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April 28, 2023

Non-Consolidated Financial Results for the Fiscal Year Ended March 31, 2023 (under Japanese GAAP)

Company name: CENTURY 21 REAL ESTATE OF JAPAN LTD. Listing: Tokyo Stock Exchange
 Securities code: 8898 URL: <https://www.century21japan.co.jp/en/>
 Representative: Yoichi Sonoda, Representative Director, President and CEO
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 Scheduled date of ordinary general meeting of shareholders: June 22, 2023
 Scheduled date to commence dividend payments: June 23, 2023
 Scheduled date to file Annual Securities Report: June 22, 2023
 Preparation of supplementary materials on financial results: Yes
 Holding of financial results briefing: Yes (for analysts, institutional investors and media)

(Note) Amounts are rounded down to the nearest million yen.

1. Financial Results for the Fiscal Year Ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Operating Results

(Percentages indicate year-on-year changes.)

| | Operating revenue | | Operating profit | | Ordinary profit | | Net income | |
|-------------------|-------------------|-------|------------------|-------|-----------------|--------|-----------------|--------|
| Fiscal year ended | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| March 31, 2023 | 3,797 | 1.9 | 875 | 1.0 | 925 | 1.2 | 652 | (12.0) |
| March 31, 2022 | 3,726 | (3.6) | 867 | (8.1) | 914 | (10.6) | 741 | 5.2 |

| | Basic earnings per share | Diluted earnings per share | Return on equity | Ordinary profit to total assets | Operating profit to operating revenue |
|-------------------|--------------------------|----------------------------|------------------|---------------------------------|---------------------------------------|
| Fiscal year ended | Yen | Yen | % | % | % |
| March 31, 2023 | 62.59 | — | 10.5 | 12.4 | 23.1 |
| March 31, 2022 | 71.13 | — | 12.0 | 12.8 | 23.3 |

Reference: Share of profit (loss) of entities accounted for using equity method:

For fiscal year ended March 31, 2023: —

For fiscal year ended March 31, 2022: —

(2) Financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|----------------|-----------------|-----------------|--------------|----------------------|
| As of | Millions of yen | Millions of yen | % | Yen |
| March 31, 2023 | 7,726 | 6,312 | 81.7 | 605.64 |
| March 31, 2022 | 7,190 | 6,150 | 85.5 | 590.11 |

Reference: Equity (Shareholders' equity + Valuation and translation adjustments):

As of March 31, 2023: ¥6,312 million

As of March 31, 2022: ¥6,150 million

(3) Cash flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|-------------------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| Fiscal year ended | Millions of yen | Millions of yen | Millions of yen | Millions of yen |
| March 31, 2023 | 1,294 | (526) | (418) | 1,900 |
| March 31, 2022 | 634 | (523) | (506) | 1,550 |

2. Dividends

| | Dividend per share | | | | | Total amount of dividends | Payout ratio | Dividend on equity |
|---------------------------|--------------------|--------|--------|----------|-------|---------------------------|--------------|--------------------|
| | 1Q-end | 2Q-end | 3Q-end | Year-end | Total | | | |
| Fiscal year ended | Yen | Yen | Yen | Yen | Yen | Millions of yen | % | % |
| March 31, 2022 | — | 25.00 | — | 20.00 | 45.00 | 469 | 63.3 | 7.6 |
| March 31, 2023 | — | 20.00 | — | 25.00 | 45.00 | 469 | 71.9 | 7.5 |
| Fiscal year ending | — | 20.00 | — | 25.00 | 45.00 | | 71.1 | |
| March 31, 2024 (forecast) | | | | | | | | |

3. Earnings Forecast for the Fiscal Year Ending March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

| | Operating revenue | | Operating profit | | Ordinary profit | | Net income | | Basic earnings per share |
|-------------|-------------------|-----|------------------|-----|-----------------|-----|-----------------|-----|--------------------------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Fiscal year | 3,923 | 3.3 | 927 | 5.9 | 971 | 4.9 | 660 | 1.2 | 63.33 |

* Notes

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

- | | |
|---|------|
| 1) Changes in accounting policies due to revisions to accounting standards and other regulations: | Yes |
| 2) Changes in accounting policies other than 1) above: | None |
| 3) Changes in accounting estimates: | None |
| 4) Restatements: | None |

(2) Number of shares issued (common stock)

