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May 12, 2023

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

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 Listing: Tokyo Stock Exchange
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 Scheduled date of annual general meeting of shareholders: June 29, 2023
 Scheduled date to commence dividend payments: June 30, 2023
 Scheduled date to file annual securities report: June 29, 2023
 Preparation of supplementary material on financial results: Yes
 Holding of financial results briefing: Yes (for institutional investors and analysts)

(Yen amounts are rounded down to millions, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

Fiscal year ended	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2023	233,871	19.0	28,095	16.2	30,002	16.3	20,218	20.5
March 31, 2022	196,578	(1.2)	24,182	9.6	25,789	10.6	16,772	7.5

Note: Comprehensive income For the fiscal year ended March 31, 2023: ¥20,713 million [21.6%]
 For the fiscal year ended March 31, 2022: ¥17,032 million [(9.6)%]

Fiscal year ended	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
	Yen	Yen	%	%	%
March 31, 2023	407.07	–	15.1	10.6	12.0
March 31, 2022	332.83	–	13.6	9.7	12.3

Reference: Share of profit (loss) of entities accounted for using equity method
 For the fiscal year ended March 31, 2023: ¥11 million
 For the fiscal year ended March 31, 2022: ¥(6) million

(2) Consolidated financial position

As of	Total assets	Net assets	Equity-to-asset ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2023	293,100	145,086	48.6	2,869.50
March 31, 2022	273,287	127,676	46.1	2,538.57

Reference: Equity
 As of March 31, 2023: ¥142,519 million
 As of March 31, 2022: ¥126,065 million

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2023	34,148	(10,701)	(12,949)	78,485
March 31, 2022	24,951	(17,819)	(5,963)	67,638

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
Fiscal year ended	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
March 31, 2022	–	33.00	–	40.00	73.00	3,713	21.9	3.0
March 31, 2023	–	43.00	–	50.00	93.00	4,730	22.8	3.4
March 31, 2024 (Forecast)	–	50.00	–	55.00	105.00		24.8	

Fiscal year ending March 31, 2024 (Forecast) Breakdown of year-end dividends
 Ordinary ¥50.00 , Commemorative dividend for 55th anniversary ¥5.00

3. Earnings Forecast of Consolidated financial results for the fiscal year ended March 31, 2024 (from April 1, 2023 to March 31, 2024)

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	107,000	8.5	13,000	9.6	13,100	(8.0)	8,800	(8.2)	177.18
Full year	238,000	1.8	31,000	10.3	31,300	4.3	21,000	3.9	422.81

* **Notes**

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

(2) Changes in accounting policies, changes in accounting estimates, and restatement

(i) Changes in accounting policies due to revisions to accounting standards and other regulations: Yes

(ii) Changes in accounting policies due to other reasons: None

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(3) Number of issued shares (common shares)

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

As of March 31, 2023	53,998,205 shares
As of March 31, 2022	53,998,205 shares

(ii) Number of treasury shares at the end of the period

As of March 31, 2023	4,331,046 shares
As of March 31, 2022	4,338,014 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended March 31, 2023	49,667,242 shares
Fiscal year ended March 31, 2022	50,391,777 shares

* Financial results reports are exempt from audit conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

The earnings forecasts and other forward-looking statements in this document are based on information available to the Company and on certain assumptions deemed reasonable by the Company. Actual results may differ significantly from these forecasts due to various factors

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1. Operating Results

(1) Analysis of Operating Results

1) Overview of Operating Results for the Current Fiscal Year

During the current fiscal year, despite the normalization of economic activities mainly due to the easing of behavioral restrictions caused by COVID-19, the outlook of the Japanese economy remains uncertain due to such factors as soaring raw material prices associated with the prolonged unstable situation in Ukraine, rising import prices resulting from the yen's depreciation, and tightening of global monetary policy.

Under these circumstances, in the Tokyo metropolitan area and other major cities in Japan, the Group has aimed for stable and sustainable growth and business development together with its customers by providing one-stop services in real estate utilization, from construction, rental brokerage and real estate brokerage to real estate management, as well as by promoting cooperation among related businesses.

As a result, as of March 31, 2023, the number of managed real estate properties that provide a stable revenue base to the Group was as follows: 147,076 apartments and condominiums, 98,515 monthly parking spaces, and 52,198 hourly parking spaces through the Navi Park service, and in the corporate housing management business, 103,878 housing units and 13,433 parking spaces (for 449 companies). By adding 4,010 condominium units for sale and 621,267 units for the 24-hour emergency response service Access 24, we managed **876,231 housing units, 164,146 parking spaces and 2,585 buildings and facilities** in total.

As of March 31, 2023, the PITAT HOUSE **network of** real estate brokerage outlets numbered **648 nationwide** (114 Starts Group outlets and 534 network outlets). As for elderly assistance and childcare facilities, we operated **121 facilities** as of March 31, 2023, and are preparing to open four facilities in the Tokyo metropolitan area.

As of March 31, 2023, in **34 cities in 21 countries** (including countries and regions) around the world, our overseas offices have provided services tailored to the needs of each country, such as brokering offices and company housing for expatriates of Japanese companies seeking to expand overseas, brokering the purchase and sale of factories and other facilities, and managing rental offices, service apartments, and hotels.

As for the business results for the current fiscal year, in the Construction Business, construction work generally progressed as planned; in the Rental Brokerage Business and the Real Estate Management Business, brokerage and management commission income increased due to an increase in the number of properties under management; and in the Real Estate Brokerage Business, brokerage commissions were robust as well. In the Real Estate Development Business, the newly built condominium, Alpha Grande Narita Hachibangai, was completed and delivered, rental housing units were sold to Starts Proceed Investment Corporation, and in the Publishing Business, sales of books and e-books, including the *Oni no Hanayome* series, continued to be strong, and the number of OZ Premium Reservations usage, mainly for small group reservations, recovered following the easing of behavioral restrictions caused by COVID-19. In the Hotel and Leisure Business, demand for each facility has recovered gradually due to the easing of behavioral restrictions. As a result, net sales were 233,871 million yen (up 19.0% year on year), operating income was 28,095 million yen (up 16.2% year on year), ordinary income was 30,002 million yen (up 16.3% year on year), and net income attributable to owners of the parent was 20,218 million yen (up 20.5% year on year).

Overview by Segment

The following is a summary of business results by business segment.

(i) Construction Business

In the Construction Business, we continue to provide consulting services for asset management and asset inheritance through our community-based sales activities, which have remained unchanged since the company's establishment, and we make proposals for effective land utilization with a wealth of content that leverages our comprehensive strengths, including rental housing, commercial buildings, hotels, senior assistance facilities, childcare facilities, and logistics warehouses.

In the field of "buildings with seismic isolation structures," which we are focusing on promoting as social infrastructure, we have proposed optimal land utilization for all land, owners, and tenants based on regional characteristics. As a result, we have received orders for a total of 607 properties as of March 31, 2023. We are also engaged in the renovation and preservation of historical buildings, utilizing the seismic isolation and long-life extension technology that we have cultivated over the past 28 years, and received an award from The Japan Society of Seismic Isolation for the Group's construction achievements.

In the current fiscal year, despite the steady progress of construction work, as a result of soaring building material prices and other factors, net sales were 74,191 million yen (up 14.4% year on year), operating income was 7,449 million yen (down 8.7% year on year), and the order backlog was 125,906 million yen (up 0.7% year on year).

■ Construction Business orders received and construction work completed

Item	Classification	Amount of construction carried from the previous period	Orders received	Total	Net sales of completed construction contracts	Amount of construction carried to the next period		Amount of construction in the current period
						Construction contracts on hand	Of which, completed amount	
Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	General housing	2,710	3,471	6,181	2,743	3,437	8	2,741
	Rental housing	92,106	56,733	148,840	47,146	101,693	86	46,363
	Other	18,294	16,598	34,892	14,964	19,928	1,670	16,258
	Total	113,111	76,802	189,914	64,854	125,059	1,765	65,363
Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	General housing	3,437	2,011	5,449	3,092	2,356	15	3,100
	Rental housing	101,693	47,742	149,436	53,526	95,910	623	54,063
	Other	19,928	25,284	45,212	17,572	27,640	890	16,704
	Total	125,059	75,038	200,098	74,191	125,906	1,530	73,867

(ii) Rental Brokerage Business

In the Rental Brokerage Business, brokerage commissions and renewal commissions remained steady as the number of properties under management increased. In addition, we have also focused on expanding corporate transactions through community-based sales by leveraging the Group's comprehensive strengths. As a result, net sales for the current fiscal year were 7,684 million yen (up 7.3% year on year) and operating income was 2,482 million yen (up 3.0% year on year).

