

Consolidated Financial Statements for the Fiscal Year Ended March 31, 2021 [J-GAAP]

May 10, 2021

NIPPON KANZAI Co., Ltd.

Listed exchange: Tokyo Stock Exchange, First Section
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 Date of annual general meeting of shareholders: June 18, 2021
 Filing date of securities report: June 18, 2021
 Date to start dividends distribution: June 21, 2021
 Supplementary materials for results: Yes
 Results briefing meeting held: Yes (for institutional investors and analysts)

*Amounts below one million yen have been rounded down.

1. Consolidated results for the fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(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, 2021	104,124	(2.0)	7,546	10.1	8,127	12.4
Fiscal year ended March 31, 2020	106,300	8.5	6,854	7.7	7,232	7.0

(Note) Comprehensive income: Fiscal year ended March 31, 2021: ¥6,073 million [74.0%]
 Fiscal year ended March 31, 2020: ¥3,489 million [50.4%]

	Profit Attributable to Owners of Parent		Profit per Share	Diluted Profit per Share
	Millions of yen	%	Yen	Yen
Fiscal year ended March 31, 2021	5,284	21.6	141.35	—
Fiscal year ended March 31, 2020	4,346	0.8	117.29	—

	Return on Equity	Ordinary Income to Total Assets	Operating Income to Net Sales
	%	%	%
Fiscal year ended March 31, 2021	9.8	10.2	7.2
Fiscal year ended March 31, 2020	8.9	9.7	6.4

(Reference) Share of profit of entities accounted for using equity method:
 Fiscal year ended March 31, 2021: ¥214 million
 Fiscal year ended March 31, 2020: ¥132 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, 2021	81,759	57,143	68.3	1,494.30
As of March 31, 2020	77,024	53,029	67.2	1,385.10

(Reference) Equity: As of March 31, 2021: ¥55,862 million
 As of March 31, 2020: ¥51,780 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, 2021	7,481	(17)	(3,053)	32,830
Fiscal year ended March 31, 2020	4,264	(3,050)	1,573	28,343

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, 2020	—	25.00	—	25.00	50.00	1,869	42.6	3.7
Fiscal year ended March 31, 2021	—	25.00	—	27.00	52.00	1,943	36.8	3.6
Fiscal year ending March 31, 2022 (forecast)	—	27.00	—	27.00	54.00		36.0	

3. Consolidated business forecasts for the fiscal year ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(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	51,000	3.1	3,500	17.4	3,700	23.6	2,500	26.2	66.87
Full year	106,000	1.8	7,700	2.0	8,300	2.1	5,600	6.0	149.80

* 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, 2021	41,180,306 shares	As of March 31, 2020	41,180,306 shares
2)	As of March 31, 2021	3,796,818 shares	As of March 31, 2020	3,796,758 shares
3)	Fiscal year ended March 31, 2021	37,383,524 shares	Fiscal year ended March 31, 2020	37,059,790 shares

(Reference) Summary of non-consolidated financial results**1. Non-consolidated results for the fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)****(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, 2021	63,941	(0.2)	4,491	24.4	6,263	14.7
Fiscal year ended March 31, 2020	64,076	11.2	3,610	1.5	5,461	1.6

	Profit		Profit per Share	Diluted Profit per Share
	Millions of yen	%	Yen	Yen
Fiscal year ended March 31, 2021	4,910	18.7	131.35	—
Fiscal year ended March 31, 2020	4,137	2.8	111.63	—

(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, 2021	58,546	43,866	74.9	1,173.43
As of March 31, 2020	53,841	40,444	75.1	1,081.88

(Reference) Equity: As of March 31, 2021: ¥43,866 million
As of March 31, 2020: ¥40,444 million

2. Non-consolidated business forecasts for the fiscal year ending March 31, 2022 (April 1, 2021 to March 31, 2022)

(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	30,380	3.1	3,520	8.0	1,840	(32.9)	49.22
Full year	65,500	2.4	6,400	2.1	4,000	(18.5)	107.00

* **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.

(Change of unit of amounts)

Amounts for the Company’s financial statement accounts and other matters were previously stated in thousands of yen, but the unit has been changed and stated in millions of yen since the first quarter/first three months of the fiscal year ended March 31, 2021.

(How to obtain supplementary materials on financial results)

The Company plans to hold a financial results briefing for institutional investors and analysts on Wednesday, May 26, 2021. The presentation materials for the financial results will be posted on the Company’s website after the briefing is over.

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1. Overview of business results, etc.

