

Consolidated Financial Statements for the Fiscal Year Ended March 31, 2020 [J-GAAP]

May 7, 2020

NIPPON KANZAI Co., Ltd.

Listed exchange: Tokyo Stock Exchange, First Section
 Securities code: 9728 URL: <https://www.nkanzai.co.jp/en/>
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 Date of annual general meeting of shareholders: June 19, 2020
 Filing date of securities report: June 19, 2020
 Date to start dividends distribution: June 22, 2020
 Supplementary materials for results: Yes
 Results briefing meeting held: None

*Amounts below one million yen have been rounded down.

1. Consolidated results for the fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(1) Consolidated business results

(Percentage figures indicate the rate of change from the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2020	106,300	8.5	6,854	7.7	7,232	7.0
Fiscal year ended March 31, 2019	97,929	1.5	6,363	10.2	6,760	6.0

(Note) Comprehensive income: Fiscal year ended March 31, 2020: ¥3,489 million [50.4%]
 Fiscal year ended March 31, 2019: ¥2,320 million [-58.5%]

	Profit Attributable to Owners of Parent		Profit per Share	Diluted Profit per Share
	Millions of yen	%	Yen	Yen
Fiscal year ended March 31, 2020	4,346	0.8	117.29	—
Fiscal year ended March 31, 2019	4,313	(3.0)	125.11	124.83

	Return on Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	%	%	%
Fiscal year ended March 31, 2020	8.9	9.7	6.4
Fiscal year ended March 31, 2019	9.5	9.6	6.5

(Reference) Share of profit of entities accounted for using equity method:
 Fiscal year ended March 31, 2020: ¥132 million
 Fiscal year ended March 31, 2019: ¥149 million

(2) Consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	77,024	53,029	67.2	1,385.10
As of March 31, 2019	72,670	47,487	63.6	1,315.18

(Reference) Equity: As of March 31, 2020: ¥51,780 million
 As of March 31, 2019: ¥46,193 million

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Fiscal year ended March 31, 2020	4,264	(3,050)	1,573	28,343
Fiscal year ended March 31, 2019	2,027	464	1,331	25,572

2. Dividends

	Annual dividends					Total Dividends Paid (full year)	Dividend Payout Ratio (consolidated)	Dividends to Net Assets (consolidated)
	First Quarter-end	Second Quarter-end	Third Quarter-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended March 31, 2019	—	25.00	—	25.00	50.00	1,737	40.0	3.8
Fiscal year ended March 31, 2020	—	25.00	—	25.00	50.00	1,869	42.6	3.7
Fiscal year ending March 31, 2021 (forecast)	—	25.00	—	25.00	50.00		40.6	

3. Consolidated business forecasts for the fiscal year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(Percentage figures for the full year indicate the rate of change from the previous fiscal year.

Percentage figures for the first six months indicate the rate of change from the same period of the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income		Profit Attributable to Owners of Parent		Profit per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	50,000	(4.7)	3,000	(10.7)	3,100	(10.2)	1,900	(12.0)	50.82
Full year	108,000	1.6	7,000	2.1	7,400	2.3	4,600	5.8	123.05

* Notes

(1) Changes of significant subsidiaries during the period (changes in specific subsidiaries associated with changes in scope of consolidation): None

(2) Changes in accounting policies, accounting estimates and restatement of revisions

- | | |
|---|------|
| 1) Changes in accounting policies due to revisions of accounting standards, etc.: | None |
| 2) Changes in accounting policies other than 1) above: | None |
| 3) Changes in accounting estimates: | None |
| 4) Restatement of revisions: | None |

(3) Number of shares issued and outstanding (common stock)

- Number of shares issued and outstanding (including treasury stock)
- Treasury stock (number of shares)
- Average number of shares issued and outstanding

1)	As of March 31, 2020	41,180,306 shares	As of March 31, 2019	41,180,306 shares
2)	As of March 31, 2020	3,796,758 shares	As of March 31, 2019	6,056,686 shares
3)	Fiscal year ended March 31, 2020	37,059,790 shares	Fiscal year ended March 31, 2019	34,474,846 shares

(Reference) Summary of non-consolidated financial results**1. Non-consolidated results for the Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)****(1) Non-consolidated business results**

(Percentage figures indicate the rate of change from the previous fiscal year.)

	Net Sales		Operating Income		Ordinary Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%
Fiscal year ended March 31, 2020	64,076	11.2	3,610	1.5	5,461	1.6
Fiscal year ended March 31, 2019	57,611	(1.5)	3,556	9.9	5,374	8.7

	Profit		Profit per Share	Diluted Profit per Share
	Millions of yen	%	Yen	Yen
Fiscal year ended March 31, 2020	4,137	2.8	111.63	—
Fiscal year ended March 31, 2019	4,023	(28.0)	116.70	116.44

(2) Non-consolidated financial position

	Total Assets	Net Assets	Equity Ratio	Net Assets per Share
	Millions of yen	Millions of yen	%	Yen
As of March 31, 2020	53,841	40,444	75.1	1,081.88
As of March 31, 2019	48,393	34,861	72.0	991.90

(Reference) Equity: As of March 31, 2020: ¥40,444 million
As of March 31, 2019: ¥34,839 million

2. Non-consolidated business forecasts for the fiscal year ending March 31, 2021 (April 1, 2020 to March 31, 2021)

(Percentage figures for the full year indicate the rate of change from the previous fiscal year.)

Percentage figures for the first six months indicate the rate of change from the same period of the previous fiscal year.)

	Net Sales		Ordinary Income		Profit		Profit per Share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
First half	30,770	(2.2)	3,070	(6.5)	2,420	(9.4)	64.73
Full year	66,000	3.0	5,700	4.4	4,200	1.5	112.35

* **This financial report is not subject to audit procedures by certified public accountants or audit corporations.***** Explanation regarding the appropriate use of business forecasts and other notes**

(Notes to forward-looking statements)

The business forecasts reported herein were prepared based on information the Company had in its possession as of the time this report was prepared and on certain assumptions judged to be reasonable. Actual results may differ significantly from forecasts due to various factors. Please refer to the disclaimers provided under “1. Overview of business results, etc.; (4) Future outlook” on page 3 of the Attached Document of this financial report regarding assumptions upon which forecasts are based and the use of forecasts.