(iii) Real Estate Brokerage Business

In the Real Estate Brokerage Business, brokerage commissions and the number of transactions remained steady as we promoted proposals for purchase and replacement of business assets combined with consulting and solicitation management through community-based sales, and actively utilized the MY HOME AUCTION, a real estate sales support service, to promote highly transparent transactions for both sellers and buyers. Partly thanks to the performance of the newly consolidated companies, net sales for the current fiscal year were 6,701 million yen (up 19.0% year on year) and operating income was 1,847 million yen (up 7.0% year on year).

(iv) Real Estate Management Business

In the Real Estate Management Business, sales from management commissions and maintenance remained strong due to an increase in the number of properties under management. Leasing sales also increased due to a recovery in the use of the hourly parking Navi Park, and as a result, net sales for the current fiscal year were 86,668 million yen (up 4.6% year on year) and operating income was 11,303 million yen (up 2.7% year on year).

■ Real Estate Management Business Sales

(Millions of yen)

	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)	Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)
	Amount	Amount
Sales from management commissions	10,778	11,307
Maintenance sales	25,390	26,970
Leasing sales	46,654	48,390
Total	82,823	86,668

(v) Real Estate Development Business

In the Real Estate Development Business, as a result of the completion and delivery of the newly built condominium, Alpha Grande Narita Hachibangai (Narita City, Chiba Prefecture; 198 units) in February 2023, the sale of six rental housing units to Starts Proceed Investment Corporation, and the sale of the detached houses, QUWON GARDEN Shin-Urayasu (Urayasu City, Chiba Prefecture) and QUWON GARDEN Seijo (Setagaya-ku, Tokyo), etc., net sales for the current fiscal year were 23,373 million yen (up 177.0% year on year) and operating income was 1,615 million yen (up 505.1% year on year).

The complete sale of the newly built condominium, Alpha Grande Nippori (Arakawa-ku, Tokyo; 44 units), resulted in a contract balance of 2,620 million yen with 49 units for the current fiscal year.

■ Contract for Real Estate Properties

(Millions of yen)

	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)				Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)			
	Contract volume		Contract balance		Contract volume		Contract balance	
	Volume	Amount	Volume	Amount	Volume	Amount	Volume	Amount
Detached house	18	2,927	4	894	3	626	–	–
Condominium	128	5,949	111	4,465	117	5,618	49	2,620
Rental housing	2	1,569	–	–	6	14,345	–	–
Land	3	287	1	16	–	–	–	–
Other revenue	–	24	–	–	–	27	–	–
Total	151	10,758	116	5,375	126	20,618	49	2,620

■ Sales for Real Estate Properties

(Millions of yen)

	Fiscal year ended March 31, 2022 (from April 1, 2021 to March 31, 2022)		Fiscal year ended March 31, 2023 (from April 1, 2022 to March 31, 2023)	
	Volume	Amount	Volume	Amount
Detached house	29	3,542	7	1,520
Condominium	20	1,726	179	7,464
Rental housing	2	1,569	6	14,345
Land	3	1,571	1	16
Other	1	4	–	–
Other revenue	–	24	–	27
Total	55	8,438	193	23,373

(vi) Publishing Business

In the Publishing Business, the number of users of OZ Premium Reservations, a contingency fee-based customer service of OZ Mall, a website for women with more than 4 million members, recovered due to the enhancement of small-group plans in cooperation with the stores listed. In addition, the *Oni no Hanayome* series in the Starts Publishing Bunko label has grown to become a popular content with a total of more than 560,000 copies sold, and the newly launched Grast Comics and Grast Novels, otherworldly fantasy labels for men, saw a steady increase in the number of readers, resulting in steady sales of books, e-books and e-comics. As a result, net sales for the current fiscal year were 6,572 million yen (up 28.0% year on year) and operating income was 1,534 million yen (up 98.0% year on year).

(vii) Hotel and Leisure Business

In the Hotel and Leisure Business, demand continued to decline due to the enormous impact of the repeated requests from the government to refrain from going out and restrictions on the serving of alcoholic beverages and events caused by the spread of COVID-19, but domestic demand has recovered steadily due to the decline of the number of infections since October 2022 and various policies. In addition, HOTEL Emion PHNOM PENH experienced a steady recovery in demand following the easing of restrictions on entry into Cambodia. As a result, net sales for the current fiscal year were 9,076 million yen (up 102.4% year on year) and operating income was 195 million yen (compared with an operating loss of 1,654 million yen in the previous fiscal year).

(viii) Elderly Assistance and Childcare Business

In the Elderly Assistance and Childcare Business, we opened five new facilities, including Kirara Ikegami (Ota-ku, Tokyo), a group home, and Kirara Kita-Koshigaya (Koshigaya City, Saitama Prefecture), a group home. Net sales for the current fiscal year were 11,170 million yen (up 8.0% year on year) as a result of the steady operation of existing facilities. However, due to soaring utility expenses and aggressive efforts in recruiting and developing human resources, operating income was 587 million yen (down 6.1% year on year).

(ix) Consulting Business

In the Consulting Business, real estate management trust fees and the number of small-amount, short-term insurance contracts remained strong. In addition, non-life agency commissions increased following the revision of fire insurance policy periods, and asset management fees related to the acquisition and sale of properties of Starts Proceed Investment Corporation increased. As a result, net sales for the current fiscal year were 7,512 million yen (up 13.2% year on year) and operating income was 1,242 million yen (up 6.6% year on year).

(x) Merchandising and Culture Business

In the Merchandising and Culture Business, we manufacture and sell the Sherlock series of card key systems and operate art museums. In the current fiscal year, following the termination of convenience store operations in the previous fiscal year, net sales were 919 million yen (down 13.9% year on year) and operating income was 148 million yen (down 5.4% year on year).

2) Outlook for the Next Fiscal Year Ending March 31, 2024

In the fiscal year ending March 31, 2024, while economic activities are recovering from the restrictions caused by COVID-19, the outlook remains uncertain due to such factors as rising inflationary pressure, price hikes and higher interest rates against the backdrop of soaring energy prices associated with the unstable situation in Ukraine.

As for the Group's performance, demand in the Hotel and Leisure Business is expected to recover gradually, and in the Construction Business, construction work is expected to progress steadily based on the backlog of orders. In the Rental Brokerage Business and the Real Estate Management Business, commission income and maintenance sales are expected to remain stable as the number of properties under management increases, and other businesses are also expected to remain firm.

Under these circumstances, we forecast net sales of 238,000 million yen, operating income of 31,000 million yen, ordinary income of 31,300 million yen, and net income attributable to owners of the parent of 21,000 million yen for the next fiscal year.

The outlook by segment is as follows.

■ Construction Business

In the Construction Business, we will strive to improve customer satisfaction and create lifelong customers by further cultivating one-stop solutions while continuing to conduct community-based sales activities and cooperating with group companies. We will also work to promote orders for the refining construction and seismic isolation of existing buildings, and non-residential facilities such as logistics warehouses.

In the field of "buildings with seismic isolation structures," the Company will focus on promoting the spread of seismic isolation structures as a social infrastructure while differentiating itself from competitors by promoting the superiority of seismic isolation structures as a countermeasure against earthquake disasters (BCP) and by utilizing the BIM-FM PLATFORM for management, from project planning, design, and construction to maintenance and management.

On the other hand, the outlook of the business environment is uncertain due to such factors as soaring raw material prices and labor shortages at construction sites.

For the fiscal year ending March 31, 2024, we forecast net sales of 80,000 million yen and operating income of 8,400 million yen, based on the progress of construction work in the current order backlog.

■ Rental Brokerage Business and Real Estate Brokerage Business

In the Rental Brokerage Business and the Real Estate Brokerage Business, we will focus on expanding corporate transactions through community-based sales, and will also focus on human resource development, including training programs, to further pursue customer satisfaction. We will also promote new contracts for managed properties in the central Tokyo area in cooperation with group companies.

For the fiscal year ending March 31, 2024, we forecast net sales of 8,000 million yen and operating income of 2,700 million yen for the Rental Brokerage Business, and net sales of 7,400 million yen and operating income of 2,400 million yen for the Real Estate Brokerage Business.

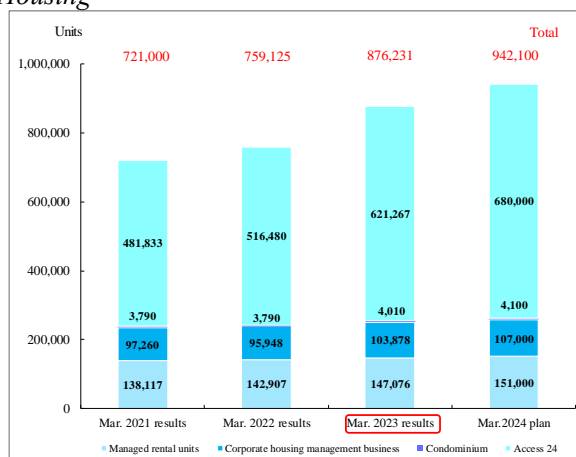
■ Real Estate Management Business

In the Real Estate Management Business, we will continue to promote new contracts for managed properties through community-based sales, and will also continue our efforts to reduce costs by bringing operations in-house in preparation for the risk of soaring material prices. In addition, to further enhance customer satisfaction, we will focus on providing high-quality management services by expanding the technical training center to develop highly specialized human resources and improving customer convenience through system development.

