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March 8, 2023

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

Company name: TOKYO RAKUTENCHI CO., LTD
Listing: Tokyo Stock Exchange
Securities code: 8842
URL: https://www.rakutenchi.co.jp/ (in Japanese only)
Representative: Toshiyuki Urai, Representative Director and President Executive Officer
Inquiries: Hajime Okamura, Director and Senior Managing Executive Officer in charge of Corporate Planning and Accounting
Telephone: +81-3-3631-5195

Scheduled date of annual general meeting of shareholders: April 26, 2023
Scheduled date to commence dividend payments: April 27, 2023
Scheduled date to file annual securities report: April 27, 2023
Preparation of supplementary material on financial results: None
Holding of financial results briefing: None

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

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

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
Fiscal year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
January 31, 2023	9,019	–	985	–	1,162	–	1,557	–
January 31, 2022	8,219	0.6	602	–	649	–	393	–

Note: Comprehensive income For the fiscal year ended January 31, 2023: ¥1,869 million [– %]
For the fiscal year ended January 31, 2022: ¥744 million [– %]

	Basic earnings per share	Diluted earnings per share	Return on equity	Ratio of ordinary profit to total assets	Ratio of operating profit to net sales
Fiscal year ended	Yen	Yen	%	%	%
January 31, 2023	260.43	–	4.9	2.7	10.9
January 31, 2022	65.75	–	1.3	1.6	7.3

Reference: Share of profit (loss) of entities accounted for using equity method
For the fiscal year ended January 31, 2023: ¥90 million
For the fiscal year ended January 31, 2022: ¥133 million

Note: TOKYO RAKUTENCHI CO., LTD (the "Company") has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan) and relevant ASBJ regulations from the beginning of the current fiscal year, and each figure for the fiscal year ended January 31, 2023, is the figure after applying the accounting standard and relevant ASBJ regulations. The percentage of year-on-year change is not shown.

(2) Consolidated financial position

	Total assets	Net assets	Equity–to–asset ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
January 31, 2023	42,820	32,419	75.7	5,418.66
January 31, 2022	42,425	30,921	72.9	5,171.56

Reference: Equity
As of January 31, 2023: ¥32,419 million
As of January 31, 2022: ¥30,921 million

Note: The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan) and relevant ASBJ regulations from the beginning of the current fiscal year, and each figure as of January 31, 2023, is the figure after applying the accounting standard and relevant ASBJ regulations.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
Fiscal year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
January 31, 2023	3,025	56	(2,105)	3,230
January 31, 2022	2,128	(1,995)	705	2,254

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	First quarter–end	Second quarter–end	Third quarter–end	Fiscal year–end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Fiscal year ended January 31, 2022	–	30.00	–	30.00	60.00	358	91.3	1.2
Fiscal year ended January 31, 2023	–	30.00	–	70.00	100.00	598	38.4	1.9
Fiscal year ending January 31, 2024 (Forecast)	–	30.00	–	30.00	60.00		51.3	

Note: Breakdown of year-end dividends for the fiscal year ended January 31, 2023
Ordinary dividend: ¥30.00
Anniversary commemorative dividend: ¥20.00
Special dividend: ¥20.00

3. Consolidated earnings forecasts for the fiscal year ending January 31, 2024 (from February 1, 2023 to January 31, 2024)

(Percentages indicate year–on–year changes.)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending July 31, 2023	4,500	1.3	500	(6.9)	600	(8.6)	400	(66.1)	66.87
Fiscal year ending January 31, 2024	9,200	2.0	900	(8.7)	1,000	(14.0)	700	(55.1)	117.02

*** Notes**

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

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

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

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

(iii) Changes in accounting estimates: None

(iv) Restatement: None

(3) Number of issued shares (common shares)

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

As of January 31, 2023	6,511,218 shares
As of January 31, 2022	6,511,218 shares

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

As of January 31, 2023	528,260 shares
As of January 31, 2022	532,076 shares

(iii) Average number of shares outstanding during the period

Fiscal year ended January 31, 2023	5,981,858 shares
Fiscal year ended January 31, 2022	5,979,382 shares

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

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Consequently, any statements herein do not constitute assurances regarding actual results by the Company. Actual business and other results may differ substantially due to various factors. For further details regarding earnings forecasts, please refer to “Future outlook” on page 5 of the attached materials.

○ Attached Material

Index

1. Overview of operating results, etc.

(1) Overview of operating results for the fiscal year ended January 31, 2023

During the fiscal year ended January 31, 2023, the outlook for the Japanese economy remained uncertain as it was necessary to pay attention to the impacts of the risk of a downturn in overseas economies, rising prices, etc. due to the recovery of consumer spending being gradual despite recovery in the employment situation and improvement of corporate earnings as a whole.

The Group reduced the hours for serving food and beverages for some business locations in the entertainment services related business and the restaurants and sales business due to the introduction of key measures to prevent the spread of infection of the novel coronavirus disease (COVID-19) from January 21 to March 21, 2022. Other than at some business locations, the Group has returned to normal operations from March 22.