(How to obtain supplementary materials on financial results)

The Company has decided to suspend the financial results briefing for institutional investors and analysts from the viewpoint of preventing further spread of the novel coronavirus (COVID-19) infection. The presentation materials for the financial results will be posted on the Company’s website on May 20, 2020 (Wednesday).

Table of Contents for the Attached Document

1. Overview of business results, etc.	2
(1) Overview of business results for the period	2
(2) Overview of financial position for the period	3
(3) Overview of cash flows for the period	3
(4) Future outlook	3
2. Basic policy regarding selection of accounting standard	4
3. Consolidated financial statements and key notes	5
(1) Consolidated balance sheets	5
(2) Consolidated statements of income and consolidated statements of comprehensive income	7
Consolidated statements of income	7
Consolidated statements of comprehensive income	9
(3) Consolidated statements of changes in equity	10
(4) Consolidated statements of cash flows.....	12
(5) Notes to consolidated financial statements.....	14
(Notes on the going concern assumption).....	14
(Segment information, etc.)	14
(Per share information)	17
(Significant subsequent events)	18
4. Non-consolidated financial statements and key notes	19
(1) Non-consolidated balance sheets.....	19
(2) Non-consolidated statements of income.....	22
(3) Non-consolidated statements of changes in equity	24

1. Overview of business results, etc.

(1) Overview of business results for the period

1) Business results for the Fiscal year ended March 31, 2020

During the current fiscal year (fiscal year ended March 31, 2020), the Japanese economy remained on a moderate recovery trend backed by improvement in corporate earnings and the employment and income environments. However, the outlook continues to be unpredictable as the impact of the spread of the novel coronavirus (COVID-19) infection on the world economy is becoming increasingly severe on top of the prolonged trade friction between the U.S. and China.

In the real estate service industry, the vacancy rates of office and retail facilities continued to remain low mainly in major urban areas. Moreover, the number of reconstruction projects of multi-purpose buildings has been on the rise. These suggest that the market targeted by the Company will expand going forward.

In such a business environment, NIPPON KANZAI Group (hereinafter “the Group”) has continued to pursue “optimal building management” through its advanced technologies and responsiveness and continuously provide high-quality services that match customer needs, endeavoring to enhance the asset value and profitability of buildings.

The Group has also endeavored to further strengthen and improve building management and operation, our core business, while proactively developing business areas including private finance initiatives (PFI) and public facility management.

Consolidated net sales for the current fiscal year increased by 8.5% year on year to 106,300 million yen due to an increase in fixed-term contracts through contract renewals and increased orders for construction-related work.

In terms of profit, despite the increase in wages and outsourcing expenses, efforts to secure profits such as the fee revision and review of scope of work and work efficiency resulted in an increase in operating income of 7.7% year on year to 6,854 million yen, increase in ordinary income of 7.0% year on year to 7,232 million yen and increase in profit attributable to owners of parent of 0.8% year on year to 4,346 million yen.

The following are the business results by segment.

Segment income (loss) has been adjusted to operating income described in the consolidated statements of income.

(Building Management and Operation Business)

In the Building Management and Operation Business, our core business that focuses on building management and security services, net sales for the current fiscal year increased by 10.8% year on year to 75,227 million yen due to an increase in fixed-term contracts through contract renewals and increased orders for construction-related work.

In terms of profit, segment income resulted in 9,409 million yen, up 13.4% year on year with thorough cost management including fee revisions and continuous cost reduction.

(Residential Management and Operation Business)

In the Residential Management and Operation Business, which mainly comprises the management of apartments and condominiums to own as well as public housing, net sales for the segment for the current fiscal year was 16,885 million yen, up 3.9% year on year, due to increased orders for construction-related work in addition to continuation of existing contracts and steady new orders.

In terms of profit, segment income increased by 1.3% year on year to 1,491 million yen due to continuous efforts to cut costs despite an increase in construction cost, etc.

(Environmental Facility Management Business)

In the Environmental Facility Management Business, which mainly comprises the management of water treatment, sewage disposal and other public facilities related to the overall living environment, the Company steadily won new management contracts and renewed existing contracts centering on waste incineration facilities, etc. As a result, net sales for the segment for the current fiscal year increased by 8.3% year on year to 10,641 million yen. Local governments, the main customers for this segment, remain financially strained. Therefore, the segment is considered as a potentially large market since the private sector’s know-how can be largely useful for them to meet their tight budgets.

In terms of profit, segment income increased by 13.4% year on year to 1,327 million yen as a result of improved profit margin through fee revisions as well as our efforts in cost reduction with a focus on realignment of personnel assignments.

(Real Estate Fund Management Business)

In the Real Estate Fund Management Business, which mainly comprises asset management (i.e. arrangement and asset management of real estate funds) and handling investments in silent partnership, net sales for the segment for the current fiscal year increased by 1.3% year on year to 1,533 million yen due to an increase in rent income through master lease agreements despite a decrease in revenue from sales of assets under management.

In terms of profit, efforts to win highly profitable contracts and reduce expenses resulted in segment income of 96 million yen, a year on year increase of 17.5%.

(Other Businesses)

In Other Businesses, which consist mainly of event planning and management, printing and design, a decrease in event services, etc. resulted in net sales for the segment for the current fiscal year decreasing by 0.5% year on year to 2,444 million yen and segment income decreasing by 40.3% year on year to 240 million yen.

(2) Overview of financial position for the period

Total assets at the end of the current fiscal year increased by 4,353 million yen, or 6.0%, from the previous fiscal year-end to 77,024 million yen.

Current assets increased by 3,289 million yen, or 7.2%, from the previous fiscal year-end to 48,797 million yen. Non-current assets increased by 1,064 million yen, or 3.9%, from the previous fiscal year-end to 28,226 million yen.

The increase was mainly due to an increase in cash and deposits through exercise of share acquisition rights (an increase of 2,770 million yen from the previous fiscal year-end) and an increase in investment securities through acquisition of shares of affiliate companies (a year-on-year increase of 1,243 million).

Total liabilities at the end of the current fiscal year decreased by 1,188 million yen, or 4.7%, from the end of the previous fiscal year to 23,994 million yen due to a decrease in advances received for large-scale works (a year-on-year decrease of 555 million yen) and a decrease in long-term loans payable as a result of repayment of borrowings (a year on year decrease of 375 million yen).

Total net assets at the end of the current fiscal year increased by 5,542 million yen, or 11.7%, from the end of the previous fiscal year to 53,029 million yen.