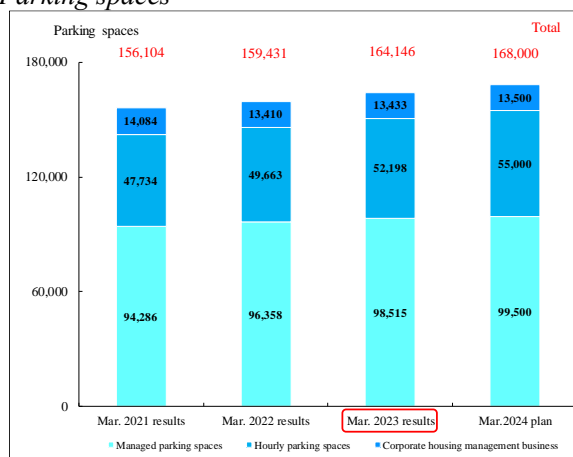
For the fiscal year ending March 31, 2024, we expect net sales of 91,500 million yen and operating income of 12,000 million yen.

Number of properties under management

Housing



Parking spaces



Real Estate Development Business

In the Real Estate Development Business, we plan to complete and deliver a newly built condominium, Alpha Grande Nippori (Arakawa-ku, Tokyo), and sell rental housing units and others. We will also be preparing to sell the QUWON GARDEN series of detached houses and the Alpha Grande series of newly built condominiums.

For the fiscal year ending March 31, 2024, we expect net sales of 11,600 million yen and operating income of 1,100 million yen.

Publishing Business

In the Publishing Business, we will continue to focus on launching new e-book and e-comic labels and increasing the number of publications, and in the OZ Premium Reservation series, we will expand the number of stores listed and develop new reservation plans in anticipation of a recovery in demand.

For the fiscal year ending March 31, 2024, we expect net sales of 7,000 million yen and operating income of 1,700 million yen.

Hotel and Leisure Business

In the Hotel and Leisure Business, to respond to the recovering domestic demand, we will promote renovation of facilities and human resource development at the hotels and inns under operation, and aim to provide higher quality, community-based services while pursuing customer satisfaction. We are preparing to open HOTEL Emion SAPPORO (14 floors above ground, 295 guest rooms), which will be directly connected to the underground passageway at Sapporo Station on the Toho Subway Line, in December 2023.

For the fiscal year ending March 31, 2024, we expect net sales of 11,600 million yen and operating income of 600 million yen.

Elderly Assistance and Childcare Business

In the Elderly Assistance and Childcare Business, we will promote the provision of seamless comprehensive welfare services rooted in the community, aiming to establish a community-based total care system, and plan to open four new facilities in the next fiscal year while strengthening our personnel structure.

For the fiscal year ending March 31, 2024, we expect net sales of 12,000 million yen and operating income of 700 million yen.

Consulting Business

In the Consulting Business, we will continue to expand our network of PITAT HOUSE real estate outlets and strengthen our financial asset consulting and real estate trust business.

For the fiscal year ending March 31, 2024, we expect net sales of 7,900 million yen and operating income of 1,500 million yen.

■ Merchandising and Culture Business

In the Merchandising Business, we will propose the Sherlock card key system, which meets diversifying security needs in step with the changing times, from analog card keys to smart key systems that enable the use of smart phones to lock and unlock keys.

In the Culture Business, we will seek to improve the satisfaction of new and repeat visitors by disseminating information through SNS and holding exhibitions and other events in each facility.

For the fiscal year ending March 31, 2024, we expect net sales of 1,000 million yen and operating income of 200 million yen.

Forecast of business results by segment

(Millions of yen)

	The next fiscal year		The current fiscal year		Change	
	(Fiscal year ending March 31, 2024)		(Fiscal year ended March 31, 2023)			
	Net sales	Operating income	Net sales	Operating income	Net sales	Operating income
Construction Business	80,000	8,400	74,191	7,449	5,808	950
Rental Brokerage Business	8,000	2,700	7,684	2,482	315	217
Real Estate Brokerage Business	7,400	2,400	6,701	1,847	698	552
Real Estate Management Business	91,500	12,000	86,668	11,303	4,831	696
Real Estate Development Business	11,600	1,100	23,373	1,615	(11,773)	(515)
Publishing Business	7,000	1,700	6,572	1,534	427	165
Hotel and Leisure Business	11,600	600	9,076	195	2,523	404
Elderly Assistance and Childcare Business	12,000	700	11,170	587	829	112
Consulting Business	7,900	1,500	7,512	1,242	387	257
Merchandising and Culture Business	1,000	200	919	148	80	51
Elimination/Corporate	–	(300)	–	(310)	–	10
Total	238,000	31,000	233,871	28,095	4,128	2,904

(2) Analysis of Financial Conditions**1) Assets, Liabilities and Net Assets**

(Millions of yen)

	As of March 31, 2023	As of March 31, 2022	Change
Total assets	293,100	273,287	19,813
Total liabilities	148,013	145,610	2,403
Of which, interest-bearing debt	65,649	74,783	(9,133)
Net assets	145,086	127,676	17,409
Of which, shareholders' equity	142,519	126,065	16,454
Interest-bearing debt ratio (times)	0.46	0.59	–

Note: Interest-bearing debt: Sum of short-term debt, current portion of long-term debt and long-term debt recorded in the consolidated balance sheets

Interest-bearing debt ratio = Interest-bearing debt / Shareholders' equity

Total assets at the end of the current fiscal year increased 19,813 million yen from the end of the previous fiscal year to 293,100 million yen. This was mainly due to an increase in cash and deposits resulting from an increase in net income attributable to owners of the parent and the acquisition of property, plant and equipment.

Total liabilities amounted to 148,013 million yen, up 2,403 million yen from the end of the previous fiscal year. The balance of interest-bearing debt was 65,649 million yen, down 9,133 million yen from the end of the previous fiscal year.

2) Cash Flows

Cash and cash equivalents (hereinafter referred to as "cash") at the end of the current fiscal year totaled 78,485 million yen, an increase of 10,847 million yen from the end of the previous fiscal year.

The status of each cash flow category for the current fiscal year is as follows.

(Cash flows from operating activities)

Net cash provided by operating activities totaled 34,148 million yen (compared with 24,951 million yen provided in the previous fiscal year), mainly due to income before income taxes and minority interests of 30,227 million yen, depreciation and amortization of 5,484 million yen, and a decrease in inventories of 6,405 million yen in the Real Estate Development Business, despite income taxes paid of 8,983 million yen and other items that used cash.

(Cash flows from investing activities)

Net cash used in investing activities totaled 10,701 million (compared with 17,819 million yen used in the previous fiscal year) mainly due to the acquisition of rental properties, the renovation of the Patique Shin-Urayasu and the construction of the Hotei Station East Complex Public Facility Development Project.

(Cash flows from financing activities)

Net cash used in financing activities totaled 12,949 million yen (compared with 5,963 million yen used in the previous fiscal year) due to repayments of bank loans for project funds in the Real Estate Development Business and dividends of surplus of 4,114 million yen.

■ Cash flow indicators

Item	Fiscal year ended March 31, 2019	Fiscal year ended March 31, 2020	Fiscal year ended March 31, 2021	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Equity ratio	39.3%	42.3%	46.6%	46.1%	48.6%
Equity ratio based on market value	52.2%	42.1%	60.1%	45.4%	44.4%
Years of debt redemption	2.7 years	2.3 years	2.6 years	3.0 years	1.9 years
Interest coverage ratio	85.4	102.4	100.9	93.2	133.6

* The basis for each indicator is as follows. All figures are calculated based on consolidated financial data.
 Equity ratio: shareholders' equity/total assets
 Equity ratio based on market value: market capitalization/total assets
 Years of debt redemption: interest-bearing debt/operating cash flows
 Interest coverage ratio: operating cash flows/interest payments
 Market capitalization: average share price during the last month of the fiscal year x number of shares outstanding at the end of the fiscal year (after deduction of treasury stock)
 Operating cash flows: cash flows from operating activities in the consolidated statements of cash flows
 Interest payments: interest paid in the consolidated statements of cash flows

(3) Basic Policy on Profit Distribution and Dividends for the Current and Next Fiscal Years

The Company's basic dividend policy is to pay continuous and stable dividends, while striving to increase the dividend payout ratio as well as to enhance the internal reserves needed for future business development and the strengthening and stabilization of the management base.

