

Financial Highlights for the 2nd Quarter Cumulative of Fiscal 2021 (Apr. 1, 2021– Sep. 30, 2021) <under Japanese GAAP>

DAIBIRU CORPORATION

(Unaudited Translation of 'Kessan Tanshin,' Provided for Reference Only)

October 29, 2021

Name of the Company: DAIBIRU CORPORATION
 Listing of Stock: First Section of Tokyo Stock Exchange
 Securities Code: 8806
 URL: <https://www.daibiru.co.jp/english/>
 Representative: Toshiyuki Sonobe Representative Director, President Chief Executive Officer
 Inquiries: Kenichi Sekiguchi Executive Officer, General Manager of the Finance & Accounting Department
 Scheduled Date of Quarterly Report: Nov. 12, 2021
 Scheduled Date of Commencing Dividend Payments: Dec. 3, 2021
 Availability of Supplementary Briefing Material on Quarterly Financial Results: No
 Schedule of Analyst Meeting: No

(Figures are rounded down to the nearest million yen)

1. Consolidated Results for 2Q Fiscal 2021 (Apr. 1, 2021 to Sep. 30, 2021)

(1) Consolidated Results (% indicates changes from the previous corresponding period.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
2Q Fiscal 2021	20,923	(1.5)	6,284	(1.9)	6,124	(1.3)	4,350	(6.3)
2Q Fiscal 2020	21,245	1.2	6,403	7.2	6,202	11.3	4,644	23.9

(Note) Comprehensive income: 2Q Fiscal 2021: ¥ 6,647 million [(1.6)%]
 2Q Fiscal 2020: ¥ 6,758 million [112.5%]

	Basic earnings per share	Diluted earnings per share
	Yen	Yen
2Q Fiscal 2021	37.94	-
2Q Fiscal 2020	40.02	-

(2) Consolidated Financial Position

	Total assets	Net assets	Capital adequacy ratio
As of	Million yen	Million yen	%
Sep. 30, 2021	390,547	172,717	43.7
March 31, 2021	393,928	167,346	42.0

(Reference) Equity: Sep. 30, 2021: ¥ 170,683 million
 March 31, 2021: ¥ 165,367 million

2. Dividends

	Annual dividends				
	1Q	2Q	3Q	4Q	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal 2020	-	10.50	-	11.50	22.00
Fiscal 2021	-	10.50	-	-	-
Fiscal 2021 (Forecast)	-	-	-	10.50	21.00

(Note) Revision to the forecast for dividends announced most recently: No

3. Forecast of Consolidated Financial Results for Fiscal 2021 (Apr. 1, 2021 to March 31, 2022)

(% indicates changes from the previous corresponding period.)

	Operating revenue		Operating profit		Ordinary profit		Profit attributable to owners of parent		Basic earnings per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
Fiscal 2021	41,500	(3.3)	10,500	(13.2)	10,000	(14.3)	7,000	(17.0)	61.04

(Note) Revision to the financial results forecast announced most recently: No

* Notes:

(1) Changes in significant subsidiaries during the period under review(changes in specified subsidiaries resulting in changes in scope of consolidation): No

New - (Company name:)
Exclusion: - (Company name:)

(2) Accounting policies adopted specially for the preparation of quarterly consolidated financial statements: No

(3) Changes in accounting policies, changes in accounting estimates and retrospective restatement

1) Changes in accounting policies due to the revision of accounting standards: Yes

2) Changes in accounting policies other than 1) above: No

3) Changes in accounting estimates: No

4) Retrospective restatement: No

(4) Total number of issued shares (common shares)

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

Sep. 30, 2021: 115,051,049 shares

March 31, 2021: 115,051,049 shares

2) Total number of treasury shares at the end of the period:

Sep. 30, 2021: 367,282 shares

March 31, 2021: 397,284 shares

3) Average number of shares during the period:

2Q Fiscal 2021: 114,666,604 shares

2Q Fiscal 2020: 116,052,728 shares

* Financial results are not subject to auditing.