1) Number of shares issued (including treasury shares):

- | | |
|-----------------------|-------------------|
| As of March 31, 2023: | 11,325,000 shares |
| As of March 31, 2022: | 11,325,000 shares |

2) Number of treasury shares:

- | | |
|-----------------------|----------------|
| As of March 31, 2023: | 902,642 shares |
| As of March 31, 2022: | 902,597 shares |

3) Average number of shares outstanding:

- | | |
|---|-------------------|
| For the fiscal year ended March 31, 2023: | 10,422,369 shares |
| For the fiscal year ended March 31, 2022: | 10,422,442 shares |

* This financial results report is not subject to audit procedures to be performed by certified public accountants or an audit firm.

* Notes to proper use of earnings forecast and other special matters

- The forward-looking statements including earnings forecast contained in this report are based on information currently available to us and certain assumptions that we believe are reasonable. Actual results may therefore differ significantly from those anticipated in any forward-looking statements due to numerous factors. For more details, please refer to "Future outlook" on page 5 of the Attached Materials of this report.
- The Company will hold a webcast financial results briefing for analysts, institutional investors and media on Thursday, May 18, 2023 (available in Japanese only). The materials to be distributed in the briefing will be posted on the Company's website after the briefing.

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1. Overview of Results of Operation and Financial Condition

(1) Analysis of operating results

1) Business performance

During the fiscal year ended March 31, 2023 (the “current fiscal year”), the Japanese economy suffered not only the impact of COVID-19 but a heavy blow from supply shortage and higher prices fueled by stagnant global trade after the Russian invasion of Ukraine. In the second half of the current fiscal year, there were signs of a gradual recovery mainly in consumer spending and employment conditions, backed by government policies in anticipation of the post-pandemic era. Going forward, however, it is necessary to keep a close eye on the impact of rising prices, supply-side constraints, the situation in financial and capital markets, and the like.

In the real estate brokerage industry, purchase demand for residential properties remained firm, supported by continued low mortgage interest rates and tax incentives for younger homebuyers. According to the land market value, an official reference index for ordinary land transactions, published by the Ministry of Land, Infrastructure, Transport and Tourism of Japan in January 2023, overall average land prices went up for the second year in a row, indicating a nationwide recovery trend. Despite these positive signs, the outlook for the business environment remains uncertain due to soaring building material prices, concerns about rising interest rates, increasing consumer price index, and other factors.

Faced with such business environment, in order to make its existing franchise business platform more robust and competitive in the market, the Company has been working on various measures to increase the number of franchised offices and respective sales.

Specifically, along with revamping our franchisee recruitment website to attract more potential franchisees, we launched a lead attraction strategy with listing ads and telemarketing in November 2022. In addition to traditional door-to-door sales activities, we are leveraging this strategy to cultivate a population of promising leads for future contracts. As of March 31, 2023, the number of franchised offices totaled 1,008, exceeding 1,000 for the first time since the establishment of the Company.

We also took various measures to support our franchisees; for sales growth, we focused on listing acquisitions by, in particular, supporting them in obtaining an exclusive brokerage service agreement for pre-owned home sales, which contributed to maintaining or increasing their sales despite the sluggish supply of new detached houses. For service improvement to their customers, we launched “24-Hour Life Support by CENTURY 21,” a service to solve everyday problems in the household. At the same time, with the aim of strengthening business management and boosting operational efficiency through further digitalization of franchisees, an online contracting system was launched, the functionality of a CRM system was enhanced, and measures were taken to attract more inquiries for a franchisee’s website. Meanwhile, as a part of advertising activities, we have created and released video clips for social media use to reinforce digital media-based branding.

As for our sustainability initiatives, we donated relief money together with funds raised by volunteer franchised offices to the Japan Association for the World Food Programme to support Ukrainian evacuees as well as earthquake victims in Syria and Turkey. In accordance with our newly established Sustainable Procurement Policy, we are determined to collaborate with business partners to contribute to achieving the sustainable society.

