

[Translation for reference only]

This is an English translation of the original Japanese-language document and is provided for convenience only. In all cases, the Japanese-language original shall take precedence.

August 10, 2022

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

Company name: Shinoken Group Co., Ltd.  
Listing: Tokyo Stock Exchange STANDARD  
Stock code: 8909 URL: <https://www.shinoken.co.jp/>  
Representative: Hideaki Shinohara, Representative Director and President  
Inquiries: Takashi Tamaki, Senior Vice President and Director Telephone: +81-(92)-714-0040  
Scheduled date to submit Quarterly Securities Report: August 10, 2022  
Payment date of cash dividends (Second quarter-end) September 8, 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 Six Months of the Fiscal Year Ending December 31, 2022 (January 1, 2022 – June 30, 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	%
2Q ended Jun. 2022	50,810	26.7	4,572	30.4	4,840	45.7	3,464	60.8
2Q ended Jun. 2021	40,102	(13.1)	3,504	(16.8)	3,320	(15.1)	2,153	(18.2)

Note: Comprehensive income For 2Q ended Jun. 2022 ¥3,518 million [62.3%]  
For 2Q ended Mar. 2021 ¥2,167 million [(15.0%)]

	Net income per share (basic)	Net income per share (diluted)
	Yen	Yen
2Q ended Jun. 2022	103.25	103.04
2Q ended Jun. 2021	62.33	61.64

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 six 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	%
2Q ended Jun. 2022	98,517	47,031	47.7
FY ended Dec. 2021	99,010	45,320	45.7

Reference: Equity As of 2Q ended Jun. 2022: ¥46,979 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 six 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	-	22.00	-	-	-
FY ending Dec. 2022 (Forecast)	-	-	-	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
Full year	107,700	11.7	9,000	0.5	8,700	(2.6)	5,900	(1.9)	176.18

Note: Revisions to the earnings forecasts most recently announced: Yes

**\*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 Jun 30, 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 Jun 30, 2022	2,950,434 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 Jun 30, 2022	33,549,839 shares
As of Jun 30, 2021	34,547,478 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. For assumptions used in forecasting business results and precautions regarding the use of business results forecasts, please refer to "1. Qualitative information regarding consolidated results of operations (3) Explanation regarding consolidated earnings forecasts and other forward-looking statements" on page 4 of the attached materials.

## Table of Contents of the Attached Materials

1. Qualitative information regarding consolidated results of operations.....	2
(1) Explanation regarding operating results.....	2
(2) Explanation regarding financial position.....	4
(3) Explanation regarding consolidated earnings forecasts and other forward-looking statements.....	4
2. Consolidated financial statements.....	4
(1) Consolidated quarterly balance sheets.....	5
(2) Consolidated quarterly statements of income and consolidated quarterly statements of comprehensive income.....	7
Consolidated quarterly statements of income.....	7
Consolidated quarterly statements of comprehensive income.....	8
(3) Consolidated quarterly statements of cash flows.....	9
(4) Notes to consolidated financial statements.....	9
(Notes on going concern assumption) .....	9
(Notes in the case of material changes in shareholders' equity) .....	9
(Changes in accounting policies) .....	9
(Changes in display method) .....	10
(Segment information) .....	11

## 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 six months of the fiscal year under review are explained indicating amounts and rates (%) of changes from the first six months of the previous fiscal year. Details are described in 2. (4) 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 six months of the consolidated fiscal year under review, the Japanese economy continued to face unstable and uncertain conditions 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 other countries, 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 in all of its business locations, with emphasis on ensuring the safety of customers, other stakeholders, and employees. In addition, we are striving for sustainable growth and enhancement of corporate value by creating synergies among our business segments through an integrated system built on our strengths in real estate development, construction, sales, and management, and by expanding into peripheral areas.

As a result, Net sales in the first six months (January 1, 2022 – June 30, 2022) of the current consolidated fiscal year totaled 50,810 million yen (+26.7% year-over-year), operating income 4,572 million yen (+30.4%), ordinary income 4,840 million yen (+45.7%), and net income attributable to owners of parent 3,464 million yen (+60.8%).

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.

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 have continued to strengthen sales for B2B in order to diversify sales channels.

During the first six months of the consolidated fiscal year under review, due to increasing uncertainties in the market environment, such as rising inflation caused by high oil prices, rising long-term interest rates in the U.S. and concerns about Russia's invasion of Ukraine, Shinoken REIT Investment Corporation (hereinafter "the investment corporation") postponed the listing of its units after the approval of the listing, and the sale of assets from our group, the sponsor, to the investment corporation, which was scheduled, was also postponed. On the other hand, condominiums sales to B2B customers progressed ahead of the initial forecast.