The increase was mainly due to an increase in retained earnings as a result of recording profit (a year-on-year increase of 2,534 million yen) as well as to an increase in capital surplus through the exercise of share acquisition rights (a year-on-year increase of 2,369 million yen).

As a result, the equity ratio at the end of the current fiscal year increased by 3.6 percentage points from 63.6% at the end of the previous fiscal year to 67.2%.

The Group's financial policy is to secure the liquidity necessary for management and to maintain a sound balance sheet.

(3) Overview of cash flows for the period

Cash and cash equivalents (hereinafter "cash") at the end of the current fiscal year increased by 2,770 million yen, or 10.8%, from the previous fiscal year-end to 28,343 million yen.

The status and main factors of cash flows for the current fiscal year were as follows:

(Cash flows from operating activities)

Net cash provided by operating activities for the current fiscal year was 4,264 million yen, up 2,236 million yen year on year. This was mainly due to a decrease in inventories (a larger inflow by 2,971 million yen year on year).

(Cash flows from investing activities)

Net cash used in investing activities for the current fiscal year was 3,050 million yen, a larger outflow by 3,515 million yen from the previous fiscal year. This was mainly due to an increase in purchase of investment securities (a larger outflow by 2,281 million yen year on year) and a decrease in proceeds from sales of investment securities (a smaller inflow by 1,083 million yen year on year).

(Cash flows from financing activities)

Net cash provided by financing activities for the current fiscal year was 1,573 million yen, a larger inflow by 242 million yen year on year.

Despite the decreasing factor of the off-set amount of borrowings of long-term non-recourse loans payable and repayments of the same (down 1,964 million yen year on year), this resulted from an increase in proceeds from disposal of treasury stock through exercise of share acquisition rights (a larger inflow by 2,694 million yen year on year).

(4) Future outlook

With regard to the future outlook, despite improvement in corporate earnings and the employment and income environments, the spread of the COVID-19 infection will have a significant impact on the entire world economy, presumably keeping uncertainty lingering going forward. In the real estate service industry, as clients become even more conscious of management cost reduction, the market environment is expected to remain severe in the face of competition with rival companies.

The Group will endeavor to enhance customer satisfaction and profitability by way of continuously improving its service quality as well as proactively making proposals that offer high added value. Setting our project proposal capabilities as our main focus, the Group will endeavor to further expand such business operations as PFI and public facilities management as well as proactively pursue M&A projects of related businesses in Japan and abroad.

Moreover, with regard to responses to the COVID-19 infection, the Group is engaged in businesses that are requested by the government to be conducted continuously. As such, the Group will respond to the COVID-19 issue based on the government's policy, placing as the first priority the safety and security of its customers and other stakeholders as well as its employees, while continuing endeavors to deter infection in and outside the Company, including encouragement of work-from-home and staggered working hours for employees.

The business forecasts for the next fiscal year (April 1, 2020 to March 31, 2021) are as follows: consolidated net sales increasing by 1.6% year on year to 108,000 million yen; consolidated operating income increasing by 2.1% year on year to 7,000 million yen; consolidated ordinary income increasing by 2.3% year on year to 7,400 million yen; and profit attributable to owners of parent increasing by 5.8% year on year to 4,600 million yen.

Please note that, in the consolidated business forecasts above, the Company anticipates a year-on-year decrease in revenue especially for the first two quarters due to postponement of construction work and temporary operations due to worsening market conditions under the impact of the COVID-19 infection.

While it is uncertain at present when the impact will be settled, the Company has prepared the full-year consolidated business forecasts on the assumption that its business operations will be normalized in the third quarter and thereafter.

2. Basic policy regarding selection of accounting standard

The Group has a policy to prepare financial statements based on the Japanese GAAP, considering the comparability of consolidated financial statements over time and between Japanese companies.

As for the International Financial Reporting Standards, the Group will appropriately consider it based on the overall situation in Japan and overseas in the future.

3. Consolidated financial statements and key notes**(1) Consolidated balance sheets**

(Thousands of yen)

	Fiscal year ended March 31, 2019 (As of March 31, 2019)	Fiscal year ended March 31, 2020 (As of March 31, 2020)
ASSETS		
Current assets		
Cash and deposits	25,817,496	28,588,254
Notes and accounts receivable—trade	13,461,584	13,989,948
Investments in silent partnership for business purposes	60,351	81,614
Supplies	132,496	138,668
Real estate for sale	4,372,819	4,302,677
Income taxes receivable	73,648	57,293
Other	1,597,427	1,647,407
Allowance for doubtful accounts	(6,954)	(7,875)
Total current assets	45,508,867	48,797,986
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,769,667	6,798,363
Accumulated depreciation	(3,513,287)	(3,686,639)
Buildings and structures, net	3,256,380	3,111,724
Machinery, equipment and vehicles	172,227	133,242
Accumulated depreciation	(107,934)	(99,950)
Machinery, equipment and vehicles, net	64,293	33,292
Tools, furniture and fixtures	1,371,718	1,463,718
Accumulated depreciation	(934,681)	(980,570)
Tools, furniture and fixtures, net	437,037	483,148
Land	1,167,664	1,167,664
Leased assets	1,070,821	1,086,386
Accumulated depreciation	(838,181)	(850,123)
Leased assets, net	232,640	236,263
Construction in progress	33,950	222,266
Total property, plant and equipment	5,191,964	5,254,357
Intangible assets		
Telephone subscription right	46,526	46,526
Software	262,183	454,480
Goodwill	1,822,307	1,686,706
Leased assets	7,246	4,215
Software in progress	125,540	47,720
Total intangible assets	2,263,802	2,239,647
Investments and other assets		
Investment securities	13,390,147	14,633,626
Long-term loans receivable	569,007	577,332
Long-term prepaid expenses	65,053	66,248
Lease and guarantee deposits	3,788,490	3,697,324
Membership	391,763	391,763
Net defined benefit asset	680,228	518,288
Deferred tax assets	517,490	525,820
Other	361,654	381,348
Allowance for doubtful accounts	(57,993)	(59,603)
Total investments and other assets	19,705,839	20,732,146
Total non-current assets	27,161,605	28,226,150
TOTAL ASSETS	72,670,472	77,024,136