(1) Overview of business results for the period

During the current fiscal year (fiscal year ended March 31, 2021), the Japanese economy experienced a downturn due to the global spread of COVID-19. Prolonged stagnation of economic activities in Japan and abroad keeps the outlook extremely uncertain.

In the real estate services industry, the vacancy rates of office and retail facilities have taken an upward turn except for some areas, with an ongoing shift from an urban-intensive society to a decentralized one as a result of introducing remote working and establishing satellite offices in the suburbs as countermeasures against COVID-19, among other factors. In addition, given concerns that the cost-consciousness of clients may increase, a severe business environment is expected to continue going forward.

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

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

Consolidated net sales for the current fiscal year decreased by 2.0% year on year to 104,124 million yen due to sluggish growth in orders for construction-related work and temporary work.

In terms of profit, although impacted by sluggish growth in net sales and an increase in personnel expenses, etc. due to the strengthening of the organizational system, 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 10.1% to 7,546 million yen, increase in ordinary income of 12.4% to 8,127 million yen and increase in profit attributable to owners of parent of 21.6% to 5,284 million yen, all on a year on year basis.

The following are business results by segment.

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

Building Management and Operations

For Building Management and Operations, the Group’s core business that focuses on building management and security services, net sales for the current fiscal year decreased by 1.9% year on year to 73,768 million yen due to sluggish growth in orders for construction-related work.

As for profit, segment income resulted in 9,891 million yen, up 5.1% year on year with thorough cost management including fee revisions and continuous cost reduction.

Residential Management and Operations

For Residential Management and Operations, which mainly consists of managing rental apartment buildings and condominiums as well as public housing, net sales for the current fiscal year was 16,227 million yen, down 3.9% year on year, due to decreased orders for construction-related work.

In terms of profit, an increase in orders for highly profitable contracts and fee revisions, etc. resulted in segment income of 1,566 million yen, a year-on-year increase of 5.0%

Environmental Facilities Management

With regard to Environmental Facilities Management, which mainly consists of managing water treatment, sewage disposal and other public facilities related to the overall living environment, net sales for the current fiscal year increased by 6.7% year on year to 11,349 million yen as the Group steadily won new management contracts and renewed existing contracts centering on waste incineration facilities, etc. on top of increased orders for construction-related work.

Looking at profit, segment income increased by 11.2% year on year to 1,476 million yen as a result of improved profit margin through fee revisions as well as the Group’s efforts in cost reduction with a focus on realignment of personnel assignments.

Real Estate Fund Management

For Real Estate Fund Management, which mainly consists of asset management (i.e. arrangement and asset management of real estate funds) and handling of investments in silent partnership, net sales for the current fiscal year increased by 7.7% year on year to 1,651 million yen as a result of selling assets under management, etc., among other factors.

As for profit, a decrease in rent income through master lease agreements for hotels offset an increase in profit due to sales of assets under management, decreasing segment income by 52.9% year on year to 45 million yen.

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 38.5% year on year to 1,503 million yen and segment income decreasing by 1.2% year on year to 238 million yen.

(2) Overview of financial position for the period

Total assets at the end of the current fiscal year increased by 4,735 million yen, or 6.1%, from the previous fiscal year-end to 81,759 million yen.

Current assets increased by 4,685 million yen, or 9.6%, from the previous fiscal year-end to 53,483 million yen. Non-current assets increased by 50 million yen, or 0.2%, from the previous fiscal year-end to 28,276 million yen.

The increase was mainly due to an increase in cash and deposits (a year-on-year increase of 4,487 million) through collection of notes and accounts receivable - trade and disposition of real estate for sale.

Total liabilities at the end of the current fiscal year increased by 621 million yen, or 2.6%, from the end of the previous fiscal year to 24,616 million yen due to an increase in income taxes payable (a year-on-year increase of 780 million yen).

Total net assets at the end of the current fiscal year increased by 4,113 million yen, or 7.8%, from the end of the previous fiscal year to 57,143 million yen.

The increase was mainly due to an increase in retained earnings as a result of recording profit attributable to owners of parent (a year-on-year increase of 3,415 million yen).

As a result, the equity ratio at the end of the current fiscal year increased by 1.1 percentage points from 67.2% at the end of the previous fiscal year to 68.3%.

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 4,487 million yen, or 15.8%, from the previous fiscal year-end to 32,830 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 7,481 million yen, up 3,217 million yen year on year. This was mainly due to a decrease in income taxes paid (a larger inflow by 1,060 million yen year on year) and a decrease in inventories (a larger inflow by 710 million yen year on year).