Overall, for the current fiscal year, operating revenue totaled ¥3,797 million (up 1.9% year on year). More specifically, service fee revenue was ¥3,259 million (up 5.2% year on year), IT service revenue was ¥305 million (down 11.0% year on year), franchise fee revenue was ¥158 million (down 23.8% year on year) and other revenue was ¥73 million (down 2.4% year on year). Meanwhile, operating costs amounted to ¥946 million (down 0.4% year on year). SG&A expenses totaled ¥1,975 million (up 3.4% year on year) mainly due to increases in depreciation and maintenance fee associated with the new core system that went live in October 2021. As a result, the Company reported operating profit of ¥875 million (up 1.0% year on year) and ordinary profit of ¥925 million (up 1.2% year on year); however, net income decreased 12.0% year on year to ¥652 million due notably to recording of gain on sale of investment securities of ¥65 million as extraordinary income in the previous fiscal year. All the types of profit, i.e. operating profit, ordinary profit, and net income, exceeded the initial plan for the current fiscal year, underpinned by solid performance.

2) Status of sales activities

The following are the number of franchised brokerage offices by geographic area and operating revenue by revenue type and geographic area for the previous fiscal year (from April 1, 2021 to March 31, 2022).

| | Greater Tokyo | Kansai | Chubu | Kyushu | Hokkaido | Total |
|--------------------------------------|---------------|--------|-------|--------|----------|-------|
| Openings | 29 | 26 | 9 | 7 | 5 | 76 |
| Closures (Cancellations) | 30 | 29 | 12 | 2 | 1 | 74 |
| Number of offices at fiscal year-end | 455 | 349 | 87 | 73 | 27 | 991 |
| YoY change (%) | 99.8 | 99.1 | 96.7 | 107.4 | 117.4 | 100.2 |

(Thousands of yen)

| | Greater Tokyo | Kansai | Chubu | Kyushu | Hokkaido | Total |
|-------------------------|---------------|-----------|---------|---------|----------|-----------|
| Service fee revenue | 1,765,312 | 934,515 | 206,678 | 149,076 | 44,088 | 3,099,671 |
| YoY change (%) | 102.2 | 102.8 | 108.1 | 126.8 | 107.3 | 103.8 |
| IT service revenue | 343,326 | — | — | — | — | 343,326 |
| YoY change (%) | 53.1 | — | — | — | — | 53.1 |
| Franchise fee revenue | 105,175 | 64,795 | 23,025 | 11,416 | 4,055 | 208,466 |
| YoY change (%) | 118.2 | 125.2 | 118.7 | 197.7 | 235.1 | 124.4 |
| Other | 73,095 | 1,746 | 174 | 388 | — | 75,406 |
| YoY change (%) | 111.0 | — | 589.1 | — | — | 112.7 |
| Total operating revenue | 2,286,910 | 1,001,058 | 229,878 | 160,881 | 48,143 | 3,726,871 |
| YoY change (%) | 90.4 | 104.2 | 109.1 | 130.5 | 109.8 | 96.4 |

Note The table below shows the total value and number of transactions executed and total commission income earned by the franchised brokerage offices, which correspond to the above service fee revenue for the same period. The figures are further broken down by geographic area where the brokerage offices operate.

| | Greater Tokyo | Kansai | Chubu | Kyushu | Hokkaido | Total |
|--|---------------|-------------|------------|------------|------------|-------------|
| Total value of transactions (Thousands of yen) | 422,767,121 | 234,021,800 | 54,100,897 | 33,716,383 | 12,829,046 | 757,435,249 |
| Total number of transactions | 317,657 | 50,369 | 11,649 | 13,129 | 2,392 | 395,196 |
| Total commission income (Thousands of yen) | 29,094,186 | 15,247,068 | 3,299,442 | 2,361,066 | 709,773 | 50,711,536 |

The following are the number of franchised brokerage offices by geographic area and operating revenue by revenue type and geographic area for the current fiscal year (from April 1, 2022 to March 31, 2023)

| | Greater Tokyo | Kansai | Chubu | Kyushu | Hokkaido | Total |
|--------------------------------------|---------------|--------|-------|--------|----------|-------|
| Openings | 25 | 20 | 13 | 8 | 7 | 73 |
| Closures (Cancellations) | 18 | 31 | 3 | 2 | 2 | 56 |
| Number of offices at fiscal year-end | 462 | 338 | 97 | 79 | 32 | 1,008 |
| YoY change (%) | 101.5 | 96.8 | 111.5 | 108.2 | 118.5 | 101.7 |