*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

	(Thousands of yen)	
	Fiscal year ended March 31, 2019 (As of March 31, 2019)	Fiscal year ended March 31, 2020 (As of March 31, 2020)
LIABILITIES		
Current liabilities		
Notes and accounts payable—trade	7,594,213	8,587,867
Current portion of long-term loans payable	375,000	375,000
Current portion of long-term non-recourse loans payable	25,330	25,330
Lease obligations	95,135	87,072
Accrued expenses	2,478,274	2,215,526
Income taxes payable	1,621,661	1,070,154
Accrued consumption taxes	754,745	1,273,192
Deposits received	628,237	282,416
Advances received	893,141	337,605
Provision for bonuses	726,419	714,974
Asset retirement obligations	5,870	1,407
Other	11,568	49,009
Total current liabilities	15,209,593	15,019,552
Non-current liabilities		
Long-term loans payable	1,500,000	1,125,000
Long-term non-recourse loans payable	2,979,300	2,953,970
Lease obligations	162,610	195,611
Deferred tax liabilities	528,890	266,659
Net defined benefit liability	1,102,475	548,315
Long-term guarantee deposited	2,739,718	2,598,661
Asset retirement obligations	271,275	253,629
Liabilities from application of equity method	-	40,360
Other	689,017	992,467
Total non-current liabilities	9,973,285	8,974,672
TOTAL LIABILITIES	25,182,878	23,994,224
NET ASSETS		
Shareholders' equity		
Capital stock	3,000,000	3,000,000
Capital surplus	1,415,920	3,785,546
Retained earnings	45,298,936	47,833,017
Treasury shares	(4,422,738)	(2,773,074)
Total shareholders' equity	45,292,118	51,845,489
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	2,340,429	1,621,986
Foreign currency translation adjustment	(1,117,245)	(1,227,217)
Remeasurements of defined benefit plans	(321,554)	(460,146)
Total accumulated other comprehensive income	901,630	(65,377)
Share acquisition rights	22,826	-
Non-controlling interests	1,271,020	1,249,800
TOTAL NET ASSETS	47,487,594	53,029,912
TOTAL LIABILITIES AND NET ASSETS	72,670,472	77,024,136

*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

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

(Thousands of yen)

	Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
Net sales	97,929,447	106,300,150
Cost of sales	78,054,604	84,980,362
Gross profit	19,874,843	21,319,788
Selling, general and administrative expenses		
Selling expenses	340,871	748,801
Personnel expenses	7,687,193	7,965,935
Provision for bonuses	362,384	332,300
Retirement benefit expenses	96,370	254,332
Transportation and communication expenses	1,067,656	1,089,988
Supplies expenses	440,184	450,016
Rent expenses	954,296	1,014,271
Insurance expenses	477,748	483,419
Depreciation	379,305	392,601
Taxes and dues	107,476	104,876
Enterprise tax	307,088	308,899
Provision of allowance for doubtful accounts	(2,456)	3,589
Amortization of goodwill	149,120	135,601
Other	1,144,296	1,180,808
Total selling, general and administrative expenses	13,511,531	14,465,436
Operating income	6,363,312	6,854,352
Non-operating income		
Interest and dividend income	233,206	213,623
Rent income	54,297	54,456
Share of profit of entities accounted for using equity method	149,762	132,606
Dividend income of insurance	40,585	38,252
Other	91,981	119,922
Total non-operating income	569,831	558,859
Non-operating expenses		
Interest expenses	29,124	26,437
Rent expenses	47,438	48,102
Loss on sales and retirement of non-current assets	37,992	25,832
Foreign exchange losses	1,967	21,848
Other	55,884	58,487
Total non-operating expenses	172,405	180,706
Ordinary income	6,760,738	7,232,505

*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

(Thousands of yen)

	Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
Extraordinary income		
Gain on sales of investment securities	769,654	34,245
Gain on transfer from business divestitures	-	27,791
Total extraordinary income	769,654	62,036
Extraordinary losses		
Loss on valuation of investment securities	-	89,163
Loss on revision of retirement benefit program	835,891	275,952
Total extraordinary losses	835,891	365,115
Profit before income taxes	6,694,501	6,929,426
Income taxes – current	2,613,276	2,379,608
Income taxes – deferred	(272,229)	94,904
Total income taxes	2,341,047	2,474,512
Profit	4,353,454	4,454,914
Profit attributable to non-controlling interests	40,358	108,152
Profit attributable to owners of parent	4,313,096	4,346,762

*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
Profit	4,353,454	4,454,914
Other comprehensive income		
Valuation difference on available-for-sale securities	(1,385,784)	(715,772)
Foreign currency translation adjustment	(9,572)	1,336
Remeasurements of defined benefit plans, net of tax	(69,616)	(139,227)
Share of other comprehensive income of entities accounted for using equity method	(567,587)	(111,307)
Total other comprehensive income	(2,032,559)	(964,970)
Comprehensive income	2,320,895	3,489,944
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,281,566	3,379,756
Comprehensive income attributable to non-controlling interests	39,329	110,188

*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

(3) Consolidated statements of changes in equity

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	3,000,000	646,943	42,567,483	(4,962,993)	41,251,433
Changes of items during period					
Dividends of surplus [year-end]			(722,054)		(722,054)
Dividends of surplus [interim]			(859,588)		(859,588)
Profit attributable to owners of parent			4,313,096		4,313,096
Disposal of treasury stock		768,976		540,255	1,309,232
Net changes of items other than shareholders' equity					
Total changes of items during period	—	768,976	2,731,453	540,255	4,040,685
Balance at end of current period	3,000,000	1,415,920	45,298,936	(4,422,738)	45,292,118

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income				
Balance at beginning of current period	3,724,532	(540,087)	(251,285)	2,933,160	—	1,018,791	45,203,384	
Changes of items during period								
Dividends of surplus [year-end]							(722,054)	
Dividends of surplus [interim]							(859,588)	
Profit attributable to owners of parent							4,313,096	
Disposal of treasury stock							1,309,232	
Net changes of items other than shareholders' equity	(1,384,103)	(577,158)	(70,269)	(2,031,530)	22,826	252,229	(1,756,475)	
Total changes of items during period	(1,384,103)	(577,158)	(70,269)	(2,031,530)	22,826	252,229	2,284,210	
Balance at end of current period	2,340,429	(1,117,245)	(321,554)	901,630	22,826	1,271,020	47,487,594	