* Explanation of the Proper Use of Performance Forecast and Other Notes

Information described in this document, such as projections, was prepared based on available information at the time of the release of this document and certain assumptions that the Company judged as rational. Actual results may be significantly different due to various factors. For the notes regarding the assumed conditions for the financial result forecast and the usage of the forecast, please refer to “(3) Explanation on the Forward-looking Information such as Forecast of Consolidated Results” on page 3 of Attached Reference.

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1. Qualitative Information on Quarterly Financial Results

(1) Explanation on Results of Operations

In the six months ended September 30, 2021, continuing on from the previous term, the Japanese economy saw significant restrictions placed on both corporate activities and individual behavior in order to prevent the spread of the novel coronavirus infection (COVID-19) under the declaration of a state of emergency and quasi-state of emergency, lasting for a period spanning six months. As we come to the end of the second quarter of the fiscal year, with the rapid progress seen in the vaccination program and a significant decrease in the number of infections, the economy is expected to see recovery, particularly in the commercial sector; however, the outlook continues to remain unpredictable.

For the office leasing segment, momentum has grown for companies to review their use of offices, including in finding new ways of working, such as teleworking and online meetings, in such a way that the office spaces can be adapted to a situation of living with COVID-19. In the markets in which the properties owned by Daibiru are located, although the extent differs depending on the business district, the vacancy rates are increasing overall, and rent rates are trending weaker.

Amid such an environment, putting customers' safety and health first, the Daibiru Group continued to promote activities aimed at expanding tenant services and improving building management quality while implementing finely-tuned measures including countermeasures against COVID-19, in an effort to differentiate Daibiru properties from competitors' buildings. As a result, despite being in the midst of the COVID-19 epidemic, we were able to maintain high occupancy rates above the market average. Further, as part of our response to social demands from national and local governments, during this period, in addition to optimizing rent rates to prop up operating revenue, we also deferred or reduced rent in individual cases for certain commercial tenants who refrained from business activities in order to prevent the spread of infection.

With respect to the medium-term management plan "Design 100" Project Phase-II, although progress has been in no small way impacted by COVID-19, steady progress has been made on the plan to reconstruct the Midosuji Daibiru Building and Yaesu Daibiru Building as part of the "Investment to enhance the competitiveness of existing assets," which is one of Daibiru's priority strategies. Demolition work on the Midosuji Daibiru Building is scheduled to be complete and new construction work to get underway in December of this year.

With regard to operating results in the six months ended September 30, 2021, operating revenue decreased ¥322 million, or 1.5%, year on year to ¥20,923 million, and operating profit decreased ¥119 million, or 1.9%, to ¥6,284 million.

As for non-operating income and expenses, ordinary profit decreased ¥77 million, or 1.3%, year on year to ¥6,124 million, due to a decrease in operating profit, despite a decrease in interest expenses.

With regard to extraordinary income and losses, for the six months ended September 30, 2021, gain on sales of investment securities of ¥618 million was recorded under extraordinary income, and a total of ¥412 million was recorded for loss on building reconstruction and loss on retirement of non-current assets under extraordinary losses. In the same period of the previous fiscal year, gain on sales of investment securities of ¥599 million was recorded under extraordinary income, and a total of ¥119 million was recorded for loss on building reconstruction and loss on retirement of non-current assets under extraordinary losses.

As a result, profit attributable to owners of parent decreased ¥293 million, or 6.3%, year on year to ¥4,350 million.

Furthermore, the Group has applied the "Accounting Standard for Revenue Recognition" (ASBJ Statement No. 29, March 31, 2020) from the beginning of the first quarter of the current fiscal year.

Operating results by segment were as follows.

1) Leasing

In this segment, which accounts for 78.8% of consolidated operating revenue, operating revenue decreased ¥428 million, or 2.5%, year on year to ¥16,497 million due mainly to decreased revenue attributable to reconstructed buildings. In terms of expenses, although operating expenses decreased due primarily to decreases in repair expenses and utilities expenses, operating profit decreased ¥183 million, or 2.6%, year on year to ¥6,834 million.