Under such circumstances, the Group's results for the fiscal year under review were net sales of ¥9,019 million (¥8,219 million in the previous fiscal year), operating profit of ¥985 million (¥602 million in the previous fiscal year), ordinary profit of ¥1,162 million (¥649 million in the previous fiscal year), and profit attributable to owners of parent of ¥1,557 million (¥393 million in the previous fiscal year) due to recording gain on sale pertaining to the transfer of the Nishikasai Building as extraordinary income.

The amounts of year-on-year changes and year-on-year comparisons are not presented as the accounting treatment for revenue differs from the previous fiscal year as a result of the adoption of the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan) and relevant ASBJ regulations from the beginning of the current fiscal year.

The results for reportable segments are as follows:

(Real estate leasing related business)

In the real estate leasing business, each leasing building such as the Rakutenchi Building operated well, and on February 25, 2022 we acquired "TRaVi Bunkyo-Hakusan," a new property located in Honkomagome, Bunkyo-ku Tokyo that houses a clinic, an after-school child-care center and a pharmacy. Furthermore, despite transferring the Nishikasai Building on February 17, 2022 to improve asset efficiency, net sales exceeded the previous fiscal year at ¥4,723 million (¥4,662 million in the previous fiscal year) due to lease revenue from the 1st to 3rd floors of the Tokyo Rakutenchi Asakusa Building, which successively reopened after renovation from June 2021, contributed to net sales from the beginning of the current fiscal year, and the 4th floor of the same building commencing operations as the restaurant floor "ASAKUSA YOKOCHO" on July 1, 2022.

In the building maintenance business, net sales were down year on year at ¥1,104 million (¥1,112 million in the previous fiscal year) despite working on proactively on sales activities amid the ongoing severe situation for orders.

As a result of the above, in the real estate leasing related business, net sales and segment profit exceeded the previous fiscal year at ¥5,828 million (¥5,774 million in the previous fiscal year) and ¥2,087 million (¥2,022 million in the previous fiscal year), respectively.

(Entertainment services related business)

The impact of COVID-19 on the movie industry decreased, and the annual box office revenue in 2022 was ¥213.1 billion, a 31.6% increase year on year.

In the movie theater business, net sales greatly exceeded the previous fiscal year, which saw temporary closures, at ¥1,734 million (¥1,328 million in the previous fiscal year) due to "ONE PIECE FILM RED" being a big hit as well as works such as "Suzume" and "THE FIRST SLAM DUNK" being successes.

In the hot spa business, net sales greatly exceeded the previous fiscal year, which saw temporary closures, at ¥1,012 million (¥732 million in the previous fiscal year) as a result of remaining in operation at “Natural Hot Spring Rakutenchi Spa” and “Rakutenchi Natural Hot Spring Hoten no Yu” while taking measures to prevent the spread of infection despite reducing the hours for serving food and beverages due to the introduction of key measures to prevent the spread of infection of COVID-19 from January 21 to March 21, 2022.

In the futsal business, net sales exceeded the previous fiscal year, which saw temporary closures, at ¥68 million (¥57 million in the previous fiscal year) as a result of remaining in operation at the “Rakutenchi Futsal Court Kinshicho” while taking measures to prevent the spread of infection.

As a result of the above, net sales for the entertainment services related business greatly exceeded the previous fiscal year at ¥2,814 million (¥2,118 million in the previous fiscal year), and segment profit improved to ¥141 million (segment loss of ¥114 million in the previous fiscal year).

(Restaurants and sales business)

In the restaurants business, although we closed two loss-making coffee shops in April 2021, net sales exceeded the previous fiscal year at ¥162 million (¥159 million in the previous fiscal year) as sales at existing shops recovered.

In the sales business, net sales greatly exceeded the previous fiscal year at ¥214 million (¥166 million in the previous fiscal year) as the retail store “Marugoto Nippon” in the Tokyo Rakutenchi Asakusa Building, which reopened after renovation in June 2021, contributed to net sales from the beginning of the current fiscal year.

As a result of the above, net sales for the restaurants and sales business exceeded the previous fiscal year at ¥377 million (¥326 million in the previous fiscal year), and the segment loss was ¥47 million (segment loss of ¥73 million in the previous fiscal year), an improvement from the previous fiscal year.

(2) Overview of financial position as of January 31, 2023

(i) Assets

Total assets at the end of the current fiscal year were ¥42,820 million, an increase of ¥394 million from the end of the previous fiscal year. This was mainly attributed to an increase in cash and deposits of ¥1,076 million due to the transfer of the Nishikasai Building, etc. and an increase in investment securities of ¥494 million due to a rise in share prices, etc. despite a decrease in property, plant and equipment of ¥946 million due to the progress in depreciation.