(Cash flows from investing activities)

Net cash used in investing activities for the current fiscal year was 17 million yen, a smaller outflow by 3,032 million yen from the previous fiscal year. This was mainly due to a decrease in outflow through purchase of investment securities (a larger inflow by 1,959 million yen year on year) and an increase in proceeds from sales of investment securities (a larger inflow by 1,020 million yen year on year).

(Cash flows from financing activities)

Net cash used in financing activities for the current fiscal year was 3,053 million yen, a larger outflow by 4,627 million yen year on year.

This was mainly due to a decrease in proceeds from disposal of treasury stock through exercise of share acquisition rights (a smaller inflow by 3,996 million yen year on year) and an increase in outflow through repayments of long-term non-recourse loans payable (a smaller inflow by 597 million yen year on year).

(4) Future outlook

Looking ahead, given the significant impact of the spread of COVID-19 on the entire world economy, it is presumed that uncertainty will continue to linger going forward. In the real estate services industry, as clients become even more conscious of managing 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 project proposal capabilities as the 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 COVID-19, the Group places the safety and security of customers and other stakeholders and employees first, and will continue its endeavors for preventing infection inside and outside of the Group by ensuring that all employees wear masks, wash hands and sanitize with alcohol, as well as adopting web-conferencing systems and encouraging work-from-home and staggered commuting.

The business forecasts for the next fiscal year (April 1, 2021 to March 31, 2022) are as follows: consolidated net sales increasing by 1.8% year on year to 106,000 million yen; consolidated operating income increasing by 2.0% year on year to 7,700 million yen; consolidated ordinary income increasing by 2.1% year on year to 8,300 million yen; and profit attributable to owners of parent increasing by 6.0% year on year to 5,600 million yen.

2. Basic policy regarding selection of accounting standard

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

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

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

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (As of March 31, 2020)	Fiscal year ended March 31, 2021 (As of March 31, 2021)
ASSETS		
Current assets		
Cash and deposits	28,588	33,075
Notes and accounts receivable—trade	13,989	14,836
Investments in silent partnership for business purposes	81	80
Supplies	138	147
Real estate for sale	4,302	3,519
Income taxes receivable	57	90
Other	1,647	1,742
Allowance for doubtful accounts	(7)	(8)
Total current assets	48,797	53,483
Non-current assets		
Property, plant and equipment		
Buildings and structures	6,798	6,812
Accumulated depreciation	(3,686)	(3,827)
Buildings and structures, net	3,111	2,985
Machinery, equipment and vehicles	133	129
Accumulated depreciation	(99)	(105)
Machinery, equipment and vehicles, net	33	24
Tools, furniture and fixtures	1,463	1,488
Accumulated depreciation	(980)	(981)
Tools, furniture and fixtures, net	483	507
Land	1,167	1,224
Leased assets	1,086	1,116
Accumulated depreciation	(850)	(874)
Leased assets, net	236	241
Construction in progress	222	429
Total property, plant and equipment	5,254	5,411
Intangible assets		
Telephone subscription right	46	46
Software	454	414
Goodwill	1,686	1,551
Leased assets	4	1
Software in progress	47	10
Total intangible assets	2,239	2,024
Investments and other assets		
Investment securities	14,633	14,514
Long-term loans receivable	577	800
Long-term prepaid expenses	66	34
Lease and guarantee deposits	3,697	3,681
Membership	391	371
Net defined benefit asset	518	801
Deferred tax assets	525	298
Other	381	395
Allowance for doubtful accounts	(59)	(57)
Total investments and other assets	20,732	20,840
Total non-current assets	28,226	28,276
TOTAL ASSETS	77,024	81,759