2) Facility Management

In this segment, which accounts for 19.3% of consolidated operating revenue, despite contributions from Nowatec Co., Ltd., which became a subsidiary in the previous fiscal year, operating revenue decreased ¥24 million, or 0.6%, year on year to ¥4,038 million resulting from the impact of the cancellation of contracts for certain commissioned properties. Operating profit increased ¥129 million, or 86.0%, year on year to ¥279 million due mainly to a reduction in operating expenses.

3) Other Businesses

In this segment, which accounts for 1.9% of consolidated operating revenue, operating revenue increased ¥130 million, or 50.7%, year on year to ¥387 million due mainly to an increase in construction subcontracting values, and operating profit increased ¥7 million, or 12.8%, year on year to ¥70 million.

(2) Explanation on Financial Position

1) Assets, Liabilities and Net assets

Total assets at the end of the second quarter of the current fiscal year were ¥390,547 million, a decrease of ¥3,380 million from the end of the previous fiscal year. Current assets decreased ¥3,337 million from the end of the previous fiscal year to ¥18,507 million. This is mainly due to a decrease in cash and deposits. Non-current assets decreased ¥43 million from the end of the previous fiscal year to ¥372,039 million. This is mainly due to a net decrease owing to an increase in investment securities associated with a rise in stock prices and a decrease in buildings and structures resulting from depreciation, etc.

Liabilities at the end of the second quarter of the current fiscal year were ¥217,829 million, a decrease of ¥8,752 million from the end of the previous fiscal year. Current liabilities decreased ¥1,983 million from the end of the previous fiscal year to ¥25,642 million. This is mainly due to a net decrease owing to an increase in current portion of bonds payable and a decrease in current portion of long-term borrowings. Non-current liabilities decreased ¥6,768 million from the end of the previous fiscal year to ¥192,187 million. This is mainly due to decreases in bonds payable and long-term borrowings. Total interest bearing debt decreased ¥6,684 million from the end of the previous fiscal year to ¥159,724 million.

Net assets at the end of the second quarter of the current fiscal year increased ¥5,371 million from the end of the previous fiscal year to ¥172,717 million. This was mainly due to increases in retained earnings and foreign currency translation adjustment.

2) Cash Flows

Cash and cash equivalents at the end of the second quarter of the current fiscal year were ¥15,471 million, a decrease of ¥2,417 million from the end of the previous fiscal year. Changes in cash flows and their causes are explained below:

(Cash flows from operating activities)

Net cash provided by operating activities in the six months ended September 30, 2021 was ¥6,554 million, a decrease of ¥855 million from the same period of the previous fiscal year. This is mainly due to decreases in profit before income taxes and decrease/increase in consumption taxes receivable/payable.

(Cash flows from investing activities)

Net cash used in investing activities in the six months ended September 30, 2021 was ¥1,157 million. This is mainly due to purchases of property, plant and equipment. In the same period of the previous fiscal year, net cash provided by investing activities was ¥792 million, due mainly to proceeds from sales of investment securities.

(Cash flows from financing activities)

Net cash used in financing activities in the six months ended September 30, 2021 was ¥8,001 million, an increase of ¥6,136 million from the same period of the previous fiscal year. This is mainly due to repayments of long-term borrowings.

(3) Explanation on the Forward-looking Information such as Forecast of Consolidated Results

Figures announced on April 30, 2021 have not been revised.

2. Quarterly Consolidated Financial Statements and Main Notes

(1) Quarterly Consolidated Balance Sheets

(Millions of yen, figures are rounded down to the nearest million yen)

	Previous Fiscal Year As of March 31, 2021	2Q of Current Fiscal Year As of Sep. 30, 2021
Assets		
Current assets		
Cash and deposits	18,752	16,373
Trade accounts receivable	1,257	1,141
Inventories	82	106
Other	1,766	891
Allowance for doubtful accounts	(13)	(6)
Total current assets	21,844	18,507
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	105,356	102,904
Land	191,623	192,774
Land in trust	31,231	31,231
Construction in progress	575	829
Other, net	606	580
Total property, plant and equipment	329,394	328,320
Intangible assets		
Goodwill	1,653	1,654
Other	10,400	11,084
Total intangible assets	12,054	12,739
Investments and other assets		
Investment securities	27,834	28,265
Deferred tax assets	611	643
Other	2,204	2,086
Allowance for doubtful accounts	(15)	(15)
Total investments and other assets	30,634	30,979
Total non-current assets	372,083	372,039
Total assets	393,928	390,547