(ii) Liabilities

Total liabilities at the end of the current fiscal year were ¥10,400 million, a decrease of ¥1,103 million from the end of the previous fiscal year. This was mainly attributed to the repayment of borrowings of ¥1,744 million and a decrease in other current liabilities of ¥362 million due to a decrease in advances received because of the transfer of the Nishikasai Building despite an increase in deferred tax liabilities of ¥336 million related to unrealized profits on shares held and an increase in income taxes payable of ¥319 million.

(iii) Net assets

Total net assets at the end of the current fiscal year were ¥32,419 million, an increase of ¥1,498 million from the end of the previous fiscal year. This was mainly attributed to the recording of ¥1,557 million in profit attributable to owners of parent and an increase in valuation difference on available-for-sale securities of ¥311 million despite paying ¥358 million in dividends.

(3) Overview of cash flows for the fiscal year ended January 31, 2023

Cash and cash equivalents ("funds") at the end of the current fiscal year increased by ¥976 million (43.3%) from the end of the previous fiscal year to ¥3,230 million.

Each of the cash flows is as follows:

(Cash flows from operating activities)

Funds generated from operating activities during the current fiscal year increased by ¥3,025 million (an increase of ¥2,128 million in the previous fiscal year). This was mainly attributed to the recording of profit before income taxes of ¥2,222 million, depreciation of ¥1,620 million and gain on sale of property, plant and equipment of ¥930 million.

(Cash flows from investing activities)

Funds generated from investing activities during the current fiscal year increased by ¥56 million (a decrease of ¥1,995 million in the previous fiscal year). This was mainly attributed to proceeds from sale of property, plant and equipment of ¥1,888 million and proceeds from sale of investment securities of ¥122 million, despite purchase of property, plant and equipment of ¥1,898 million.

(Cash flows from financing activities)

Funds generated from financing activities during the current fiscal year decreased by ¥2,105 million (an increase of ¥705 million in the previous fiscal year). This was mainly attributed to repayments of long-term borrowings of ¥1,744 million and dividends paid of ¥359 million.

Trends in the various cash flow indicators for the Group are shown in the table below.

(Reference) Trends in cash flow-related indicators

	Fiscal year ended January 31, 2019	Fiscal year ended January 31, 2020	Fiscal year ended January 31, 2021	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023
Equity-to-asset ratio (%)	67.9	71.1	75.2	72.9	75.7
Equity-to-asset ratio based on market value (%)	61.0	81.2	63.3	54.1	58.3
Interest-bearing debt to cash flow ratio (yearly)	5.2	1.5	2.7	2.6	1.3
Interest coverage ratio (times)	36.8	152.5	95.7	91.7	155.1

Note: Equity-to-asset ratio: equity/total assets
Equity-to-asset ratio based on market value: market capitalization/total assets
Interest-bearing debt to cash flow ratio: interest-bearing debt/cash flows
Interest coverage ratio: cash flows/interest payments

* All indicators are calculated using consolidated financial data.

* Market capitalization is calculated by multiplying the share price at the end of the fiscal year by the number of issued shares at the end of the fiscal year (excluding treasury shares).

* Cash flows refer to the cash flows from operating activities in the consolidated statement of cash flows. Interest-bearing debt refers to all liabilities on the consolidated balance sheet on which interest is being paid. Interest payments refer to interest paid on the consolidated statement of cash flows.

(4) Information regarding risks related to COVID-19

Continuation and expansion of the impact of COVID-19 could impact the Group's operating results, etc. Significant risks for the Group and our response are as follows:

(Risks of deterioration in operating results, financial position and cash flows)

A certain degree of impacts caused by COVID-19 may remain going forward for the entertainment services related business and the restaurant and sales business. Adequate working funds have been secured with funds on hand and borrowings from financial institutions. However, we may raise funds through additional borrowings from financial institutions and arrange for credit through commitment lines as necessary.

(Initiatives to address the risk of infection for customers and employees)

The Group implements measures to prevent the spread of infection in consideration of the safety of our customers and employees. For customers, we are working on measures to prevent the spread of infection such as placing alcohol-based hand sanitizers, ensuring social distancing and having adequate ventilation in each business location. For employees, we have introduced initiatives including wearing masks during work and measuring temperatures before starting work, staggered working hours through the introduction of a flextime system for administration divisions, and the promotion of online meetings and telework. We will consider and implement measures to prevent the spread of infection according to future circumstances.

(5) Future outlook

(Consolidated results for the next fiscal year)

For the real estate leasing related business, net sales are forecast to be on par with the previous fiscal year since in the real estate leasing business, the renovation project at the Tokyo Rakutenchi Asakusa Building was completed, with the 4th floor tenant of the Tokyo Rakutenchi Asakusa Building commencing operations from July 2022, and lease revenue from tenants contributed to net sales from the beginning of the current fiscal year in addition to expecting the steady operation of each leasing building such as the Rakutenchi Building. In the building maintenance business, we are conducting aggressive sales activities amid the ongoing severe situation for orders and forecast net sales to be on a par with the previous fiscal year. Consequently, although net sales for the segment overall are forecast to be on par with the previous fiscal year, segment profit is forecast to be down year on year due to increases in equipment repair expenses and personnel expenses for securing human resources.