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

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (As of March 31, 2020)	Fiscal year ended March 31, 2021 (As of March 31, 2021)
LIABILITIES		
Current liabilities		
Notes and accounts payable—trade	8,587	9,091
Current portion of long-term loans payable	375	375
Current portion of long-term non-recourse loans payable	25	19
Lease obligations	87	92
Accrued expenses	2,215	2,561
Income taxes payable	1,070	1,850
Accrued consumption taxes	1,273	1,402
Deposits received	282	300
Advances received	337	320
Provision for bonuses	714	787
Asset retirement obligations	1	-
Other	49	66
Total current liabilities	15,019	16,868
Non-current liabilities		
Long-term loans payable	1,125	750
Long-term non-recourse loans payable	2,953	2,336
Lease obligations	195	185
Deferred tax liabilities	266	524
Net defined benefit liability	548	169
Long-term guarantee deposited	2,598	2,580
Asset retirement obligations	253	266
Liabilities from application of equity method	40	1
Other	992	934
Total non-current liabilities	8,974	7,747
TOTAL LIABILITIES	23,994	24,616
NET ASSETS		
Shareholders' equity		
Capital stock	3,000	3,000
Capital surplus	3,785	3,785
Retained earnings	47,833	51,248
Treasury shares	(2,773)	(2,773)
Total shareholders' equity	51,845	55,260
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,621	2,050
Foreign currency translation adjustment	(1,227)	(1,216)
Remeasurements of defined benefit plans	(460)	(232)
Total accumulated other comprehensive income	(65)	601
Non-controlling interests	1,249	1,281
TOTAL NET ASSETS	53,029	57,143
TOTAL LIABILITIES AND NET ASSETS	77,024	81,759

*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**

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
Net sales	106,300	104,124
Cost of sales	84,980	81,769
Gross profit	21,319	22,354
Selling, general and administrative expenses		
Selling expenses	748	688
Personnel expenses	7,965	8,275
Provision for bonuses	332	405
Retirement benefit expenses	254	290
Transportation and communication expenses	1,089	901
Supplies expenses	450	509
Rent expenses	1,014	1,038
Insurance expenses	483	470
Depreciation	392	410
Taxes and dues	104	110
Enterprise tax	308	329
Provision of allowance for doubtful accounts	3	1
Amortization of goodwill	135	135
Other	1,180	1,238
Total selling, general and administrative expenses	14,465	14,807
Operating income	6,854	7,546
Non-operating income		
Interest and dividend income	213	197
Rent income	54	48
Share of profit of entities accounted for using equity method	132	214
Dividend income of insurance	38	42
Subsidy income	27	79
Foreign exchange gains	-	122
Other	92	44
Total non-operating income	558	749
Non-operating expenses		
Interest expenses	26	24
Rent expenses	48	46
Loss on sales and retirement of non-current assets	25	35
Foreign exchange losses	21	-
Loss on valuation of membership	-	20
Other	58	41
Total non-operating expenses	180	168
Ordinary income	7,232	8,127

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

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
Extraordinary income		
Gain on sales of investment securities	34	428
Gain on transfer from business divestitures	27	-
Total extraordinary income	62	428
Extraordinary losses		
Loss on valuation of investment securities	89	27
Loss on revision of retirement benefit program	275	-
Total extraordinary losses	365	27
Profit before income taxes	6,929	8,528
Income taxes – current	2,379	2,916
Income taxes – deferred	94	214
Total income taxes	2,474	3,130
Profit	4,454	5,397
Profit attributable to non-controlling interests	108	113
Profit attributable to owners of parent	4,346	5,284

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

Consolidated statements of comprehensive income

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
Profit	4,454	5,397
Other comprehensive income		
Valuation difference on available-for-sale securities	(715)	433
Foreign currency translation adjustment	1	(43)
Remeasurements of defined benefit plans, net of tax	(139)	231
Share of other comprehensive income of entities accounted for using equity method	(111)	54
Total other comprehensive income	(964)	676
Comprehensive income	3,489	6,073
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	3,379	5,951
Comprehensive income attributable to non-controlling interests	110	122

*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, 2020 (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	3,000	1,415	45,298	(4,422)	45,292
Changes of items during period					
Dividends of surplus [year-end]			(878)		(878)
Dividends of surplus [interim]			(934)		(934)
Profit attributable to owners of parent			4,346		4,346
Purchase of treasury stock				(0)	(0)
Disposal of treasury stock		2,369		1,649	4,019
Net changes of items other than shareholders' equity					
Total changes of items during period	—	2,369	2,534	1,649	6,553
Balance at end of current period	3,000	3,785	47,833	(2,773)	51,845

	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	(1,117)	(321)	901	22	1,271	47,487
Changes of items during period							
Dividends of surplus [year-end]							(878)
Dividends of surplus [interim]							(934)
Profit attributable to owners of parent							4,346
Purchase of treasury stock							(0)
Disposal of treasury stock							4,019
Net changes of items other than shareholders' equity	(718)	(109)	(138)	(967)	(22)	(21)	(1,011)
Total changes of items during period	(718)	(109)	(138)	(967)	(22)	(21)	5,542
Balance at end of current period	1,621	(1,227)	(460)	(65)	—	1,249	53,029

