

Consolidated Financial Statements
for the Second Quarter of the Fiscal Year Ending March 31, 2023 [J-GAAP]

November 7, 2022

NIPPON KANZAI Co., Ltd.

Listed exchange: Tokyo Stock Exchange, Prime Market
 Securities code: 9728 URL: <https://www.nkanzai.co.jp/en/>
 Representative: Shintaro Fukuda, President and Representative Director
 Contact: Shigeki Okamoto, Senior Executive Officer and Head of Finance & Accounting Dept.
 Telephone: +81-3-5299-0863
 Filing date of quarterly report: November 14, 2022
 Date to start dividends distribution: December 2, 2022
 Supplementary materials for quarterly results: Yes
 Quarterly results briefing meeting held: Yes (for institutional investors and analysts)

*Amounts below one million yen have been rounded down.

1. Consolidated results for the second quarter ended September 30, 2022 (April 1, 2022 to September 30, 2022)

(1) Consolidated business results

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

| | Net Sales | | Operating Income | | Ordinary Income | |
|-------------------------------------|-----------------|-----|------------------|------|-----------------|------|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| Six months ended September 30, 2022 | 53,736 | 7.7 | 4,197 | 15.0 | 4,747 | 18.1 |
| Six months ended September 30, 2021 | 49,883 | 0.9 | 3,651 | 22.5 | 4,019 | 34.2 |

(Note) Comprehensive income: Six months ended September 30, 2022: ¥3,922 million [-1.9%]
 Six months ended September 30, 2021: ¥3,998 million [106.6%]

| | Profit Attributable to Owners of Parent | | Profit per Share | Diluted Profit per Share |
|-------------------------------------|---|-------|------------------|--------------------------|
| | Millions of yen | % | Yen | Yen |
| Six months ended September 30, 2022 | 3,068 | (9.7) | 82.09 | — |
| Six months ended September 30, 2021 | 3,400 | 71.7 | 90.95 | — |

(2) Consolidated financial position

| | Total Assets | Net Assets | Equity Ratio |
|--------------------------|-----------------|-----------------|--------------|
| | Millions of yen | Millions of yen | % |
| As of September 30, 2022 | 84,186 | 64,464 | 75.1 |
| As of March 31, 2022 | 82,141 | 61,652 | 73.5 |

(Reference) Equity: As of September 30, 2022: ¥63,223 million
 As of March 31, 2022: ¥60,372 million

2. Dividends

| | Annual dividends | | | | |
|--|-------------------|--------------------|-------------------|-----------|-----------|
| | First Quarter-end | Second Quarter-end | Third Quarter-end | Year-end | Total |
| Fiscal year ended March 31, 2022 | — Yen | 27.00 Yen | — Yen | 27.00 Yen | 54.00 Yen |
| Fiscal year ending March 31, 2023 | — | 27.00 | | | |
| Fiscal year ending March 31, 2023 (forecast) | | | — | 27.00 | 54.00 |

(Note) Revisions to the most recently announced forecast of cash dividends in the current quarter: None

3. Consolidated business forecasts for the fiscal year ending March 31, 2023 (April 1, 2022 to March 31, 2023)

(Percentage figures indicate the rate of change from 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 |
| Full year | 108,000 | 4.1 | 7,800 | 4.0 | 8,500 | 2.7 | 5,600 | (9.3) | 149.80 |

(Note) Revisions to the most recently announced consolidated business forecasts in the current quarter: None

* Notes

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

(2) **Adoption of specific accounting methods for preparation of the quarterly consolidated financial statements:**
None

(3) **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: Yes
- 3) Changes in accounting estimates: None
- 4) Restatement of revisions: None

(4) **Number of shares issued and outstanding (common stock)**

- 1) Number of shares issued and outstanding (including treasury stock)
- 2) Number of treasury stock
- 3) Average number of shares issued and outstanding

| | | | | |
|----|---|-------------------|---|-------------------|
| 1) | As of September 30, 2022 | 41,180,306 shares | As of March 31, 2022 | 41,180,306 shares |
| 2) | As of September 30, 2022 | 3,797,032 shares | As of March 31, 2022 | 3,797,012 shares |
| 3) | First six months ended September 30, 2022 | 37,383,293 shares | First six months ended September 30, 2021 | 37,383,486 shares |

* **This quarterly financial report is not included in the quarterly review 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. Qualitative information on financial statements; (3) Explanation regarding information on future forecasts including consolidated business forecasts, etc.” on page 3 of the Attached Document of this quarterly financial report regarding assumptions upon which forecasts are based and the use of forecasts.