Based on this basic policy and taking into account recent performance trends, financial position and capital efficiency, the year-end dividend will be 50 yen per share, an increase of 7 yen from the year-end dividend announced on February 7, 2023, and combined with the interim dividend of 43 yen per share, the annual dividend per share for the current fiscal year will be 93 yen.

(4) Business and Other Risks

1) Impact of Real Estate Market Conditions

- Land and buildings of property, plant and equipment

As of March 31, 2023, the Group held 122,424 million yen in book value of land and buildings in property, plant and equipment. However, depending on future trends in real estate prices and the profitability of rental properties, the application of impairment accounting may affect the Group's business performance.

- Real estate for sale (inventories)

As of March 31, 2023, the Group held 11,865 million yen in book value of real estate for sale (including real estate for sale in process) as inventories, but future trends in real estate prices and other factors may affect our business results by causing valuation losses and losses on sales.

2) Interest-Bearing Debt

The balance of interest-bearing debt as of March 31, 2023 decreased 9,133 million yen from the end of the previous fiscal year to 65,649 million yen. Although we will continue our efforts to reduce interest-bearing debt, our future capital expenditures are financed by bank loans; thus, our business performance could be affected depending on future financial conditions.

3) Hotel Business

In Urayasu City, Chiba Prefecture, approximately 18 years have passed since HOTEL Emion TOKYO BAY opened in June 2005. And in January 2018, HOTEL Emion TOKYO BAY Emion SQUARE opened as a Tokyo Disney Resort® partner hotel. In October 2018, HOTEL Emion PHNOM PENH opened in Phnom Penh, Cambodia, as the Group's first hotel built and operated by the Group overseas; in July 2020, HOTEL Emion KYOTO opened in Kyoto City, Kyoto Prefecture; in July 2021, HOTEL KEYAKI GATE TOKYO FUCHU opened in Fuchu City, Tokyo; and in December 2023, HOTEL Emion SAPPORO is scheduled to open in Sapporo City, Hokkaido. The financial position of the Company may be affected depending on the status of COVID-19 and other factors.

4) Procurement of Building Materials

If the Company is unable to reflect the price hikes in building materials and other items in its sales prices, its business results may be affected.

5) Changes in Real Estate-Related Legislation

In the future, the Group's business may be affected by the revision or abolition of laws and regulations related to the execution of our businesses, including the Building Standards Act, the City Planning Act and other real estate-related laws and regulations, the Construction Business Act, the Act on Architects and Building Engineers and other construction-related laws and regulations, or the establishment of new legal regulations.

6) Changes in Real Estate-Related Taxation

In the future, changes in real estate-related taxation systems, income taxation systems, and other taxation systems may affect the Group's business due to increased costs at the time of real estate acquisitions and sales, as well as a decrease in the willingness of home-buying customers and rental home owners, etc., to purchase and conduct business.

7) Management of Personal Information

In the business operations of the Group, we hold personal information about many of our customers. The Group has established a personal information protection policy and is working to strengthen and thoroughly implement personal information management through its company policy and operation manuals related to information management. However, if customer information held by the Group is leaked outside the company due to unforeseen circumstances, the Group's business performance may be affected due to a loss of trust of customers and costs incurred in resolving the problem.

8) Risks Due to Natural Disasters, Man-Made Disasters, Etc.

Earthquakes, storms, floods, and other natural disasters as well as accidents, fires, wars, riots, terrorism, and other man-made disasters could affect the Group's performance and financial position.

9) COVID-19

Although the downgrade of COVID-19 from Class 2 equivalent to Class 5 is expected to lead a recovery in the economy, the Group could be affected if there is a re-spread of infection such as the outbreak of new variants. Specifically, visits by customers and our sales representatives may be restricted, which may affect the performance of our Construction Business, Rental Brokerage Business, Real Estate Brokerage Business, Consulting Business, and Merchandising and Culture Business. In addition, a decrease in the number of users may affect the performance of the Hotel and Leisure Business and the Elderly Assistance and Childcare Business, which provide facility use services.

2. Status of the Group

The Group consists of the Company, 86 subsidiaries, one equity method affiliate, and two affiliates. The major businesses and the positioning of subsidiaries, etc. within the Group are as follows.

The business descriptions of the Group and business classifications of the business segmentation are the same.

On April 1, 2023, the trade name of Sumai Plus S.S.I Co., Ltd. was changed to Starts S.S.I Co., Ltd.

Construction Business

Starts CAM Co., Ltd. (a consolidated subsidiary), Starts Kyushu Co., Ltd. (a consolidated subsidiary), Starts Kansai Co., Ltd. (a consolidated subsidiary), Starts Tokai Co., Ltd. (a consolidated subsidiary) and Starts Tohoku Co., Ltd. (a consolidated subsidiary) are engaged in planning proposals, receiving construction orders, and design and construction associated with the effective use of idle land in the Tokyo metropolitan area and other major cities.

Starts Home Corporation (a consolidated subsidiary) is engaged in contracting for the construction and renovation of detached houses in mainly the Tokyo metropolitan area.

Rental Brokerage Business and Real Estate Brokerage Business

Starts Pitat House Co., Ltd. (a consolidated subsidiary), Starts Kyushu Co., Ltd. (a consolidated subsidiary), Starts Kansai Co., Ltd. (a consolidated subsidiary), Starts Tokai Co., Ltd. (a consolidated subsidiary), Starts Tohoku Co., Ltd. (a consolidated subsidiary), Starts Hokkaido Co., Ltd. (a consolidated subsidiary), Starts Okinawa Co., Ltd. (a consolidated subsidiary) and Yoshihiro Kikaku Co., Ltd. (a consolidated subsidiary) operate 114 PITAT HOUSE real estate brokerage outlets in the Tokyo metropolitan area and other major cities as of March 31, 2023, and are engaged in looking for rental apartments and condominiums, acting as a real estate agent for sales of housing and other properties, and acting as real estate brokers.

Starts Corporate Service Inc. (a consolidated subsidiary) acts as a real estate broker for corporate clients and arranges company dormitories and housing.

Real Estate Management Business

Starts Kyushu Co., Ltd. (a consolidated subsidiary), Starts Kansai Co., Ltd. (a consolidated subsidiary), Starts Tokai Co., Ltd. (a consolidated subsidiary), Starts Tohoku Co., Ltd. (a consolidated subsidiary), Starts Hokkaido Co., Ltd. (a consolidated subsidiary), Starts Okinawa Co., Ltd. (a consolidated subsidiary) and Yoshihiro Kikaku Co., Ltd. (a consolidated subsidiary) are engaged in the management of rental apartments and condominiums in major cities.

Starts Corporate Service Inc. (a consolidated subsidiary) provides company housing management services and other services.

Starts Amenity Corporation (a consolidated subsidiary) is engaged in the management of rental apartments, condominiums, and parking lots as well as related renovation and maintenance services, operation of the hourly parking facility Navi Park, and the leasing business, and **ST Maintenance Corporation (a consolidated subsidiary)** engages in construction and repair work mainly for rental housing.

Chinju Hoshō Service Co., Ltd. (a consolidated subsidiary) provides guarantees for tenants of rental housing.

Starts Facility Service Co., Ltd. (a consolidated subsidiary) and Chiyoda Kanzai Co., Ltd. (a consolidated subsidiary) provide facility management services for 2,585 office buildings and other facilities, primarily in the three central wards of Tokyo (Chiyoda, Chuo, and Minato).

Lift Management Co., Ltd. (a consolidated subsidiary) is engaged in safety management and the operation of elevators and escalators in general. **Starts Clean Partners Co., Ltd. (a consolidated subsidiary)** provides cleaning services for office buildings, hotels and commercial facilities.

Starts New Coast Co., Ltd. (a consolidated subsidiary) operates and manages the facilities of the shopping center NEW COAST SHIN-URAYASU (Urayasu City, Chiba Prefecture). **Shinozaki Station West Exit Public Interest Complex Corporation (a consolidated subsidiary)** provides facility management services for Shinozaki Twin Place, which was developed in front of Shinozaki Station, Edogawa-ku, Tokyo. **Ningyocho Public Service Co., Ltd. (a consolidated subsidiary)** provides facility management services for the Ningyocho nursery school and other complexes in Chuo-ku, Tokyo. **Anjo Private Profit-making Service Co.,**

Ltd. (a consolidated subsidiary) provides facility management services for private profit-making facilities in the central city area development project in Anjo City, Aichi Prefecture. **Narashino Okubo Mirai Project Co., Ltd. (a consolidated subsidiary)** provides facility management services for existing facilities in the public facility redevelopment project in the Okubo district of Narashino City, Chiba Prefecture. **Higashiokazaki Hikutogaiku Fukugo-shisetsu Co., Ltd. (a consolidated subsidiary)** operates facilities in the Higashiokazaki Station Area Northeast district effective utilization project in Aichi Prefecture. **Kumagaya Kosodatehien Hokenkyoten-shisetsu Co., Ltd. (a consolidated subsidiary)** will construct and maintain facilities in the Kumagaya City Child Rearing Support and Health Care Base Facility Development Project. **Ryogoku Fukushi Koken Project LLC (a consolidated subsidiary) and Chidori Fukushi Koken Project LLC (a consolidated subsidiary)** operate complexes, including licensed nursery schools, apartment houses and shared houses in Sumida-ku and Ota-ku, Tokyo, respectively, that are run under public-private partnership welfare contribution infrastructure fund projects. **Minamikojiwa kankyo-fudousan Project LLC (a consolidated subsidiary)** develops energy-efficient rental housing in Minamikojiwa, Edogawa-ku, Tokyo.