(Millions of yen, figures are rounded down to the nearest million yen)

	Previous Fiscal Year As of March 31,2021	2Q of Current Fiscal Year As of Sep. 30,2021
Liabilities		
Current liabilities		
Current portion of long-term borrowings	15,718	10,513
Current portion of bonds payable	-	5,000
Income taxes payable	2,171	2,280
Provision for bonuses for directors (and other officers)	67	-
Other	9,668	7,848
Total current liabilities	27,625	25,642
Non-current liabilities		
Bonds payable	95,000	90,000
Long-term borrowings	55,690	54,211
Leasehold and guarantee deposits received	24,699	24,374
Deferred tax liabilities	8,925	9,059
Deferred tax liabilities for land revaluation	13,439	13,439
Provision for retirement benefits for directors (and other officers)	90	59
Retirement benefit liability	876	904
Other	235	138
Total non-current liabilities	198,956	192,187
Total liabilities	226,581	217,829
Net assets		
Shareholders' equity		
Share capital	12,227	12,227
Capital surplus	13,850	13,860
Retained earnings	116,290	119,323
Treasury shares	(431)	(398)
Total shareholders' equity	141,937	145,012
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15,641	15,989
Deferred gains or losses on hedges	12	19
Revaluation reserve for land	6,779	6,779
Foreign currency translation adjustment	995	2,882
Total accumulated other comprehensive income	23,429	25,670
Non-controlling interests	1,979	2,034
Total net assets	167,346	172,717
Total liabilities and net assets	393,928	390,547

(2) Quarterly Consolidated Statements of Income and Comprehensive Income

Quarterly Consolidated Statements of Income

(Millions of yen, figures are rounded down to the nearest million yen)

	2Q of Previous Fiscal Year (From Apr. 1, 2020 to Sep. 30, 2020)	2Q of Current Fiscal Year (From Apr. 1, 2021 to Sep. 30, 2021)
Operating revenue	21,245	20,923
Operating costs	12,886	12,536
Operating gross profit	8,359	8,386
Selling, general and administrative expenses	1,955	2,102
Operating profit	6,403	6,284
Non-operating income		
Interest income	34	28
Dividend income	344	330
Other	74	39
Total non-operating income	452	398
Non-operating expenses		
Interest expenses	569	550
Other	85	7
Total non-operating expenses	654	558
Ordinary profit	6,202	6,124
Extraordinary income		
Gain on sales of investment securities	599	618
Total extraordinary income	599	618
Extraordinary losses		
Loss on building reconstruction	105	403
Loss on retirement of non-current assets	14	8
Total extraordinary losses	119	412
Profit before income taxes	6,681	6,330
Income taxes - current	2,037	2,088
Income taxes - deferred	(8)	(163)
Total income taxes	2,028	1,924
Profit	4,653	4,405
Profit attributable to non-controlling interests	9	55
Profit attributable to owners of parent	4,644	4,350

Quarterly Consolidated Statements of Comprehensive Income

(Millions of yen, figures are rounded down to the nearest million yen)

	2Q of Previous Fiscal Year (From Apr. 1, 2020 to Sep. 30, 2020)	2Q of Current Fiscal Year (From Apr. 1, 2021 to Sep. 30, 2021)
Profit	4,653	4,405
Other comprehensive income		
Valuation difference on available-for-sale securities	2,274	348
Deferred gains or losses on hedges	507	7
Foreign currency translation adjustment	(676)	1,886
Total other comprehensive income	2,104	2,241
Comprehensive income	6,758	6,647
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	6,748	6,592
Comprehensive income attributable to non-controlling interests	9	55

