

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

Summary of Consolidated Financial Results for the Fiscal Year ended December 31, 2019 [Based on Japanese GAAP]

February 14, 2020

Listed company name: MUGEN ESTATE Co., Ltd
 Listed Stock Exchange: Tokyo Stock Exchange
 Securities code: 3299
 URL <https://www.mugen-estate.co.jp/en/>
 Representative: Shinichi Fujita, President
 Contact: Akira Okubo, Director, General Manager of Administrative Division ir@mugen-estate.co.jp
 Scheduled date of general shareholders' meeting: March 24, 2020 Scheduled date of dividend payment: March 25, 2020
 Scheduled date of securities report submission: March 24, 2020 Supplementary material for financial results: Yes
 Financial results briefing: Yes (for analysts and institutional investors, in Japanese)

(fractions of one million yen are rounded off)

1. Consolidated financial results for the fiscal year ended December 31, 2019

(1) Consolidated financial results (Percentages represent changes from the previous year.)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | |
|--------|-------------|--------|------------------|--------|-----------------|--------|---|--------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % |
| FY2019 | 39,677 | (26.4) | 3,157 | (47.2) | 2,493 | (52.4) | 1,688 | (49.7) |
| FY2018 | 53,931 | (15.2) | 5,985 | (16.0) | 5,237 | (19.2) | 3,356 | (21.5) |

(Note) Comprehensive income FY2019 1,688 million yen(-49.7%) FY2018 3,356 million yen(-21.5%)

| | Net income per share | Diluted net income per share | Return on equity | Ordinary income to total assets | Operating income to net sales |
|--------|----------------------|------------------------------|------------------|---------------------------------|-------------------------------|
| | Yen | Yen | % | % | % |
| FY2019 | 69.38 | 69.10 | 7.6 | 3.7 | 8.0 |
| FY2018 | 137.80 | 137.36 | 16.3 | 8.3 | 11.1 |

(Reference) Equity in earnings (losses) of affiliates FY2019 - million yen FY2018 - million yen

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|-------------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of December 31, 2019 | 68,512 | 22,840 | 33.2 | 943.48 |
| As of December 31, 2018 | 66,760 | 22,106 | 32.9 | 902.41 |

(Reference) Shareholders' Equity As of December 31, 2019 22,718 million yen
 As of December 31, 2018 21,983 million yen

(3) Consolidated cash flows

| | Cash flows from operating activities | Cash flows from investing activities | Cash flows from financing activities | Cash and cash equivalents at end of period |
|--------|--------------------------------------|--------------------------------------|--------------------------------------|--|
| | Million yen | Million yen | Million yen | Million yen |
| FY2019 | 3,276 | (872) | 712 | 12,268 |
| FY2018 | (7,220) | (104) | 4,534 | 9,151 |

2. Dividends

| | Dividends per share | | | | | Total amount of dividends (Annual) | Dividend payout ratio (Consolidated) | Ratio of dividends to net assets (Consolidated) |
|-------------------|---------------------|--------------------|--------------------|----------|-------|------------------------------------|--------------------------------------|---|
| | End of 1st quarter | End of 2nd quarter | End of 3rd quarter | Year-end | Total | | | |
| | Yen | Yen | Yen | Yen | Yen | Million yen | % | % |
| FY2018 | - | 0.00 | - | 30.00 | 30.00 | 730 | 21.8 | 3.5 |
| FY2019 | - | 0.00 | - | 30.00 | 30.00 | 722 | 43.2 | 3.3 |
| FY2020 (forecast) | - | 0.00 | - | 25.00 | 25.00 | - | 37.6 | - |

3. Forecast of consolidated financial results for the fiscal year ending December 31, 2020

(from January 1, 2020 to December 31, 2020)

(Percentages represent changes from the previous year)

| | Net sales | | Operating income | | Ordinary income | | Profit attributable to owners of parent | | Net income per share |
|--------|-------------|------|------------------|-----|-----------------|-------|---|-------|----------------------|
| | Million yen | % | Million yen | % | Million yen | % | Million yen | % | Yen |
| FY2020 | 45,157 | 13.8 | 3,219 | 1.9 | 2,443 | (2.0) | 1,595 | (5.5) | 66.53 |