(How to obtain supplementary materials on financial results)

The Company plans to hold a financial results briefing for institutional investors and analysts on Thursday, November 24, 2022. Presentation materials will be posted on the Company website after the briefing meeting is over.

Table of Contents for the Attached Document

| | |
|---|----|
| 1. Qualitative information on financial statements | 2 |
| (1) Explanation regarding business results | 2 |
| (2) Explanation regarding financial position | 3 |
| (3) Explanation regarding information on future forecasts including consolidated business forecasts, etc. | 3 |
| 2. Quarterly consolidated financial statements and key notes | 4 |
| (1) Quarterly consolidated balance sheets | 4 |
| (2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income | 6 |
| Quarterly consolidated statements of income | 6 |
| Quarterly consolidated statements of comprehensive income | 7 |
| (3) Quarterly consolidated statements of cash flows | 8 |
| (4) Notes on quarterly consolidated financial statements | 10 |
| (Notes on the going concern assumption) | 10 |
| (Notes on significant changes in the amount of shareholders' equity) | 10 |
| (Changes in accounting policies) | 10 |
| (Segment information, etc.) | 11 |

1. Qualitative information on financial statements

(1) Explanation regarding business results

During the first six months of the fiscal year ending March 31, 2023, the Japanese economy showed signs of an increase in activity due to the easing of stay-at-home orders and such, but the impact of surging resource and raw material prices caused by the prolonged situation in Ukraine and currency exchange fluctuation risks due to the rapid depreciation of the yen with no prospects of an end to COVID-19 yet in sight still continuing to cast uncertainty over the future.

The real estate services industry also saw vacancy rates for office buildings and retail facilities in urban areas still remain high as a result of a widespread adoption of remote working and establishment of satellite offices as countermeasures against COVID-19 and other factors. In addition, with surging resource and raw material prices and rising labor costs leading to client companies becoming more conscious of reducing costs, a severe business environment is expected to continue.

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 first six months of the fiscal year ending March 31, 2023, increased by 7.7% year on year to 53,736 million yen from new management project contracts and steady contract renewals.

In terms of profit, efforts to review the cost of sales ratio and reduce costs resulted in operating income increasing by 15.0% year on year to 4,197 million yen and ordinary income increasing by 18.1% year on year to 4,747 million yen, and profit attributable to owners of parent decreased by 9.7% year on year to 3,068 million yen due to an increase in tax expenses.

The following are business results by segment.

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

Building Management and Operations

With regard to Building Management and Operations, the Group’s core business that focuses on building management and security services, steadily winning new management contracts and renewing contracts resulted in net sales for the segment for the first six months of the fiscal year ending March 31, 2023, increasing by 5.4% year on year to 36,357 million yen.

In terms of profit, a review of the cost ratio and efforts to reduce costs resulted in segment income increasing by 7.9% year on year to 5,251 million yen.

Residential Management and Operations

With regard to Residential Management and Operations, which mainly consists of managing rental apartment buildings and condominiums as well as public housing, increasingly winning new management contracts resulted in net sales for the segment for the first six months of the fiscal year ending March 31, 2023, increasing by 8.5% year on year to 8,907 million yen.

In terms of profit, a review of the cost ratio and efforts to reduce costs resulted in segment income increasing by 16.1% year on year to 984 million yen.

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, steady renewal of existing management contracts and an increase in orders for construction-related work resulted in net sales for the segment for the first six months of the fiscal year ending March 31, 2023, increasing by 6.8% year on year to 5,944 million yen.

In terms of profit, despite efforts to reduce expenses and enhance operational efficiency, the impact of surging resource prices and other factors resulted in segment income decreasing by 3.5% year on year to 803 million yen.

Real Estate Fund Management

With regard to 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, an increase in income from the sale of assets under management and sublease contracts resulted in net sales for the segment for the first six months of the fiscal year ending March 31, 2023, increasing by 30.0% year on year to 1,357 million yen.

In terms of profit, despite efforts to reduce expenses and enhance operational efficiency, an increase in personnel expenses and such due to strengthening of the system resulted in segment income decreasing by 63.2% year on year to 21 million yen.

