



Consolidated Financial Results for the Nine Months Ended June 30, 2024 [JGAAP]

August 9, 2024

Company Name: DEAR LIFE CO., LTD.

Stock Exchange Listing: Tokyo

Securities Code: 3245

URL <https://www.dear-life.co.jp/>

Representative: Yukihiro Abe, Representative Director and President

Contact: Seijiro Akita, Director, General Manager of Corporate Strategy Unit

Phone: +81-3-5210-3721

Scheduled date to commence dividend payments: —

Availability of supplementary briefing material on financial results: Yes

Financial results briefing session: None

(Amounts are rounded down to the nearest million yen)

1. Consolidated financial results for the first nine months of the fiscal year ending September 30, 2024 (October 1, 2023–June 30, 2024)

(1) Consolidated operating results

(% figures are the rate of year-on-year increase or decrease)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended June 30, 2024	16,546	-20.9	1,111	-51.7	1,130	-50.7	760	-50.7
Nine months ended June 30, 2023	20,912	-7.5	2,302	24.9	2,293	27.6	1,543	-0.8

(Note) Comprehensive income: Nine months ended June 30, 2024: ¥896 million (-41.7%)

Nine months ended June 30, 2023: ¥1,536 million (1.7%)

	Basic earnings per share	Diluted basic earnings per share
	Yen	Yen
Nine months ended June 30, 2024	17.37	17.37
Nine months ended June 30, 2023	35.14	35.14

(2) Consolidated financial position

	Total assets	Net assets	Capital-to-assets ratio
	Millions of yen	Millions of yen	%
As of June 30, 2024	51,794	23,036	43.7
As of September 30, 2023	41,714	24,162	57.0

(Note) Equity capital: As of June 30, 2024: ¥22,655 million

As of September 30, 2023: ¥23,780 million

2. Dividends

	Annual dividends per share				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Fiscal year ended September 30, 2023	—	0.00	—	41.00	41.00
Fiscal year ending September 30, 2024	—	0.00	—		
Fiscal year ending September 30, 2024 (Forecast)				46.00	46.00

(Note) Revision of dividend forecast from the latest announcement: None

3. Performance targets for the fiscal year ending September 30, 2024 (October 1, 2023–September 30, 2024)

(% figures are the rate of year-on-year increase or decrease)

	Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%
Full year	7,500	21.3	5,100	18.5

(Notes) 1. Revision of performance targets from the latest announcement: None

2. Group performance can fluctuate significantly depending on real estate purchase and sale trends within our core Real Estate Business. Given the many uncertainties affecting our full-year forecast at this time, we are disclosing the consolidated performance targets for the current consolidated fiscal year as a management goal instead of the consolidated earnings forecast, which is calculated based on reasonably assumed conditions.

Notes:

(1) Significant changes in the scope of consolidation during the current quarter: None

(2) Application of accounting procedures specific to the preparation of quarterly consolidated financial statements: None

(3) Changes in accounting policies, accounting estimates or retrospective restatements

(i) Changes in accounting policies due to revisions to accounting standards: None

(ii) Changes in accounting policies other than (i): None

(iii) Changes in accounting estimates: None

(iv) Retrospective restatements: None

(4) Number of shares issued (common stock)

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

As of June 30, 2024	44,896,800 shares	As of September 30, 2023	44,896,800 shares
As of June 30, 2024	1,144,590 shares	As of September 30, 2023	883,190 shares
Nine months ended June 30, 2024	43,801,808 shares	Nine months ended June 30, 2023	43,929,966 shares

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

(iii) Average number of shares during the period

Notes: 1. Review of the attached quarterly consolidated financial statements by a certified public accountant or auditing firm: None

2. Explanation regarding the appropriate use of earnings forecasts and other special notes

The forward-looking statements, such as earnings forecasts, contained in this document are based on information currently available to the Company and certain assumptions that the Company deems reasonable. These statements do not guarantee the achievement of projected results. Actual performance may differ significantly due to various factors.