* Notes

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

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

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

(3) Number of shares issued (common stock)

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

FY2019 24,361,000 shares FY2018 24,361,000 shares

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

FY2019 281,559 shares FY2018 59 shares

(iii) Average number of shares outstanding during the period

FY2019 24,344,805 shares FY2018 24,359,437 shares

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

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

(1) Financial forecasts

The statements about the future included in this report, including financial forecasts, are based on information currently available to the Company and certain assumptions that are considered reasonable, which do not guarantee the achievement of such projected results. Actual results may vary considerably from these projections due to a range of factors. See “(4) Outlook of FY2019” under “1. Operating Results and Financial Position” on page 3 of the Accompanying Materials for the assumptions of the financial forecasts and points to note in the use of financial forecasts

(2) Access to presentation materials for financial results

Presentation materials are disclosed through TDnet and on the Company’s website on the day on which the presentation is made.

Accompanying Material – Contents

| | |
|---|----|
| 1. Operating Results and Financial Position | |
| (1) Analysis of Operating Results | 2 |
| (2) Analysis of Financial Positions | 2 |
| (3) Analysis of Cash Flows | 2 |
| (4) Outlook for FY2020 (January 1, 2020 to December 31, 2020) | 3 |
| (5) Basic Policy for Dividend Distribution and Dividends for FY2019 and FY2020 | 3 |
| 2. Basic Perspective on Selection of Accounting Standards | 3 |
| 3. Consolidated Financial Statements | |
| (1) Consolidated Balance Sheets | 4 |
| (2) Consolidated Statements of Income and Consolidated Statements of Comprehensive Income | 6 |
| (3) Consolidated Statements of Changes in Net Assets..... | 8 |
| (4) Consolidated Statements of Cash Flows | 9 |
| (Segment information) | 11 |
| (Per share information) | 13 |

1. Operating Results and Financial Position

(1) Analysis of Operating Results

During the consolidated fiscal year under review (January 1 through December 31, 2019), the Japanese economy remained on a moderate recovery path, amid continued improvement in employment conditions on the back of strong corporate earnings. However, attention needs to be paid to the consumer sentiment trend after the consumption tax increase and also to the sense of uncertainty about the future caused by trade friction between the United States and China, China's economic outlook, Brexit and other overseas economic developments and the impact of fluctuations in the financial and capital markets.

In the real estate industry where the MUGEN ESTATE Group operates, real estate demand remained firm mainly due to low interest rates in accordance with Japan's monetary easing policy. However, given factors such as rising purchase prices and intensification of competition over purchases with other companies in the same industry, the business environment does not warrant optimism. In the second-hand housing market, the number of contracts signed for used condominiums in the Tokyo Metropolitan Area stayed on a moderate upward trend, and relatively low-priced used condominiums remained in demand due to the high prices of new condominiums and reduction in the number of units supplied. In the office leasing market, predominantly in the central Tokyo area, the deterioration in market conditions due to the effect of large supply was a concern, but the vacancy rate remained low as office demand continued to be firm and the rent level also maintained a moderate upward trend.

Under these business circumstances, in the Real Estate Trading Business, its core segment, the Group worked to improve sales by continuing to implement measures initiated at the beginning of the fiscal year aimed at improving investment yields by reviewing sales prices and improving occupancy rates especially of properties held on a long-term basis, strengthening the selling structure to promote property sales, and replacing inventory. However, sales of investment-type properties were impacted by a range of factors, for instance, weaker demand for suburban properties and rising real estate prices caused investors to select properties more rigorously, the tightening of loan standards for individual investors by financial institutions continued to have an impact, and competition with other companies in the same industry over purchases and sales intensified, and sales of large-scale investment-type properties and investment-type condominium units, which were being sold mainly to individual investors, declined.

Sales of residential-type properties for living were also sluggish, reflecting intensification of competition with other companies in the same industry both over purchases and sales. Meanwhile, in the Leasing Business, revenue from real estate leasing was strong thanks to efforts to improve occupancy rates and review rents at investment-type real estate and non-current assets held and newly acquired properties.