Other Businesses

In Other Businesses, which consist mainly of event planning and management, design and payroll accounting services, successfully winning highly profitable contracts and contribution of the business performance of Neotrust Co., Ltd., which became a consolidated subsidiary at the end of the second quarter of the fiscal year ended March 31, 2022, resulted in net sales for the segment for the first six months of the fiscal year ending March 31, 2023, increasing by 82.7% year on year to 1,330 million yen and segment income increasing by 65.3% year on year to 265 million yen.

(2) Explanation regarding financial position

(Analysis of financial position)

Total assets at the end of the second quarter of the fiscal year ending March 31, 2023, increased by 2,044 million yen, or 2.5%, from the end of the previous fiscal year to 84,186 million yen, mainly due to an increase in investment securities from purchase of shares of affiliated companies.

Liabilities decreased by 767 million yen, or 3.7%, from the end of the previous fiscal year to 19,721 million yen, mainly due to payment of trade accounts payable and repayment of loans payable.

Net assets increased by 2,812 million yen, or 4.6%, from the end of the previous fiscal year to 64,464 million yen, mainly due to foreign currency translation adjustment and an increase in profit attributable to owners of parent. The equity ratio increased by 1.6 percentage points from the end of the previous fiscal year to 75.1%.

(Analysis of cash flows)

Cash and cash equivalents (hereinafter “cash”) decreased by 1,110 million yen from the end of the previous fiscal year to 31,333 million yen.

The status and main factors of cash flows for the first six months of the fiscal year ending March 31, 2023, were as follows:

[Cash flows from operating activities]

Net cash provided by operating activities for the first six months of the fiscal year ending March 31, 2023, was 3,533 million yen, a larger inflow by 2,955 million yen year on year.

This was mainly due to an increase in notes and accounts payable (a smaller outflow by 2,051 million yen year on year) and a decrease in income taxes paid (a smaller outflow by 1,237 million yen year on year).

[Cash flows from investing activities]

Net cash used in investing activities for the first six months of the fiscal year ending March 31, 2023, was 3,363 million yen, a larger outflow by 2,132 million yen year on year.

This was mainly due to an increase in purchase of investment securities (a larger outflow by 2,499 million yen year on year) and a decrease in proceeds from redemption of investment securities (a smaller inflow by 412 million yen year on year).

[Cash flows from financing activities]

Net cash used in financing activities for the first six months of the fiscal year ending March 31, 2023, was 1,365 million yen, a larger outflow by 1 million yen year on year.

This was mainly due to an increase in repayments of lease obligations (a larger outflow by 8 million yen year on year).

(3) Explanation regarding information on future forecasts including consolidated business forecasts, etc.

The Group remains cautious of the future business environment which continues to be unpredictable.

The Group’s business performance has been generally in line with the forecasts announced on May 10, 2022, and there are no changes to the full-year business forecasts.

2. Quarterly consolidated financial statements and key notes**(1) Quarterly consolidated balance sheets**

| | (Millions of yen) | |
|---|---|--|
| | Fiscal year ended March 31, 2022 (As of March 31, 2022) | Second quarter ended September 30, 2022 (As of September 30, 2022) |
| ASSETS | | |
| Current assets | | |
| Cash and deposits | 32,789 | 31,678 |
| Notes, accounts receivable—trade and contract assets | 14,296 | 13,437 |
| Investments in silent partnership for business purposes | 74 | 69 |
| Supplies | 183 | 240 |
| Real estate for sale | 2,907 | 2,086 |
| Income taxes receivable | 141 | - |
| Other | 1,465 | 2,536 |
| Allowance for doubtful accounts | (8) | (7) |
| Total current assets | 51,849 | 50,040 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures, net | 3,846 | 3,860 |
| Machinery, equipment and vehicles, net | 39 | 33 |
| Tools, furniture and fixtures, net | 550 | 545 |
| Land | 1,226 | 1,228 |
| Leased assets, net | 302 | 457 |
| Construction in progress | 21 | 8 |
| Total property, plant and equipment | 5,988 | 6,133 |
| Intangible assets | | |
| Telephone subscription right | 46 | 46 |
| Software | 405 | 350 |
| Goodwill | 1,825 | 1,735 |
| Leased assets | 9 | 8 |
| Software in progress | 70 | 200 |
| Total intangible assets | 2,357 | 2,342 |
| Investments and other assets | | |
| Investment securities | 15,653 | 19,510 |
| Long-term loans receivable | 833 | 890 |
| Long-term prepaid expenses | 19 | 15 |
| Lease and guarantee deposits | 3,671 | 3,423 |
| Membership | 361 | 360 |
| Net defined benefit asset | 830 | 907 |
| Deferred tax assets | 245 | 246 |
| Other | 388 | 372 |
| Allowance for doubtful accounts | (56) | (56) |
| Total investments and other assets | 21,946 | 25,669 |
| Total non-current assets | 30,291 | 34,145 |
| TOTAL ASSETS | 82,141 | 84,186 |