Our overseas subsidiaries are located in 18 cities in 12 Asian countries, eight cities in three North and Latin American countries, four cities in three European and Middle Eastern countries, and one city in one Oceanian country (including countries and regions) and are engaged in real estate brokerage, rental brokerage, real estate management, rental office and serviced apartment management, etc.

Real Estate Development Business

Starts Development Corporation (a consolidated subsidiary) develops detached houses and medium- and high-rise residential properties in the Tokyo metropolitan area.

Publishing Business

Starts Publishing Corporation (a consolidated subsidiary) is engaged in the Media Business, through media such as the OZmall website for women, the OZmagazine information magazine, the free magazine metromin., and the Publishing Business, by publishing books, e-books, and comics, mainly in the submitted novel category.

Hotel and Leisure Business

Starts Hotel Development Corporation (a consolidated subsidiary) operates HOTEL Emion TOKYO BAY, HOTEL Emion TOKYO BAY Emion SQUARE (Urayasu City, Chiba Prefecture), HOTEL Emion KYOTO (Shimogyo-ku, Kyoto City, Kyoto Prefecture), HOTEL LUMIERE KASAI (Edogawa-ku, Tokyo), HOTEL LUMIERE NISHIKASAI (Edogawa-ku, Tokyo), HOTEL KEYAKI GATE TOKYO FUCHU (Fuchu City, Tokyo), and HOTEL LUMIERE GRANDE NAGAREYAMA-OTAKANOMORI (Nagareyama-City, Chiba Prefecture). **Starts Naha Operations Co., Ltd. (a consolidated subsidiary)** operates OKINAWA NAHANA HOTEL & SPA (Naha-City, Okinawa Prefecture). **Starts Hotel (Cambodia) Corporation (a consolidated subsidiary)** operates HOTEL Emion PHNOM PENH in Phnom Penh, Cambodia.

Starts Resort Co., Ltd. (a consolidated subsidiary) operates HOTEL SEIFUEN (Chikuma City, Nagano Prefecture) and Yukemuri-no-Sato Kashiwaya Ryokan (Nikko City, Tochigi Prefecture) hot spring inns. **Starts Guam Golf Resort Inc. (Guam, U.S.A.) (a consolidated subsidiary)** operates STARTS GUAM GOLF RESORT (golf course and hotel) in Guam, U.S.A. **Starts Kasama Golf Club Co., Ltd. (a consolidated subsidiary)** and **Starts Golf Development Co., Ltd. (a consolidated subsidiary)** operate STARTS KASAMA Golf Club (Kasama City, Ibaraki Prefecture).

Starts Tourist Co., Ltd. (a consolidated subsidiary) is engaged in the travel agency business.

Starts Commercial Firm Ltd. (a consolidated subsidiary) is engaged in the restaurant business.

Elderly Assistance and Childcare Business

Starts Care Service Co., Ltd. (a consolidated subsidiary) operates group homes and other facilities for the elderly and childcare facilities in mainly the Tokyo metropolitan area.

Consulting Business

Pitat House Network Co., Ltd. (a consolidated subsidiary) promotes the PITAT HOUSE franchise business and provides management guidance to 534 franchisees as of March 31, 2023, creating a network of 648 stores, including 114 stores directly managed by STARTS.

Starts Securities Co., Ltd. (a consolidated subsidiary) provides asset management consulting services, including the sale and purchase of stocks and other securities and the sale of insurance products, and **Starts Trust Co., Ltd. (a consolidated subsidiary)** is engaged in the trust business, such as land trusts and real estate trusts.

Starts Asset Management Co., Ltd. (a consolidated subsidiary) is engaged in asset management of Starts Proceed Investment Corporation, an investment corporation in real estate investment trust (listed on the Tokyo Stock Exchange), and also in consulting services for PFI projects, etc.

Starts S.S.I Co., Ltd. (a consolidated subsidiary) is engaged in the insurance business.

Starts Research Institute Inc. (a consolidated subsidiary) is engaged in consulting and other businesses.

Starts Welfare contribution Infrastructure Fund Investment Business Limited Partnership (a consolidated subsidiary) is engaged in the public-private partnership welfare contribution infrastructure fund business for the purpose of developing buildings, such as facilities for elderly assistance and childcare, in the Tokyo metropolitan area that contribute to the welfare of people in need.

Starts Agency Co., Ltd. (a consolidated subsidiary) is engaged in the advertising agency business.

Weave Corporation (a consolidated subsidiary) is engaged in the planning, development, operation and management of information systems, including websites, mainly within the Group.

Merchandising and Culture Business

Sherlock Corporation (a consolidated subsidiary) is engaged in the planning, manufacture, and sale of security systems for residences, including Sherlock, a card-operated entrance key.

Starts Commercial Firm Ltd. (a consolidated subsidiary) is engaged in the wholesaling and merchandising of housing equipment.

As for the Culture Business, **Mitsuo Aida Museum Co., Ltd. (a consolidated subsidiary)** operates Mitsuo Aida Museum, and **Hirosaki Geijutsu Souzou Co., Ltd. and Hirosaki nigiwai souzou Co., Ltd. (consolidated subsidiaries)** operate and manage Hirosaki Museum of Contemporary Art and ancillary facilities in the PFI project to develop the Yoshino-cho green space and surrounding area in Hirosaki City, Aomori Prefecture.

Among domestic consolidated subsidiaries, **Starts Publishing Corporation** is listed on the Tokyo Stock Exchange Standard Market.

The Company falls under the category of a specified listed company, etc. as stipulated in Article 49, paragraph (2) of the Cabinet Office Ordinance on Restrictions on Securities Transactions, etc. As a result, the Company will be judged on the basis of consolidated figures with respect to the material facts minor standard under the insider trading regulations.

3. Basic Approach to the Selection of Accounting Standards

Most of the Group's stakeholders are shareholders, creditors, business partners, etc. in Japan, and there is little need for funding from overseas. Therefore, the Group has adopted Japanese accounting standards.

4. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Assets		
Current assets		
Cash and deposits	*2 74,385	*2 85,225
Notes and accounts receivable - trade, and contract assets	*2 13,253	*2 16,174
Real estate for sale	10,925	1,503
Real estate for sale in process	*2 7,731	*2 10,362
Costs on construction contracts in progress	1,835	1,987
Prepaid expenses	1,965	1,909
Other	7,325	10,704
Allowance for doubtful accounts	(261)	(305)
Total current assets	117,161	127,562
Non-current assets		
Property, plant and equipment		
Buildings and structures	70,589	73,926
Accumulated depreciation	(23,145)	(25,269)
Buildings and structures, net	*2 47,443	*2 48,656
Machinery, equipment and vehicles	9,453	10,186
Accumulated depreciation	(7,566)	(8,171)
Machinery, equipment and vehicles, net	1,887	2,014
Land	*2 75,093	*2 76,480
Other	10,531	14,854
Accumulated depreciation	(6,864)	(7,708)
Other, net	3,667	7,145
Total property, plant and equipment	128,091	134,297
Intangible assets		
Software	1,485	2,037
Goodwill	1,016	911
Other	612	1,222
Total intangible assets	3,114	4,171
Investments and other assets		
Investment securities	*1,*2 12,856	*1,*2 13,569
Long-term loans receivable	*1 411	*1 413
Long-term prepaid expenses	589	801
Deferred tax assets	2,489	2,615
Other	8,882	9,971
Allowance for doubtful accounts	(309)	(303)
Total investments and other assets	24,919	27,068
Total non-current assets	156,126	165,537
Total assets	273,287	293,100

(Millions of yen)