(Thousands of yen)

| | Greater Tokyo | Kansai | Chubu | Kyushu | Hokkaido | Total |
|-------------------------|---------------|-----------|---------|---------|----------|-----------|
| Service fee revenue | 1,829,152 | 1,004,204 | 212,343 | 160,180 | 53,961 | 3,259,843 |
| YoY change (%) | 103.6 | 107.5 | 102.7 | 107.4 | 122.4 | 105.2 |
| IT service revenue | 305,568 | — | — | — | — | 305,568 |
| YoY change (%) | 89.0 | — | — | — | — | 89.0 |
| Franchise fee revenue | 73,605 | 53,891 | 17,562 | 8,767 | 4,975 | 158,802 |
| YoY change (%) | 70.0 | 83.2 | 76.3 | 76.8 | 122.7 | 76.2 |
| Other | 73,535 | — | 23 | — | — | 73,559 |
| YoY change (%) | 100.6 | — | 13.7 | — | — | 97.6 |
| Total operating revenue | 2,281,861 | 1,058,096 | 229,930 | 168,948 | 58,937 | 3,797,773 |
| YoY change (%) | 99.8 | 105.7 | 100.0 | 105.0 | 122.4 | 101.9 |

Note The table below shows the total value and number of transactions executed and total commission income earned by the franchised brokerage offices, which correspond to the above service fee revenue for the same period. The figures are further broken down by geographic area where the brokerage offices operate.

| | Greater Tokyo | Kansai | Chubu | Kyushu | Hokkaido | Total |
|--|---------------|-------------|------------|------------|------------|-------------|
| Total value of transactions (Thousands of yen) | 453,344,222 | 260,551,946 | 55,015,740 | 38,308,175 | 15,169,228 | 822,389,312 |
| Total number of transactions | 356,842 | 50,746 | 13,410 | 16,825 | 3,673 | 441,496 |
| Total commission income (Thousands of yen) | 30,152,200 | 16,330,175 | 3,354,619 | 2,549,726 | 862,201 | 53,248,922 |

(2) Analysis of financial position

1) Summary of assets, liabilities and net assets

(a) Assets

Current assets increased 16.9% from the end of the previous fiscal year to ¥5,631 million. This increase is attributable predominantly to an increase in securities.

Non-current assets decreased 11.7% from the end of the previous fiscal year to ¥2,095 million. This decrease is attributable predominantly to a decrease in investment securities.

Consequently, total assets at the end of the current fiscal year increased 7.5% from the end of the previous fiscal year to ¥7,726 million.

(b) Liabilities

Current liabilities increased 41.5% from the end of the previous fiscal year to ¥1,236 million. This increase is attributable predominantly to an increase in income taxes payable.

Non-current liabilities increased 7.4% from the end of the previous fiscal year to ¥177 million. This increase is attributable predominantly to an increase in provision for retirement benefits.

Consequently, total liabilities at the end of the current fiscal year increased 36.0% from the end of the previous fiscal year to ¥1,414 million.

(c) Net assets

Total net assets at the end of the current fiscal year increased 2.6% to ¥6,312 million. This increase is attributable predominantly to an increase in retained earnings brought forward.

(3) Analysis of cash flows

Cash and cash equivalents ("cash") at the end of the current fiscal year increased ¥349 million or 22.6% from the end of the previous fiscal year to ¥1,900 million.

(a) Cash flows from operating activities

Net cash provided by operating activities was ¥1,294 million (compared with ¥634 million provided for the previous fiscal year). This is attributable predominantly to recording of profit before income taxes of ¥953 million.

(b) Cash flows from investing activities

Net cash used in investing activities was ¥526 million (compared with ¥523 million used for the previous fiscal year). This is attributable predominantly to acquisition of securities.

(c) Cash flows from financing activities

Net cash used in financing activities was ¥418 million (compared with ¥506 million used for the previous fiscal year). This is attributable predominantly to payments of dividends.

(4) Future outlook

With the upward trend in prices persisting, there are concerns about the economic outlook and the possible impact on the purchasing demand of general consumers, which requires us to pay closer attention to the trends in the real estate and housing markets. The Company will bolster support for franchisees in developing human resources, streamlining office operations, and expanding their business scale so that they can improve their performance by flexibly adapting to the changing business environment. As a result, our outlook for service fee revenue, which is a key pillar of our earnings, is ¥3,383 million (up 3.8% year on year) for the next fiscal year. As for the number of franchised brokerage offices, we aim to acquire 90 new franchisees, up from the current fiscal year, by improving and continuing measures launched in this fiscal year. Meanwhile, SG&A expenses have been set to ¥2,031 million (up 2.8% year on year), reflecting an increase in expenses associated with measures to attract more customers to strengthen the acquisition of franchisees and the modification of the core system in response to law revisions.