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

| | (Millions of yen) | |
|---|---|--|
| | Fiscal year ended March 31, 2022 (As of March 31, 2022) | Second quarter ended September 30, 2022 (As of September 30, 2022) |
| LIABILITIES | | |
| Current liabilities | | |
| Notes and accounts payable—trade | 6,143 | 4,808 |
| Current portion of long-term loans payable | 375 | 375 |
| Current portion of long-term non-recourse loans payable | 16 | 308 |
| Lease obligations | 107 | 145 |
| Accrued expenses | 2,659 | 2,630 |
| Income taxes payable | 561 | 1,360 |
| Accrued consumption taxes | 930 | 1,009 |
| Deposits received | 277 | 295 |
| Contract liabilities | 1,711 | 1,742 |
| Provision for bonuses | 768 | 764 |
| Asset retirement obligations | 21 | 7 |
| Other | 53 | 43 |
| Total current liabilities | 13,626 | 13,491 |
| Non-current liabilities | | |
| Long-term loans payable | 375 | 187 |
| Long-term non-recourse loans payable | 1,871 | 1,570 |
| Lease obligations | 229 | 341 |
| Deferred tax liabilities | 731 | 724 |
| Net defined benefit liability | 166 | 152 |
| Long-term guarantee deposited | 2,475 | 2,206 |
| Asset retirement obligations | 284 | 332 |
| Liabilities from application of equity method | 22 | 6 |
| Other | 705 | 707 |
| Total non-current liabilities | 6,862 | 6,230 |
| TOTAL LIABILITIES | 20,489 | 19,721 |
| NET ASSETS | | |
| Shareholders' equity | | |
| Capital stock | 3,000 | 3,000 |
| Capital surplus | 3,785 | 3,785 |
| Retained earnings | 55,080 | 57,140 |
| Treasury shares | (2,773) | (2,773) |
| Total shareholders' equity | 59,092 | 61,151 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 2,282 | 2,238 |
| Foreign currency translation adjustment | (820) | (17) |
| Remeasurements of defined benefit plans | (181) | (148) |
| Total accumulated other comprehensive income | 1,280 | 2,071 |
| Non-controlling interests | 1,279 | 1,240 |
| TOTAL NET ASSETS | 61,652 | 64,464 |
| TOTAL LIABILITIES AND NET ASSETS | 82,141 | 84,186 |

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

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income
Quarterly consolidated statements of income

| | (Millions of yen) | |
|---|--|--|
| | Six months ended September 30, 2021 (April 1, 2021 to September 30, 2021) | Six months ended September 30, 2022 (April 1, 2022 to September 30, 2022) |
| Net sales | 49,883 | 53,736 |
| Cost of sales | 38,595 | 41,404 |
| Gross profit | 11,288 | 12,331 |
| Selling, general and administrative expenses | | |
| Selling expenses | 296 | 368 |
| Personnel expenses | 4,133 | 4,316 |
| Provision for bonuses | 357 | 359 |
| Retirement benefit expenses | 170 | 143 |
| Transportation and communication expenses | 474 | 525 |
| Supplies expenses | 239 | 270 |
| Rent expenses | 552 | 636 |
| Insurance expenses | 229 | 207 |
| Depreciation | 211 | 237 |
| Taxes and dues | 71 | 71 |
| Enterprise tax | 168 | 182 |
| Provision of allowance for doubtful accounts | 0 | (1) |
| Amortization of goodwill | 67 | 89 |
| Other | 663 | 726 |
| Total selling, general and administrative expenses | 7,637 | 8,134 |
| Operating income | 3,651 | 4,197 |
| Non-operating income | | |
| Interest and dividend income | 124 | 114 |
| Rent income | 27 | 27 |
| Share of profit of entities accounted for using equity method | 238 | 52 |
| Foreign exchange gains | 29 | 395 |
| Other | 41 | 35 |
| Total non-operating income | 462 | 625 |
| Non-operating expenses | | |
| Interest expenses | 11 | 11 |
| Rent expenses | 26 | 29 |
| Loss on sales and retirement of non-current assets | 27 | 19 |
| Other | 28 | 14 |
| Total non-operating expenses | 93 | 74 |
| Ordinary income | 4,019 | 4,747 |
| Extraordinary income | | |
| Gain on sales of investment securities | 100 | - |
| Total extraordinary income | 100 | - |
| Profit before income taxes | 4,119 | 4,747 |
| Income taxes—current | 1,053 | 1,617 |
| Income taxes—deferred | (392) | (0) |
| Total income taxes | 661 | 1,616 |
| Profit | 3,458 | 3,131 |
| Profit attributable to non-controlling interests | 57 | 62 |
| Profit attributable to owners of parent | 3,400 | 3,068 |

