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May 11, 2022

Consolidated Financial Results for the Three Months of the Fiscal Year Ending December 31, 2022 (Under Japanese GAAP)

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Scheduled date to submit Quarterly Securities Report: May 12, 2022
Preparation of supplementary material on quarterly financial results: Yes
Holding of quarterly financial results presentation meeting: None

(Rounded down to the nearest million yen)

1. Consolidated Financial Results for the First Three Months of the Fiscal Year Ending December 31, 2022 (January 1, 2022 – March 31, 2022)

(1) Consolidated results of operations

(Percentages represent year-over-year changes)

	Revenues		Operating income		Ordinary income		Net income attributable to owners of parent	
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%
1Q ended Mar. 2022	23,205	14.7	2,196	19.3	2,333	18.3	1,677	23.0
1Q ended Mar. 2021	20,223	(19.0)	1,839	(20.9)	1,972	3.7	1,363	11.4

Note: Comprehensive income For 1Q ended Mar. 2022 ¥1,697 million [20.7%]
For 1Q ended Mar. 2021 ¥1,406 million [42.1%]

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
1Q ended Mar. 2022	49.80	49.70
1Q ended Mar. 2021	39.54	39.01

Note: From the beginning of the first three months of the fiscal year ending December 31, 2022, the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. began to be adopted. The figures for the first three months of the fiscal year ending December 31, 2022 are the figures after the application of the said accounting standard, etc.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of Yen	Millions of Yen	%
1Q ended Mar. 2022	96,356	45,223	46.9
FY ended Dec. 2021	99,010	45,320	45.7

Reference: Equity As of 1Q ended Mar. 2022: ¥45,173 million As of FY ended Dec. 2021: ¥45,273 million

Note: From the beginning of the first three months of the fiscal year ending December 31, 2022, the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29. March 31, 2020), etc. began to be adopted. The figures for the first three months of the fiscal year ending December 31, 2022 are the figures after the application of the said accounting standard, etc.

2. Cash dividends

(Percentages represent year-over-year changes)

	Annual dividends per share				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
FY ended Dec. 2021	-	20.50	-	20.50	41.00
FY ending Dec. 2022	-				
FY ending Dec. 2022 (Forecast)		22.00	-	22.00	44.00

Note: Revisions to the forecasts of cash dividends most recently announced: None

3. Consolidated earnings forecasts for the Fiscal Year Ending December 31, 2022 (January 1, 2022 – December 31, 2022)

(Percentages represent year-over-year changes)

	Revenues		Operating income		Ordinary income		Net income		Net income per share
	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Millions of Yen	%	Yen
2Q (cumulative)	50,000	24.7	3,900	11.3	3,700	11.4	2,500	16.1	74.17
Full year	110,000	14.1	9,800	9.5	9,500	6.4	6,300	4.8	186.98

Note: Revisions to the earnings forecasts most recently announced: None

***Notes**

- (1) Changes in significant subsidiaries during the three months under review (changes in specified subsidiaries resulting in the change in scope of consolidation): None
- (2) Application of special accounting in preparing consolidated quarterly financial statements: None
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections
 - ① Changes in accounting policies due to revisions to accounting standards and other regulations: Yes
 - ② Changes in accounting policies due to other reasons: None
 - ③ Changes in accounting estimates: None
 - ④ Restatement of prior period financial statements after error corrections: None

(4) Number of issued shares (common shares)

- ① Total number of issued shares at the end of the period (including treasury shares)

As of March 31, 2022	36,380,400 shares
As of December 31, 2021	36,380,400 shares

- ② Number of treasury shares at the end of the period

As of March 31, 2022	2,936,334 shares
As of December 31, 2021	2,380,834 shares

- ③ Average number of outstanding shares during the period (cumulative from the beginning of the fiscal year)

As of March 31, 2022	33,693,210 shares
As of December 31, 2021	34,482,625 shares

* Quarterly results are not subject to quarterly review by a certified public accountant or the auditing firm.