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	3,000,000	1,415,920	45,298,936	(4,422,738)	45,292,118
Changes of items during period					
Dividends of surplus [year-end]			(878,090)		(878,090)
Dividends of surplus [interim]			(934,590)		(934,590)
Profit attributable to owners of parent			4,346,762		4,346,762
Purchase of treasury stock				(136)	(136)
Disposal of treasury stock		2,369,626		1,649,800	4,019,426
Net changes of items other than shareholders' equity					
Total changes of items during period	—	2,369,626	2,534,082	1,649,664	6,553,372
Balance at end of current period	3,000,000	3,785,546	47,833,017	(2,773,074)	51,845,489

	Accumulated other comprehensive income					Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income				
Balance at beginning of current period	2,340,429	(1,117,245)	(321,554)	901,630	22,826	1,271,020	47,487,594	
Changes of items during period								
Dividends of surplus [year-end]							(878,090)	
Dividends of surplus [interim]							(934,590)	
Profit attributable to owners of parent							4,346,762	
Purchase of treasury stock							(136)	
Disposal of treasury stock							4,019,426	
Net changes of items other than shareholders' equity	(718,443)	(109,972)	(138,592)	(967,007)	(22,826)	(21,220)	(1,011,053)	
Total changes of items during period	(718,443)	(109,972)	(138,592)	(967,007)	(22,826)	(21,220)	5,542,319	
Balance at end of current period	1,621,986	(1,227,217)	(460,146)	(65,377)	—	1,249,800	53,029,912	

(4) Consolidated statements of cash flows

	(Thousands of yen)	
	Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
Cash flows from operating activities		
Profit before income taxes	6,694,501	6,929,426
Depreciation	572,670	594,041
Amortization of goodwill	149,120	135,601
Increase (decrease) in provision for bonuses	84,356	(18,045)
Increase (decrease) in net defined benefit (asset) liability	636,779	(593,133)
Increase (decrease) in allowance for doubtful accounts	(6,468)	2,530
Share of (profit) loss of entities accounted for using equity method	(149,762)	(132,606)
Interest and dividend income	(233,206)	(213,623)
Interest expenses	29,124	26,437
Foreign exchange losses (gains)	1,355	19,317
Loss (gain) on sales and retirement of non-current assets	36,520	12,347
Loss (gain) on sales of investment securities	(769,654)	(34,245)
Loss (gain) on transfer from business divestitures	-	(27,791)
Loss (gain) on valuation of investment securities	-	89,163
Decrease (increase) in notes and accounts receivable – trade	1,361,094	(1,023,211)
Decrease (increase) in investments in silent partnership for business purposes	(32,402)	(21,263)
Decrease (increase) in inventories	(2,907,684)	63,970
Decrease (increase) in other assets	(545,158)	(64,817)
Increase (decrease) in notes and accounts payable – trade	(1,001,949)	898,665
Increase (decrease) in accrued consumption taxes	(4,672)	528,073
Increase (decrease) in other liabilities	45,660	(1,625)
Other, net	(57,728)	(42,164)
Subtotal	3,902,496	7,127,047
Interest and dividend income received	267,027	411,357
Interest expenses paid	(29,124)	(26,437)
Income taxes paid	(2,112,844)	(3,247,702)
Net cash provided by (used in) operating activities	2,027,555	4,264,265

*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

(Thousands of yen)

	Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
Cash flows from investing activities		
Payments into time deposits	(245,000)	(245,000)
Proceeds from withdrawal of time deposits	245,000	245,000
Purchase of property, plant and equipment and intangible assets	(493,360)	(721,331)
Proceeds from sales of property, plant and equipment and intangible assets	5,165	24,847
Purchase of investment securities	(157,074)	(2,438,268)
Proceeds from sales of investment securities	1,150,497	67,075
Proceeds from business divestitures	-	32,673
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(22,000)
Payments of loans receivable	(43,585)	(104,864)
Collection of loans receivable	30,909	31,474
Payments for lease and guarantee deposits	(788,196)	(276,182)
Proceeds from collection of lease and guarantee deposits	504,709	407,704
Proceeds from guarantee deposits received	581,394	149,809
Repayments of guarantee deposits received	(359,068)	(267,822)
Other, net	33,330	65,973
Net cash provided by (used in) investing activities	464,721	(3,050,912)
Cash flows from financing activities		
Increase in short-term loans payable	4,700,000	2,800,000
Decrease in short-term loans payable	(4,700,000)	(2,800,000)
Proceeds from long-term loans payable	1,875,000	-
Repayments of long-term loans payable	(2,350,000)	(375,000)
Proceeds from long-term non-recourse loans payable	2,312,000	-
Repayments of long-term non-recourse loans payable	(372,370)	(25,330)
Repayments of lease obligations	(97,542)	(75,102)
Proceeds from issuance of share acquisition rights	30,300	-
Proceeds from disposal of treasury shares	148	-
Purchase of treasury shares	-	(136)
Proceeds from disposal of treasury shares through exercise of share acquisition rights	1,301,610	3,996,600
Proceeds from share issuance to non-controlling shareholders	347,550	-
Cash dividends paid	(1,580,750)	(1,822,859)
Dividends paid to non-controlling interests	(134,650)	(124,750)
Net cash provided by (used in) financing activities	1,331,296	1,573,422
Effect of exchange rate change on cash and cash equivalents	(8,294)	(16,018)
Net increase (decrease) in cash and cash equivalents	3,815,278	2,770,758
Cash and cash equivalents at beginning of period	21,757,218	25,572,496
Cash and cash equivalents at end of period	25,572,496	28,343,254

*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

(5) Notes to consolidated financial statements**(Notes on the going concern assumption)**

Not applicable.

(Segment information, etc.)**[Segment information]**

1. Overview of reportable segments

The Company's reportable segments are organizational units for which separate financial information can be gathered. These reportable segments are subject to periodical review by the Board of Directors to decide business resource allocation and to evaluate performance.

The Company has five reportable segments that are classified by the characteristics and similarity in services provided by the Group companies: Building Management and Operation Business, Residential Management and Operation Business, Environmental Facility Management Business, Real Estate Fund Management Business and Other Businesses.

The Building Management and Operation Business focuses on building management and security services. The Residential Management and Operation Business mainly comprises the management of apartments and condominiums to own and public housing. The Environmental Facility Management Business mainly comprises the management of water treatment, sewage disposal, and other public facilities that support the living environment in general. The Real Estate Fund Management Business mainly comprises asset management (i.e. arrangement and asset management of real estate funds) and handling investments in silent partnership. Other Businesses include mainly event planning and management, printing, and design.

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

The accounting methods used for reportable segments are basically the same as those used for consolidated financial statements.