As a result, consolidated net sales decreased 26.4% year on year, to 39,677 million yen, consolidated operating income fell 47.2% year on year, to 3,157 million yen, consolidated ordinary income decreased 52.4% year on year, to 2,493 million yen, and consolidated profit attributable to owners of parent was down 49.7%, to 1,688 million yen in the fiscal year under review.

The following is an overview of the results by segment.

[Real Estate Trading Business]

In the Real Estate Trading Business, the number of units sold in investment-type properties came to 252 (down 50 units year on year) and the average unit selling price was 122 million yen (down 10.5% year on year), registering net sales of 30,986 million yen (down 25.3% year on year). Meanwhile, the number of units sold in residential-type properties came to 157 (down 134 units year on year) and the average unit selling price was 33 million yen (up 7.3% year on year), registering net sales of 5,291 million yen (down 42.1% year on year).

As a result, net sales for the segment decreased 28.2% year on year, to 36,401 million yen, and segment profit (operating income for the segment) fell 47.4% year on year, to 3,296 million yen.

[Real Estate Leasing and Other Business]

In the Real Estate Leasing and Other Business, revenue from real estate leasing increased 1.4% year on year, to 3,215 million yen. As a result, net sales for the segment increased 1.3% year on year, to 3,275 million yen, and segment profit (operating income for the segment) rose 1.4% year on year, to 1,183 million yen.

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

(2) Analysis of Financial Position

The financial position of the MUGEN ESTATE Group at the end of the consolidated fiscal year under review included assets of 68,512 million yen (up 2.6% from the end of the previous fiscal year), liabilities of 45,671 million yen (up 2.3% from the end of the previous fiscal year), and net assets of 22,840 million yen (up 3.3% from the end of the previous fiscal year).

Principal factors contributing to the increase in assets included increases of 3,190 million yen in cash and deposits and 702 million yen in property, plant and equipment, more than offsetting a decrease of 1,747 million yen in real estate properties for sale.

The increase in liabilities was attributable primarily to increases of 739 million yen in long-term loans payable (including the current portion of long-term loans payable) and 1,931 million yen in bonds payable (including the current portion of bonds payable), more than offsetting decreases of 976 million yen in short-term loans payable and 944 million yen in income taxes payable.

The growth in net assets resulted in large part from a rise of 1,688 million yen in retained earnings due to the recording of profit attributable to owners of parent, partly offset by a decrease of 730 million yen in retained earnings attributable to dividends paid.

(3) Analysis of Cash Flows

Cash and cash equivalents ("cash") at the end of the consolidated fiscal year under review increased 3,116 million yen from the end of the previous consolidated fiscal year, to 12,268 million yen. The cash flow positions and contributing factors are as follows:

[Cash flows from operating activities]

Net cash provided in operating activities during the consolidated fiscal year under review totaled 3,276 million yen (net cash used in operating activities during the previous consolidated fiscal year was 7,220 million yen). This mainly reflects inflows in the form of profit before income taxes of 2,500 million yen, depreciation of 978 million yen and a 798 million yen decrease in inventories, which more than offset the payment of income taxes of 1,735 million yen.

[Cash flows from investing activities]

Net cash used in investing activities during the consolidated fiscal year under review amounted to 872 million yen (net cash used in investing activities during the previous consolidated fiscal year was 104 million yen). This was primarily the result of proceeds of 1,892 million yen from the withdrawal of time deposits, offset by payments into deposits of 1,966 million yen and purchases of property, plant and equipment of 780 million yen.

[Cash flows from financing activities]

Net cash provided in financing activities during the consolidated fiscal year under review totaled 712 million yen (net cash provided in financing activities during the previous consolidated fiscal year was 4,534 million yen). This primarily reflects proceeds from long-term loans payable of 21,330 million yen and proceeds from the issuance of corporate bonds of 2,720 million yen, while the repayment of long-term loans payable was 20,590 million yen and the repayment of short-term loans payable was 971 million yen.