* Appropriate use of business forecasts; other special items

The earnings forecast is made based on information available at the time of publication of this document. Shinoken Group does not guarantee that it will achieve the forecast results. Actual sales and profits may differ from the forecast results due to various factors.

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1. Qualitative information regarding consolidated results of operations

From the beginning of the first three months of the fiscal year under review, the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. began to be adopted. Accordingly, consolidated operating results for the first three months of fiscal year under review are explained indicating amounts and rates (%) of changes from the first three months of the previous fiscal year. Details are described in (3) Notes to consolidated financial statements (Changes in accounting policies).

(1) Explanation regarding operating results

Since its establishment in 1990, our group has been building a new business model of apartment management aimed at "building assets for 100 years of life" in order to alleviate future anxiety, especially among company workers. Today, under the vision of being "a life support company for all generations around the world," we are engaged in real estate sales, real estate services, general contracting, energy, and life care businesses, as well as the formation of real estate funds, and overseas business development, to provide services that can create group synergies and contribute to the creation of a sustainable society in all aspects of our business.

During the first quarter of the consolidated fiscal year under review, the Japanese economy remained unstable and uncertain due to Russia's invasion of Ukraine and the variant of COVID-19, and there were concerns about the impact of raw material shortages, soaring energy prices, rising interest rates in the United States, and a sharp depreciation of the yen. On the other hand, even in the with-COVID and after-COVID era, interest in asset development using rental housing, which constitutes one of the three major elements of life (Housing), remains strong, and demand remains solid.

In this business environment, our group is continuing its sales activities by taking thorough measures to prevent the spread of COVID-19 at each of its business locations, with emphasis on ensuring the safety of customers, other stakeholders, and employees. In addition, we are striving to create synergies among our business segments and promote M&A, new businesses, and DX in order to achieve sustainable growth and increase corporate value.

As a result, Net sales in the first three months (January 1, 2022 – March 31, 2022) of the current consolidated fiscal year totaled 23,205 million yen (+14.7% year-over-year), operating income 2,196 million yen (+19.3%), ordinary income 2,333 million yen (+18.3%), and net income attributable to owners of parent 1,677 million yen (+23.0%).

Operating results by segment are as follows.

Net sales in each segment include inter-segment sales and transfers.

① Real Estate Sales Business

In apartment sales, we have been striving to propose future asset development through apartment management, mainly to company workers. By showing strength in improved user experience (UX) in line with the changing times, such as IoT devices and smart locks as standard equipment, in addition to the location and design, B2C sales remained steady and achieved the targeted profit margin.

In condominium sales, in addition to developing designer properties in the Tokyo metropolitan area that emphasize urban convenience and design and selling them to B2C customers, we are also working to diversify our sales channels. In addition, we have continued to strengthen sales for B2B in order to diversify sales channels.

As a result, net sales were 11,102 million yen (+25.9% year-over-year) and segment income was 876 million yen (+31.3% year-over-year).

② Real Estate Services Business

The real estate services business consists of rental management business, condominium management business, rental brokerage business, rent guarantee business, small-amount short-term insurance business, asset management business, and real estate technology business. This segment provides various services mainly for owners and tenants as well as management of apartments and condominiums after purchase by owners.

At the end of the first quarter of the current fiscal year, the number of rental rooms managed under contract by owners of rental properties totaled 42,822, and the occupancy rate remained high at 99.2%. The number of

condominium rooms managed totaled 7,495, and we are striving to maintain and enhance the asset value of properties and improve services for management associations. In addition to the number of rental units and condominium units managed, the number of rent guarantee and insurance also increased steadily.

In addition, the development of Trust DX was promoted in preparation for the full-fledged computerization of real estate sales contracts under the revised Building Lots and Buildings Transaction Business Law to be enforced in May 2022.

As a result, net sales were 6,027 million yen (+13.3% year-over-year) and segment income was 1,160 million yen (+27.1% year-over-year).

