

Note: The accompanying consolidated financial statements were not audited since they have been prepared only for reference purposes only. All statements are based on “Kessan Tanshin” report prepared in accordance with the provisions set forth in the accounting regulations and principals generally accepted in Japan.

Summary of Consolidated Financial Results for the Fiscal Year ended December 31, 2020 [Based on Japanese GAAP]

February 15, 2021

Listed company name: MUGEN ESTATE Co., Ltd
Securities code: 3299
Representative: Shinichi Fujita, President
Contact: Akira Okubo, Director, General Manager of Administrative Division
Scheduled date of general shareholders' meeting: March 25, 2021
Scheduled date of securities report submission: March 25, 2021
Financial results briefing: No

Listed Stock Exchange: Tokyo Stock Exchange
URL <https://www.mugen-estate.co.jp/en/>
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Scheduled date of dividend payment: March 26, 2021
Supplementary material for financial results: Yes

(fractions of one million yen are rounded off)

1. Consolidated financial results for the fiscal year ended December 31, 2020

(1) Consolidated financial results

(Percentages represent changes from the previous year.)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY2020	34,858	(12.1)	2,465	(21.9)	1,785	(28.4)	599	(64.5)
FY2019	39,677	(26.4)	3,157	(47.2)	2,493	(52.4)	1,688	(49.7)

(Note) Comprehensive income FY2020 599 million yen(-64.5%) FY2019 1,688 million yen(-49.7%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
FY2020	24.98	24.86	2.6	2.7	7.1
FY2019	69.38	69.10	7.6	3.7	8.0

(Reference) Equity in earnings (losses) of affiliates FY2020 - million yen FY2019 - million yen

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2020	62,487	22,605	36.0	939.11
As of December 31, 2019	68,512	22,840	33.2	943.48

(Reference) Shareholders' Equity As of December 31, 2020 22,518 million yen
As of December 31, 2019 22,718 million yen

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY2020	10,981	(1,944)	(6,656)	14,649
FY2019	3,276	(872)	712	12,268

2. Dividends

	Dividends per share					Total amount of dividends (Annual)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY2019	-	0.00	-	30.00	30.00	722	43.2	3.3
FY2020	-	0.00	-	10.00	10.00	239	40.0	1.1
FY2021 (forecast)	-	0.00	-	10.00	10.00		36.8	

3. Forecast of consolidated financial results for the fiscal year ending December 31, 2021

(from January 1, 2021 to December 31, 2021)

(Percentages represent changes from the previous year)

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
FY2021	35,412	1.6	1,916	(22.3)	1,315	(26.3)	651	8.8	27.17

* Notes

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

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

- (i) Changes in accounting policies due to revisions to accounting standards and other regulations : None
- (ii) Changes in accounting policies other than (i) : None
- (iii) Changes in accounting estimates : None
- (iv) Restatement : None

(3) Number of shares issued (common stock)

- (i) Number of shares outstanding at end of the period (including treasury stock)

FY2020 24,361,000 shares FY2019 24,361,000 shares

- (ii) Number of treasury stock held at end of the period

FY2020 382,309 shares FY2019 281,559 shares

- (iii) Average number of shares outstanding during the period

FY2020 23,982,816 shares FY2019 24,344,805 shares

* Consolidated financial statements (Japanese GAAP) are not subject to audit procedure.

* Explanation of the proper use of financial forecasts and other important notes

(1) Financial forecasts

The statements about the future included in this report, including financial forecasts, are based on information currently available to the Company and certain assumptions that are considered reasonable, which do not guarantee the achievement of such projected results. Actual results may vary considerably from these projections due to a range of factors. See “(4) Outlook of FY2020” under “1. Operating Results and Financial Position” on page 3 of the Accompanying Materials for the assumptions of the financial forecasts and points to note in the use of financial forecasts

(2) Access to presentation materials for financial results

Presentation materials are disclosed through TDnet and on the Company’s website on the day on which the presentation is made. Every year, we hold a financial results briefing for institutional investors and analysts. However, we have decided to cancel it, considering the health and safety of all participants and related parties in light of the spread of the COVID-19. Presentation video of the financial results will be available on our website in late February.