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury stock	Total shareholders' equity
Balance at beginning of current period	3,000	3,785	47,833	(2,773)	51,845
Changes of items during period					
Dividends of surplus [year-end]			(934)		(934)
Dividends of surplus [interim]			(934)		(934)
Profit attributable to owners of parent			5,284		5,284
Purchase of treasury stock				(0)	(0)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	3,415	(0)	3,414
Balance at end of current period	3,000	3,785	51,248	(2,773)	55,260

	Accumulated other comprehensive income				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	1,621	(1,227)	(460)	(65)	1,249	53,029
Changes of items during period						
Dividends of surplus [year-end]						(934)
Dividends of surplus [interim]						(934)
Profit attributable to owners of parent						5,284
Purchase of treasury stock						(0)
Net changes of items other than shareholders' equity	428	11	227	667	31	698
Total changes of items during period	428	11	227	667	31	4,113
Balance at end of current period	2,050	(1,216)	(232)	601	1,281	57,143

(4) Consolidated statements of cash flows

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
Cash flows from operating activities		
Profit before income taxes	6,929	8,528
Depreciation	594	601
Amortization of goodwill	135	135
Increase (decrease) in provision for bonuses	(18)	72
Increase (decrease) in net defined benefit (asset) liability	(593)	(325)
Increase (decrease) in allowance for doubtful accounts	2	(1)
Share of (profit) loss of entities accounted for using equity method	(132)	(214)
Interest and dividend income	(213)	(197)
Interest expenses	26	24
Foreign exchange losses (gains)	19	(108)
Loss (gain) on sales and retirement of non-current assets	12	32
Loss on valuation of membership	-	20
Loss (gain) on sales of investment securities	(34)	(428)
Loss (gain) on transfer from business divestitures	(27)	-
Loss (gain) on valuation of investment securities	89	27
Decrease (increase) in notes and accounts receivable – trade	(1,023)	(860)
Decrease (increase) in investments in silent partnership for business purposes	(21)	1
Decrease (increase) in inventories	63	774
Decrease (increase) in other assets	(64)	251
Increase (decrease) in notes and accounts payable – trade	898	541
Increase (decrease) in accrued consumption taxes	528	118
Increase (decrease) in other liabilities	(1)	321
Other, net	(42)	(48)
Subtotal	7,127	9,269
Interest and dividend income received	411	424
Interest expenses paid	(26)	(24)
Income taxes paid	(3,247)	(2,187)
Net cash provided by (used in) operating activities	4,264	7,481

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

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
Cash flows from investing activities		
Payments into time deposits	(245)	(245)
Proceeds from withdrawal of time deposits	245	245
Purchase of property, plant and equipment and intangible assets	(721)	(616)
Proceeds from sales of property, plant and equipment and intangible assets	24	31
Purchase of investment securities	(2,438)	(479)
Proceeds from sales of investment securities	67	1,088
Proceeds from redemption of investment securities	-	100
Proceeds from business divestitures	32	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(22)	-
Payments of loans receivable	(104)	(279)
Collection of loans receivable	31	110
Payments for lease and guarantee deposits	(276)	(349)
Proceeds from collection of lease and guarantee deposits	407	387
Proceeds from guarantee deposits received	149	293
Repayments of guarantee deposits received	(267)	(312)
Other, net	65	6
Net cash provided by (used in) investing activities	(3,050)	(17)
Cash flows from financing activities		
Increase in short-term loans payable	2,800	2,800
Decrease in short-term loans payable	(2,800)	(2,800)
Repayments of long-term loans payable	(375)	(375)
Repayments of long-term non-recourse loans payable	(25)	(622)
Repayments of lease obligations	(75)	(102)
Purchase of treasury shares	(0)	(0)
Proceeds from disposal of treasury shares through exercise of share acquisition rights	3,996	-
Cash dividends paid	(1,822)	(1,868)
Dividends paid to non-controlling interests	(124)	(84)
Net cash provided by (used in) financing activities	1,573	(3,053)
Effect of exchange rate change on cash and cash equivalents	(16)	77
Net increase (decrease) in cash and cash equivalents	2,770	4,487
Cash and cash equivalents at beginning of period	25,572	28,343
Cash and cash equivalents at end of period	28,343	32,830

*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 Operations, Residential Management and Operations, Environmental Facilities Management, Real Estate Fund Management and Other Businesses.