	As of March 31, 2022	As of March 31, 2023
Liabilities		
Current liabilities		
Accounts payable-trade and accounts payable for construction contracts	16,676	22,801
Short-term borrowings	5,474	7,974
Current portion of long-term borrowings	*2 19,345	*2 15,223
Income taxes payable	4,361	5,270
Contract liabilities	11,741	12,733
Accrued expenses	1,135	1,350
Provision for bonuses	2,778	2,989
Provision for point card certificates	387	342
Deposits received from the tenant of an apartment	13,296	14,481
Other	6,602	8,652
Total current liabilities	81,798	91,818
Non-current liabilities		
Long-term borrowings	*2 49,964	*2 42,452
Provision for retirement benefits for directors (and other officers)	988	1,050
Provision for warranties for completed construction	1,107	1,168
Provision for loss on lease business	476	420
Deferred tax liabilities for land revaluation reserve	573	573
Retirement benefit liability	248	268
Asset retirement obligations	2,223	2,751
Other	8,229	7,509
Total non-current liabilities	63,811	56,195
Total liabilities	145,610	148,013
Net assets		
Shareholders' equity		
Share capital	11,039	11,039
Capital surplus	6,246	6,417
Retained earnings	111,600	127,700
Treasury shares	(8,173)	(8,173)
Total shareholders' equity	120,713	136,984
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,841	3,468
Revaluation reserve for land	*3 1,253	*3 1,253
Foreign currency translation adjustment	(185)	289
Remeasurements of defined benefit plans	443	523
Total accumulated other comprehensive income	5,352	5,535
Non-controlling interests	1,610	2,566
Total net assets	127,676	145,086
Total liabilities and net assets	273,287	293,100

(2) Consolidated Statements of Income and Comprehensive Income
Consolidated Statements of income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net sales	196,578	233,871
Cost of sales	136,494	165,686
Gross profit	60,084	68,184
Selling, general and administrative expenses	*1 35,901	*1 40,089
Operating profit	24,182	28,095
Non-operating income		
Interest income	16	53
Dividend income	390	456
Foreign exchange gains	870	1,057
Subsidy income	372	246
Other	428	457
Total non-operating income	2,077	2,271
Non-operating expenses		
Interest expenses	265	254
Provision of allowance for doubtful accounts	88	8
Other	116	101
Total non-operating expenses	471	363
Ordinary profit	25,789	30,002
Extraordinary income		
Gain on sale of non-current assets	*2 100	*2 540
Gain on sale of investment securities	294	170
Other	16	18
Total extraordinary income	411	730
Extraordinary losses		
Loss on sale of non-current assets	*3 0	*3 9
Loss on retirement of non-current assets	*4 345	*4 177
Impairment losses	*5 1	*5 224
Other	242	93
Total extraordinary losses	589	505
Profit before income taxes	25,611	30,227
Income taxes - current	8,545	9,688
Income taxes - deferred	140	9
Total income taxes	8,686	9,698
Profit	16,924	20,529
Profit attributable to non-controlling interests	152	311
Profit attributable to owners of parent	16,772	20,218

Consolidated Statements of Comprehensive Income

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit	16,924	20,529
Other comprehensive income		
Valuation difference on available-for-sale securities	(313)	(371)
Foreign currency translation adjustment	158	474
Remeasurements of defined benefit plans, net of tax	263	80
Total other comprehensive income	107	183
Comprehensive income	17,032	20,713
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	16,873	20,400
Comprehensive income attributable to non-controlling interests	158	312

(3) Consolidated Statements of Changes in Net Assets
Fiscal year ended March 31, 2022

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	11,039	6,232	98,498	(432)	115,337
Cumulative effects of changes in accounting policies			(349)		(349)
Restated balance	11,039	6,232	98,148	(432)	114,988
Changes during period					
Dividends of surplus			(3,320)		(3,320)
Profit attributable to owners of parent			16,772		16,772
Purchase of treasury shares				(7,740)	(7,740)
Disposal of treasury shares		0		0	0
Change in ownership interest of parent due to transactions with non-controlling interests		14			14
Reversal of revaluation reserve for land			0		0
Net changes in items other than shareholders' equity					-
Total changes during period	-	14	13,451	(7,740)	5,725
Balance at end of period	11,039	6,246	111,600	(8,173)	120,713

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	4,155	1,253	(343)	185	5,251	1,383	121,972
Cumulative effects of changes in accounting policies					-		(349)
Restated balance	4,155	1,253	(343)	185	5,251	1,383	121,622
Changes during period							
Dividends of surplus					-		(3,320)
Profit attributable to owners of parent					-		16,772
Purchase of treasury shares					-		(7,740)
Disposal of treasury shares					-		0
Change in ownership interest of parent due to transactions with non-controlling interests					-		14
Reversal of revaluation reserve for land					-		0
Net changes in items other than shareholders' equity	(314)	(0)	158	257	101	227	328
Total changes during period	(314)	(0)	158	257	101	227	6,053
Balance at end of period	3,841	1,253	(185)	443	5,352	1,610	127,676

Fiscal year ended March 31, 2023

(Millions of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	11,039	6,246	111,600	(8,173)	120,713
Changes during period					
Dividends of surplus			(4,117)		(4,117)
Profit attributable to owners of parent			20,218		20,218
Purchase of treasury shares				(0)	(0)
Disposal of treasury shares					–
Change in ownership interest of parent due to transactions with non-controlling interests		171			171
Reversal of revaluation reserve for land					–
Net changes in items other than shareholders' equity					–
Total changes during period	–	171	16,100	(0)	16,271
Balance at end of period	11,039	6,417	127,700	(8,173)	136,984

	Accumulated other comprehensive income					Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Revaluation reserve for land	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	3,841	1,253	(185)	443	5,352	1,610	127,676
Changes during period							
Dividends of surplus					–		(4,117)
Profit attributable to owners of parent					–		20,218
Purchase of treasury shares					–		(0)
Disposal of treasury shares					–		–
Change in ownership interest of parent due to transactions with non-controlling interests					–		171
Reversal of revaluation reserve for land					–		–
Net changes in items other than shareholders' equity	(372)		474	80	182	955	1,138
Total changes during period	(372)	–	474	80	182	955	17,409
Balance at end of period	3,468	1,253	289	523	5,535	2,566	145,086

(4) Consolidated Statements of Cash Flows

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from operating activities		
Profit before income taxes	25,611	30,227
Depreciation	5,122	5,484
Impairment losses	1	224
Loss (gain) on sale and retirement of property, plant and equipment	245	(352)
Increase (decrease) in allowance for doubtful accounts	(7)	37
Increase (decrease) in provision for bonuses	51	211
Increase (decrease) in net defined benefit asset and liability	(459)	(365)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	82	62
Interest and dividend income	(406)	(509)
Interest expenses	265	254
Foreign exchange losses (gains)	(870)	(1,057)
Decrease (increase) in trade receivables and contract assets - 2 - OpeCF	(1,309)	(2,911)
Decrease (increase) in inventories	2,999	6,405
Increase (decrease) in trade payables	161	1,883
Increase (decrease) in contract liabilities	2,945	926
Increase (decrease) in accrued consumption taxes	(2,572)	951
Decrease (increase) in other current assets	(595)	(3,184)
Increase (decrease) in other current liabilities	1,260	2,361
Other, net	(60)	2,224
Subtotal	32,463	42,873
Interest and dividends received	408	513
Interest paid	(267)	(255)
Income taxes paid	(7,653)	(8,983)
Net cash provided by (used in) operating activities	24,951	34,148
Cash flows from investing activities		
Payments into time deposits	(509)	(701)
Proceeds from withdrawal of time deposits	239	745
Purchase of property, plant and equipment	(16,821)	(9,021)
Proceeds from sale of property, plant and equipment	250	2,035
Purchase of intangible assets	(1,042)	(1,645)
Purchase of investment securities	(3)	(2,997)
Proceeds from sale of investment securities	317	2,000
Loan advances	(40)	(24)
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(51)
Proceeds from collection of loans receivable	73	62
Purchase of insurance funds	(312)	(321)
Other, net	29	(783)
Net cash provided by (used in) investing activities	(17,819)	(10,701)

(Millions of yen)

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	340	2,500
Proceeds from long-term borrowings	22,266	17,996
Repayments of long-term borrowings	(17,586)	(29,629)
Dividends paid	(3,314)	(4,114)
Dividends paid to non-controlling interests	(50)	(53)
Purchase of treasury shares	(7,740)	(0)
Other, net	122	352
Net cash provided by (used in) financing activities	(5,963)	(12,949)
Effect of exchange rate change on cash and cash equivalents	286	350
Net increase (decrease) in cash and cash equivalents	1,454	10,847
Cash and cash equivalents at beginning of period	66,183	67,638
Cash and cash equivalents at end of period	* 67,638	* 78,485

5. Notes to Consolidated Financial Statements

Notes on Going Concern Assumptions

Not applicable.

Changes in Accounting Policies

The Company adopted the “Accounting Standard for Calculation of Fair Value” (ASBJ Statement No. 30, July 4, 2019, hereinafter referred to as the “Accounting Standard for Fair Value Calculation”) and other related standards from the beginning of the first quarter of the current fiscal year, and in accordance with the transitional treatment prescribed 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), the Company has decided to adopt the new accounting policy set forth in the Accounting Standard for Fair Value Calculation and other related standards prospectively.