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

Quarterly consolidated statements of comprehensive income

| | (Millions of yen) | |
|---|--|--|
| | Six months ended September 30, 2021 (April 1, 2021 to September 30, 2021) | Six months ended September 30, 2022 (April 1, 2022 to September 30, 2022) |
| Profit | 3,458 | 3,131 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | 92 | (45) |
| Foreign currency translation adjustment | 34 | (128) |
| Remeasurements of defined benefit plans, net of tax | 92 | 33 |
| Share of other comprehensive income of entities accounted for using equity method | 320 | 931 |
| Total other comprehensive income | 539 | 790 |
| Comprehensive income | 3,998 | 3,922 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 3,950 | 3,860 |
| Comprehensive income attributable to non-controlling interests | 47 | 62 |

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

(3) Quarterly consolidated statements of cash flows

| | (Millions of yen) | |
|---|--|--|
| | Six months ended September 30, 2021 (April 1, 2021 to September 30, 2021) | Six months ended September 30, 2022 (April 1, 2022 to September 30, 2022) |
| Cash flows from operating activities | | |
| Profit before income taxes | 4,119 | 4,747 |
| Depreciation | 285 | 329 |
| Amortization of goodwill | 67 | 89 |
| Increase (decrease) in provision for bonuses | (58) | (4) |
| Increase (decrease) in assets and liabilities for retirement benefits | 44 | (41) |
| Increase (decrease) in allowance for doubtful accounts | 0 | (1) |
| Share of (profit) loss of entities accounted for using equity method | (238) | (52) |
| Interest and dividend income | (124) | (114) |
| Interest expenses | 11 | 11 |
| Foreign exchange losses (gains) | (2) | (311) |
| Loss (gain) on sales and retirement of non-current assets | 27 | 18 |
| Loss (gain) on sales of investment securities | (100) | - |
| Decrease (increase) in notes and accounts receivable—trade | 1,910 | 889 |
| Decrease (increase) in inventories | 588 | 764 |
| Decrease (increase) in other assets | (91) | (977) |
| Increase (decrease) in notes and accounts payable—trade | (3,500) | (1,449) |
| Increase (decrease) in accrued consumption taxes | (570) | 77 |
| Increase (decrease) in other liabilities | (7) | 79 |
| Other, net | (14) | (6) |
| Subtotal | 2,347 | 4,048 |
| Interest and dividend income received | 172 | 189 |
| Interest expenses paid | (11) | (11) |
| Income taxes paid | (1,930) | (693) |
| Net cash provided by (used in) operating activities | 578 | 3,533 |