Building Management and Operations focuses on building management and security services. Residential Management and Operations mainly comprises the management of apartments and condominiums to own and public housing. Environmental Facilities Management mainly comprises the management of water treatment, sewage disposal, and other public facilities that support the living environment in general. Real Estate Fund Management 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, 2020 (April 1, 2019 to March 31, 2020)

(Millions of yen)

	Reportable segment						Adjustments (Note)	Amount recorded on consolidated financial statements
	Building Management and Operations	Residential Management and Operations	Environmental Facilities Management	Real Estate Fund Management	Other Businesses	Total		
Net sales								
Net sales to external customers	75,227	16,885	10,641	1,533	2,012	106,300	—	106,300
Inter-segment net sales and transfer	—	—	—	—	432	432	(432)	—
Total	75,227	16,885	10,641	1,533	2,444	106,732	(432)	106,300
Segment income	9,409	1,491	1,327	96	240	12,567	(5,712)	6,854
Segment assets	25,479	11,687	4,035	5,457	933	47,592	29,431	77,024
Other items								
Depreciation	193	74	17	79	4	369	295	665
Investments in entities accounted for using equity method	1,235	5,936	60	26	—	7,258	—	7,258
Increase in property, plant and equipment and intangible assets	232	61	22	0	6	323	506	829

(Notes) 1. Adjustments are as follows:

- (1) Adjustments of -5,712 million yen for segment income are elimination of intersegment transactions and unallocated general administrative expenses.
- (2) Adjustments of 29,431 million 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 million 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.

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segment						Adjustments (Note)	Amount recorded on consolidated financial statements
	Building Management and Operations	Residential Management and Operations	Environmental Facilities Management	Real Estate Fund Management	Other Businesses	Total		
Net sales								
Net sales to external customers	73,768	16,227	11,349	1,651	1,127	104,124	—	104,124
Inter-segment net sales and transfer	—	—	—	—	376	376	(376)	—
Total	73,768	16,227	11,349	1,651	1,503	104,500	(376)	104,124
Segment income	9,891	1,566	1,476	45	238	13,217	(5,670)	7,546
Segment assets	26,812	11,885	4,312	4,684	814	48,509	33,250	81,759
Other items								
Depreciation	202	44	21	76	4	349	322	672
Investments in entities accounted for using equity method	1,297	6,038	62	25	—	7,424	—	7,424
Increase in property, plant and equipment and intangible assets	186	22	45	102	0	358	413	771

(Notes) 1. Adjustments are as follows:

- (1) Adjustments of -5,670 million yen for segment income are elimination of intersegment transactions and unallocated general administrative expenses.
- (2) Adjustments of 33,250 million 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 413 million yen for increase in property, plant and equipment and intangible assets are due to renovation of training facilities and purchase of fixtures, etc.

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

[Related information]

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.

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

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, 2020 (April 1, 2019 to March 31, 2020)

Not applicable.

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

Not applicable.

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

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

(Millions of yen)

	Reportable segment						Elimination or Corporate	Total
	Building Management and Operations	Residential Management and Operations	Environmental Facilities Management	Real Estate Fund Management	Other Businesses	Subtotal		
Amortization for the current period	16	119	—	—	—	135	—	135
Unamortized balance at the end of current year	105	1,580	—	—	—	1,686	—	1,686

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions of yen)

	Reportable segment						Elimination or Corporate	Total
	Building Management and Operations	Residential Management and Operations	Environmental Facilities Management	Real Estate Fund Management	Other Businesses	Subtotal		
Amortization for the current period	16	119	—	—	—	135	—	135
Unamortized balance at the end of current year	89	1,461	—	—	—	1,551	—	1,551

[Information on gain on bargain purchase by reportable segment]

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

Not applicable.

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

Not applicable.

(Per share information)

	Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
Net assets per share	1,385.10 yen	1,494.30 yen
Profit per share	117.29 yen	141.35 yen

(Notes) 1. No diluted profit per share is presented as there were no potentially dilutive securities.

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

	Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
Profit attributable to owners of parent (millions of yen)	4,346	5,284
Amount not attributable to owners of common stock (millions of yen)	—	—
Profit attributable to owners of parent associated with common stock (millions of yen)	4,346	5,284
Average number of shares of common stock during period (shares)	37,059,790	37,383,524

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

	Fiscal year ended March 31, 2020 (As of March 31, 2020)	Fiscal year ended March 31, 2021 (As of March 31, 2021)
Total net assets (millions of yen)	53,029	57,143
Amount deducted from total net assets (millions of yen)	1,249	1,281
(Of which, non-controlling interests (millions of yen))	(1,249)	(1,281)
Net assets associated with common stock at the end of fiscal year (millions of yen)	51,780	55,862
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)	3,796,758	3,796,818
Number of shares of common stock at end of fiscal year used in the calculation of net assets per share	37,383,548	37,383,488

(Significant subsequent events)

Not applicable.