As a result, for the next fiscal year, the Company forecasts operating revenue of ¥3,923 million (up 3.3% year on year), operating profit of ¥927 million (up 5.9% year on year), ordinary profit of ¥971 million (up 4.9% year on year), and net income of ¥660 million (up 1.2% year on year).

2. Basic Policy on Selection of Accounting Standards

We prepare our financial statements under Japanese GAAP because most of our stakeholders are shareholders and business partners in Japan and our current operations do not require financing in the capital market.

Going forward, nevertheless, we will maintain a policy of considering the adoption of IFRS in light of the status of adoption of IFRS by other companies listed on Standard Market of Tokyo Stock Exchange.

3. Financial Statements and Notes

(1) Balance sheet

(Thousands of yen)

| | Previous fiscal year (As of March 31, 2022) | Current fiscal year (As of March 31, 2023) |
|--|--|---|
| Assets | | |
| Current assets: | | |
| Cash and deposits | 1,550,437 | 1,900,277 |
| Trade accounts receivable | 463,946 | 501,235 |
| Securities | 2,700,000 | 3,200,000 |
| Prepaid expenses | 29,847 | 23,176 |
| Other | 118,555 | 54,863 |
| Allowance for doubtful accounts | (46,660) | (48,514) |
| Total current assets | 4,816,126 | 5,631,038 |
| Non-current assets: | | |
| Property, plant and equipment: | | |
| Facilities attached to buildings | 135,982 | 135,091 |
| Accumulated depreciation | (42,312) | (48,874) |
| Facilities attached to buildings, net | 93,670 | 86,217 |
| Tools, furniture and fixtures: | 257,643 | 226,501 |
| Accumulated depreciation | (206,363) | (189,912) |
| Tools, furniture and fixtures, net | 51,279 | 36,588 |
| Leased assets: | 19,713 | 6,246 |
| Accumulated depreciation | (17,631) | (5,413) |
| Leased assets, net | 2,082 | 832 |
| Total property, plant and equipment | 147,032 | 123,638 |
| Intangible assets: | | |
| Software | 835,296 | 742,024 |
| Software in progress | 25,978 | 4,332 |
| Telephone subscription right | 1,966 | 1,966 |
| Total intangible assets | 863,241 | 748,323 |
| Investments and other assets: | | |
| Investment securities | 930,150 | 791,250 |
| Long-term loans receivable | 276,184 | 260,184 |
| Bad debts | 37,006 | 35,670 |
| Long-term prepaid expenses | 86 | 622 |
| Deferred tax assets | 68,550 | 83,380 |
| Guarantee deposits | 89,008 | 88,359 |
| Allowance for doubtful accounts | (37,190) | (35,854) |
| Total investments and other assets | 1,363,795 | 1,223,611 |
| Total non-current assets | 2,374,069 | 2,095,574 |
| Total assets | 7,190,195 | 7,726,613 |

(Thousands of yen)

| | Previous fiscal year (As of March 31, 2022) | Current fiscal year (As of March 31, 2023) |
|---|--|---|
| Liabilities | | |
| Current liabilities: | | |
| Trade accounts payable | 143,552 | 159,770 |
| Lease obligations | 1,292 | 880 |
| Accounts payable – other | 102,570 | 126,281 |
| Accrued expenses | 115,670 | 115,120 |
| Income taxes payable | 20,367 | 203,471 |
| Accrued consumption taxes | – | 107,372 |
| Contract liabilities | 390,450 | 399,369 |
| Deposits received | 28,408 | 37,241 |
| Provision for bonuses | 71,800 | 87,010 |
| Total current liabilities | 874,112 | 1,236,517 |
| Non-current liabilities: | | |
| Lease obligations | 880 | – |
| Provision for retirement benefits | 133,637 | 147,707 |
| Provision for renovation warranties | 28,786 | 27,839 |
| Asset retirement obligations | 2,400 | 2,400 |
| Total non-current liabilities | 165,704 | 177,946 |
| Total liabilities | 1,039,816 | 1,414,464 |
| Net assets | | |
| Shareholders' equity: | | |
| Share capital | 517,750 | 517,750 |
| Capital surplus: | | |
| Legal capital surplus | 168,570 | 168,570 |
| Total capital surplus | 168,570 | 168,570 |
| Retained earnings: | | |
| Legal retained earnings | 30,724 | 30,724 |
| Other retained earnings: | | |
| Retained earnings brought forward | 5,793,405 | 6,028,881 |
| Total retained earnings | 5,824,130 | 6,059,605 |
| Treasury shares | (698,827) | (698,873) |
| Total shareholders' equity | 5,811,623 | 6,047,052 |
| Valuation and translation adjustments: | | |
| Valuation difference on available-for-sale securities | 338,756 | 265,097 |
| Total valuation and translation adjustments | 338,756 | 265,097 |
| Total net assets | 6,150,379 | 6,312,149 |
| Total liabilities and net assets | 7,190,195 | 7,726,613 |