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1. Operating Results and Financial Position

(1) Analysis of Operating Results

During the consolidated fiscal year under review (January 1 through December 31, 2020), because the issue of the declaration of a state of emergency in April due to impacts of the COVID-19 pandemic, the Japanese economy rapidly deteriorated, reflecting a sharp decline in corporate earnings and a substantial fall in consumer spending. Although signs of an uptick were seen thanks to the effects of all sorts of political measures, new infections rapidly increased from October. Impacts on social and economic activities and changes in the financial and capital markets need to be monitored.

In the real estate industry where the MUGEN ESTATE Group operates, activities related to the real estate trading were restricted, supply of some construction materials was delayed and suspended, and real estate investors increasingly showed wait-and-see attitudes due to the impact of the COVID-19 pandemic in the first half. However, the recovery of demand for condominiums was seen in the second half because social and economic activities gradually normalized and real estate prices did not substantially collapse. In the used condominiums market in the Tokyo metropolitan area, working style corresponding to a new lifestyle is beginning to take root. Consequently, demand for used condominiums outside the central Tokyo area is on the rise. However, COVID-19 infections are spreading again. When social and economic activities become stagnant, the impact on the real estate industry needs to be monitored, including rising concern about future employment and income environments.

Under these business circumstances, in the Real Estate Trading Business, its core segment, the Group worked to improve sales by continuing to implement measures initiated at the beginning of the fiscal year for improving investment yields by reviewing sales prices and improving occupancy rates, especially of properties held on a long-term basis, while strengthening the selling structure to expand property sales and replacing inventory. Through these activities, net sales for investment-type properties for the consolidated fiscal year under review recovered more than the same period of the previous year, but were insufficient to offset the decline in sales in the second quarter. As a result, net sales and profit fell below the previous year. Sales of residential-type properties remained steady after the lifting of the declaration of a state of emergency in May. Net sales and profit exceeded those of the previous year.

In the Leasing Business, purchases were tightened because sales of existing real estate for sale advanced and the COVID-19 impact was unclear. In addition, we worked to improve financial soundness by increasing cash on hand and raising the equity ratio, leading to a decrease in the balance of real estate for sale. As a result, revenue from real estate leasing fell short of that of the previous year.

In addition, we reversed some of the deferred tax assets in the third quarter of the fiscal year under review after we comprehensively took into account impacts of the COVID-19 pandemic on financial results and carefully considered the recoverability of deferred tax assets based on “Guidelines for Application of the Recoverability of Deferred Tax Assets.” Consequently, we recorded income taxes – deferred of 535 million yen.

As a result, consolidated net sales decreased 12.1% year on year, to 34,858 million yen, consolidated operating income fell 21.9% year on year, to 2,465 million yen, consolidated ordinary income decreased 28.4% year on year, to 1,785 million yen, and consolidated profit attributable to owners of parent was down 64.5%, to 599 million yen in the fiscal year under review.

The following is an overview of the results by segment.

[Real Estate Trading Business]

In the Real Estate Trading Business, the number of units sold in investment-type properties came to 184 (down 68 units year on year) and the average unit selling price was 140 million yen (up 14.5% year on year), registering net sales of 25,901 million yen (down 16.4% year on year). Meanwhile, the number of units sold in residential-type properties came to 148 (down 9 units year on year) and the average unit selling price was 39 million yen (up 16.5% year on year), registering net sales of 5,810 million yen (up 9.8% year on year).

As a result, net sales for the segment decreased 12.5% year on year, to 31,866 million yen, and segment profit (operating income for the segment) fell 14.7% year on year, to 2,812 million yen.

[Real Estate Leasing and Other Business]

In the Real Estate Leasing and Other Business, revenue from real estate leasing decreased 9.5% year on year, to 2,910 million yen. As a result, net sales for the segment decreased 8.6% year on year, to 2,992 million yen, and segment profit (operating income for the segment) fell 6.8% year on year, to 1,103 million yen.

Note: The “investment-type properties” are classified as real estate generating rental income, including rental condominiums and office blocks, which are used by buyers for the purpose of investment. The “residential-type properties” are classified as real estate used by buyers as their housing units, most of which are owned condominiums.