(Reference) Cash flow indicators

| | FY2017 | FY2018 | FY2019 |
|--|--------|--------|--------|
| Equity ratio (%) | 32.5 | 32.9 | 33.2 |
| Market value equity ratio (%) | 47.5 | 19.1 | 28.2 |
| Interest-bearing debt to cash flow ratio (years) | 5.0 | — | 13.1 |
| Interest coverage ratio (times) | 11.7 | — | 5.2 |

Equity ratio: shareholders' equity / total assets

Market value equity ratio: market capitalization / total assets

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

Interest coverage ratio: cash flow / interest payment

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

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

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

(4) Outlook for FY2020 (January 1, 2020 to December 31, 2020)

Looking ahead, the real estate market remained firm as the willingness of affluent people in Japan and foreign investors to purchase properties continued to be robust. With the number of new condominium units supplied in 2020 expected to increase only slightly from the previous year, demand for used condominiums is expected to continue growing. On the office market, many companies still appear to be actively working to improve the office environment reflecting recovery in corporate sentiment and the supply-demand balance is, therefore, likely to remain tight for the time being, especially in the Tokyo Metropolitan Area. However, operating conditions are also expected to remain uncertain given the uncertainties surrounding overseas economies and the domestic demand trend after the Tokyo Olympics.

In this market environment, for the MUGEN ESTATE Group, the fiscal year ending December 31, 2020 is the second year of its Medium-term Management Plan for fiscal 2019 through fiscal 2021 and the Group will seek to improve earnings in the Purchase and Resale Business and lay the foundations for new businesses. In the Purchase and Resale Business, the Group will improve the occupancy rate of investment-type properties, accelerate construction work that adds value to residential-type properties and improve inventory turnover by achieving early commercialization. In addition, to differentiate itself from its competitors and to improve the gross profit margin, the Group will make purchases of properties in the Tokyo Metropolitan Area where it can conduct repairs on a larger scale than at existing properties and increase added value. From the fiscal year ending December 31, 2020, the Group will newly establish a Development Business Division and will leverage the knowhow built up by the Group over many years to develop real estate, focusing on rental condominiums and office buildings. The Group will also seek to diversify revenue through the real estate specified joint enterprise business and crowdfunding business as well as through expansion of orders received for interior and exterior work for outside parties.

As a result of the measures outlined above, for the consolidated fiscal year ending December 31, 2020, the Group forecasts consolidated net sales of 45,157 million yen (up 13.8% year on year), consolidated operating income of 3,219 million yen (up 1.9% year on year), consolidated ordinary income of 2,443 million yen (down 2.0% year on year) and consolidated profit attributable to owners of parent of 1,595 million yen (down 5.5% year on year).

The above forecasts are based on information available to the Group as of the date of publication of this report. Actual results may vary significantly from the forecasts presented in this document due to a variety of factors.

(5) Basic Policy for Dividend Distribution and Dividends for FY2019 and FY2020

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

The Group plans to pay a year-end dividend for the fiscal year ended December 31, 2019 of 30 yen per share. With regard to its dividend for the fiscal year ending December 31, 2020, although the consolidated dividend payout ratio will exceed the medium-to-long-term target of around 20%, in line with the Group's basic policy of enhancing shareholder returns and continuing to pay dividends consistently, the Group expects to pay a year-end dividend of 25 yen per share, which equates to a consolidated dividend payout ratio of 37.6%.

2. Basic Perspective on Selection of Accounting Standards

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

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

3. Consolidated Financial Statements
(1) Consolidated Balance Sheets

(Million yen)

| | FY2018 (As of December 31, 2018) | FY2019 (As of December 31, 2019) |
|--|-------------------------------------|-------------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 10,517 | 13,708 |
| Accounts receivable - trade | 22 | 23 |
| Real estate for sale | 51,635 | 49,887 |
| Real estate for sale in process | 87 | 147 |
| Other | 1,067 | 611 |
| Allowance for doubtful accounts | (11) | (10) |
| Total current assets | 63,319 | 64,367 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings | 1,295 | 1,592 |
| Accumulated depreciation | (334) | (394) |
| Buildings, net | 960 | 1,197 |
| Land | 1,343 | 1,790 |
| Other | 148 | 180 |
| Accumulated depreciation | (86) | (100) |
| Other, net | 61 | 80 |
| Total property, plant and equipment | 2,366 | 3,068 |
| Intangible assets | | |
| Leasehold right | 55 | 55 |
| Other | 28 | 28 |
| Total intangible assets | 83 | 83 |
| Investments and other assets | | |
| Deferred tax assets | 772 | 777 |
| Other | 181 | 167 |
| Total investments and other assets | 954 | 944 |
| Total non-current assets | 3,404 | 4,096 |
| Deferred assets | | |
| Bond issuance cost | 36 | 48 |
| Total deferred assets | 36 | 48 |
| Total assets | 66,760 | 68,512 |