As a result, net sales were 25,749 million yen (+46.9% year-over-year) and segment income was 2,174 million yen (+46.5% 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 43,260, and the occupancy rate remained high at 98.4%. The number of condominium rooms managed totaled 7,652, 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.

As a result, net sales were 12,111 million yen (+13.3% year-over-year) and segment income was 2,117 million yen (+22.9% 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 12,180 million yen (+1.0% year-over-year), and segment income was 923 million yen (+12.7% 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 43,339 for LPG retail and 27,563 for power retail, reflecting a steady increase in the number of units supplied as the number of rooms management increased. Also, efforts are made to mitigate the impact of soaring energy prices through appropriate cost management.

As a result, net sales were 2,031 million yen (+19.2% year-over-year) and segment income was 467 million yen (+3.6% 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 training of elderly care workers that came from Indonesia, certain prospects to resolving the problem of future shortage of elderly care personnel have been established.

As a result, net sales were 888 million yen (+5.2% year-over-year) and segment income was 109 million yen (-14.8% 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 88 million yen (-15.0% year-over-year) and segment income was 20 million yen (-48.9% year-over-year).

## (2) Explanation regarding financial position

### ① Financial position

Total assets at the end of the second quarter of the current fiscal year decreased 492 million yen from the end of the previous fiscal year to 98,517 million yen. This was mainly due to a decrease of 2,960 million yen in cash and deposits, despite increases of 1,591 million yen in real estate for sale, 375 million yen in costs on real estate business, and 273 million yen in notes receivable, accounts receivable from completed construction and contract assets.

Liabilities decreased 2,203 million yen from the end of the previous fiscal year to 51,486 million yen. This was mainly due to decreases of 1,848 million yen in short-term borrowings, 1,340 million yen in accounts payable for construction contracts, despite an increase of 1,519 million yen in long-term borrowings.

Net assets increased 1,711 million yen from the end of the previous consolidated fiscal year to 47,031 million yen. This was mainly due to 2,201 million yen increase in retained earnings due to the posting of net income attributable to owners of parent.

### ② Cash Flow position

Cash and cash equivalents at the end of the second quarter of the current consolidated fiscal year decreased by 2,987 million yen from the end of the previous consolidated fiscal year to 37,281 million yen.

The status of each cash flow and their factors during the first six months of the current fiscal year are as follows.  
(Cash flows from operating activities)

Net cash provided by operating activities amounted to 57 million yen (3,509 million yen used in the same period of the previous year).

This was mainly due to positive factors such as income before income taxes and minority interests of 4,998 million yen exceeding negative factors such as an increase in inventories of 1,966 million yen and income taxes paid of 1,742 million yen.

(Cash Flows from investing activities)

Net cash used in investing activities totaled 819 million yen (645 million yen used in the same period of the previous year).

This was mainly due to negative factors such as 433 million yen used for the purchase of property, plant and equipment and 390 million yen used for payments for investments.

(Cash Flows from financing activities)

Net cash used in financing activities amounted to 2,280 million yen (net cash provided by financing activities amounted to 5,498 million yen in the same period of the previous year).

This was mainly due to the negative factors such as repayment of long-term borrowings of 5,999 million yen, cash dividends paid of 697 million yen, and purchase of treasury stock of 649 million yen, which exceeded the positive factors such as proceeds from long-term borrowings of 4,790 million yen.

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

We have revised our consolidated earnings forecast for the fiscal year ending December 31, 2022, which was announced on February 14, 2022.

For details, please refer to the "Notice Regarding the Difference between the forecast and the result for the six months ended June 30, 2022, and the revision of the forecast for the fiscal year ending December 31, 2022" separately disclosed today.

\* 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 Jun. 30, 2022
<b>Assets</b>		
I Current assets		
1. Cash and deposits	40,485,693	37,524,713
2. Real estate operation accounts receivable	841,874	867,734
3. Notes receivable, accounts receivable from completed construction	5,738,171	—
4. Notes receivable, accounts receivable from completed construction and contract assets	—	6,011,363
5. Real estate for sale	30,463,703	32,054,916
6. Costs on real estate business	3,092,363	3,467,430
7. Other inventories	10,399	8,580
8. Others	3,621,839	3,070,136
9. Allowance for doubtful accounts	(92,144)	(100,161)
Total current assets	84,161,900	82,904,712
II Fixed assets		
1. Tangible fixed assets	8,492,424	8,482,275
2. Intangible assets		
(1) Goodwill	841,145	775,537
(2) Others	307,286	393,074
Total intangible assets	1,148,431	1,168,612
3. Investments and other assets	5,207,330	5,962,056
Total fixed assets	14,848,186	15,612,944
Total assets	99,010,087	98,517,656