(2) Statement of income

| | (Thousands of yen) | |
|---|---|--|
| | Previous fiscal year (From April 1, 2021 to March 31, 2022) | Current fiscal year (From April 1, 2022 to March 31, 2023) |
| Operating revenue: | | |
| Service fee revenue | 3,099,671 | 3,259,843 |
| IT service revenue | 343,326 | 305,568 |
| Franchise fee revenue | 208,466 | 158,802 |
| Other | 75,406 | 73,559 |
| Total operating revenue | 3,726,871 | 3,797,773 |
| Operating costs | 949,770 | 946,322 |
| Operating gross profit | 2,777,100 | 2,851,451 |
| Selling, general and administrative expenses | 1,909,864 | 1,975,720 |
| Operating profit | 867,235 | 875,730 |
| Non-operating income: | | |
| Interest income | 512 | 480 |
| Dividend income | 31,692 | 31,390 |
| Administrative service fee income | 12,166 | 13,651 |
| Compensation for delay damages | — | 2,461 |
| Foreign exchange gains | 462 | — |
| Other | 3,090 | 3,641 |
| Total non-operating income | 47,924 | 51,625 |
| Non-operating expenses: | | |
| Interest expenses | 82 | 41 |
| Commission expenses | 135 | — |
| Foreign exchange losses | — | 1,690 |
| Total non-operating expenses | 218 | 1,731 |
| Ordinary profit | 914,941 | 925,624 |
| Extraordinary income | | |
| Gain on sale of investment securities | 65,083 | 29,142 |
| Total extraordinary income | 65,083 | 29,142 |
| Extraordinary losses: | | |
| Loss on retirement of property, plant and equipment | 0 | 1,635 |
| Total extraordinary losses | 0 | 1,635 |
| Profit before income taxes | 980,025 | 953,131 |
| Income taxes – current | 187,032 | 283,082 |
| Income taxes – deferred | 51,597 | 17,678 |
| Total income taxes | 238,629 | 300,760 |
| Net income | 741,395 | 652,370 |

Schedule of operating costs

| | | Previous fiscal year (From April 1, 2021 to March 31, 2022) | | Current fiscal year (From April 1, 2022 to March 31, 2023) | |
|-----------------------------------|------|---|--------------------|--|--------------------|
| Category | Note | Amount (Thousands of yen) | Composition (%) | Amount (Thousands of yen) | Composition (%) |
| Costs of service fee revenue | | 332,051 | 35.0 | 337,637 | 35.7 |
| Contributions to advertising fund | | 309,967 | 32.6 | 325,984 | 34.5 |
| Costs of IT service revenue | | 244,428 | 25.7 | 226,469 | 23.9 |
| Personnel costs | | 52,344 | 5.5 | 45,509 | 4.8 |
| Other | | 10,979 | 1.2 | 10,721 | 1.1 |
| Operating costs | | 949,770 | 100.0 | 946,322 | 100.0 |
| | | | | | |

(3) Statement of changes in equity

Previous fiscal year (From April 1, 2021 to March 31, 2022)