(Million yen)

| | FY2018 (As of December 31, 2018) | FY2019 (As of December 31, 2019) |
|--|-------------------------------------|-------------------------------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable - trade | 400 | 467 |
| Short-term loans payable | 3,213 | 2,236 |
| Current portion of bonds | 754 | 1,154 |
| Current portion of long-term loans payable | 4,142 | 6,950 |
| Income taxes payable | 1,359 | 414 |
| Provision for bonuses | 47 | 34 |
| Construction warranty reserve | 49 | 41 |
| Other | 567 | 887 |
| Total current liabilities | 10,532 | 12,185 |
| Non-current liabilities | | |
| Bonds payable | 1,694 | 3,225 |
| Long-term loans payable | 31,462 | 29,393 |
| Net defined benefit liability | 88 | 89 |
| Other | 876 | 777 |
| Total non-current liabilities | 34,121 | 33,486 |
| Total liabilities | 44,654 | 45,671 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 2,552 | 2,552 |
| Capital surplus | 2,475 | 2,475 |
| Retained earnings | 16,956 | 17,914 |
| Treasury shares | (0) | (223) |
| Total shareholders' equity | 21,983 | 22,718 |
| Subscription rights to shares | 122 | 122 |
| Total net assets | 22,106 | 22,840 |
| Total liabilities and net assets | 66,760 | 68,512 |

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

Consolidated Statement of Income

(Million yen)

| | FY2018 (From January 1, 2018 to December 31, 2018) | FY2019 (From January 1, 2019 to December 31, 2019) |
|--|--|--|
| Net sales | 53,931 | 39,677 |
| Cost of sales | 44,084 | 33,202 |
| Gross profit | 9,847 | 6,475 |
| Selling, general and administrative expenses | 3,862 | 3,317 |
| Operating profit | 5,985 | 3,157 |
| Non-operating income | | |
| Interest and dividend income | 1 | 1 |
| Commission fee | 15 | 17 |
| Penalty income | 16 | 27 |
| Refund of real estate acquisition tax | 12 | 3 |
| Other | 4 | 13 |
| Total non-operating income | 50 | 64 |
| Non-operating expenses | | |
| Interest expenses | 703 | 635 |
| Commission fee | 68 | 61 |
| Other | 25 | 31 |
| Total non-operating expenses | 797 | 728 |
| Ordinary profit | 5,237 | 2,493 |
| Extraordinary income | | |
| Gain on sales of non-current assets | 0 | 0 |
| Gain on reversal of share acquisition rights | 6 | 6 |
| Total extraordinary income | 6 | 6 |
| Extraordinary losses | | |
| Loss on retirement of non-current assets | 0 | — |
| Total extraordinary losses | 0 | — |
| Profit before income taxes | 5,243 | 2,500 |
| Income taxes - current | 2,087 | 815 |
| Income taxes - deferred | (200) | (4) |
| Total income taxes | 1,887 | 811 |
| Profit | 3,356 | 1,688 |
| Profit attributable to owners of parent | 3,356 | 1,688 |

Consolidated Statements of Comprehensive Income

(Million yen)

| | FY2018 (From January 1, 2018 to December 31, 2018) | FY2019 (From January 1, 2019 to December 31, 2019) |
|---|--|--|
| Income before minority interests | 3,356 | 1,688 |
| Comprehensive income | 3,356 | 1,688 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 3,356 | 1,688 |

(3) Consolidated Statements of Changes in Net Assets

FY2018 (From January 1, 2018 to December 31, 2018)