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

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (As of March 31, 2020)	Fiscal year ended March 31, 2021 (As of March 31, 2021)
ASSETS		
Current assets		
Cash and deposits	18,020	21,740
Notes receivable—trade	79	25
Accounts receivable—trade	9,372	10,356
Supplies	59	58
Prepaid expenses	297	333
Accounts receivable—other	57	16
Short-term loans receivable	2,310	1,535
Advances paid	393	508
Other	109	507
Allowance for doubtful accounts	(1)	(1)
Total current assets	30,698	35,080
Non-current assets		
Property, plant and equipment		
Buildings	4,946	4,928
Accumulated depreciation	(3,108)	(3,189)
Buildings, net	1,838	1,738
Structures	242	218
Accumulated depreciation	(104)	(108)
Structures, net	138	110
Machinery and equipment	6	6
Accumulated depreciation	(6)	(6)
Machinery and equipment, net	0	0
Vehicles	75	75
Accumulated depreciation	(49)	(58)
Vehicles, net	25	16
Tools, furniture and fixtures	938	1,076
Accumulated depreciation	(620)	(664)
Tools, furniture and fixtures, net	317	411
Land	988	971
Leased assets	692	689
Accumulated depreciation	(588)	(610)
Leased assets, net	104	78
Construction in progress	222	429
Total property, plant and equipment	3,634	3,756
Intangible assets		
Telephone subscription right	19	19
Software	375	370
Leased assets	0	0
Software in progress	45	10
Total intangible assets	440	400

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

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (As of March 31, 2020)	Fiscal year ended March 31, 2021 (As of March 31, 2021)
Investments and other assets		
Investment securities	6,066	5,727
Shares of subsidiaries and associates	10,410	10,436
Long-term loans receivable	21	19
Long-term loans receivable from subsidiaries and associates	316	907
Prepaid pension cost	777	791
Lease and guarantee deposits	933	900
Membership	349	329
Claims provable in bankruptcy, claims provable in rehabilitation and other	24	24
Buildings for rent	107	107
Accumulated depreciation	(47)	(49)
Buildings for rent, net	59	57
Land for rent	53	53
Other	107	114
Allowance for doubtful accounts	(55)	(53)
Total investments and other assets	19,067	19,308
Total non-current assets	23,142	23,465
TOTAL ASSETS	53,841	58,546

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

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (As of March 31, 2020)	Fiscal year ended March 31, 2021 (As of March 31, 2021)
LIABILITIES		
Current liabilities		
Notes payable—trade	41	11
Accounts payable—trade	6,348	6,982
Current portion of long-term loans payable	375	375
Lease obligations	44	38
Accounts payable—other	246	462
Income taxes payable	447	1,141
Accrued consumption taxes	662	759
Accrued salaries	617	657
Accrued social insurance	259	266
Deposits received	149	166
Deposits received from subsidiaries and associates	800	800
Advances received	265	251
Provision for bonuses	365	377
Other	4	15
Total current liabilities	10,627	12,305
Non-current liabilities		
Long-term loans payable	1,125	750
Lease obligations	94	65
Deferred tax liabilities	164	357
Long-term guarantee deposited	348	326
Asset retirement obligations	113	107
Other	923	767
Total non-current liabilities	2,769	2,374
TOTAL LIABILITIES	13,396	14,679
NET ASSETS		
Shareholders' equity		
Capital stock	3,000	3,000
Capital surplus		
Legal capital surplus	498	498
Other capital surplus	3,257	3,257
Total capital surpluses	3,756	3,756
Retained earnings		
Legal retained earnings	251	251
Other retained earnings		
General reserve	12,310	12,310
Retained earnings brought forward	22,388	25,430
Total retained earnings	34,950	37,991
Treasury shares	(2,773)	(2,773)
Total shareholders' equity	38,933	41,974
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	1,510	1,892
Total valuation and translation adjustments	1,510	1,892
TOTAL NET ASSETS	40,444	43,866
TOTAL LIABILITIES AND NET ASSETS	53,841	58,546