③ General Contractor Business

OGAWA Construction Co., Ltd. is a general contractor founded in 1909, and with its more than 110 years of history, technology, trust, and track record, the company not only receives repeat orders from existing clients but also conducts sales activities to a wide range of clients. In addition, the company has been accumulating new orders, including projects completing in the next fiscal year (2023) and beyond, and has also made progress with contracted work for orders already received. Meanwhile, we are striving to reduce the effect of rising material prices by adequately managing sales costs.

As a result, net sales were 5,694 million yen (-1.6% year-over-year), and segment income was 463 million yen (+2.7% year-over-year).

④ Energy Business

The energy business consists of two businesses, LPG retail and power retail, and its strength lies in the convenience of contracting when moving in, and reasonable pricing. The number of contracts at the end of the first quarter under review was 42,619 for LPG retail and 26,530 for power retail, reflecting a steady increase in the number of units supplied as the number of rooms management increased and appropriate cost control was implemented.

As a result, net sales were 1,073 million yen (+18.0% year-over-year) and segment income was 262 million yen (+9.3% year-over-year).

⑤ Life Care Business

The life care business includes the serviced senior housing business, day-care service business, home-visit care business, in-home care support business, dementia care facility (group home) business, and small-scale multifunctional in-home care business, as well as the after-school day care service business for children with disabilities, mainly owning and operating these facilities. In response to the increasing number of single elderly people in urban areas and the current situation in which screening for moving into rental properties is difficult, we have received favorable reviews for our original service, "Rental Housing with Reliable Support for the Elderly (Ju-life Plan, Good Design Award)," which allows elderly people to move in at a reasonable price and includes support services such as remote monitoring and emergency response services. The service has been well received. We have maintained high occupancy rates at each facility by continuously improving and enhancing facilities and service quality according to the required level of care. Although costs temporarily increased due to elderly care workers coming from Indonesia, it makes a large contribution to resolving the chronic workforce shortage in the elderly care business.

As a result, net sales were 440 million yen (+4.2% year-over-year) and segment income was 50 million yen (-20.8% year-over-year).

⑥ Other

In the overseas business, in Indonesia, we have developed the "Sakura Terrace Series" of serviced apartments in the central part of the capital city Jakarta, using an integrated system from development to construction and operation. Two buildings are operating, and preparations are made for the completion and start of operation of the third building. In addition, we are making progress in the REIT and fund business in Indonesia by advancing specific negotiations with the relevant agencies, as the travel restrictions are gradually being removed.

In Shanghai, we are engaged in the real estate leasing brokerage business, mainly as a service for Japanese expatriates.

As a result, net sales amounted to 38 million yen (-33.5% year-over-year) and segment income was 8 million yen (-67.4% year-over-year).

(2) Explanation regarding financial position

Total assets at the end of the first quarter of the current fiscal year decreased 2,653 million yen from the end of the previous fiscal year to 96,356 million yen. This was mainly due to a decrease of 6,386 million yen in cash and deposits, despite increases of 1,448 million yen in real estate for sale, 873 million yen in notes receivable, accounts receivable from completed construction and contract assets, and 555 million yen in costs on real estate business.

Liabilities decreased 2,556 million yen from the end of the previous fiscal year to 51,133 million yen. This was mainly due to decreases of 1,833 million yen in short-term borrowings, 986 million yen in income taxes payable and 510 million yen in accounts payable for construction contracts, despite an increase of 1,416 million yen in long-term borrowings.

Net assets decreased 96 million yen from the end of the previous consolidated fiscal year to 45,223 million yen. This was mainly due to a 564 million yen increase in treasury shares from share buybacks, etc., despite a 415 million yen increase in retained earnings due to the posting of net income attributable to owners of parent.

(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements

* The earnings forecast is made based on information available at the time of publication of this document. Actual sales and profits may differ from the forecast results due to various factors.