The adoption of the accounting standard has no effect on the consolidated financial statements.

Additional Information

Adoption of the Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System

Effective from the first quarter of the current fiscal year, the Company and some of its domestic consolidated subsidiaries have shifted from a consolidated taxation system to a group tax sharing system. In line with this, the accounting and disclosure of corporation tax, local corporation tax and tax effect accounting are subject to the “Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System” (ASBJ Practical Solution No. 42, August 12, 2021). In accordance with Paragraph 32 (1) of Practical Solution No. 42, it is assumed that there is no impact from the change in accounting policy due to the adoption of the Practical Solution No. 42.

Relationship of Consolidated Balance Sheets

*1 Investments in unconsolidated subsidiaries and affiliated companies are as follows.

	As of March 31, 2022	As of March 31, 2023
Investment securities (stocks)	748 Millions of yen	748 Millions of yen
Long-term loans receivable	381	387

*2 Collateralized assets and liabilities

Assets pledged as collateral are as follows.

	As of March 31, 2022	As of March 31, 2023
Cash and deposits	190 Millions of yen	174 Millions of yen
Accounts receivable	1,217	1,124
Buildings and structures	3,861	3,633
Land	19,497	19,497
Investment securities	53	44
Total	24,820	24,475

Secured liabilities are as follows.

	As of March 31, 2022	As of March 31, 2023
Current portion of long-term borrowings	2,155 Millions of yen	2,235 Millions of yen
Long-term borrowings	4,813	2,577
Total	6,968	4,813

※3 Based on the Act on Revaluation of Land (Act No. 34 promulgated on March 31, 1998), the Company revalues land for business use. The tax equivalent of the valuation difference is recorded as deferred tax liabilities for land revaluation in the liabilities section, and the amount obtained by deducting the tax equivalent is recorded as revaluation reserve for land in the net assets section.

- Method of revaluation... Land prices are calculated based on the street value provided for in Article 2, Item 4 of the Order for Enforcement of the Act on Revaluation of Land (Cabinet Order No. 119 issued on March 31, 1998) and the assessed value of fixed assets tax provided for in Article 2, Item 3 of the same Article, adjusted for the value in depth, adjusted at the time of appraisal, etc. In addition, land prices are calculated based on the appraisal by a real estate appraiser provided for in Article 2, Item 5 of the same Article, adjusted at the time of appraisal, etc.
- Date of revaluation: March 31, 2000

	As of March 31, 2022	As of March 31, 2023
The difference between the market value of the revalued land at the end of the period and the book value after the revaluation	(1,470) Millions of yen	(1,430) Millions of yen

Relationship of Consolidated Statements of Income

*1 The major items and amounts of selling, general and administrative expenses are as follows.

	Fiscal year ended March 31,2022	Fiscal year ended March 31,2023
Salary allowance	12,307 Millions of yen	12,865 Millions of yen
Advertising expenses	3,130	3,612
Depreciation	929	1,152
Provision of reserve for directors' retirement benefits	91	87
Provision of reserve for bonuses	1,768	1,892
Retirement benefit expenses	507	357

*2 The details of gain on sales of non-current assets are as follows.

	Fiscal year ended March 31,2022	Fiscal year ended March 31,2023
Buildings and structures	81 Millions of yen	266 Millions of yen
Machinery, equipment and vehicles	0	2
Land	19	270
Other	-	0
Total	100	540

*3 The details of loss on sales of non-current assets are as follows.

	Fiscal year ended March 31,2022	Fiscal year ended March 31,2023
Buildings and structures	0 Millions of yen	0 Millions of yen
Machinery, equipment and vehicles	0	0
Land	-	9
Total	0	9

*4 The details of loss on retirement of non-current assets are as follows.

	Fiscal year ended March 31,2022	Fiscal year ended March 31,2023
Buildings and structures	254 Millions of yen	129 Millions of yen
Machinery, equipment and vehicles	51	34
Other	38	13
Total	345	177

***5 Impairment loss**

The Group recorded impairment losses on the following asset groups.

As a general rule, the Group groups assets based on the smallest unit that generates cash flows that are largely independent of the cash flows of the asset groups. Idle assets are grouped by individual asset.

Fiscal year ended March 31, 2022

The book values of the following four real estate properties whose profitability significantly declined due to continuous declines in land prices and cash flows, such as long-held business land and idle land, were reduced to their recoverable values, and the amount of the reduction was recorded as an impairment loss (1 million yen) in extraordinary losses.

Region	Primary Use	Type	Impairment loss (Millions of yen)
Metropolitan area	Three business sites	Land	0
Kansai	One site of business	Land	0

The recoverable amount of the asset group is measured by the net selling price, which is calculated based on certain appraised values and indicators that are considered to appropriately reflect market prices.

Fiscal year ended March 31, 2023

The book values of the following four real estate properties whose profitability significantly declined due to continuous declines in land prices and cash flows, such as long-held business land and idle land, were reduced to their recoverable values, and the amount of the reduction was recorded as an impairment loss (224 million yen) in extraordinary losses.

Region	Primary Use	Type	Impairment loss (Millions of yen)
Metropolitan area	Two business sites	Land	0
Kansai	One site of business	Land	0
Other	One site of business	Land and buildings	223

The recoverable amount of the asset group is measured by the net selling price, which is calculated based on certain appraised values and indicators that are considered to appropriately reflect market prices.

Relationship of Consolidated Statements of Changes in Net Assets

Fiscal year ended March 31, 2022

1. Class and total number of issued shares and class and total number of treasury shares

	Number of shares at the beginning of the fiscal year under review (shares)	Increase in number of shares during the fiscal year under review (shares)	Decrease in number of shares during the fiscal year under review (shares)	Number of shares at the end of the fiscal year under review (shares)
Outstanding shares				
Common stock	53,998,205	–	–	53,998,205
Total	53,998,205	–	–	53,998,205
Treasury stock				
Common stock (Note)	1,342,001	3,000,286	4,273	4,338,014
Total	1,342,001	3,000,286	4,273	4,338,014

Notes: 1. The increase of 3,000,286 shares of common stock in treasury stock is due to the acquisition of 3,000,000 shares of treasury stock by resolution of the Board of Directors and the purchase of 286 shares of shares less than one unit.

2. The decrease of 4,273 shares of treasury stock of common stock is due to the decrease of 4,208 shares attributable to the Company due to the change in the ownership of consolidated subsidiaries and the decrease of 65 shares due to the additional purchase of shares less than one unit.

2. Stock Acquisition Rights and Treasury Stock Acquisition Rights
Not applicable

3. Matters Concerning Dividends

(1) Dividends paid

(Resolutions)	Type of shares	Total amount of dividends (Millions of yen)	Cash dividends per share (yen)	Reference date	Effective Date
May 10, 2021 Board of	Common stock	1,723	32	March 31, 2021	June 30, 2021
November 5, 2021 Board of	Common stock	1,678	33	September 30, 2021	December 1, 2021

(2) Dividends whose record date belongs to the current consolidated fiscal year and whose effective date belongs to the following consolidated fiscal year

(Resolutions)	Type of shares	Total amount of dividends (Millions of yen)	Source of dividends	Cash dividends per share (yen)	Reference date	Effective Date
May 10, 2022 Board of	Common stock	2,034	Retained earnings	40	March 31, 2022	June 30, 2022

Fiscal year ended March 31, 2023

1. Class and total number of issued shares and class and total number of treasury shares

	Number of shares at the beginning of the fiscal year under review (shares)	Increase in number of shares during the fiscal year under review (shares)	Decrease in number of shares during the fiscal year under review (shares)	Number of shares at the end of the fiscal year under review (shares)
Outstanding shares				
Common stock	53,998,205	–	–	53,998,205
Total	53,998,205	–	–	53,998,205
Treasury stock				
Common stock (Note)	4,338,014	161	7,129	4,331,046
Total	4,338,014	161	7,129	4,331,046

Notes: 1. The increase of 161 shares of common stock in treasury stock was due to the purchase of 161 shares of less than one unit of common stock.

2. The decrease of 7,129 shares in treasury stock of common stock is due to the decrease of 7,129 shares attributable to the Company due to the change in equity of consolidated subsidiaries.