3. Information on net sales, income or losses, assets, liabilities and other items for each reportable segment

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Thousands of yen)

	Reportable segment						Adjustments (Note)	Amount recorded on consolidated financial statements
	Building Management and Operation Business	Residential Management and Operation Business	Environmental Facility Management Business	Real Estate Fund Management Business	Other Businesses	Total		
Net sales								
Net sales to external customers	67,873,258	16,257,169	9,828,288	1,514,153	2,456,579	97,929,447	—	97,929,447
Inter-segment net sales and transfer	—	—	—	—	—	—	—	—
Total	67,873,258	16,257,169	9,828,288	1,514,153	2,456,579	97,929,447	—	97,929,447
Segment income	8,296,387	1,472,109	1,170,962	82,454	403,055	11,424,967	(5,061,655)	6,363,312
Segment assets	24,539,216	11,228,145	3,623,135	5,546,092	1,629,936	46,566,524	26,103,948	72,670,472
Other items								
Depreciation	187,715	70,671	16,230	49,330	5,297	329,243	287,930	617,173
Investments in entities accounted for using equity method	932,708	4,862,768	57,909	27,351	—	5,880,736	—	5,880,736
Increase in property, plant and equipment and intangible assets	134,443	57,473	13,452	66,052	53,176	324,596	216,344	540,940

(Notes) 1. Adjustments are as follows:

- (1) Adjustments of -5,061,655 thousand yen for segment income are unallocated general administrative expenses.
- (2) Adjustments of 26,103,948 thousand yen for segment assets are corporate assets that are not allocated to any of the reportable segments. They are mainly cash, time deposits, investment securities and the assets of the administration departments of the Company.
- (3) Adjustments of 216,344 thousand yen for increase in property, plant and equipment and intangible assets are due to system repairs, etc.

2. Segment income has been adjusted to operating income described in consolidated statements of income.

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Thousands of yen)

	Reportable segment						Adjustments (Note)	Amount recorded on consolidated financial statements
	Building Management and Operation Business	Residential Management and Operation Business	Environment al Facility Management Business	Real Estate Fund Management Business	Other Businesses	Total		
Net sales								
Net sales to external customers	75,227,345	16,885,244	10,641,868	1,533,663	2,012,030	106,300,150	—	106,300,150
Inter-segment net sales and transfer	—	—	—	—	432,130	432,130	(432,130)	—
Total	75,227,345	16,885,244	10,641,868	1,533,663	2,444,160	106,732,280	(432,130)	106,300,150
Segment income	9,409,718	1,491,733	1,327,876	96,870	240,809	12,567,006	(5,712,654)	6,854,352
Segment assets	25,479,093	11,687,416	4,035,056	5,457,836	933,122	47,592,523	29,431,613	77,024,136
Other items								
Depreciation	193,062	74,865	17,301	79,912	4,550	369,690	295,789	665,479
Investments in entities accounted for using equity method	1,235,232	5,936,794	60,221	26,689	—	7,258,936	—	7,258,936
Increase in property, plant and equipment and intangible assets	232,596	61,183	22,257	618	6,525	323,179	506,229	829,408

(Notes) 1. Adjustments are as follows:

- (1) Adjustments of -5,712,654 thousand yen for segment income are elimination of intersegment transactions and unallocated general administrative expenses.
- (2) Adjustments of 29,431,613 thousand yen for segment assets are corporate assets that are not allocated to any of the reportable segments. They are mainly cash, time deposits, investment securities and the assets of the administration departments of the Company.
- (3) Adjustments of 506,229 thousand yen for increase in property, plant and equipment and intangible assets are due to renovation of training facilities and system repair, etc.

2. Segment income has been adjusted to operating income described in consolidated statements of income.

[Related information]

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

1. Information related to product and service

Please refer to “Segment information.”

2. Information related to geographic region

(1) Net sales

Not applicable because there are no net sales to external customers outside of Japan.

(2) Property, plant and equipment

Not applicable because there is no property, plant and equipment outside of Japan.

3. Information related to major customer

There is nothing to report because there is no external customer accounting for 10% or more of net sales reported in the consolidated statements of income.

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

1. Information related to product and service

Please refer to “Segment information.”

2. Information related to geographic region

(1) Net sales

Not applicable because there are no net sales to external customers outside of Japan.

(2) Property, plant and equipment

Not applicable because there is no property, plant and equipment outside of Japan.

3. Information related to major customer

There is nothing to report because there is no external customer accounting for 10% or more of net sales reported in the consolidated statements of income.

[Information on impairment loss on non-current assets by reportable segment]

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

Not applicable.

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

Not applicable.

[Information on amortization of goodwill and unamortized balance of goodwill by reportable segment]

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Thousands of yen)

	Reportable segment						Elimination or Corporate	Total
	Building Management and Operation Business	Residential Management and Operation Business	Environmental Facility Management Business	Real Estate Fund Management Business	Other Businesses	Subtotal		
Amortization for the current period	16,297	119,304	—	13,518	—	149,120	—	149,120
Unamortized balance at the end of current year	122,230	1,700,077	—	—	—	1,822,307	—	1,822,307

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Thousands of yen)

	Reportable segment						Elimination or Corporate	Total
	Building Management and Operation Business	Residential Management and Operation Business	Environmental Facility Management Business	Real Estate Fund Management Business	Other Businesses	Subtotal		
Amortization for the current period	16,297	119,304	—	—	—	135,601	—	135,601
Unamortized balance at the end of current year	105,933	1,580,773	—	—	—	1,686,706	—	1,686,706

[Information on gain on bargain purchase by reportable segment]

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

Not applicable.

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

Not applicable.

(Per share information)

	Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
Net assets per share	1,315.18 yen	1,385.10 yen
Profit per share	125.11 yen	117.29 yen
Diluted profit per share	124.83 yen	—

(Notes) 1. No diluted profit per share is presented for the previous fiscal year, as there were no potentially dilutive securities.

2. The basis of calculations of profit per share and diluted profit per share for the current fiscal period is as follows.

	Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
Profit per share		
Profit attributable to owners of parent (thousands of yen)	4,313,096	4,346,762
Amount not attributable to owners of common stock (thousands of yen)	—	—
Profit attributable to owners of parent associated with common stock (thousands of yen)	4,313,096	4,346,762
Average number of shares of common stock during period (shares)	34,474,846	37,059,790
Diluted profit per share		
Adjusted profit attributable to owners of parent (thousands of yen)	—	—
Increase in the number of shares of common stock (shares)	76,721	—
(Of which, share acquisition rights (shares))	(76,721)	(—)
Potential shares not included in the calculation of diluted profit per share as they have no dilution effect		—

3. The basis of calculations of net assets per share is as follows.

	Fiscal year ended March 31, 2019 (As of March 31, 2019)	Fiscal year ended March 31, 2020 (As of March 31, 2020)
Total net assets (thousands of yen)	47,487,594	53,029,912
Amount deducted from total net assets (thousands of yen)	1,293,846	1,249,800
(Of which, share acquisition rights (thousands of yen))	(22,826)	(—)
(Of which, non-controlling interests (thousands of yen))	(1,271,020)	(1,249,800)
Net assets associated with common stock at the end of fiscal year (thousands of yen)	46,193,748	51,780,112
Number of shares of common stock issued and outstanding (shares)	41,180,306	41,180,306
Number of shares of common stock as treasury stock (shares)	6,056,686	3,796,758
Number of shares of common stock at end of fiscal year used in the calculation of net assets per share	35,123,620	37,383,548

(Significant subsequent events)

Not applicable.

4. Non-consolidated financial statements and key notes**(1) Non-consolidated balance sheets**

(Thousands of yen)

	Fiscal year ended March 31, 2019 (As of March 31, 2019)	Fiscal year ended March 31, 2020 (As of March 31, 2020)
ASSETS		
Current assets		
Cash and deposits	14,327,612	18,020,150
Notes receivable—trade	26,356	79,296
Accounts receivable—trade	8,509,938	9,372,135
Supplies	47,186	59,494
Prepaid expenses	296,400	297,726
Accounts receivable—other	108,522	57,540
Short-term loans receivable	2,185,637	2,310,826
Advances paid	488,151	393,263
Other	33,995	109,418
Allowance for doubtful accounts	(100)	(1,020)
Total current assets	26,023,702	30,698,833
Non-current assets		
Property, plant and equipment		
Buildings	4,913,414	4,946,244
Accumulated depreciation	(2,990,001)	(3,108,223)
Buildings, net	1,923,413	1,838,020
Structures	242,421	242,421
Accumulated depreciation	(91,121)	(104,277)
Structures, net	151,299	138,144
Machinery and equipment	8,734	6,824
Accumulated depreciation	(7,947)	(6,821)
Machinery and equipment, net	787	3
Vehicles	75,153	75,186
Accumulated depreciation	(35,078)	(49,747)
Vehicles, net	40,075	25,438
Tools, furniture and fixtures	876,139	936,899
Accumulated depreciation	(586,110)	(619,261)
Tools, furniture and fixtures, net	290,029	317,638
Land	988,496	988,496
Leased assets	655,018	692,320
Accumulated depreciation	(548,438)	(588,150)
Leased assets, net	106,579	104,169
Construction in progress	33,949	222,266
Total property, plant and equipment	3,534,631	3,634,176
Intangible assets		
Telephone subscription right	19,547	19,547
Software	156,125	375,236
Leased assets	2,287	783
Software in progress	123,189	45,122
Total intangible assets	301,150	440,689

*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

(Thousands of yen)

	Fiscal year ended March 31, 2019 (As of March 31, 2019)	Fiscal year ended March 31, 2020 (As of March 31, 2020)
Investments and other assets		
Investment securities	7,002,932	6,066,486
Shares of subsidiaries and associates	8,958,845	10,410,675
Long-term loans receivable	26,778	21,767
Long-term loans receivable from subsidiaries and associates	397,003	316,928
Long-term prepaid expenses	504	302
Prepaid pension cost	729,960	777,875
Lease and guarantee deposits	883,813	933,826
Membership	349,440	349,440
Claims provable in bankruptcy, claims provable in rehabilitation and other	22,272	24,881
Buildings for rent	107,470	107,470
Accumulated depreciation	(45,548)	(47,592)
Buildings for rent, net	61,922	59,878
Land for rent	53,739	53,739
Other	98,954	106,908
Allowance for doubtful accounts	(52,427)	(55,037)
Total investments and other assets	18,533,739	19,067,673
Total non-current assets	22,369,520	23,142,539
TOTAL ASSETS	48,393,222	53,841,372

*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

	(Thousands of yen)	
	Fiscal year ended March 31, 2019 (As of March 31, 2019)	Fiscal year ended March 31, 2020 (As of March 31, 2020)
LIABILITIES		
Current liabilities		
Notes payable—trade	6,293	41,309
Accounts payable—trade	5,156,408	6,348,557
Current portion of long-term loans payable	375,000	375,000
Lease obligations	40,375	44,147
Accounts payable—other	168,833	246,985
Income taxes payable	1,013,821	447,852
Accrued consumption taxes	397,435	662,039
Accrued salaries	604,913	617,088
Accrued social insurance	446,835	259,780
Deposits received	335,530	149,041
Deposits received from subsidiaries and associates	800,000	800,000
Advances received	155,125	265,764
Provision for bonuses	334,507	365,405
Asset retirement obligations	5,870	-
Other	708	4,379
Total current liabilities	9,841,659	10,627,351
Non-current liabilities		
Long-term loans payable	1,500,000	1,125,000
Lease obligations	78,406	94,389
Deferred tax liabilities	409,520	164,538
Provision for retirement benefits	574,488	-
Long-term guarantee deposited	339,153	348,108
Asset retirement obligations	112,314	113,650
Other	675,823	923,873
Total non-current liabilities	3,689,706	2,769,559
TOTAL LIABILITIES	13,531,365	13,396,910
NET ASSETS		
Shareholders' equity		
Capital stock	3,000,000	3,000,000
Capital surplus		
Legal capital surplus	498,800	498,800
Other capital surplus	888,267	3,257,893
Total capital surpluses	1,387,067	3,756,693
Retained earnings		
Legal retained earnings	251,200	251,200
Other retained earnings		
General reserve	12,310,000	12,310,000
Retained earnings brought forward	20,064,456	22,388,932
Total retained earnings	32,625,656	34,950,132
Treasury shares	(4,422,737)	(2,773,073)
Total shareholders' equity	32,589,986	38,933,751
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	2,249,044	1,510,710
Total valuation and translation adjustments	2,249,044	1,510,710
Share acquisition rights	22,826	-
TOTAL NET ASSETS	34,861,857	40,444,462
TOTAL LIABILITIES AND NET ASSETS	48,393,222	53,841,372