(2) Analysis of Financial Position

The financial position of the MUGEN ESTATE Group at the end of the consolidated fiscal year under review included assets of 62,487 million yen (down 8.8% from the end of the previous fiscal year), liabilities of 39,882 million yen (down 12.7% from the end of the previous fiscal year), and net assets of 22,605 million yen (down 1.0% from the end of the previous fiscal year).

Principal factors contributing to the decrease in assets included increases of 2,357 million yen in cash and deposits and 769 million yen in property, plant and equipment, more than offsetting a decrease of 8,379 million yen in real estate properties for sale.

The decrease in liabilities was attributable primarily to decreases of 5,438 million yen in long-term loans payable (including the current portion of long-term loans payable) and 211 million yen in bonds payable (including the current portion of bonds payable).

The decrease in net assets resulted in large part from a rise of 599 million yen in retained earnings due to the recording of profit attributable to owners of parent, partly offset by a decrease of 722 million yen in retained earnings attributable to dividends paid.

(3) Analysis of Cash Flows

Cash and cash equivalents (“cash”) at the end of the consolidated fiscal year under review increased 2,380 million yen from the end of the previous consolidated fiscal year, to 14,649 million yen. The cash flow positions and contributing factors are as follows:

[Cash flows from operating activities]

Net cash provided in operating activities during the consolidated fiscal year under review totaled 10,981 million yen (net cash used in operating activities during the previous consolidated fiscal year was 3,276 million yen). This mainly reflects inflows in the form of a 8,524 million yen decrease in inventories, profit before income taxes of 1,808 million yen and depreciation of 890 million yen, which more than offset interest expenses of 662 million yen.

[Cash flows from investing activities]

Net cash used in investing activities during the consolidated fiscal year under review amounted to 1,944 million yen (net cash used in investing activities during the previous consolidated fiscal year was 872 million yen). This was primarily the result of proceeds of 1,976 million yen from the withdrawal of time deposits, offset by payments into deposits of 1,953 million yen and purchases of property, plant and equipment of 1,778 million yen.

[Cash flows from financing activities]

Net cash provided in financing activities during the consolidated fiscal year under review totaled 6,656 million yen (net cash provided in financing activities during the previous consolidated fiscal year was 712 million yen). This primarily reflects proceeds from long-term loans payable of 13,923 million yen and proceeds from the issuance of corporate bonds of 981 million yen, while the repayment of long-term loans payable was 19,361 million yen and the redemption of Bonds payable was 1,211 million yen.

(Reference) Cash flow indicators

	FY2018	FY2019	FY2020
Equity ratio (%)	32.9	33.2	36.0
Market value equity ratio (%)	19.1	28.2	18.4
Interest-bearing debt to cash flow ratio (years)	—	13.1	3.4
Interest coverage ratio (times)	—	5.2	16.6

Equity ratio: shareholders' equity / total assets

Market value equity ratio: market capitalization / total assets

Interest-bearing debt to cash flow ratio: interest-bearing debts / cash flow

Interest coverage ratio: cash flow / interest payment

Note 1: The market capitalization has been calculated by multiplying the closing stock price at the fiscal year-end by the number of shares outstanding at the fiscal year-end.

Note 2: The cash flow used for the calculation is cash flows from operating activities.

The interest-bearing debt to cash flow ratio and interest coverage ratio for FY2018 are omitted because the cash flows from operating activities in these years are negative.

(4) Outlook for FY2021 (January 1, 2021 to December 31, 2021)

We expect that a decline in corporate earnings and a deterioration in the income and employment environments due to the spread of the COVID-19 will affect consumption trends. However, we presume that social and economic activities will gradually normalize through the government's measures, the start of vaccination, and the continued easing of the financial environment.

In the real estate industry where the MUGEN ESTATE Group operates, we expect that domestic real estate investors will be more likely to strengthen wait-and-see attitudes due to uncertain future prospects from the spread of COVID-19. Any recovery in demand from overseas investors will also remain stagnant due to travel restrictions. Meanwhile, we estimate that the favorable used condominiums market we have been seeing since the second half of last year will remain strong and demand will continue to recover to a certain extent with respect to real estate trading trends.