(3) Quarterly Consolidated Statements of Cash Flows

(Millions of yen, figures are rounded down to the nearest million yen)

	2Q of Previous Fiscal Year (From Apr. 1, 2020 to Sep. 30, 2020)	2Q of Previous Fiscal Year (From Apr. 1, 2021 to Sep. 30, 2021)
Cash flows from operating activities		
Profit before income taxes	6,681	6,330
Depreciation	3,595	3,605
Amortization of goodwill	59	91
Increase (decrease) in provision for bonuses for directors (and other officers)	(73)	(67)
Increase (decrease) in debt for retirement benefits	(1)	13
Increase (decrease) in provision for retirement benefits for directors (and other officers)	(2)	(30)
Interest and dividend income	(378)	(359)
Interest expenses	569	550
Loss (gain) on sales of investment securities	(599)	(618)
Loss on retirement of non-current assets	14	8
Increase (decrease) in leasehold and guarantee deposits received	(432)	(347)
Decrease (increase) in leasehold and guarantee deposits	(2)	5
Decrease (increase) in trade receivables	(286)	116
Decrease (increase) in inventories	(0)	(23)
Increase (decrease) in trade payables	(140)	(363)
Increase (decrease) in accrued taxes on purchase of real estate	(96)	2
Decrease/increase in consumption taxes receivable/payable	790	(569)
Other, net	10	424
Subtotal	9,707	8,769
Interest and dividends received	378	359
Interest paid	(646)	(558)
Income taxes paid	(2,030)	(2,015)
Net cash provided by (used in) operating activities	7,410	6,554
Cash flows from investing activities		
Purchase of property, plant and equipment	(687)	(1,791)
Proceeds from sales of investment securities	634	699
Payments into time deposits	(1,327)	(334)
Proceeds from withdrawal of time deposits	1,800	435
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(263)	-
Other, net	635	(167)
Net cash provided by (used in) investing activities	792	(1,157)
Cash flows from financing activities		
Net increase (decrease) in commercial papers	7,500	-
Proceeds from long-term borrowings	10,000	-
Repayments of long-term borrowings	(1,680)	(6,684)
Redemption of bonds	(15,000)	-
Purchase of treasury shares	(1,391)	(0)
Dividends paid	(1,224)	(1,317)
Other, net	(70)	-
Net cash provided by (used in) financing activities	(1,865)	(8,001)
Effect of exchange rate change on cash and cash equivalents	10	187
Net increase (decrease) in cash and cash equivalents	6,347	(2,417)
Cash and cash equivalents at beginning of period	16,336	17,889
Cash and cash equivalents at end of period	22,683	15,471

(4) Notes to Quarterly Consolidated Financial Statements

(Going Concern Assumption)

None applicable

(Significant Changes in Shareholder 's Equity)

None applicable

(Changes in Accounting Policies)

Application of the Accounting Standard for Revenue Recognition

The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020; hereinafter referred to as the “Revenue Recognition Accounting Standard”) from the beginning of the first quarter of the current fiscal year. This has resulted in a recognition of revenue in the monetary amount projected in exchange for goods or services at the point of time in which the control of promised goods or services is transferred to the customer.

Regarding some transactions, the Company had previously recognized the total amount of consideration received from the customer as revenue. This practice has been replaced with a method in which the net amount of transactions where the Group 's role in the provision of goods or service to the customer is that of an agent, obtained by deducting the amount paid to the supplier from the amount received from the customer, is recognized as revenue.