(Amounts are rounded down to the nearest thousand yen)

Items	As of Dec. 31, 2021	As of Jun. 30, 2022
<b>Liabilities</b>		
<b>I Current liabilities</b>		
1. Real estate operation unpaid accounts	4,552,145	3,211,193
2. Accounts payable for construction contracts	4,073,838	4,063,165
3. Corporate bonds due within one year	584,000	519,000
4. Short-term borrowings	16,045,545	14,196,718
5. Income taxes payable	1,777,622	1,607,523
6. Others	6,350,876	6,160,688
Total current liabilities	33,384,027	29,758,288
<b>II Long-term liabilities</b>		
1. Corporate bonds	1,022,000	845,000
2. Long-term borrowings	18,266,674	19,785,933
3. Provision for share-based remuneration	37,975	45,342
4. Others	979,323	1,051,561
Total long-term liabilities	20,305,972	21,727,837
Total liabilities	53,690,000	51,486,125
<b>Net assets</b>		
<b>I Shareholders' equity</b>		
1. Share capital	1,094,830	1,094,830
2. Capital surplus	761,312	813,165
3. Retained earnings	45,256,567	47,458,213
4. Treasury stock	(1,869,796)	(2,468,250)
Total shareholders' equity	45,242,913	46,897,959
<b>II Accumulated other comprehensive income</b>		
1. Valuation difference on available-for-sale securities	66,858	58,677
2. Foreign currency translation adjustments	(36,491)	23,105
Total accumulated other comprehensive income	30,366	81,782
<b>III Stock acquisition rights</b>	2,163	2,163
<b>IV Non-controlling interests</b>	44,644	49,626
Total net assets	45,320,087	47,031,531
Total liabilities and net assets	99,010,087	98,517,656

**(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 – Jun. 30, 2021	Jan. 1, 2022 – Jun. 30, 2022
I Revenues	40,102,886	50,810,457
II Cost of revenues	31,635,424	41,007,240
Gross profit	8,467,462	9,803,217
III SG&A expenses	4,963,161	5,231,095
Operating income	3,504,301	4,572,121
IV Non-operating income		
1.Share of profit of entities accounted for using equity method	—	89,707
2.Foreign exchange gains	152,943	455,053
3.Others	97,634	100,426
Total non-operating income	250,578	645,186
V Non-operating expenses		
1.Interest expenses	179,713	175,274
2.Commission expenses	131,883	147,115
3.Share of loss of entities accounted for using equity method	92,192	—
4.Others	30,329	54,422
Total non-operating expenses	434,119	376,812
Ordinary income	3,320,759	4,840,496
VI Extraordinary income		
1.Subsidy income	—	157,723
2.Gain on reversal of share acquisition rights	38,642	—
Total extraordinary income	38,642	157,723
Net income before income taxes	3,359,401	4,998,219
Income taxes – current	1,206,428	1,561,038
Income taxes – deferred	(540)	(29,830)
Income taxes	1,205,888	1,531,208
Net income	2,153,513	3,467,010
Net income attributable to non-controlling interests	68	2,982
Net income attributable to owners of parent	2,153,445	3,464,027

**Consolidated quarterly statements of comprehensive income**

(Amounts are rounded down to the nearest thousand yen)

Items	Jan. 1, 2021 – Jun. 30, 2021	Jan. 1, 2022 – Jun. 30, 2022
I Net income	2,153,513	3,467,010
II Other comprehensive income		
1..Valuation difference on available-for-sale securities	25,158	(8,181)
2..Foreign currency translation adjustment	(10,987)	59,596
Total other comprehensive income	14,170	51,415
III Comprehensive income	2,167,684	3,518,426
Breakdown		
1..Comprehensive income attributable to owners of parent	2,170,786	3,524,114
2..Comprehensive income attributable to non-controlling interests	(3,102)	(5,687)

**(3) Consolidated quarterly statement of cash flows**

(Amounts are rounded down to the nearest thousand yen)