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

| | (Millions of yen) | |
|--|--|--|
| | Six months ended September 30, 2021 (April 1, 2021 to September 30, 2021) | Six months ended September 30, 2022 (April 1, 2022 to September 30, 2022) |
| Cash flows from investing activities | | |
| Payments into time deposits | (130) | (30) |
| Proceeds from withdrawal of time deposits | 230 | 30 |
| Purchase of property, plant and equipment and intangible assets | (672) | (363) |
| Proceeds from sales of property, plant and equipment and intangible assets | 0 | 2 |
| Purchase of investment securities | (589) | (3,089) |
| Proceeds from sales of investment securities | 119 | 30 |
| Proceeds from redemption of investment securities | 412 | - |
| Purchase of shares of subsidiaries resulting in change in scope of consolidation | (511) | - |
| Payments of loans receivable | (34) | - |
| Collection of loans receivable | 29 | 32 |
| Payments for lease and guarantee deposits | (332) | (113) |
| Proceeds from collection of lease and guarantee deposits | 207 | 391 |
| Proceeds from guarantee deposits received | 335 | 58 |
| Repayments of guarantee deposits received | (290) | (327) |
| Other, net | (4) | 16 |
| Net cash provided by (used in) investing activities | (1,230) | (3,363) |
| Cash flows from financing activities | | |
| Increase in short-term loans payable | 1,400 | 1,800 |
| Decrease in short-term loans payable | (1,400) | (1,800) |
| Repayments of long-term loans payable | (187) | (187) |
| Repayments of long-term non-recourse loans payable | (9) | (8) |
| Repayments of lease obligations | (57) | (66) |
| Purchase of treasury shares | (0) | (0) |
| Cash dividends paid | (1,009) | (1,009) |
| Dividends paid to non-controlling interests | (99) | (94) |
| Net cash provided by (used in) financing activities | (1,364) | (1,365) |
| Effect of exchange rate change on cash and cash equivalents | 6 | 85 |
| Net increase (decrease) in cash and cash equivalents | (2,009) | (1,110) |
| Cash and cash equivalents at beginning of period | 32,830 | 32,444 |
| Cash and cash equivalents at end of period | 30,820 | 31,333 |

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

(4) Notes on quarterly consolidated financial statements

(Notes on the going concern assumption)

Not applicable.

(Notes on significant changes in the amount of shareholders' equity)

Not applicable.

(Changes in accounting policies)

Overseas equity method affiliated companies that have adopted International Financial Reporting Standards (IFRS) have traditionally recognized the configuration or customization of costs for cloud computing contracts in accordance with IAS 38 as “intangible assets.” Starting from the fourth quarter of the fiscal year ended March 31, 2022, however, the method has been changed to one with which the above costs are recognized as costs generated when the configuration or customization service is received, based on the agenda decision of the IFRS Interpretations Committee that was announced in April 2021.

The change in accounting policy is applied retrospectively and has been reflected in the quarterly consolidated financial statements for the first six months of the fiscal year ended March 31, 2022.

The change has minimal impact on the quarterly consolidated financial statements for the first six months of the fiscal year ended March 31, 2022.

(Segment information, etc.)

I. Six months ended September 30, 2021 (April 1, 2021 to September 30, 2021)

1. Information on net sales, and income or losses for each reportable segment

(Millions of yen)

| | Reportable segment | | | | | | Adjustments (Note 1) | Amount recorded on quarterly consolidated statements of income (Note 2) |
|--------------------------------------|------------------------------------|---------------------------------------|-------------------------------------|-----------------------------|------------------|--------|-------------------------|--|
| | 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 | 34,483 | 8,209 | 5,568 | 1,044 | 577 | 49,883 | — | 49,883 |
| Inter-segment net sales and transfer | — | — | — | — | 150 | 150 | (150) | — |
| Total | 34,483 | 8,209 | 5,568 | 1,044 | 728 | 50,034 | (150) | 49,883 |
| Segment income | 4,866 | 848 | 832 | 57 | 160 | 6,765 | (3,114) | 3,651 |

(Notes) 1. Adjustments of -3,114 million yen for segment income are elimination of inter-segment transactions and unallocated general administrative expenses.

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

II. Six months ended September 30, 2022 (April 1, 2022 to September 30, 2022)

1. Information on net sales, and income or losses for each reportable segment

(Millions of yen)

| | Reportable segment | | | | | | Adjustments (Note 1) | Amount recorded on quarterly consolidated statements of income (Note 2) |
|--------------------------------------|------------------------------------|---------------------------------------|-------------------------------------|-----------------------------|------------------|--------|-------------------------|--|
| | 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 | 36,357 | 8,907 | 5,944 | 1,357 | 1,170 | 53,736 | — | 53,736 |
| Inter-segment net sales and transfer | — | — | — | — | 160 | 160 | (160) | — |
| Total | 36,357 | 8,907 | 5,944 | 1,357 | 1,330 | 53,897 | (160) | 53,736 |
| Segment income | 5,251 | 984 | 803 | 21 | 265 | 7,326 | (3,128) | 4,197 |

(Notes) 1. Adjustments of -3,128 million yen for segment income are elimination of inter-segment transactions and unallocated general administrative expenses.

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