Given this outlook, the Group reviewed its numerical targets for the fiscal year ending December 31, 2021, the final year of the medium-term management plan that was adopted in February 2019. As a result, net sales have been revised to 35,400 million yen, and ordinary income to 1,300 million yen. For details, refer to the "Notice Concerning Revision of the Medium-Term Management Plan" published today. We will continue to pursue our basic policies of "Make products that support the business base," "Build networks that support the revenue base," "Create human resources and systems that support the management base." In addition, we will make efforts to recover financial results by improving inventory turnover through a change in the sales system, gaining new revenue in the development business, and enhancing sites for real estate brokers.

In addition, we will pursue the diversification of revenue by increasing small-sized sales through the real estate specified joint enterprise business, obtaining diverse customer groups in the crowdfunding business, receiving orders for interior and exterior work for outside parties and increasing the number of rental condominium units. As for selling, general and administrative expenses for the fiscal year ending December 31, 2021, estimates of taxes and dues increased some 60% year on year because the tax on purchases related to the acquisition of rental residential buildings shall be outside the scope of the deduction for purchase due to partial revisions to the Consumption Tax Act applied on October 1, 2020 and onward.

Through the above measures, for the fiscal year ending December 31, 2021, we forecast consolidated net sales of 35,412 million yen (up 1.6% year on year), operating income of 1,916 million yen (down 22.3% year on year), ordinary income of 1,315 million yen (down 26.3% year on year), and profit attributable to owners of parent of 651 million yen (up 8.8% year on year).

The above forecasts regarding future performance are based on information available when this material was announced, and actual results may differ from the forecasts due to a variety of factors in the future.

(5) Basic Policy for Dividend Distribution and Dividends for FY2020 and FY2021

The Group considers the return to shareholders to be one of its most important management initiatives. Its basic policy is to continue to pay stable dividends, while simultaneously working to strengthen its financial conditions and enhance its internal reserves for the expansion of businesses on a long-term basis. With this in mind, it will determine the distribution of profit after comprehensively taking a range of factors into account, including the level of its business performance. It also seeks to achieve a standard dividend payout ratio of approximately 20% on a medium- to long-term basis.

Regarding year-end dividends for the fiscal year ended December 31, 2020, we plan to pay 10 yen per share (ordinary dividend of 5 yen, commemorative dividend of 5 yen). Moreover, the payout ratio of year-end dividends for the fiscal year ending December 31, 2021 will exceed 20%, the medium- to long-term target level of the consolidated payout ratio. Nevertheless, a dividend of 10 yen per share and consolidated payout ratio of 36.8% are expected based on our basic policies of continuing enhancement of return and stable payment of dividends to shareholder.

2. Basic Perspective on Selection of Accounting Standards

The MUGEN ESTATE Group currently plans to prepare its consolidated financial statements based on the Japanese standards for the time being because it operates businesses in Tokyo Metropolitan Area, and because the percentage of foreign corporations and other non-Japanese shareholders is low.

The Group plans to discuss and examine the timing for introducing the International Financial Reporting Standards (IFRS), taking into account its business development going forward and factors such as domestic trends and international trends.

3. Consolidated Financial Statements

(1) Consolidated Balance Sheets

(Million yen)

	FY2019 (As of December 31, 2019)	FY2020 (As of December 31, 2020)
Assets		
Current assets		
Cash and deposits	13,708	16,065
Accounts receivable - trade	23	16
Real estate for sale	49,887	41,337
Real estate for sale in process	147	283
Other	611	242
Allowance for doubtful accounts	(10)	(8)
Total current assets	64,367	57,937
Non-current assets		
Property, plant and equipment		
Buildings	1,592	2,292
Accumulated depreciation	(394)	(397)
Buildings, net	1,197	1,895
Land	1,790	1,908
Other	180	114
Accumulated depreciation	(100)	(79)
Other, net	80	34
Total property, plant and equipment	3,068	3,838
Intangible assets		
Leasehold right	55	55
Other	28	27
Total intangible assets	83	83
Investments and other assets		
Deferred tax assets	777	241
Other	167	342
Total investments and other assets	944	583
Total non-current assets	4,096	4,504
Deferred assets		
Bond issuance cost	48	45
Total deferred assets	48	45
Total assets	68,512	62,487