The entertainment services related business is forecast to have net sales in excess of the previous fiscal year with anticipated productions in the movie theater business including “How Do You Live?,” “Detective Conan Black Iron Submarine” and “Mission: Impossible – Dead Reckoning Part One.” The hot spa business is forecast to have net sales in excess of the previous fiscal year as the number of customers, which decreased because of the impact of the spread of COVID-19, is returning to normal at “Natural Hot Spring Rakutenchi Spa” and “Rakutenchi Natural Hot Spring Hoten no Yu.” Consequently, we forecast net sales for the segment overall to exceed the previous fiscal year, and segment profit to significantly exceed the previous fiscal year despite rising heating and lighting expenses, etc.

The restaurants and sales business is expected to have net sales in excess of the previous fiscal year as the number of customers, which decreased because of the impact of the spread of COVID-19, is returning to normal in the restaurants business. The sales business is expected to have net sales in excess of the previous fiscal year as for the retail store “Marugoto Nippon” in the Tokyo Rakutenchi Asakusa Building, the number of visitors to the Asakusa area is expected to increase. Consequently, we forecast net sales for the segment overall to exceed the previous fiscal year with a segment loss improved.

Consequently, we forecast consolidated results in the next fiscal year with net sales of ¥9,200 million (up 2.0% year on year), operating profit of ¥900 million (down 8.7% year on year), ordinary profit of ¥1,000 million (down 14.0% year on year), and profit attributable to owners of parent of ¥700 million (down 55.1% year on year). Ordinary profit is expected to decrease as a decrease in operating profit in addition to increased financing-related expenses (non-operating expenses) are expected, and profit attributable to owners of parent is expected to decrease due to gain on sale of non-current assets (extraordinary income) pertaining to the transfer of the Nishikasai Building, which was recorded in the previous fiscal year, running out.

(Forecast of consolidated results by reportable segment in the next fiscal year)

1. Revenues from external customers

(Millions of yen)

	Real estate leasing related business	Entertainment services related business	Restaurants and sales business
Forecast for the next fiscal year	5,757	3,005	438
Results for the previous fiscal year	5,828	2,814	377
Year-on-year changes (%)	(1.2)	6.8	16.2

2. Segment profit (loss)

(Millions of yen)

	Real estate leasing related business	Entertainment services related business	Restaurants and sales business
Forecast for the next fiscal year	1,961	196	(17)
Results for the previous fiscal year	2,087	141	(47)
Year-on-year changes (%)	(6.0)	38.8	–

2. Basic approach to the selection of accounting standards

In order to consider the comparability between different periods, and between different companies, the Group prepares consolidated financial statements under Japanese accounting standards.

Furthermore, with regard to the application of International Financial Reporting Standards (IFRS), our approach is to respond appropriately after deliberating the situation both in Japan and overseas.

3. Consolidated financial statements and primary notes

(1) Consolidated balance sheet

(Thousands of yen)

	As of January 31, 2022	As of January 31, 2023
Assets		
Current assets		
Cash and deposits	2,175,215	3,251,844
Accounts receivable - trade	371,900	359,171
Investments in leases	805,961	788,149
Securities	100,000	–
Other	266,934	220,309
Total current assets	3,720,011	4,619,475
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	21,864,876	21,071,497
Land	6,259,514	6,414,998
Construction in progress	270,230	33,880
Other, net	478,388	405,806
Total property, plant and equipment	28,873,009	27,926,182
Intangible assets	277,649	273,820
Investments and other assets		
Investment securities	9,080,237	9,574,721
Deferred tax assets	96,855	91,756
Guarantee deposits	301,102	278,852
Other	76,622	55,366
Total investments and other assets	9,554,818	10,000,697
Total non-current assets	38,705,477	38,200,700
Total assets	42,425,489	42,820,175

(Thousands of yen)

	As of January 31, 2022	As of January 31, 2023
Liabilities		
Current liabilities		
Accounts payable - trade	364,539	384,058
Current portion of long-term borrowings	1,744,000	1,014,000
Lease liabilities	913	–
Accounts payable - other	330,453	498,664
Income taxes payable	99,827	419,385
Contract liabilities	–	141,499
Provision for bonuses	68,399	64,255
Provision for bonuses for directors (and other officers)	2,500	1,800
Asset retirement obligations	6,706	–
Other	1,275,539	913,017
Total current liabilities	3,892,879	3,436,681
Non-current liabilities		
Long-term borrowings	3,845,500	2,831,500
Deferred tax liabilities	913,028	1,249,601
Retirement benefit liability	661,435	665,299
Asset retirement obligations	537,226	547,753
Long-term accounts payable - other	29,440	11,520
Guarantee deposits received	1,624,496	1,658,217
Total non-current liabilities	7,611,126	6,963,892
Total liabilities	11,504,005	10,400,573
Net assets		
Shareholders' equity		
Share capital	3,046,035	3,046,035
Capital surplus	3,379,028	3,379,675
Retained earnings	23,371,464	24,542,662
Treasury shares	(2,005,520)	(1,991,226)
Total shareholders' equity	27,791,007	28,977,146
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,130,476	3,442,455
Total accumulated other comprehensive income	3,130,476	3,442,455
Total net assets	30,921,484	32,419,602
Total liabilities and net assets	42,425,489	42,820,175