2. Consolidated financial statements**(1) Consolidated quarterly balance sheets**

(Rounded down to the nearest thousand yen)

Items	As of Dec. 31, 2021	As of Mar. 31, 2022
Assets		
I Current assets		
1. Cash and deposits	40,485,693	34,098,862
2. Real estate operation accounts receivable	841,874	1,069,410
3. Notes receivable, accounts receivable from completed construction	5,738,171	-
4. Notes receivable, accounts receivable from completed construction and contract assets	-	6,612,090
5. Real estate for sale	30,463,703	31,911,906
6. Costs on real estate business	3,092,363	3,647,934
7. Other inventories	10,399	11,819
8. Others	3,621,839	3,765,814
9. Allowance for doubtful accounts	(92,144)	(95,707)
Total current assets	84,161,900	81,022,130
II Fixed assets		
1. Tangible fixed assets	8,492,424	8,490,552
2. Intangible assets		
(1) Goodwill	841,145	808,341
(2) Others	307,286	362,269
Total intangible assets	1,148,431	1,170,611
3. Investments and other assets	5,207,330	5,673,258
Total fixed assets	14,848,186	15,334,422
Total assets	99,010,087	96,356,553

(Amounts are rounded down to the nearest thousand yen)

Items	As of Dec. 31, 2021	As of Mar. 31, 2022
Liabilities		
I Current liabilities		
1. Real estate operation unpaid accounts	4,552,145	4,218,841
2. Accounts payable for construction contracts	4,073,838	3,563,234
3. Corporate bonds due within one year	584,000	569,000
4. Short-term borrowings	16,045,545	14,212,071
5. Income taxes payable	1,777,622	791,313
6. Others	6,350,876	6,149,412
Total current liabilities	33,384,027	29,503,874
II Long-term liabilities		
1. Corporate bonds	1,022,000	875,000
2. Long-term borrowings	18,266,674	19,683,126
3. Provision for share-based remuneration	37,975	37,831
4. Others	979,323	1,033,444
Total long-term liabilities	20,305,972	21,629,402
Total liabilities	53,690,000	51,133,276
Net assets		
I Shareholders' equity		
1. Share capital	1,094,830	1,094,830
2. Capital surplus	761,312	793,209
3. Retained earnings	45,256,567	45,671,974
4. Treasury stock	(1,869,796)	(2,434,167)
Total shareholders' equity	45,242,913	45,125,847
II Accumulated other comprehensive income		
1. Valuation difference on available-for-sale securities	66,858	64,164
2. Foreign currency translation adjustments	(36,491)	(16,951)
Total accumulated other comprehensive income	30,366	47,213
III Stock acquisition rights	2,163	2,163
IV Non-controlling interests	44,644	48,053
Total net assets	45,320,087	45,223,277
Total liabilities and net assets	99,010,087	96,356,553

(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income**Consolidated quarterly statements of income**

(Amounts are rounded down to the nearest thousand yen)

Items	Jan. 1, 2021 – Mar. 31, 2021	Jan. 1, 2022 – Mar. 31, 2022
I Revenues	20,223,844	23,205,301
II Cost of revenues	15,945,889	18,444,311
Gross profit	4,277,955	4,760,990
III SG&A expenses	2,438,159	2,564,862
Operating income	1,839,795	2,196,127
IV Non-operating income		
1.Share of profit of entities accounted for using equity method	15,180	115,612
2.Foreign exchange gains	182,873	169,289
3.Others	59,788	63,074
Total non-operating income	257,842	347,975
V Non-operating expenses		
1.Interest expenses	87,929	96,020
2.Commission expenses	37,222	63,824
3.Others	219	50,633
Total non-operating expenses	125,372	210,478
Ordinary income	1,972,265	2,333,624
VI Extraordinary income		
1.Subsidy income	-	88,723
2.Gain on reversal of share acquisition rights	38,610	-
Total extraordinary income	38,610	88,723
Net income before income taxes	2,010,875	2,422,347
Income taxes – current	608,958	726,676
Income taxes – deferred	39,685	15,350
Income taxes	648,643	742,027
Net income	1,362,231	1,680,320
Net income attributable to non-controlling interests	(1,124)	2,531
Net income attributable to owners of parent	1,363,356	1,677,789