(Million yen)

	FY2019 (As of December 31, 2019)	FY2020 (As of December 31, 2020)
Liabilities		
Current liabilities		
Accounts payable - trade	467	216
Short-term borrowings	2,236	2,050
Current portion of bonds payable	1,154	860
Current portion of long-term borrowings	6,950	6,192
Income taxes payable	414	573
Provision for bonuses	34	23
Construction warranty reserve	41	42
Other	887	1,178
Total current liabilities	12,185	11,137
Non-current liabilities		
Bonds payable	3,225	3,307
Long-term borrowings	29,393	24,713
Retirement benefit liability	89	101
Other	777	622
Total non-current liabilities	33,486	28,744
Total liabilities	45,671	39,882
Net assets		
Shareholders' equity		
Share capital	2,552	2,552
Capital surplus	2,475	2,475
Retained earnings	17,914	17,790
Treasury shares	(223)	(300)
Total shareholders' equity	22,718	22,518
Share acquisition rights	122	86
Total net assets	22,840	22,605
Total liabilities and net assets	68,512	62,487

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

Consolidated Statement of Income

(Million yen)

	FY2019 (From January 1, 2019 to December 31, 2019)	FY2020 (From January 1, 2020 to December 31, 2020)
Net sales	39,677	34,858
Cost of sales	33,202	28,994
Gross profit	6,475	5,864
Selling, general and administrative expenses	3,317	3,398
Operating profit	3,157	2,465
Non-operating income		
Interest and dividend income	1	1
Commission income	17	18
Subsidies for employment adjustment		23
Penalty income	27	17
Refund of real estate acquisition tax	3	4
Other	13	10
Total non-operating income	64	76
Non-operating expenses		
Interest expenses	635	669
Commission expenses	61	46
Other	31	41
Total non-operating expenses	728	757
Ordinary profit	2,493	1,785
Extraordinary income		
Gain on sales of non-current assets	0	2
Gain on reversal of share acquisition rights	6	38
Total extraordinary income	6	40
Extraordinary losses		
Loss on sales of non-current assets	—	3
Loss on retirement of non-current assets		14
Total extraordinary losses		17
Profit before income taxes	2,500	1,808
Income taxes – current	815	673
Income taxes – deferred	(4)	535
Total income taxes	811	1,209
Profit	1,688	599
Profit attributable to owners of parent	1,688	599

Consolidated Statements of Comprehensive Income

(Million yen)

	FY2019 (From January 1, 2019 to December 31, 2019)	FY2020 (From January 1, 2020 to December 31, 2020)
Income before minority interests	1,688	599
Comprehensive income	1,688	599
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,688	599

(3) Consolidated Statements of Changes in Net Assets

FY2019 (From January 1, 2019 to December 31, 2019)

(Million yen)

	Shareholders' equity					Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity		
Balance at the beginning of the fiscal year	2,552	2,475	16,956	(0)	21,983	122	22,106
Changes of items during period							
Dividends of surplus			(730)		(730)		(730)
Profit attributable to owners of parent			1,688		1,688		1,688
Purchase of treasury shares				(223)	(223)		(223)
Net changes of items other than shareholders' equity						(0)	(0)
Total changes of items during period			958	(223)	734	(0)	734
Balance at the end of the fiscal year	2,552	2,475	17,914	(223)	22,718	122	22,840

FY2020 (From January 1, 2020 to December 31, 2020)

(Million yen)

	Shareholders' equity					Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity		
Balance at the beginning of the fiscal year	2,552	2,475	17,914	(223)	22,718	122	22,840
Changes of items during period							
Dividends of surplus			(722)		(722)		(722)
Profit attributable to owners of parent			599		599		599
Purchase of treasury shares				(76)	(76)		(76)
Net changes of items other than shareholders' equity						(35)	(35)
Total changes of items during period			(123)	(76)	(199)	(35)	(234)
Balance at the end of the fiscal year	2,552	2,475	17,790	(300)	22,518	86	22,605

(4) Consolidated Statements of Cash Flows

(Million yen)