(Million yen)

| | Shareholders' equity | | | | | Subscription rights to shares | Total net assets |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|-------------------------------|------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity | | |
| Balance at the beginning of the fiscal year | 2,549 | 2,472 | 14,208 | — | 19,230 | 110 | 19,340 |
| Changes of items during period | | | | | | | |
| Issuance of new shares - exercise of subscription rights to shares | 2 | 2 | | | 5 | | 5 |
| Dividends of surplus | | | (608) | | (608) | | (608) |
| Profit attributable to owners of parent | | | 3,356 | | 3,356 | | 3,356 |
| Purchase of treasury shares | | | | (0) | (0) | | (0) |
| Net changes of items other than shareholders' equity | | | | | | 12 | 12 |
| Total changes of items during period | 2 | 2 | 2,747 | (0) | 2,753 | 12 | 2,765 |
| Balance at the end of the fiscal year | 2,552 | 2,475 | 16,956 | (0) | 21,983 | 122 | 22,106 |

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

(Million yen)

| | Shareholders' equity | | | | | Subscription rights to shares | Total net assets |
|--|----------------------|-----------------|-------------------|-----------------|----------------------------|-------------------------------|------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity | | |
| Balance at the beginning of the fiscal year | 2,552 | 2,475 | 16,956 | (0) | 21,983 | 112 | 22,106 |
| Changes of items during period | | | | | | | |
| Issuance of new shares - exercise of subscription rights to shares | | | | | — | | — |
| Dividends of surplus | | | (730) | | (730) | | (730) |
| Profit attributable to owners of parent | | | 1,688 | | 1,688 | | 1,688 |
| Purchase of treasury shares | | | | (223) | (223) | | (223) |
| Net changes of items other than shareholders' equity | | | | | | (0) | (0) |
| Total changes of items during period | — | — | 958 | (223) | 734 | (0) | 734 |
| Balance at the end of the fiscal year | 2,552 | 2,475 | 17,914 | (223) | 22,718 | 122 | 22,840 |

(4) Consolidated Statements of Cash Flows

(Million yen)

| | FY2018 (From January 1, 2018 to December 31, 2018) | FY2019 (From January 1, 2019 to December 31, 2019) |
|--|--|--|
| Cash flows from operating activities | | |
| Profit before income taxes | 5,243 | 2,500 |
| Depreciation | 1,014 | 978 |
| Increase (decrease) in allowance for doubtful accounts | 6 | 2 |
| Increase (decrease) in provision for bonuses | (25) | (12) |
| Increase (decrease) in construction warranty reserve | (9) | (7) |
| Increase (decrease) in net defined benefit liability | 7 | 0 |
| Interest and dividend income | (1) | (1) |
| Interest expenses | 703 | 635 |
| Share-based compensation expenses | 24 | 5 |
| Refund of real estate acquisition tax | 12 | 3 |
| Amortization of bond issuance cost | 13 | 18 |
| Loss (gain) on sales of non-current assets | (0) | (0) |
| Loss on retirement of non-current assets | 0 | — |
| Gain on reversal of share acquisition rights | (6) | (6) |
| Decrease (increase) in notes and accounts receivable - trade | (10) | (1) |
| Decrease (increase) in inventories | (11,001) | 798 |
| Increase (decrease) in notes and accounts payable - trade | (122) | 67 |
| Increase (decrease) in accrued consumption taxes | (410) | 290 |
| Decrease (increase) in consumption taxes refund receivable | (626) | 624 |
| Increase (decrease) in lease and guarantee deposits received | 140 | (97) |
| Decrease (increase) in other current assets | 624 | (172) |
| Increase (decrease) in other current liabilities | (70) | (1) |
| Other, net | 9 | 18 |
| Subtotal | (4,488) | 5,642 |
| Interest and dividend income received | 1 | 1 |
| Interest expenses paid | (688) | (632) |
| Income taxes paid | (2,045) | (1735) |
| Net cash provided by (used in) operating activities | (7,220) | 3,276 |
| Cash flows from investing activities | | |
| Payments into time deposits | (1,936) | (19,66) |
| Proceeds from withdrawal of time deposits | 1,897 | 1,892 |
| Purchase of property, plant and equipment | (64) | (780) |
| Proceeds from sales of property, plant and equipment | 2 | 0 |
| Purchase of intangible assets | (3) | (9) |
| Payments for investments in capital | — | (8) |
| Net cash provided by (used in) investing activities | (104) | (872) |