Consolidated quarterly statements of comprehensive income

(Amounts are rounded down to the nearest thousand yen)

Items	Jan. 1, 2021 – Mar. 31, 2021	Jan. 1, 2022 – Mar. 31, 2022
I Net income	1,362,231	1,680,320
II Other comprehensive income		
1..Valuation difference on available-for-sale securities	35,950	(2,693)
2..Foreign currency translation adjustment	7,874	19,540
Total other comprehensive income	43,825	16,846
III Comprehensive income	1,406,056	1,697,167
Breakdown		
1..Comprehensive income attributable to owners of parent	1,405,956	1,698,048
2..Comprehensive income attributable to non-controlling interests	100	(880)

(3) Notes to consolidated financial statements

(Notes on going concern assumption)

Not applicable

(Notes in the case of material changes in shareholders' equity)

Not applicable

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

Our group has adopted the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) and others from the beginning of the first quarter of the current fiscal year, and recognizes revenue at the amount expected to be received in exchange for the promised goods or services when control of the promised goods or services has been transferred to the customer.

As a result, in the general contractor business, the percentage-of-completion method was previously applied to construction contracts for which the outcome of the construction activity is deemed certain during the course of the activity, and the completed-contract method was applied to other construction contracts. Our group has changed its method of accounting for the recognition of revenue based on the percentage of completion of performance obligations. The percentage-of-completion method is calculated as the ratio of the cost incurred to the estimated total cost (input method). For construction contracts with a very short period of time from the start date to the point when the performance obligation is expected to be fully satisfied, an alternative treatment is applied and revenue is recognized when the performance obligation is fully satisfied, instead of recognizing revenue based on the percentage of completion.

In addition, in the real estate service business, our group previously recognized revenue at the point of inception of the contract, but changed its method of recognizing revenue to when performance obligations are satisfied for contracts.

Our group has followed the transitional treatment stipulated in the proviso of Paragraph 84 of the Accounting Standard for Revenue Recognition, and the cumulative effect of retrospective application of the new accounting policy prior to the beginning of the first quarter of the current fiscal year has been included in retained earnings at the beginning of the first quarter of the current fiscal year. The cumulative effect of retrospectively applying the new accounting policy prior to the beginning of the first quarter of the current fiscal year is added to or subtracted from retained earnings at the beginning of the first quarter of the current fiscal year, and the new accounting policy is applied from the beginning balance of the current fiscal year. However, the new accounting policy was not applied retrospectively to contracts for which almost all revenue amounts were recognized in accordance with the previous treatment prior to the beginning of the first quarter of the current fiscal year, in accordance with the method prescribed in Paragraph 86 of the Accounting Standard for Revenue Recognition. In addition, our group has applied the method prescribed in paragraph 86 and paragraph (1) of the Accounting Standard for Revenue Recognition to account for contract modifications made prior to the beginning of the first quarter of the current fiscal year based on the contract terms after reflecting all contract modifications, and the cumulative effect of such modifications has been recognized in the The cumulative effect of these changes was added to or subtracted from retained earnings at the beginning of the first quarter of the current consolidated fiscal year.

As a result, net sales decreased 153,791 thousand yen, and cost of sales decreased 46,259 thousand yen, and gross profit, operating income, ordinary income, and income before income taxes and minority interests each decreased 107,531 thousand yen in the first quarter of the current fiscal year. In addition, retained earnings at the beginning of the period decreased by 565,060 thousand yen.

Due to the application of the Accounting Standard for Revenue Recognition, "Notes receivable, accounts receivable from completed construction contracts," which was included in "Current assets" in the consolidated balance sheet in the previous consolidated fiscal year, is included in "Notes receivable, accounts receivable from completed construction contracts and contract assets" from the current consolidated first quarter.

