

Subsequent Events

Not applicable.

4. Non-consolidated Financial Statements

(1) Balance Sheet

(Millions of yen)

	FY12/21 (As of Dec. 31, 2021)	FY12/22 (As of Dec. 31, 2022)
Assets		
Current assets		
Cash and deposits	13,794	17,699
Trade accounts receivable	32	10
Real estate for sale	36,922	22,336
Advance payments-trade	169	82
Prepaid expenses	248	118
Other	221	1,728
Total current assets	51,389	41,975
Non-current assets		
Property, plant and equipment		
Buildings	320	503
Tools, furniture and fixtures	31	57
Land	16,994	16,066
Leased assets	69	85
Total property, plant and equipment	17,416	16,713
Intangible assets		
Trademark right	3	11
Software	51	103
Other	0	0
Total intangible assets	54	115
Investments and other assets		
Investment securities	578	319
Shares of subsidiaries and associates	5,160	1,008
Investments in capital of subsidiaries and associates	230	228
Investments in capital	505	505
Long-term loans receivable from subsidiaries and associates	2,038	3,200
Leasehold and guarantee deposits	494	629
Long-term prepaid expenses	97	89
Deferred tax assets	96	113
Other	57	78
Allowance for doubtful accounts	(0)	–
Total investments and other assets	9,260	6,172
Total non-current assets	26,732	23,001
Total assets	78,121	64,976

(Millions of yen)

	FY12/21 (As of Dec. 31, 2021)	FY12/22 (As of Dec. 31, 2022)
Liabilities		
Current liabilities		
Trade accounts payable	98	98
Short-term borrowings	1,126	–
Current portion of long-term borrowings	8,017	4,322
Accounts payable-other	237	477
Accrued expenses	57	43
Lease liabilities	31	31
Income taxes payable	1,218	18
Accrued consumption taxes	15	–
Deposits received	74	86
Advances received	85	–
Unearned revenue	102	121
Current portion of guarantee deposits received	1,452	1,090
Other	–	55
Total current liabilities	12,517	6,346
Non-current liabilities		
Long-term borrowing	42,279	32,332
Long-term leasehold and guarantee received	619	763
Lease liabilities	44	62
Allowance for debt assumption	110	110
Other	–	0
Total non-current liabilities	43,053	33,269
Total liabilities	55,570	39,615
Net assets		
Shareholders' equity		
Share capital	3,048	3,048
Capital surplus		
Legal capital surplus	3,026	3,026
Total capital surpluses	3,026	3,026
Retained earnings		
Other retained earnings		
Retained earnings brought forward	16,513	19,307
Total retained earnings	16,513	19,307
Treasury shares	(0)	(0)
Total shareholders' equity	22,589	25,382
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(38)	(22)
Total valuation and translation adjustments	(38)	(22)
Total net assets	22,550	25,360
Total liabilities and net assets	78,121	64,976

(2) Statement of Income

(Millions of yen)

	FY12/21 (Jan. 1, 2021 – Dec. 31, 2021)	FY12/22 (Jan. 1, 2022 – Dec. 31, 2022)
Net sales	45,446	43,326
Cost of sales	37,693	35,110
Gross profit	7,753	8,216
Selling, general and administrative expenses	2,963	3,499
Operating profit	4,790	4,717
Non-operating income		
Interest income	16	24
Dividend income	0	4,587
Interest on securities	5	–
Gain on investments in partnership	17	16
Commission income	15	40
Foreign exchange gains	27	7
Other	3	4
Total non-operating income	87	4,681
Non-operating expenses		
Interest expenses	326	395
Financing expenses	210	267
Other	4	27
Total non-operating expenses	541	689
Ordinary profit	4,335	8,709
Extraordinary losses		
Loss on sale of shares of subsidiaries and associates	–	3,730
Impairment losses	–	1,062
Office relocation expenses	–	63
Total extraordinary losses	–	4,856
Profit before income taxes	4,335	3,852
Income taxes-current	1,569	167
Income taxes-deferred	(68)	(23)
Total income taxes	1,500	144
Profit	2,835	3,707

(3) Statement of Changes in Equity

FY12/21 (Jan. 1, 2021 – Dec. 31, 2021)

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
				Retained earnings brought forward			
Balance at beginning of period	3,048	3,026	3,026	14,136	14,136	(0)	20,211
Changes during period							
Dividends of surplus				(457)	(457)		(457)
Profit				2,835	2,835		2,835
Net changes in items other than shareholders' equity							
Total changes during period	–	–	–	2,377	2,377	–	2,377
Balance at end of period	3,048	3,026	3,026	16,513	16,513	(0)	22,589

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(32)	(32)	20,178
Changes during period			
Dividends of surplus			(457)
Profit			2,835
Net changes in items other than shareholders' equity	(5)	(5)	(5)
Total changes during period	(5)	(5)	2,371
Balance at end of period	(38)	(38)	22,550

FY12/22 (Jan. 1, 2022 – Dec. 31, 2022)

(Millions of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
				Retained earnings brought forward			
Balance at beginning of period	3,048	3,026	3,026	16,513	16,513	(0)	22,589
Changes during period							
Dividends of surplus				(914)	(914)		(914)
Profit				3,707	3,707		3,707
Net changes in items other than shareholders' equity							
Total changes during period	–	–	–	2,793	2,793	–	2,793
Balance at end of period	3,048	3,026	3,026	19,307	19,307	(0)	25,382

	Valuation and translation adjustments		Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments	
Balance at beginning of period	(38)	(38)	22,550
Changes during period			
Dividends of surplus			(914)
Profit			3,707
Net changes in items other than shareholders' equity	16	16	16
Total changes during period	16	16	2,810
Balance at end of period	(22)	(22)	25,360