Items	Jan. 1, 2021 – Jun. 30, 2021	Jan. 1, 2022 – Jun. 30, 2022
<b>I Cash flows from operating activities</b>		
1.Net income before income taxes	3,359,401	4,998,219
2.Depreciation	332,377	374,978
3.Amortization of goodwill	52,817	65,607
4.Share of loss (profit) of entities accounted for using equity method	92,192	(89,707)
5.Interest expenses	179,713	175,274
6.Commission expenses	131,883	147,115
7.Decrease (increase) in trade receivables	1,129,438	—
8.Decrease (increase) in trade receivables and contract assets	—	(297,693)
9.Decrease (increase) in inventories	(7,940,061)	(1,966,117)
10.Increase (decrease) in trade payables	1,151,714	(1,351,625)
11.Increase (decrease) in advances received	249,074	—
12.Decrease (increase) in trade receivables and contract assets	—	(406,170)
13.Increase (decrease) in accrued consumption taxes	(657,965)	210,521
14.Others	(933,895)	(913,495)
Subtotal	(2,853,307)	946,906
Income taxes paid	(1,393,102)	(1,742,783)
Income taxes refund	737,096	853,048
Cash flows from operating activities	(3,509,313)	57,171
<b>II Cash flows from investing activities</b>		
1.Payments into time deposits	(139,037)	(45,000)
2.Proceeds from withdrawal of time deposits	453,159	18,000
3.Purchase of property, plant and equipment	(648,411)	(433,418)
4.Payments for investments in capital	—	(244,000)
5.Purchase of shares of subsidiaries resulting in change in scope of consolidation	(204,618)	—
6.Others	(107,043)	(115,131)
Cash flows from investing activities	(645,951)	(819,549)
<b>III Cash flows from financing activities</b>		
1.Net increase (decrease) in short-term borrowings	4,158,752	879,603
2.Proceeds from long-term borrowings	4,782,000	4,790,000
3.Repayments of long-term borrowings	(2,061,259)	(5,999,170)
4.Proceeds from issuance of bonds	194,324	—
5.Redemption of bonds	(276,000)	(242,000)
6.Purchase of treasury shares	(499,962)	(649,947)
7.Dividends paid	(637,086)	(697,321)
8.Interest paid	(218,086)	(210,727)
9.Commission paid	(126,856)	(146,579)
10.Others	182,717	(4,359)
Cash flows from financing activities	5,498,543	(2,280,502)
Effect of exchange rate change on cash and cash equivalents	28,459	54,900
Net increase (decrease) in cash and cash equivalents	1,371,737	(2,987,980)
Cash and cash equivalents	34,931,387	40,269,655
Increase (decrease) in cash and cash equivalents resulting from change in scope of consolidation	(49,706)	—
Cash and cash equivalents as of end of Jun.30	36,253,419	37,281,675

**(4) 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 177,266 thousand yen, and cost of sales decreased 87,337 thousand yen, and gross profit, operating income, ordinary income, and income before income taxes and minority interests each decreased 89,928 thousand yen in the six months 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 addition, "Decrease (increase) in trade receivables" presented in "Cash flows from operating activities" in the quarterly consolidated statements of cash flows for the second quarter of the previous fiscal year is included in "Decrease (increase) in trade receivables

and contract assets" from the current fiscal year. Also, "Increase (decrease) in advances received" are included in "Increase (decrease) in contract liabilities" from the current fiscal year.

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 six months ended Jun. 30, 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 – Jun. 30, 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	17,333,411	10,334,533	9,889,217	1,680,800	836,774	28,147	40,102,886	—	40,102,886
(2) Inter-segment sales and transfers	185,400	353,713	2,164,019	22,305	7,762	76,440	2,809,641	(2,809,641)	—
Total	17,518,811	10,688,247	12,053,237	1,703,106	844,536	104,587	42,912,527	(2,809,641)	40,102,886
Segment income	1,483,917	1,722,195	818,883	451,263	128,066	40,911	4,645,236	(1,140,935)	3,504,301

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

Jan. 1, 2022 – Jun. 30, 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	20,770,455	3,468,705	10,552,523	1,986,388	722,663	17,672	37,518,408	—	37,518,408
Other revenue	4,978,762	8,147,049	—	—	166,238	—	13,292,049	—	13,292,049
(1) External sales	25,749,217	11,615,754	10,552,523	1,986,388	888,901	17,672	50,810,457	—	50,810,457
(2) Inter-segment sales and transfers	—	495,443	1,627,592	44,913	—	71,220	2,239,170	(2,239,170)	—
Total	25,749,217	12,111,198	12,180,115	2,031,302	888,901	88,892	53,049,628	(2,239,170)	50,810,457
Segment income	2,174,710	2,117,893	923,183	467,775	109,017	20,875	5,813,455	(1,241,334)	4,572,121

\*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 six months of the current fiscal year in the real estate service segment, decrease in net sales by 177,266 thousand yen, decrease in income in this segment by 89,928 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.