(2) Consolidated statement of income and consolidated statement of comprehensive income

Consolidated statement of income

(Thousands of yen)

	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023
Net sales	8,219,126	9,019,995
Cost of sales	6,324,379	6,774,940
Gross profit	1,894,746	2,245,054
Selling, general and administrative expenses	1,292,695	1,259,819
Operating profit	602,050	985,235
Non-operating income		
Interest income	15	21
Dividend income	50,632	68,140
Share of profit of entities accounted for using equity method	133,153	90,812
Hoard profit of coupon tickets	11,140	28,460
Other	35,635	24,195
Total non-operating income	230,578	211,629
Non-operating expenses		
Interest expenses	23,274	19,565
Loss on valuation of membership	–	9,133
Loss on retirement of non-current assets	149,300	–
Other	10,965	5,699
Total non-operating expenses	183,541	34,397
Ordinary profit	649,087	1,162,467
Extraordinary income		
Gain on sale of non-current assets	–	930,524
Gain on sale of investment securities	20,333	67,553
Subsidy income, etc.	195,540	62,335
Total extraordinary income	215,873	1,060,413
Extraordinary losses		
Removal costs by renovation of buildings	135,854	–
Loss caused by temporary closures	79,646	–
Impairment losses	58,574	–
Total extraordinary losses	274,075	–
Profit before income taxes	590,885	2,222,880
Income taxes - current	127,800	453,500
Income taxes - deferred	69,955	211,506
Total income taxes	197,755	665,006
Profit	393,130	1,557,874
Profit attributable to owners of parent	393,130	1,557,874

Consolidated statement of comprehensive income

(Thousands of yen)

	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023
Profit	393,130	1,557,874
Other comprehensive income		
Valuation difference on available-for-sale securities	351,641	311,978
Total other comprehensive income	351,641	311,978
Comprehensive income	744,771	1,869,852
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	744,771	1,869,852
Comprehensive income attributable to non-controlling interests	–	–

(3) Consolidated statement of changes in equity

Fiscal year ended January 31, 2022

(Thousands of yen)

	Shareholders’ equity					Accumulated other comprehensive income	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders’ equity	Valuation difference on available-for-sale securities	
Balance at beginning of period	3,046,035	3,379,028	23,337,104	(2,003,712)	27,758,455	2,778,835	30,537,290
Changes during period							
Dividends of surplus			(358,769)		(358,769)		(358,769)
Profit attributable to owners of parent			393,130		393,130		393,130
Purchase of treasury shares				(1,807)	(1,807)		(1,807)
Net changes in items other than shareholders’ equity						351,641	351,641
Total changes during period	–	–	34,360	(1,807)	32,552	351,641	384,193
Balance at end of period	3,046,035	3,379,028	23,371,464	(2,005,520)	27,791,007	3,130,476	30,921,484

Fiscal year ended January 31, 2023

(Thousands of yen)

	Shareholders’ equity					Accumulated other comprehensive income	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders’ equity	Valuation difference on available-for-sale securities	
Balance at beginning of period	3,046,035	3,379,028	23,371,464	(2,005,520)	27,791,007	3,130,476	30,921,484
Cumulative effects of changes in accounting policies			(27,807)		(27,807)		(27,807)
Restated balance	3,046,035	3,379,028	23,343,656	(2,005,520)	27,763,199	3,130,476	30,893,676
Changes during period							
Dividends of surplus			(358,867)		(358,867)		(358,867)
Profit attributable to owners of parent			1,557,874		1,557,874		1,557,874
Purchase of treasury shares				(881)	(881)		(881)
Disposal of treasury shares		647		15,174	15,822		15,822
Net changes in items other than shareholders’ equity						311,978	311,978
Total changes during period	–	647	1,199,006	14,293	1,213,946	311,978	1,525,925
Balance at end of period	3,046,035	3,379,675	24,542,662	(1,991,226)	28,977,146	3,442,455	32,419,602

(4) Consolidated statement of cash flows

(Thousands of yen)