(Millions yen)

| | FY2018 (From January 1, 2018 to December 31, 2018) | FY2019 (From January 1, 2019 to December 31, 2019) |
|--|--|--|
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | (1,779) | (971) |
| Proceeds from long-term loans payable | 32,996 | 21,330 |
| Repayments of long-term loans payable | (26,215) | (20,590) |
| Proceeds from issuance of bonds | 736 | 2,720 |
| Redemption of bonds | (592) | (819) |
| Purchase of treasury shares | (0) | (223) |
| Proceeds from exercise of share options | 0 | — |
| Repayments of lease obligations | (2) | (2) |
| Cash dividends paid | (608) | (730) |
| Net cash provided by (used in) financing activities | 4,534 | 712 |
| Net increase (decrease) in cash and cash equivalents | (2,790) | 3,116 |
| Cash and cash equivalents at beginning of period | 11,942 | 9,151 |
| Cash and cash equivalents at end of period | 9,151 | 12,268 |

(Segment information)

[Segment information]

1. Summary of reportable segments

(1) Method for determining which segments to report

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

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

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

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

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

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

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

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

Profit from the reportable segments is based on operating income.

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

3. Information on net sales, profit or loss, assets, liabilities, and amounts of other items for each reportable segment FY2018 (From January 1, 2018 to December 31, 2018)

(Million yen)

| | Reportable Segments | | | Adjustment (Note) | Total |
|--|---------------------------------|--|-----------|----------------------|--------|
| | Real Estate Trading Business | Real Estate Leasing and Other Business | Sub-total | | |
| Net sales | | | | | |
| Net sales to external customers | 50,697 | 3,234 | 53,931 | — | 53,931 |
| Inter-segment sales or transfer | 4 | 0 | 5 | (5) | — |
| Total | 50,702 | 3,234 | 53,937 | (5) | 53,931 |
| Segment profit | 6,272 | 1,166 | 7,439 | (1,454) | 5,985 |
| Segment assets | 5,663 | 48,751 | 54,414 | 12,346 | 66,760 |
| Other items | | | | | |
| Depreciation | 30 | 964 | 994 | 19 | 1,014 |
| Increase in PPE and intangible non-current assets | 12 | 40 | 53 | 16 | 69 |

(Notes)

1. The adjustments include the following.

(1) The segment profit adjustment of (1,454) million yen consists of primarily company-wide expenses that are not allocated to the selling, general and administrative expenses of each reported segment.

(2) The segment asset adjustment of 12,346 million yen includes cash and cash deposits, deferred tax assets, assets related to the management division, and other items which are company-wide assets that are not allocated to each reported segment.

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

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

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

(Million yen)

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

(Notes)

1. The adjustments include the following.

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

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

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

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

(Per share information)

| | FY2018 (From January 1, 2018 to December 31, 2018) | FY2019 (From January 1, 2019 to December 31, 2019) |
|------------------------------|--|--|
| Net assets per share | 902.41 yen | 943.48 yen |
| Net income per share | 137.80 yen | 69.38 yen |
| Diluted net income per share | 137.36 yen | 69.10 yen |

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

| Item | FY2018 (From January 1, 2018 to December 31, 2018) | FY2019 (From January 1, 2019 to December 31, 2019) |
|---|--|--|
| Net income per share | | |
| Profit attributable to owners of parent (Million yen) | 3,356 | 1,688 |
| Amount that does not belong to ordinary shareholders (Million yen) | — | — |
| Profit attributable to owners of parent, available to common stock (Million yen) | 3,356 | 1,688 |
| Average number of common stock outstanding for the period (shares) | 24,359,437 | 24,344,805 |
| | | |
| Diluted net income per share | | |
| Adjustment for profit attributable to owners of parent (Million yen) | — | — |
| Increase in the number of common stock (shares) | 77,621 | 96,046 |
| (Subscription rights to shares(shares)) | (77,621) | (96,046) |
| Overview of dilutive shares not included in the calculation of diluted net income per share due to the absence of the dilution effect | — | — |