For the conditions underlying the performance targets and precautions when using these performance targets, please refer to page 3 of the financial results summary, “1. Qualitative Information on the Quarterly Financial Results (3) Explanation on Forecast Information such as Earnings Forecasts.”

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1. Qualitative Information on the Quarterly Financial Results

(1) Explanation of Consolidated Operating Results

During the third quarter consolidated cumulative period, the Japanese economy continued to experience a depreciating yen driven by the interest rate differential between Japan and the United States. While domestic price increases are gradually being felt by consumers due to improvements in the employment and income environment, consumer confidence appears to be at a standstill. Although inflation rates in the United States have eased, the Federal Reserve has maintained high policy interest rates due to the robust U.S. economy, indicating that moderate inflation is expected to continue.

In addition to exchange rates and the Bank of Japan's financial normalization, continued attention is required to the risks in the financial capital markets, including the uncertainty of the Chinese economy and heightened tensions in the Middle East.

In the real estate industry in which the Dear Life Group operates, there has been strong demand from both domestic and international investors for real estate in Tokyo where we do business.

Under these circumstances, we have accelerated the acquisition of urban residential development sites and income-producing properties in the Tokyo area, which is expected to have long-term stable demand. And we have also proceeded with the expansion of investment projects.

As a result of these activities, the Group's business performance for the third quarter consolidated cumulative period showed a decrease in net sales to ¥16,546 million (down 20.9 year on year), operating profit of ¥1,111 million (down 51.7% year on year), ordinary profit of ¥1,130 million (down 50.7% year on year), and profit attributable to owners of parent of ¥760 million (down 50.7% year on year).

An overview by segment is as follows.

Real Estate Business

In the real estate business operated by Dear Life and our consolidated subsidiary, ID Inc., we catered to a wide range of customer needs, including real estate investment companies, developers, real estate sales companies, and overseas businesses, through our development of urban residential projects, income-producing properties, and development projects, and by the end of the third quarter of this fiscal year, we sold 32 properties. Meanwhile, in order to achieve the medium-term management plan Breakthrough 2025, which will reach its final year next year, we actively invested in the development of urban condominiums and income-producing properties in the Tokyo metropolitan area, acquiring 16 properties during the quarter.

As a result, for the third quarter consolidated cumulative period, net sales amounted to ¥13,500 million (down 23.9% year on year), and operating profit was ¥1,740 million (down 38.9% year on year).

Sales Promotion Business

In the sales promotion business operated by our consolidated subsidiary, Arciel Co., Ltd., we have continued to streamline operations at the subsidiary by consolidating headquarter functions, reviewing contracts with business partners, and strengthening its earning power. Additionally, we actively hired staff for dispatch from April to May. As a result, despite incurring upfront costs for recruitment and training of new employees, net sales amounted to ¥3,046 million (down 3.6% year on year) and operating loss was ¥4 million (compared to an operating loss of ¥13 million in the same period last year), indicating a reduction in the deficit.

(2) Explanation of Consolidated Financial Position

(i) Assets, liabilities, and net assets

The status of assets, liabilities, and net assets as of the end of the third quarter of the current consolidated accounting period is as follows.

Current assets

At the end of the third quarter of the current consolidated accounting period, the balance of current assets was ¥49,554 million (up 25.4% from the end of the previous fiscal year). This was primarily due to an increase in real estate for sale in process of ¥8,675 million due to the acquisition of land for condominium development and condominium development expenses, and an increase in real estate for sale of ¥7,352 million due to the acquisition of used income-producing properties, despite a decrease in cash and deposits of ¥6,741 million.

Non-current assets

At the end of the third quarter of the current consolidated accounting period, the balance of non-current assets was ¥2,239 million (up 1.4% from the end of the previous fiscal year).

Current liabilities

At the end of the third quarter of the current consolidated accounting period, the balance of current liabilities was ¥6,279 million (up 25.6% from the end of the previous fiscal year). This was primarily due to a decrease of ¥1,546 million in income taxes payable due to tax payments, despite an increase of ¥1,532 million in current portion of long-term borrowings and an increase of ¥800 million in bonds payable within one year.