	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023
Cash flows from operating activities		
Profit before income taxes	590,885	2,222,880
Depreciation	1,634,133	1,620,607
Removal costs by renovation of buildings	135,854	–
Impairment losses	58,574	–
Increase (decrease) in retirement benefit liability	483	3,864
Interest and dividend income	(50,648)	(68,162)
Subsidy income, etc.	(195,540)	(62,335)
Interest expenses	23,274	19,565
Share of loss (profit) of entities accounted for using equity method	(133,153)	(90,812)
Loss (gain) on sale of property, plant and equipment	(7,814)	(930,524)
Loss on retirement of property, plant and equipment	149,300	69,445
Decrease (increase) in investments in leases	9,574	11,360
Decrease (increase) in trade receivables	(123,998)	12,729
Decrease (increase) in inventories	(6,147)	544
Decrease (increase) in consumption taxes refund receivable	(75,496)	75,496
Increase (decrease) in trade payables	57,914	19,519
Increase (decrease) in accrued consumption taxes	(74,781)	198,238
Increase (decrease) in accrued expenses	23,522	43,791
Increase (decrease) in accounts payable - other	(58,879)	11,517
Other, net	(3,818)	(119,415)
Subtotal	1,953,240	3,038,310
Interest and dividends received	50,648	68,162
Proceeds from subsidy income, etc.	198,193	62,335
Interest paid	(23,204)	(19,501)
Commitment fee paid	(2,799)	(3,201)
Income taxes refund (paid)	(47,393)	(120,676)
Net cash provided by (used in) operating activities	2,128,684	3,025,429
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,014,329)	(1,898,469)
Proceeds from sale of property, plant and equipment	21,651	1,888,713
Payments for retirement of property, plant and equipment	(406,729)	(51,263)
Purchase of intangible assets	(10,142)	(1,365)
Proceeds from sale of investment securities	26,885	122,643
Proceeds from long-term guarantee deposits received	167,436	64,423
Repayments of long-term guarantee deposits received	(92,264)	(103,067)
Proceeds from earnest related sales of property, plant and equipment	223,731	12,929
Other, net	88,188	22,249
Net cash provided by (used in) investing activities	(1,995,573)	56,794

(Thousands of yen)

	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023
Cash flows from financing activities		
Proceeds from short-term borrowings	900,000	–
Repayments of short-term borrowings	(900,000)	–
Proceeds from long-term borrowings	3,000,000	–
Repayments of long-term borrowings	(1,929,000)	(1,744,000)
Repayments of lease liabilities	(3,937)	(756)
Purchase of treasury shares	(1,807)	(881)
Dividends paid	(359,513)	(359,956)
Net cash provided by (used in) financing activities	705,740	(2,105,594)
Net increase (decrease) in cash and cash equivalents	838,851	976,629
Cash and cash equivalents at beginning of period	1,415,174	2,254,025
Cash and cash equivalents at end of period	2,254,025	3,230,655

(5) Notes to consolidated financial statements

(Notes on going concern assumption)

Not applicable.

(Changes in accounting policies)

(Application of Accounting Standard for Revenue Recognition, etc.)

The Company has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020, Accounting Standards Board of Japan) and relevant ASBJ regulations from the beginning of the current fiscal year, and it has recognized revenue at the time the control of promised goods or services is transferred to the customer at the amount expected to be received upon exchange of said goods or services.

As a result, for transactions in which the Group acts as an agent, of transactions in which the full amount of the consideration received from customers was previously recognized as revenue, such as the sale of pamphlets and goods at retail shops in theaters in the movie theater business, the Company has changed the method of revenue recognition so that revenue is recognized at the net amount calculated by deducting the amount paid to the business partner, such as the merchandise supplier, from the consideration received from the customer. Furthermore, with regard to the point systems operated by the movie theater business and the hot spa business, the Company does not recognize revenue at the time of providing movie viewing services or hot spa facility services, but identifies points granted as a performance obligation. The Company changes the method to allocate the transaction price based on an independently calculated sales price that considers factors including the forecast of future expiration.

The application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations is subject to the transitional treatment provided for in the proviso to paragraph 84 of the Accounting Standard for Revenue Recognition. The cumulative effect for the current fiscal year of application, assuming the new accounting policy has been retrospectively applied to periods prior to the beginning of the current fiscal year is added to or deducted from the opening balance of retained earnings of the current fiscal year; and the new accounting policy is applied from such opening balance.

Furthermore, a portion of "advances received," which were included in "other" under "current liabilities" in the consolidated balance sheet as of the end of the previous fiscal year, has been included in "contract liabilities" from the current fiscal year. However, in accordance with the transitional treatment provided for in paragraph 89-2 of the Accounting Standard for Revenue Recognition, figures for the previous fiscal year have not been restated in accordance with the new approach to presentation.

As a result, compared to balances prior to the application of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations, total assets increased by ¥7 million, total current liabilities and total liabilities each increased by ¥72 million, and total retained earnings and total shareholders' equity each decreased by ¥64 million on the consolidated balance sheet for the current fiscal year. On the consolidated statement of income for the current fiscal year, net sales decreased by ¥135 million, cost of sales decreased by ¥98 million, and operating profit, ordinary profit and profit before income taxes each decreased by ¥36 million.

On the consolidated statement of cash flows for the current fiscal year, profit before income taxes decreased by ¥36 million.

In addition, because the cumulative effect was reflected in net assets as of the beginning of the current fiscal year, retained earnings as of the beginning of the current fiscal year in the consolidated statement of changes in equity decreased by ¥27 million.