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

(2) Non-consolidated statements of income

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
Net sales		
Service revenue	63,666	63,518
Net sales of goods	410	423
Total net sales	64,076	63,941
Cost of sales		
Cost of service sales	51,828	50,601
Cost of goods sold	320	325
Total cost of sales	52,149	50,926
Gross profit	11,926	13,015
Selling, general and administrative expenses		
Promotion expenses	10	4
Advertising expenses	466	405
Directors' compensations	569	616
Salaries and allowances	2,609	2,729
Bonuses	389	411
Provision for bonuses	139	149
Retirement benefit expenses	163	139
Legal welfare expenses	522	557
Welfare expenses	24	49
Training expenses	22	18
Offering expenses	24	26
Entertainment expenses	275	289
Traveling and transportation expenses	356	209
Vehicle expenses	80	94
Communication expenses	121	145
Utilities expenses	43	41
Supplies expenses	26	39
Stationery expenses	244	277
Taxes and dues	65	69
Enterprise tax	253	273
Depreciation	309	331
Repair expenses	5	21
Insurance expenses	435	434
Rent expenses	541	555
Membership expenses	19	18
Commission fee	440	444
Contribution	15	14
Provision of allowance for doubtful accounts	3	1
Other	136	152
Total selling, general and administrative expenses	8,316	8,523
Operating income	3,610	4,491

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

	(Millions of yen)	
	Fiscal year ended March 31, 2020 (April 1, 2019 to March 31, 2020)	Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)
Non-operating income		
Interest income	70	55
Dividend income	1,750	1,563
Rent income	54	48
Dividend income of insurance	26	29
Consulting fee income	36	36
Foreign exchange gains	-	122
Miscellaneous income	42	38
Total non-operating income	1,980	1,894
Non-operating expenses		
Interest expenses	24	21
Rent expenses	48	46
Loss on sales and retirement of non-current assets	14	23
Foreign exchange losses	21	-
Loss on valuation of membership	-	20
Miscellaneous loss	21	11
Total non-operating expenses	130	123
Ordinary income	5,461	6,263
Extraordinary income		
Gain on sales of investment securities	34	428
Gain on extinguishment of tie-in shares	-	2
Total extraordinary income	34	431
Extraordinary losses		
Loss on valuation of investment securities	16	-
Total extraordinary losses	16	-
Profit before income taxes	5,479	6,694
Income taxes—current	1,270	1,728
Income taxes—deferred	71	54
Total income taxes	1,342	1,783
Profit	4,137	4,910

*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, 2020 (April 1, 2019 to March 31, 2020)

(Millions 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	498	888	1,387	251	12,310	20,064	32,625
Changes of items during period								
Dividends of surplus [year-end]							(878)	(878)
Dividends of surplus [interim]							(934)	(934)
Profit							4,137	4,137
Purchase of treasury stock								
Disposal of treasury stock			2,369	2,369				
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	2,369	2,369	—	—	2,324	2,324
Balance at end of current period	3,000	498	3,257	3,756	251	12,310	22,388	34,950

	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)	32,589	2,249	2,249	22	34,861
Changes of items during period						
Dividends of surplus [year-end]		(878)				(878)
Dividends of surplus [interim]		(934)				(934)
Profit		4,137				4,137
Purchase of treasury stock	(0)	(0)				(0)
Disposal of treasury stock	1,649	4,019				4,019
Net changes of items other than shareholders' equity			(738)	(738)	(22)	(761)
Total changes of items during period	1,649	6,343	(738)	(738)	(22)	5,582
Balance at end of current period	(2,773)	38,933	1,510	1,510	—	40,444

Fiscal year ended March 31, 2021 (April 1, 2020 to March 31, 2021)

(Millions 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	498	3,257	3,756	251	12,310	22,388	34,950
Changes of items during period								
Dividends of surplus [year-end]							(934)	(934)
Dividends of surplus [interim]							(934)	(934)
Profit							4,910	4,910
Purchase of treasury stock								
Net changes of items other than shareholders' equity								
Total changes of items during period	—	—	—	—	—	—	3,041	3,041
Balance at end of current period	3,000	498	3,257	3,756	251	12,310	25,430	37,991

	Shareholders' equity		Valuation and translation adjustments		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	(2,773)	38,933	1,510	1,510	40,444
Changes of items during period					
Dividends of surplus [year-end]		(934)			(934)
Dividends of surplus [interim]		(934)			(934)
Profit		4,910			4,910
Purchase of treasury stock	(0)	(0)			(0)
Net changes of items other than shareholders' equity			381	381	381
Total changes of items during period	(0)	3,041	381	381	3,422
Balance at end of current period	(2,773)	41,974	1,892	1,892	43,866