In accordance with the transitional treatment prescribed in Paragraph 89-2 of the Accounting Standard for Revenue Recognition, no reclassification has been made to conform to the new presentation for the previous fiscal year.

Furthermore, in accordance with the transitional treatment prescribed in Paragraph 28-15 of the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12, March 31, 2020), our group has not presented disaggregated information on revenue from contracts with customers for the three months ended March 31, 2021.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The "Accounting Standard for Calculation of Fair Value" (ASBJ Statement No. 30, July 4, 2019) and others are applied from the beginning of the first quarter of the current fiscal year, in accordance with the transitional treatment stipulated in paragraph 19 of the Accounting Standard for Fair Value Calculation and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). Our group has decided to apply the new accounting policies prescribed by the Accounting Standard for Fair Value Calculation prospectively. There are no impacts of this change on the quarterly consolidated financial statements.

(Change in display method)

(Consolidated quarterly balance sheets)

Land (12,217,963 thousand yen in the previous consolidated fiscal year), which was included in "Costs on real estate business" in the previous consolidated fiscal year, is included in "Real estate for sale" from the current consolidated fiscal year due to a review of presentation items, and the consolidated balance sheet as of the end of 2021 has been reclassified.

This change was made to more appropriately present the actual status of land held as inventory assets by reviewing the presentation items of land held as inventory assets, following the policy to strengthen land purchases as a sponsor of Shinoken REIT Investment Corporation in order to provide a stable supply of properties.

(Segment Information)

Jan. 1, 2021 – Mar. 31, 2021

(Amounts are rounded down to the nearest thousand yen)

	Real estate sales business	Real estate service business	General contractor business	Energy business	Life care business	Other businesses	Total	Adjustments	Consolidated
Revenues									
(1) External sales	8,812,502	5,165,455	4,908,213	893,619	418,332	25,721	20,223,844	-	20,223,844
(2) Inter-segment sales and transfers	-	151,589	880,426	15,459	3,915	31,820	1,083,210	(1,083,210)	-
Total	8,812,502	5,317,045	5,788,639	909,078	422,248	57,541	21,307,055	(1,083,210)	20,223,844
Segment income	667,283	912,967	450,862	240,333	63,377	27,422	2,362,245	(522,450)	1,839,795

*1 Other consists of businesses that are not included in the operating segments, mainly overseas business.

Jan. 1, 2022 – Mar. 31, 2022

(Amounts are rounded down to the nearest thousand yen)

	Real estate sales business	Real estate service business	General contractor business	Energy business	Life care business	Other*1	Total	Adjustments	Consolidated
Revenue									
Revenue from contracts with customers	11,102,311	1,701,222	4,884,339	1,043,738	357,845	5,627	19,095,085	-	19,095,085
Other revenue	-	4,027,657	-	-	82,557	-	4,110,215	-	4,110,215
(1) External sales	11,102,311	5,728,880	4,884,339	1,043,738	440,403	5,627	23,205,301	-	23,205,301
(2) Inter-segment sales and transfers	-	298,889	810,361	29,397	-	32,600	1,171,248	(1,171,248)	-
Total	11,102,311	6,027,770	5,694,700	1,073,135	440,403	38,227	24,376,549	(1,171,248)	23,205,301
Segment income	876,372	1,160,642	463,231	262,690	50,176	8,922	2,822,035	(625,907)	2,196,127

*1 Other consists of businesses that are not included in the operating segments, mainly overseas business.

Matters regarding the revision of reportable segments

As stated in (Changes in accounting policies), the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020), etc. began to be applied from the beginning of the first three months under review, and the account processing method regarding revenue recognition was changed, so the method of measuring segment profit (loss) was changed accordingly.

This change has resulted in, during the first quarter of the current fiscal year in the real estate service segment, decrease in net sales by 153,791 thousand yen, decrease in income in this segment by 107,531 thousand yen compared to the previous method. There are no impacts of this change on the other segments.

* This financial report is solely a summarized translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.