In accordance with transitional treatment provided for in paragraph 89-3 of the Accounting Standard for Revenue Recognition, notes related to revenue recognition for the previous fiscal year are not presented.

(Application of Accounting Standard for Fair Value Measurement, etc.)

The Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019, Accounting Standards Board of Japan) and relevant ASBJ regulations from the beginning of the current fiscal year under review, and it has applied the new accounting policy provided for by the Accounting Standard for Fair Value Measurement, etc. prospectively in accordance with the transitional measures provided for in paragraph 19 of the Accounting Standard for Fair Value Measurement, and paragraph 44-2 of the “Accounting Standard for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019, Accounting Standards Board of Japan).

There are no impacts of the application of the accounting standards, etc. on the consolidated financial statements.

(Notes - consolidated statement of income)

(Revenue from contracts with customers)

Net sales are not separately presented for revenue from contracts with customers and other revenue. The amount of revenue from contracts with customers is presented in “Notes (Segment information, etc.) 3. Information regarding net sales, profit (loss), assets, and other items for each reportable segment, and information on disaggregation of revenue.”

(Gain on sale of non-current assets)

The Group transferred the Nishikasai Building and one room in a rental condominium to improve asset efficiency, and recorded gain pertaining to this transfer as gain on sale of non-current assets of ¥930,524 thousand under extraordinary income.

(Gain on sale of investment securities)

The Group recorded gain on sale of some investment securities held (two listed companies hold shares) based on the policy for holding investment securities other than those for pure investment (shares held as cross-shareholdings) as extraordinary income of ¥67,553 thousand for gain on sale of investment securities.

(Subsidy income, etc.)

The Group recorded cooperative grants for large-scale facilities, etc. associated with the impact of COVID-19 as subsidy income, etc. of ¥62,335 thousand under extraordinary income.

(Segment information, etc.)

[Segment information]

1. Description of reportable segments

   The Group's reportable segments are constituent units of the Group whose separate financial information can be obtained. The Board of Directors periodically examines these segments to decide on allocation of management resources and evaluate business performance. The Group categorizes businesses from the perspective of services handled, with each business division formulating comprehensive business plans for each segment and developing its business activities.

   Therefore, the Group is comprised of segments by business with three reportable segments: real estate leasing related business, entertainment services related business and restaurants and sales business.

   The real estate leasing related business leases real estate and conducts the building maintenance business. The entertainment services related business operates movie theaters, hot spa facilities and futsal facilities. The restaurants and sales business operates restaurants, shops in the Rakutenchi Derby Building and the retails store "Marugoto Nippon" in the Tokyo Rakutenchi Asakusa Building.

2. Method of calculating net sales, profit (loss), assets, and other items for each reportable segment

   The accounting method for reportable segments is the same as for the accounting methods adopted for preparation of the consolidated financial statements. The figures of profit (loss) of reportable segments are recorded on an operating profit basis. Internal sales and transfers between segments are recorded based on actual market prices.

   As described in "Changes in accounting policies," we have applied the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations from the beginning of the fiscal year under review, and have changed accounting treatment for revenue recognition. Accordingly, we have changed the method of calculating profit or loss of reportable segments. The effect of this change on net sales and segment profit (loss) in each of the reportable segments is immaterial.

   The information on disaggregation of revenue from contracts with customers over the previous fiscal year has not been disclosed as allowed by the transitional treatment provided for in paragraph 89-3 of the Accounting Standard for Revenue Recognition and relevant revised ASBJ regulations.

3. Information regarding net sales, profit (loss), assets, and other items for each reportable segment, and information on disaggregation of revenue

Fiscal year ended January 31, 2022 (From February 1, 2021 to January 31, 2022)

(Thousands of yen)

	Reportable segments				Adjustments (Notes 1 to 4)	Amount on consolidated financial statements (Notes 5 and 6)
	Real estate leasing related business	Entertainment services related business	Restaurants and sales business	Total		
Net sales						
Revenues from external customers	5,774,951	2,118,132	326,042	8,219,126	–	8,219,126
Transactions with other segments	318,168	–	2,669	320,838	(320,838)	–
Total	6,093,120	2,118,132	328,711	8,539,964	(320,838)	8,219,126
Segment profit (loss)	2,022,564	(114,223)	(73,740)	1,834,599	(1,232,549)	602,050
Segment assets	30,120,224	1,237,201	356,368	31,713,793	10,711,695	42,425,489
Other items						
Depreciation	1,492,455	80,267	20,148	1,592,871	41,262	1,634,133
Impairment losses	–	–	58,574	58,574	–	58,574
Increase in property, plant and equipment and intangible assets	1,848,060	43,795	73,950	1,965,806	22,202	1,988,008

Notes: 1. The adjustment of ¥(1,232,549) thousand of segment profit (loss) includes Group-wide expenses which have not been allocated to each reportable segment of ¥(1,211,363) thousand and eliminations of transactions among segments of ¥(21,185) thousand. Group-wide expenses are primarily general and administrative expenses not attributable to reportable segments.