*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

(2) Non-consolidated statements of income

(Thousands of yen)

	Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
Net sales		
Service revenue	57,182,630	63,666,014
Net sales of goods	429,181	410,390
Total net sales	57,611,812	64,076,405
Cost of sales		
Cost of service sales	46,179,483	51,828,541
Cost of goods sold	332,126	320,940
Total cost of sales	46,511,610	52,149,482
Gross profit	11,100,201	11,926,922
Selling, general and administrative expenses		
Promotion expenses	11,515	10,173
Advertising expenses	281,161	466,186
Directors' compensations	534,357	569,640
Salaries and allowances	2,460,459	2,609,293
Bonuses	378,754	389,475
Provision for bonuses	125,307	139,746
Retirement benefit expenses	21,952	163,696
Legal welfare expenses	497,865	522,080
Welfare expenses	24,408	24,468
Training expenses	18,425	22,501
Offering expenses	25,146	24,331
Conference expenses	5,285	5,614
Entertainment expenses	235,848	275,529
Traveling and transportation expenses	345,073	356,881
Vehicle expenses	77,329	80,740
Communication expenses	115,012	121,372
Utilities expenses	45,311	43,299
Supplies expenses	16,573	26,154
Stationery expenses	222,079	244,142
Taxes and dues	66,986	65,893
Enterprise tax	255,364	253,335
Depreciation	295,741	309,860
Repair expenses	4,521	5,095
Insurance expenses	424,242	435,127
Rent expenses	497,355	541,856
Book expenses	7,552	7,473
Membership expenses	18,550	19,039
Commission fee	378,101	440,905
Contribution	16,702	15,556
Provision of allowance for doubtful accounts	(1,232)	3,589
Miscellaneous expenses	138,396	123,522
Total selling, general and administrative expenses	7,544,154	8,316,583
Operating income	3,556,047	3,610,339

*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

(Thousands of yen)

	Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)	Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)
Non-operating income		
Interest income	56,671	70,590
Dividend income	1,704,976	1,750,235
Rent income	54,297	54,456
Dividend income of insurance	28,735	26,981
Consulting fee income	36,000	36,000
Miscellaneous income	30,553	42,627
Total non-operating income	1,911,233	1,980,892
Non-operating expenses		
Interest expenses	28,845	24,051
Rent expenses	47,437	48,101
Loss on sales and retirement of non-current assets	6,029	14,918
Foreign exchange losses	1,966	21,847
Miscellaneous loss	8,265	21,200
Total non-operating expenses	92,544	130,119
Ordinary income	5,374,736	5,461,111
Extraordinary income		
Gain on sales of investment securities	769,654	34,245
Total extraordinary income	769,654	34,245
Extraordinary losses		
Loss on valuation of investment securities	-	16,171
Loss on revision of retirement benefit plan	716,851	-
Total extraordinary losses	716,851	16,171
Profit before income taxes	5,427,539	5,479,185
Income taxes—current	1,569,736	1,270,967
Income taxes—deferred	(165,547)	71,062
Total income taxes	1,404,189	1,342,029
Profit	4,023,350	4,137,156

*English translation of some items has been changed to correspond with EDINET taxonomy published by FSA.

(3) Non-consolidated statements of changes in equity

Fiscal year ended March 31, 2019 (April 1, 2018 to March 31, 2019)

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Balance at beginning of current period	3,000,000	498,800	119,290	618,090	251,200	12,310,000	17,622,749	30,183,949
Changes of items during period								
Dividends of surplus [year-end]							(722,054)	(722,054)
Dividends of surplus [interim]							(859,588)	(859,588)
Profit							4,023,350	4,023,350
Disposal of treasury stock			768,976	768,976				
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	768,976	768,976	—	—	2,441,707	2,441,707
Balance at end of current period	3,000,000	498,800	888,267	1,387,067	251,200	12,310,000	20,064,456	32,625,656

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	(4,962,993)	28,839,046	3,617,847	3,617,847	—	32,456,894
Changes of items during period						
Dividends of surplus [year-end]		(722,054)				(722,054)
Dividends of surplus [interim]		(859,588)				(859,588)
Profit		4,023,350				4,023,350
Disposal of treasury stock	540,255	1,309,232				1,309,232
Net changes of items other than shareholders' equity			(1,368,803)	(1,368,803)	22,826	(1,345,977)
Total changes of items during period	540,255	3,750,940	(1,368,803)	(1,368,803)	22,826	2,404,963
Balance at end of current period	(4,422,737)	32,589,986	2,249,044	2,249,044	22,826	34,861,857

Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)

(Thousands of yen)

	Shareholders' equity							
	Capital stock	Capital surplus			Retained earnings			
		Legal capital surplus	Other capital surplus	Total capital surpluses	Legal retained earnings	Other retained earnings		Total retained earnings
					General reserve	Retained earnings brought forward		
Balance at beginning of current period	3,000,000	498,800	888,267	1,387,067	251,200	12,310,000	20,064,456	32,625,656
Changes of items during period								
Dividends of surplus [year-end]							(878,090)	(878,090)
Dividends of surplus [interim]							(934,590)	(934,590)
Profit							4,137,156	4,137,156
Purchase of treasury stock								
Disposal of treasury stock			2,369,626	2,369,626				
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	2,369,626	2,369,626	—	—	2,324,475	2,324,475
Balance at end of current period	3,000,000	498,800	3,257,893	3,756,693	251,200	12,310,000	22,388,932	34,950,132

	Shareholders' equity		Valuation and translation adjustments		Share acquisition rights	Total net assets
	Treasury stock	Total shareholders' equity	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of current period	(4,422,737)	32,589,986	2,249,044	2,249,044	22,826	34,861,857
Changes of items during period						
Dividends of surplus [year-end]		(878,090)				(878,090)
Dividends of surplus [interim]		(934,590)				(934,590)
Profit		4,137,156				4,137,156
Purchase of treasury stock	(136)	(136)				(136)
Disposal of treasury stock	1,649,800	4,019,426				4,019,426
Net changes of items other than shareholders' equity			(738,334)	(738,334)	(22,826)	(761,160)
Total changes of items during period	1,649,663	6,343,765	(738,334)	(738,334)	(22,826)	5,582,604
Balance at end of current period	(2,773,073)	38,933,751	1,510,710	1,510,710	—	40,444,462