Non-current liabilities

At the end of the third quarter of the current consolidated accounting period, the balance of non-current liabilities was ¥22,477 million (up 79.1% from the end of the previous fiscal year). This was primarily due to an increase of ¥10,620 million in long-term borrowings from new loans for the acquisition of condominium development land and income-producing properties.

Net assets

At the end of the third quarter of the current consolidated accounting period, the balance of net assets was ¥23,036 million (down 4.7% from the end of the previous fiscal year). This was primarily due to dividends of surplus of ¥1,804 million, despite posting ¥760 million in profit attributable to owners of parent.

The capital-to-assets ratio decreased by 13.3 points from the end of the previous fiscal year to 43.7%.

(3) Explanation of Forecast Information such as Consolidated Earnings Forecasts

There are no changes to the consolidated performance targets for the fiscal year ending September 30, 2024 from the full-year consolidated performance targets announced on November 14, 2023.

2. Quarterly Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Millions of yen)

	As of September 30, 2023	As of June 30, 2024
Assets		
Current assets		
Cash and deposits	21,882	15,140
Accounts receivable—trade	395	392
Securities	10	361
Real estate for sale	11,400	18,752
Real estate for sale in process	4,954	13,630
Other	860	1,275
Total current assets	39,504	49,554
Non-current assets		
Property, plant and equipment	185	199
Intangible assets		
Goodwill	407	328
Other	5	9
Total intangible assets	413	338
Investments and other assets	1,610	1,701
Total non-current assets	2,209	2,239
Total assets	41,714	51,794
Liabilities		
Current liabilities		
Notes and accounts payable—trade	606	194
Short-term borrowings	500	918
Current portion of bonds payable	20	820
Current portion of long-term borrowings	974	2,507
Income taxes payable	1,737	191
Other	1,159	1,648
Total current liabilities	4,998	6,279
Non-current liabilities		
Bonds payable	2,130	1,320
Long-term borrowings	10,240	20,860
Deferred tax liabilities	1	21
Asset retirement obligations	35	28
Other	145	247
Total non-current liabilities	12,553	22,477
Total liabilities	17,551	28,757
Net assets		
Shareholders' equity		
Capital	4,125	4,125
Capital surplus	4,911	4,941
Retained earnings	15,118	14,074
Treasury shares	(375)	(623)
Total shareholders' equity	23,780	22,518
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(0)	137
Total accumulated other comprehensive income	(0)	137
Non-controlling interests	382	380
Total net assets	24,162	23,036
Total liabilities and net assets	41,714	51,794

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

(Millions of yen)

	Nine months ended June 30, 2023	Nine months ended June 30, 2024
Net sales	20,912	16,546
Cost of sales	16,943	13,718
Gross profit	3,969	2,828
Selling, general and administrative expenses	1,667	1,717
Operating profit	2,302	1,111
Non-operating income		
Gain on investments in securities	81	100
Gain on sale of investment securities	1	19
Share of profit of entities accounted for using equity method	—	33
Other	37	15
Total non-operating income	119	169
Non-operating expenses		
Interest expenses	113	135
Share of loss of entities accounted for using equity method	0	—
Amortization of long-term prepaid expenses	7	7
Commission expenses	1	4
Other	5	2
Total non-operating expenses	128	150
Ordinary profit	2,293	1,130
Extraordinary gain		
Gain on sale of investment securities	14	6
Total extraordinary income	14	6
Extraordinary loss		
Loss on change in equity	—	1
Loss on retirement of non-current assets	—	7
Loss on valuation of investment securities	6	—
Total extraordinary losses	6	8
Quarterly net income before taxes and other adjustments	2,301	1,127
Income taxes - current	696	286
Income taxes - deferred	69	82
Total income taxes	765	369
Quarterly net income	1,536	758
Profit (loss) attributable to non-controlling interests	(7)	(2)
Profit attributable to owners of parent	1,543	760

Consolidated Statement of Comprehensive Income

(Millions of yen)

	Nine months ended June 30, 2023	Nine months ended June 30, 2024
Quarterly net income	1,536	758
Other comprehensive income		
Valuation difference on available-for-sale securities	0	137
Share of other comprehensive income of entities accounted for using equity method	(0)	0
Total other comprehensive income	0	137
Quarterly comprehensive income	1,536	896
Comprehensive income attributable to:		
Owners of parent	1,543	898
Non-controlling interests	(7)	(2)

(3) Notes on Quarterly Consolidated Financial Statements

Notes on Going Concern Assumption

None

Notes on Significant Changes in the Amount of Shareholders' Equity

None

Notes on Segment Information, etc.