(Thousands of yen)

| | Shareholders' equity | | | | | | | |
|--|----------------------|-----------------------|-----------------------|-------------------------|--|-------------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | | Retained earnings | | | Treasury shares | Total shareholders' equity |
| | | Legal capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings Retained earnings brought forward | Total retained earnings | | |
| Balance at beginning of period | 517,750 | 168,570 | 168,570 | 30,724 | 5,846,612 | 5,877,336 | (698,773) | 5,864,883 |
| Cumulative effects of changes in accounting policies | | | | | (273,479) | (273,479) | | (273,479) |
| Restated balance | 517,750 | 168,570 | 168,570 | 30,724 | 5,573,133 | 5,603,857 | (698,773) | 5,591,404 |
| Changes during period | | | | | | | | |
| Dividends of surplus | | | | | (521,122) | (521,122) | | (521,122) |
| Net income | | | | | 741,395 | 741,395 | | 741,395 |
| Purchase of treasury shares | | | | | | | (53) | (53) |
| Net changes in items other than shareholders' equity | | | | | | | | |
| Total changes during period | — | — | — | — | 220,272 | 220,272 | (53) | 220,219 |
| Balance at end of period | 517,750 | 168,570 | 168,570 | 30,724 | 5,793,405 | 5,824,130 | (698,827) | 5,811,623 |

| | Valuation and translation adjustments | | Total net assets |
|--|---|---|------------------|
| | Valuation difference on available-for-sale securities | Total valuation and translation adjustments | |
| Balance at beginning of period | 372,959 | 372,959 | 6,237,842 |
| Cumulative effects of changes in accounting policies | | | (273,479) |
| Restated balance | 372,959 | 372,959 | 5,964,363 |
| Changes during period | | | |
| Dividends of surplus | | | (521,122) |
| Net income | | | 741,395 |
| Purchase of treasury shares | | | (53) |
| Net changes in items other than shareholders' equity | (34,203) | (34,203) | (34,203) |
| Total changes during period | (34,203) | (34,203) | 186,015 |
| Balance at end of period | 338,756 | 338,756 | 6,150,379 |

Current fiscal year (From April 1, 2022 to March 31, 2023)

(Thousands of yen)

| | Shareholders' equity | | | | | | | |
|--|----------------------|-----------------------|-----------------------|-------------------------|--|-------------------------|-----------------|----------------------------|
| | Share capital | Capital surplus | | Retained earnings | | | Treasury shares | Total shareholders' equity |
| | | Legal capital surplus | Total capital surplus | Legal retained earnings | Other retained earnings Retained earnings brought forward | Total retained earnings | | |
| Balance at beginning of period | 517,750 | 168,570 | 168,570 | 30,724 | 5,793,405 | 5,824,130 | (698,827) | 5,811,623 |
| Changes during period | | | | | | | | |
| Dividends of surplus | | | | | (416,895) | (416,895) | | (416,895) |
| Net income | | | | | 652,370 | 652,370 | | 652,370 |
| Purchase of treasury shares | | | | | | | (46) | (46) |
| Net changes in items other than shareholders' equity | | | | | | | | |
| Total changes during period | — | — | — | — | 235,475 | 235,475 | (46) | 235,428 |
| Balance at end of period | 517,750 | 168,570 | 168,570 | 30,724 | 6,028,881 | 6,059,605 | (698,873) | 6,047,052 |

| | Valuation and translation adjustments | | Total net assets |
|--|---|---|------------------|
| | Valuation difference on available-for-sale securities | Total valuation and translation adjustments | |
| Balance at beginning of period | 338,756 | 338,756 | 6,150,379 |
| Changes during period | | | |
| Dividends of surplus | | | (416,895) |
| Net income | | | 652,370 |
| Purchase of treasury shares | | | (46) |
| Net changes in items other than shareholders' equity | (73,659) | (73,659) | (73,659) |
| Total changes during period | (73,659) | (73,659) | 161,769 |
| Balance at end of period | 265,097 | 265,097 | 6,312,149 |

(4) Statement of cash flows

(Thousands of yen)