With respect to the application of the Revenue Recognition Accounting Standard, the Company complies with the transitional accounting treatment stipulated in the proviso of Paragraph 84 thereof. This means that the Company has performed additions to or subtractions from retained earnings at the beginning of the first quarter of the current fiscal year which consist of the cumulative impact amount obtained in the case where new accounting policies have been applied retroactively from the beginning of the first quarter of the current fiscal year and earlier. The Company has applied the new accounting policy starting with the balance at the beginning of the relevant period. However, the Company has adopted the method stipulated in Paragraph 86 of the Revenue Recognition Accounting Standard, which means that no new accounting policies apply retroactively to contracts wherein almost all of the revenue amounts are recognized in accordance with the prior accounting treatment up to the beginning of the first quarter of the current fiscal year. Moreover, the Company has also applied the method stipulated in item (1) of the supplementary provisions of Paragraph 86 of the Revenue Recognition Accounting Standard. With respect to changes to contracts undertaken before the beginning of the first quarter of the current fiscal year, accounting treatment has been conducted based on the contractual conditions resulting from the reflection of all contractual changes, and the cumulative impact amount has been added to or subtracted from retained earnings at the beginning of the first quarter of current fiscal year.

As a result, there has been no impact on the balance at the beginning of the period with respect to retained earnings. Moreover, the impact of this change on quarterly consolidated financial statements for the second quarter of the fiscal year is immaterial.

Application of the Accounting Standard for Fair Value Measurement

Starting from the beginning of the first quarter of the current fiscal year, the Company has applied the “Accounting Standard for Fair Value Measurement” (ASBJ Statement No. 30, July 4, 2019; hereinafter referred to as the “Fair Value Measurement Accounting Standard”). This means that in accordance with the transitional treatment stipulated in Paragraph 19 of the Fair Value Measurement Accounting Standard and Paragraph 44-2 of the “Accounting Standards for Financial Instruments” (ASBJ Statement No. 10, July 4, 2019), the Company has applied the new accounting policy stipulated in the Fair Value Measurement Accounting Standard, etc. and will apply it in the future as well. This has no impact on quarterly consolidated financial statements.

(Segment Information)

I Previous 2Q fiscal year (Apr. 1, 2020 to Sep. 30, 2020)

1. Information on the amount of revenue and income by reportable segment

(Millions of yen, figures are rounded down to the nearest million yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Leasing	Facility Management	Total				
Operating revenue:							
Outside customers	16,926	4,062	20,988	257	21,245	-	21,245
Intersegment	57	1,196	1,253	0	1,253	(1,253)	-
Total	16,983	5,258	22,242	257	22,499	(1,253)	21,245
Segment income	7,018	150	7,168	62	7,230	(827)	6,403

- Notes: 1. "Other" is a business segment that is not included in the reportable segments and refers to construction and real estate agency, etc.
2. The adjustment was minus ¥827 million for segment income is mainly the corporate expense of ¥829 million that has not been allocated to reportable segments. Corporate expense is primarily expense related to administrative departments, including the Human Resources and General Affairs Department at headquarters, that does not belong to the reportable segment.
3. Segment income is adjusted to operating income on Quarterly Consolidated Statements of Income.

II Current 2Q fiscal year (Apr. 1, 2021 to Sep. 30, 2021)

1. Information on the amount of revenue and income by reportable segment

(Millions of yen, figures are rounded down to the nearest million yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Consolidated (Note 3)
	Leasing	Facility Management	Total				
Operating revenue:							
Outside customers	16,497	4,038	20,535	387	20,923	-	20,923
Intersegment	56	1,200	1,257	-	1,257	(1,257)	-
Total	16,554	5,239	21,793	387	22,181	(1,257)	20,923
Segment income	6,834	279	7,114	70	7,184	(900)	6,284

- Notes: 1. "Other" is a business segment that is not included in the reportable segments and refers to construction and real estate agency, etc.
2. The adjustment was minus ¥900 million for segment income is mainly the corporate expense of ¥911 million that has not been allocated to reportable segments. Corporate expense is primarily expense related to administrative departments, including the Human Resources and General Affairs Department at headquarters, that does not belong to the reportable segment.
3. Segment income is adjusted to operating income on Quarterly Consolidated Statements of Income.

2. Matters concerning changes to reportable segments

As described in the Changes in Accounting Policies, the Company has applied the Revenue Recognition Accounting Standard from the beginning of the first quarter of the current fiscal year and has thus changed the accounting methods concerning the recognition of revenue. Thus, the Company has also made similar changes to the method of calculation used for profit and losses in its business segments. However, the impact of this change is immaterial.