Segment Information

I. Results for the nine-month period from October 1, 2022 to June 30, 2023

1. Information regarding net sales and profit or loss for each reportable segment

(Millions of yen)

	Reportable Segment		Total
	Real Estate Business	Sales Promotion Business	
Net sales			
Net sales to external customers	17,751	3,161	20,912
Intersegment net sales or transfers.	—	2	2
Total	17,751	3,164	20,915
Segment profit (loss)	2,846	(13)	2,832

2. Difference between the total amount of profits or losses of reportable segments and the amount recorded in the quarterly consolidated statement of income (matters related to difference adjustment)

(Millions of yen)

Profit (loss)	Amount
Total reportable segments	2,832
Elimination of intersegment transactions	4
Group-wide expenses (Note)	(534)
Operating profit in quarterly consolidated statement of income	2,302

Note: Group-wide expenses are mainly expenses related to Dear Life's administrative departments that do not belong to any reportable segment.

3. Information regarding impairment losses on non-current assets or goodwill, etc. for each reportable segment

Significant impairment losses related to non-current assets

None

Significant changes in amount of goodwill

None

II. Results for the nine-month period from October 1, 2023 to June 30, 2024

1. Information regarding net sales and profit or loss for each reportable segment

(Millions of yen)

	Reportable Segment		Total
	Real Estate Business	Sales Promotion Business	
Net sales			
Net sales to external customers	13,500	3,046	16,546
Intersegment net sales or transfers	—	2	2
Total	13,500	3,048	16,549
Segment profit (loss)	1,740	(4)	1,735

2. Difference between the total amount of profits or losses of reportable segments and the amount recorded in the quarterly consolidated statement of income (matters related to difference adjustment)

(Millions of yen)

Profit (loss)	Amount
Total reportable segments	1,735
Elimination of intersegment transactions	1
Group-wide expenses (Note)	(626)
Operating profit in quarterly consolidated statement of income	1,111

Note: Group-wide expenses are mainly expenses related to Dear Life's administrative departments that do not belong to any reportable segment.

3. Information regarding impairment losses on non-current assets or goodwill, etc. for each reportable segment

Significant impairment losses related to non-current assets

None

Significant changes in amount of goodwill

None

Notes regarding quarterly consolidated statement of cash flows

A quarterly consolidated cash flow statement for the current third quarter consolidated cumulative period has not been prepared. Depreciation expenses (including amortization expenses related to intangible assets other than goodwill) and amortization of goodwill for the third quarter consolidated cumulative period are as follows.

	From October 1, 2022 to June 30, 2023	From October 1, 2023 to June 30, 2024
Depreciation	¥171 million	¥253 million
Amortization of goodwill	¥78 million	¥78 million

Significant subsequent events

Purchase of treasury shares

Dear Life resolved the following matters related to the purchase of treasury shares, in accordance with Article 459, Paragraph 1 of the Companies Act and Article 41 of our Articles of Incorporation, at the Board of Directors meeting held on August 9, 2024.

(1) Reason for the purchase of treasury shares

In order to improve capital efficiency and enable the flexible execution of capital policies in response to future changes in the business environment

(2) Details of matters related to the purchase

(i) Type of shares to be acquired: Common stock of the Company

(ii) Total number of shares to be acquired: 400,000 (upper limit)

(Percentage of total number of issued shares (excluding treasury shares): 0.91%)

(iii) Total acquisition price: ¥300 million (upper limit)

(iv) Period for acquisition: August 13, 2024 to September 30, 2024

(v) Acquisition method: Market purchase on the Tokyo Stock Exchange