2. The adjustment of ¥10,711,695 thousand of segment assets is primarily long-term investment funds of the Company and Group-wide assets pertaining to the administrative division which have not been allocated to each reportable segment.

3. The adjustment for depreciation of ¥41,262 thousand is primarily the depreciation of Group-wide assets which have not been allocated to each reportable segment.

4. The adjustment for the amount of increase in property, plant and equipment and intangible assets of ¥22,202 thousand is the acquisition amount for property, plant and equipment and intangible assets pertaining to the administrative division.

5. Segment profit (loss) is adjusted to ensure consistency with the operating profit set forth in the consolidated statement of income.

6. Impairment losses of ¥58,574 thousand are recognized for the restaurants and sales business for one retail store (Taito-ku, Tokyo) that fell short of its initially forecast return on investment.

Fiscal year ended January 31, 2023 (From February 1, 2022 to January 31, 2023)

(Thousands of yen)

	Reportable segments				Adjustments (Notes 1 to 4)	Amount on consolidated financial statements (Note 5)
	Real estate leasing related business	Entertainment services related business	Restaurants and sales business	Total		
Net sales						
Building maintenance	1,104,384	–	–	1,104,384	–	1,104,384
Movie theater	–	1,734,534	–	1,734,534	–	1,734,534
Hot spa	–	1,012,098	–	1,012,098	–	1,012,098
Other	–	68,189	377,005	445,195	–	445,195
Revenue from contracts with customers	1,104,384	2,814,823	377,005	4,296,213	–	4,296,213
Other revenue (Note 6)	4,723,781	–	–	4,723,781	–	4,723,781
Revenues from external customers	5,828,165	2,814,823	377,005	9,019,995	–	9,019,995
Transactions with other segments	335,194	–	6,248	341,442	(341,442)	–
Total	6,163,360	2,814,823	383,254	9,361,437	(341,442)	9,019,995
Segment profit (loss)	2,087,826	141,623	(47,499)	2,181,949	(1,196,714)	985,235
Segment assets	29,242,651	1,183,383	357,326	30,783,362	12,036,813	42,820,175
Other items						
Depreciation	1,491,450	85,107	9,089	1,585,648	34,958	1,620,607
Increase in property, plant and equipment and intangible assets	1,810,220	34,444	2,323	1,846,988	4,881	1,851,870

Notes:
1. The adjustment of ¥(1,196,714) thousand of segment profit (loss) includes Group-wide expenses which have not been allocated to each reportable segment of ¥(1,168,910) thousand and eliminations of transactions among segments of ¥(27,803) thousand. Group-wide expenses are primarily general and administrative expenses not attributable to reportable segments.
2. The adjustment of ¥12,036,813 thousand of segment assets is primarily long-term investment funds of the Company and Group-wide assets pertaining to the administrative division which have not been allocated to each reportable segment.
3. The adjustment for depreciation of ¥34,958 thousand is primarily the depreciation of Group-wide assets which have not been allocated to each reportable segment.
4. The adjustment for the amount of increase in property, plant and equipment and intangible assets of ¥4,881 thousand is the acquisition amount for property, plant and equipment and intangible assets pertaining to the administrative division.
5. Segment profit (loss) is adjusted to ensure consistency with the operating profit set forth in the consolidated statement of income.
6. Other revenue is lease revenue, etc. in accordance with the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13, March 30, 2007, Accounting Standards Board of Japan).

(Per share information)

	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023
Net assets per share (Yen)	5,171.56	5,418.66
Basic earnings per share (Yen)	65.75	260.43

Notes: 1. The statement of diluted earnings per share is omitted because there is no potential share.
2. The basis for calculating basic earnings per share is as follows:

	Fiscal year ended January 31, 2022	Fiscal year ended January 31, 2023
Profit attributable to owners of parent (Thousands of yen)	393,130	1,557,874
Amount not attributable to common shareholders (Thousands of yen)	–	–
Profit attributable to owners of parent related to common shares (Thousands of yen)	393,130	1,557,874
Average number of common shares during the period (Share)	5,979,382	5,981,858

4. Other

(Issuance of substantial corporate bonds)

At the Board of Directors meeting held on March 8, 2023, the Company resolved to issue unsecured corporate bonds as follows:

(1) Type of corporate bonds	Unsecured straight bonds in the Japanese market (public issue bonds)
(2) Total issue amount:	¥5.0 billion or less However, multiple issues within the scope of this amount are not ruled out.
(3) Issue price:	¥100 for each bond with par value of ¥100 or more
(4) Interest rate:	Stated interest rate of 2.0% or less
(5) Method of redemption	Full amount on maturity. However, this shall not preclude purchase and cancellation after issuance.
(6) Term of redemption:	Within five years
(7) Scheduled period of issuance:	From March 8, 2023 to January 31, 2024
(8) Purpose for funds:	Allocate toward funds for capital investment, funds for investments, funds for repayment of borrowings and working funds.
(9) Other important particulars:	Special clauses necessary when issuing corporate bonds in addition to a negative pledge clause are attached.