	FY2019 (From January 1, 2019 to December 31, 2019)	FY2020 (From January 1, 2020 to December 31, 2020)
Cash flows from operating activities		
Profit before income taxes	2,500	1,808
Depreciation	978	890
Increase (decrease) in allowance for doubtful accounts	2	6
Increase (decrease) in provision for bonuses	(12)	(10)
Increase (decrease) in construction warranty reserve	(7)	1
Increase (decrease) in net defined benefit liability	0	12
Interest and dividend income	(1)	(1)
Interest expenses	635	669
Share-based compensation expenses	5	3
Refund of real estate acquisition tax	3	2
Amortization of bond issuance costs	18	20
Loss (gain) on sales of non-current assets	(0)	1
Loss on retirement of non-current assets		14
Gain on reversal of share acquisition rights	(6)	(38)
Decrease (increase) in trade receivables	(1)	2
Decrease (increase) in inventories	798	8,524
Increase (decrease) in trade payables	67	(250)
Increase (decrease) in accrued consumption taxes	290	17
Decrease (increase) in consumption taxes refund receivable	624	3
Increase (decrease) in lease and guarantee deposits received	(97)	(160)
Decrease (increase) in other current assets	(172)	349
Increase (decrease) in other current liabilities	(1)	274
Other, net	18	18
Subtotal	5,642	12,159
Interest and dividend income received	1	1
Interest expenses paid	(632)	(662)
Income taxes paid	(1735)	(516)
Net cash provided by (used in) operating activities	3,276	10,981
Cash flows from investing activities		
Payments into time deposits	(1,966)	(1,953)
Proceeds from withdrawal of time deposits	1,892	1,976
Purchase of property, plant and equipment	(780)	(1,778)
Proceeds from sales of property, plant and equipment	0	9
Purchase of intangible assets	(9)	(9)
Payments for investments in capital	(8)	(14)
Payments of leasehold and guarantee deposits		(204)
Proceeds from refund of leasehold and guarantee deposits		29
Net cash provided by (used in) investing activities	(872)	(1,944)

(Million yen)

	FY2019 (From January 1, 2019 to December 31, 2019)	FY2020 (From January 1, 2020 to December 31, 2020)
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	(971)	(186)
Proceeds from long-term borrowings	21,330	13,923
Repayments of long-term borrowings	(20,590)	(19,361)
Proceeds from issuance of bonds	2,720	981
Redemption of bonds	(819)	(1,211)
Purchase of treasury shares	(223)	(76)
Repayments of lease obligations	(2)	(2)
Cash dividends paid	(730)	(722)
Net cash provided by (used in) financing activities	712	(6,656)
Net increase (decrease) in cash and cash equivalents	3,116	2,380
Cash and cash equivalents at beginning of period	9,151	12,268
Cash and cash equivalents at end of period	12,268	14,649

(Segment information)

[Segment information]

1. Summary of reportable segments

(1) Method for determining which segments to report

The reportable segments of the Group comprise those business units for which separate financial information is available, and which are subject to a regular review conducted by the Company's Board of Directors in order to determine the allocation of management resources and assess the business performance.

The principal business of the Group is real estate trading in which used condominium units and detached houses are purchased, refurbished, and sold. In addition, the Group operates a leasing business, in which it purchases and leases real estate for lease, leases condominiums and other buildings before selling, and provides lease management of condominiums, etc.

Therefore, the Group has decided that the "Real Estate Trading Business" and "Real Estate Leasing and Other Business" will be the segments it reports.

(2) Types of products and services in each reportable segment

The Real Estate Trading Business includes revenues from trading owned condominiums, investment-type properties (rental condominiums, and office blocks), and detached houses, related interior and exterior work, and sales brokerage.

The Real Estate Leasing and Other Business includes rent income from leasing condominiums, buildings, owned condominium units, etc., and fees for providing lease management service for rental condominiums and buildings.

2. Method for calculating net sales, profit or loss, assets, liabilities, and amounts of other items for each reportable segment

The accounting method for the reportable segments is generally the same as that provided in the "Key factors fundamental to the preparation of the consolidated financial statements."