| | Previous fiscal year (From April 1, 2021 to March 31, 2022) | Current fiscal year (From April 1, 2022 to March 31, 2023) |
|--|---|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 980,025 | 953,131 |
| Depreciation | 202,757 | 260,105 |
| Increase (decrease) in provision for bonuses | 3,800 | 15,210 |
| Increase (decrease) in provision for retirement benefits | 19,373 | 14,070 |
| Increase (decrease) in provision for renovation warranties | (2,555) | (947) |
| Increase (decrease) in allowance for doubtful accounts | (6,969) | 517 |
| Interest and dividend income | (32,204) | (31,870) |
| Interest expenses | 82 | 41 |
| Commission expenses | 135 | – |
| Loss (gain) on sale of investment securities | (65,083) | (29,142) |
| Loss on retirement of property, plant and equipment | 0 | 1,635 |
| Decrease (increase) in accounts receivable - other | 20,228 | (133) |
| Decrease (increase) in trade receivables | (34,714) | (35,953) |
| Decrease (increase) in prepaid expenses | 5,970 | 6,671 |
| Decrease (increase) in consumption taxes refund receivable | (61,017) | 61,017 |
| Increase (decrease) in trade payables | 4,264 | 16,218 |
| Increase (decrease) in accounts payable - other | 2,885 | 5,022 |
| Increase (decrease) in accrued expenses | 14,806 | (550) |
| Increase (decrease) in accrued consumption taxes | (55,042) | 107,372 |
| Decrease (increase) in other assets | (17,961) | 2,413 |
| Increase (decrease) in other liabilities | (11,500) | 24,480 |
| Subtotal | 967,278 | 1,369,312 |
| Interest and dividends received | 31,994 | 31,521 |
| Interest paid | (82) | (41) |
| Income taxes paid | (364,920) | (106,707) |
| Net cash provided by (used in) operating activities | 634,268 | 1,294,085 |
| Cash flows from investing activities | | |
| Purchase of securities | – | (500,000) |
| Purchase of property, plant and equipment | (123,089) | (2,995) |
| Purchase of intangible assets | (589,758) | (99,302) |
| Proceeds from sale of investment securities | 64,949 | 61,875 |
| Collection of long-term loans receivable | 124,000 | 16,000 |
| Purchase of long-term prepaid expenses | – | (1,118) |
| Proceeds from refund of guarantee deposits | 80 | 1,217 |
| Payments of guarantee deposits | (140) | (1,734) |
| Net cash provided by (used in) investing activities | (523,959) | (526,057) |
| Cash flows from financing activities | | |
| Repayments of lease obligations | (1,259) | (1,292) |
| Purchase of treasury shares | (53) | (46) |
| Dividends paid | (521,604) | (416,848) |
| Proceeds from sale and leaseback transactions | 16,817 | – |
| Net cash provided by (used in) financing activities | (506,100) | (418,187) |
| Net increase (decrease) in cash and cash equivalents | (395,791) | 349,840 |
| Cash and cash equivalents at beginning of period | 1,946,228 | 1,550,437 |
| Cash and cash equivalents at end of period | 1,550,437 | 1,900,277 |

(5) Notes to financial statements

1) Going concern assumption

Not applicable.

2) Changes in accounting policies

(Application of Implementation Guidance on Accounting Standard for Fair Value Measurement)

We have applied the Implementation Guidance on Accounting Standard for Fair Value Measurement (ASBJ Guidance No. 31 issued on June 17, 2021; hereinafter the "Implementation Guidance on Fair Value Measurement"), etc. from the beginning of the current fiscal year. In accordance with the transitional treatment set forth in Paragraph 27-2 of the Implementation Guidance on Fair Value Measurement, we have decided to prospectively apply the new accounting policy set forth in the Implementation Guidance on Fair Value Measurement. This decision has no impact on the financial statements for the current fiscal year.

3) Segment information

The Company does not provide segment information because it has only a single business segment, which is the real estate franchise business.

4) Share of profit (loss) of entities accounted for using equity method

Not applicable because the Company has no associates.

5) Per-share information

| Item | Previous fiscal year (From April 1, 2021 to March 31, 2022) | Current fiscal year (From April 1, 2022 to March 31, 2023) |
|--------------------------|---|--|
| Net assets per share | 590.11 | 605.64 |
| Basic earnings per share | 71.13 | 62.59 |

Notes: 1. Diluted earnings per share is not presented because there are no potentially dilutive shares.

2. The basis of calculating the basic earnings per share is as follows:

(Thousands of yen, unless otherwise stated)

| Item | Previous fiscal year (From April 1, 2021 to March 31, 2022) | Current fiscal year (From April 1, 2022 to March 31, 2023) |
|--|---|--|
| Net income | 741,395 | 652,370 |
| Net income not attributable to common shareholders | – | – |
| Net income attributable to common shares | 741,395 | 652,370 |
| Average number of shares outstanding during the period (shares) | 10,422,442 | 10,422,369 |

6) Material subsequent events

Not applicable.