2. Stock Acquisition Rights and Treasury Stock Acquisition Rights
Not applicable

3. Matters Concerning Dividends

(1) Dividends paid

(Resolutions)	Type of shares	Total amount of dividends (Millions of yen)	Cash dividends per share (yen)	Reference date	Effective Date
May 10, 2022 Board of	Common stock	2,034	40	March 31, 2022	June 30, 2022
November 7, 2022 Board of	Common stock	2,187	43	September 30, 2022	December 1, 2022

(2) Dividends whose record date belongs to the current consolidated fiscal year and whose effective date belongs to the following consolidated fiscal year

(Resolutions)	Type of shares	Total amount of dividends (Millions of yen)	Source of dividends	Cash dividends per share (yen)	Reference date	Effective Date
May 8, 2023 Board of	Common stock	2,543	Retained earnings	50	March 31, 2023	June 30, 2023

Relationship of Consolidated Statements of Cash Flows

* The relationship between the year-end balance of cash and cash equivalents and the amounts in the accounts listed on the consolidated balance sheet

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Cash and deposits account	74,385 Millions of yen	85,225 Millions of yen
Time deposits with maturities of more than three months	(6,747)	(6,740)
Cash and cash equivalents	67,638	78,485

Segment Information

Segment Information

1. Overview of Reportable Segments

The Company's reportable segments are components of the Company for which separate financial information is available and which are subject to periodic review by the Board of Directors for the purpose of determining the allocation of management resources and evaluating performance.

As a holding company, the Company functions as the Group's headquarters and also supports the businesses of each company, and each operating company is responsible for the following businesses depending on the products and services it handles: Construction Business, Rental Brokerage Business, Real Estate Brokerage Business, Real Estate Management Business, Real Estate Development Business, Publishing Business, Hotel and Leisure Business, Elderly Assistance and Childcare Business, Consulting Business, and Merchandising and Culture Business.

Accordingly, the Company is composed of segments by the products and services handled and has 10 reportable segments: Construction Business, Rental Brokerage Business, Real Estate Brokerage Business, Real Estate Management Business, Real Estate Development Business, Publishing Business, Hotel and Leisure Business, Elderly Assistance and Childcare Business, Consulting Business, and Merchandising and Culture Business.

The Construction Business is engaged in construction of rental housing and custom-built detached houses on a build-to-order basis. The Rental Brokerage Business is engaged in real estate rental brokerage. The Real Estate Brokerage Business is engaged in real estate brokerage. The Real Estate Management Business manages and leases real estate. The Real Estate Development Business develops and sells houses and other properties. The Publishing Business is engaged in publishing and the Hotel and Leisure Business is engaged in the hotel and inn business, the travel agency business, and restaurant management. The Elderly Assistance and Childcare Business provides nursing care services, senior citizen assistance housing, and childcare services, and the Consulting Business provides real estate store management guidance, securities, investment corporation management, trust, insurance, consulting, and other services. The Merchandising and Culture Business is engaged in the sale of locks and keys for the security business and the operation of art museums for the Culture Business.

2. Method for Calculating Amounts of Net Sales, Profit or Loss, Assets and Other Items by Reportable Segment

The accounting method of the business segments reported is in accordance with the accounting policies adopted to prepare consolidated financial statements, and income for a reported segment is operating income. Intersegment sales or transfers are mainly based on current market prices.

3. Information regarding net sales and operating profit or loss by the reportable segments

Fiscal year ended March 31, 2022

(Millions of yen)

	Construction Business	Rental Brokerage Business	Real Estate Brokerage Business	Real Estate Management Business	Real Estate Development Business	Publishing Business	Hotel and Leisure Business
Net sales							
Net sales to external customers	64,854	7,162	5,631	82,823	8,438	5,132	4,485
Intersegment net sales and transfer	3,245	1,813	88	2,314	9	405	184
Total	68,100	8,975	5,719	85,137	8,447	5,537	4,670
Segment profit [Operating profit] (loss)	8,160	2,409	1,726	11,001	266	774	(1,654)
Segment assets	38,547	7,398	3,610	107,947	21,203	6,529	48,889
Other items							
Depreciation expense	87	90	63	1,995	38	124	1,896
Amortization of goodwill	–	–	–	212	–	–	–
Investments in equity-method affiliates	–	–	–	–	–	–	–
Increase in property, plant and equipment and intangible assets	161	219	149	14,212	309	36	2,455

	Elderly Assistance and Childcare Business	Consulting Business	Merchandising and Culture Business	Total	Elimination /Corporate	Amount recorded in the consolidated financial statements (Note) 2
Net sales						
Net sales to external customers	10,347	6,636	1,067	196,578	–	196,578
Intersegment net sales and transfer	2	2,970	5,708	16,742	(16,742)	–
Total	10,349	9,606	6,776	213,320	(16,742)	196,578
Segment profit [Operating profit] (loss)	625	1,165	156	24,633	(450)	24,182
Segment assets	7,501	12,461	3,681	257,770	15,516	273,287
Other items						
Depreciation expense	208	303	63	4,871	250	5,122
Amortization of goodwill	10	–	15	238	–	238
Investments in equity-method affiliates	–	0	–	0	–	0
Increase in property, plant and equipment and intangible assets	126	1,192	21	18,884	(629)	18,254

(Notes) 1. The adjustments are as follows.

- (1) Adjustments to segment profit (loss) are eliminations of inter-segment transactions.
 - (2) Adjustments of segment assets are mainly assets related to management operations of the entire Group that are not attributable to any reporting segment.
 - (3) Among the adjustments related to depreciation, the main one is depreciation of facilities related to management operations of the entire Group that are not attributable to any reportable segment.
 - (4) Adjustments for increases in property, plant and equipment and intangible assets mainly consist of capital expenditures for facilities related to management operations of the Group as a whole that are not attributable to reportable segments and the elimination of unrealized gains and losses on fixed assets.
 - (5) Depreciation and amortization and the increase in property, plant and equipment and intangible assets include long-term prepaid expenses and related amortization expenses.
2. Segment income (loss) is reconciled with operating income in the consolidated statements of income.

Fiscal year ended March 31, 2023

(Millions of yen)

	Construction Business	Rental Brokerage Business	Real Estate Brokerage Business	Real Estate Management Business	Real Estate Development Business	Publishing Business	Hotel and Leisure Business
Net sales							
Net sales to external customers	74,191	7,684	6,701	86,668	23,373	6,572	9,076
Intersegment net sales and transfer	5,608	1,794	130	2,719	9	450	253
Total	79,799	9,479	6,831	89,388	23,383	7,023	9,330
Segment profit [Operating profit]	7,449	2,482	1,847	11,303	1,615	1,534	195
Segment assets	40,636	7,870	3,709	118,764	13,802	8,088	52,652
Other items							
Depreciation expense	90	140	42	2,239	85	84	1,849
Amortization of goodwill	–	7	18	216	–	–	–
Investments in equity-method affiliates	–	–	–	–	–	–	–
Increase in property, plant and equipment and intangible assets	195	184	55	10,234	173	80	4,473

	Elderly Assistance and Childcare Business	Consulting Business	Merchandising and Culture Business	Total	Elimination /Corporate	Amount recorded in the consolidated financial statements (Note) 2
Net sales						
Net sales to external customers	11,170	7,512	919	233,871	–	233,871
Intersegment net sales and transfer	1	3,400	6,017	20,386	(20,386)	–
Total	11,171	10,913	6,936	254,257	(20,386)	233,871
Segment profit [Operating profit]	587	1,242	148	28,406	(310)	28,095
Segment assets	7,822	15,437	4,284	273,068	20,031	293,100
Other items						
Depreciation expense	223	408	44	5,210	273	5,484
Amortization of goodwill	–	–	15	259	–	259
Investments in equity-method affiliates	–	0	–	0	–	0
Increase in property, plant and equipment and intangible assets	79	1,492	13	16,983	(615)	16,368

(Notes) 1. The adjustments are as follows.

- (1) Adjustments to segment profit are eliminations of inter-segment transactions.
 - (2) Adjustments of segment assets are mainly assets related to management operations of the entire Group that are not attributable to any reporting segment.
 - (3) Among the adjustments related to depreciation, the main one is depreciation of facilities related to management operations of the entire Group that are not attributable to any reportable segment.
 - (4) Adjustments for increases in property, plant and equipment and intangible assets mainly consist of capital expenditures for facilities related to management operations of the Group as a whole that are not attributable to reportable segments and the elimination of unrealized gains and losses on fixed assets.
 - (5) Depreciation and amortization and the increase in property, plant and equipment and intangible assets include long-term prepaid expenses and related amortization expenses.
2. Segment income is reconciled with operating income in the consolidated statements of income.

Per share of common stock

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Net assets per share	2,538.57 Yen	2,869.50 Yen
Profit per share	332.83 Yen	407.07 Yen

Notes: 1. Fully diluted profit per share is not stated since the Company does not have residual securities.

2. The basis for calculation of net assets per share is as follows:

	Fiscal year ended March 31, 2022	Fiscal year ended March 31, 2023
Profit per share		
Profit attributable to owners of parent(Millions of yen)	16,772	20,218
Profit not attributable to Common shareholders(Millions of yen)	-	-
Profit related to common stock attributable to owners of parent(Millions of yen)	16,772	20,218
Average number of shares of stock outstanding during the fiscal year(shares)	50,391.777	49,667.242

Significant subsequent events

Not applicable.