Profit from the reportable segments is based on operating income.

Inter-segment revenues and transfers are based on the prevailing market prices.

3. Information on net sales, profit or loss, assets, liabilities, and amounts of other items for each reportable segment

FY2019 (From January 1, 2019 to December 31, 2019)

(Million yen)

	Reportable Segments			Adjustment (Note)	Total
	Real Estate Trading Business	Real Estate Leasing and Other Business	Sub-total		
Net sales					
Net sales to external customers	36,401	3,275	39,677		39,677
Inter-segment sales or transfer	41		41	(41)	
Total	36,443	3,275	39,718	(41)	39,677
Segment profit	3,296	1,183	4,480	(1,322)	3,157
Segment assets	6,308	47,243	53,551	14,961	68,512
Other items					
Depreciation	8	939	948	29	978
Increase in PPE and intangible non-current assets	5	778	783	18	802

(Notes)

1. The adjustments include the following.

(1) The segment profit adjustment of (1,322) million yen consists of primarily company-wide expenses that are not allocated to the selling, general and administrative expenses of each reported segment.

(2) The segment asset adjustment of 14,961 million yen includes cash and cash deposits, deferred tax assets, assets related to the management division, and other items which are company-wide assets that are not allocated to each reported segment.

2. The segment profit has been adjusted to the operating income stated in the consolidated statements of income.

3. Because the rent income from the investment-type properties before the sale is included in the net sales in the Real Estate Leasing and Other Business, these properties are segment assets of the Real Estate Leasing and Other Business during the period of possession, and are transferred to the segment assets of the Real Estate Trading Business at the book value every time they are sold.

FY2020 (From January 1, 2020 to December 31, 2020)

(Million yen)

	Reportable Segments			Adjustment (Note)	Total
	Real Estate Trading Business	Real Estate Leasing and Other Business	Sub-total		
Net sales					
Net sales to external customers	31,866	2,992	34,858		34,858
Inter-segment sales or transfer	26	26	53	(53)	
Total	31,892	3,019	34,912	(53)	34,858
Segment profit	2,812	1,103	3,916	(1,450)	2,465
Segment assets	4,810	40,804	45,615	16,871	62,487
Other items					
Depreciation	9	849	858	31	890
Increase in PPE and intangible non-current assets	5	1,659	1,664	163	1,828

(Notes)

- The adjustments include the following.
 - The segment profit adjustment of (1,450) million yen consists of primarily company-wide expenses that are not allocated to the selling, general and administrative expenses of each reported segment.
 - The segment asset adjustment of 16,871 million yen includes cash and cash deposits, deferred tax assets, assets related to the management division, and other items which are company-wide assets that are not allocated to each reported segment.
- The segment profit has been adjusted to the operating income stated in the consolidated statements of income.
- Because the rent income from the investment-type properties before the sale is included in the net sales in the Real Estate Leasing and Other Business, these properties are segment assets of the Real Estate Leasing and Other Business during the period of possession, and are transferred to the segment assets of the Real Estate Trading Business at the book value every time they are sold.

(Per share information)

	FY2019 (From January 1, 2019 to December 31, 2019)	FY2020 (From January 1, 2020 to December 31, 2020)
Net assets per share	943.48 yen	939.11 yen
Net income per share	69.38 yen	24.98 yen
Diluted net income per share	69.10 yen	24.86 yen

The basis for the calculation of net income per share and diluted net income per share is as follows.

Item	FY2019 (From January 1, 2019 to December 31, 2019)	FY2020 (From January 1, 2020 to December 31, 2020)
Net income per share		
Profit attributable to owners of parent (Million yen)	1,688	599
Amount that does not belong to ordinary shareholders (Million yen)	—	—
Profit attributable to owners of parent, available to common stock (Million yen)	1,688	599
Average number of common stock outstanding for the period (shares)	24,344,805	23,982,816
Diluted net income per share		
Adjustment for profit attributable to owners of parent (Million yen)	—	—
Increase in the number of common stock (shares)	96,046	115,978
(Subscription rights to shares(shares))	(96,046)	(115,978)
Overview of dilutive shares not included in the calculation of diluted net income per share due to the absence of the dilution effect	—	—