

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, 2017
[Based on Japanese GAAP]

February 13, 2018

Listed company name: MUGEN ESTATE Co., Ltd

Listed Stock Exchange: Tokyo Stock Exchange

Securities code: 3299

URL <http://www.mugen-estate.co.jp/en/>

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Scheduled date of general shareholders' meeting: March 27, 2018

Scheduled date of dividend payment: March 28, 2018

Scheduled date of securities report submission: March 27, 2018

Supplementary material for financial results: Yes

Financial results briefing: Yes (for analysts and institutional investors, in Japanese)

(fractions of one million years are rounded off)

1. Consolidated financial results for the fiscal year ended December 31, 2017

(1) Consolidated financial results

(Percentages represent changes from the previous year.)

(1) Consolidated material 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	%
FY2017	63,568	10.6	7,122	12.9	6,478	13.7	4,276	46.2
FY2016	57,488	25.8	6,310	3.1	5,696	2.2	2,925	(13.5)

(Note)	Comprehensive income	FY2017	4,276million yen(46.2 %)	FY2016	2,925million yen(-13.5%)
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	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
FY2017	175.61	175.18	24.7	11.0	11.2
FY2016	121.35	121.13	22.1	11.2	11.0

(Reference)Equity in earnings (losses) of affiliates	FY2017	- million yen	FY2016	- million yen
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(Note) MUGEN ESTATE Co., Ltd. (hereinafter “the Company”) conducted a 2-for-1 split which became effective as of July 1, 2016. The figures for net income per share and diluted net income per share have been adjusted to reflect the number of shares after the stock split occurred at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of December 31, 2017	59,212	19,340	32.5	789.55
As of December 31, 2016	58,145	15,557	26.6	634.98

(Reference)	Shareholders' Equity	As of December 31, 2017	19,230 million yen
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As of December 31, 2017	15,250 million yen
As of December 31, 2016	15,464 million yen

(Note) The Company conducted a 2-for-1 split which became effective as of July 1, 2016. The figure for net asset per share has been adjusted to reflect the number of shares after the stock split occurred at the beginning of the previous fiscal year.

(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
FY2017	7,266	(124)	(2,862)	11,942
FY2016	(8,723)	(1,242)	11,338	7,663

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	%	%
FY2016	-	0.00	-	21.00	21.00	511	17.3	3.7
FY2017	-	0.00	-	25.00	25.00	608	14.2	3.5
FY2018 (forecast)	-	0.00	-	30.00	30.00		15.7	

(Note) 1. Distribution of Year-end dividend for the fiscal year ended December 31, 2016

Ordinary dividend	19.00 yen	Commemorative dividend	2.00 yen
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2. The Company has increased its year-end dividend per share for the fiscal year ended December 31, 2017 from 23 yen to 25 yen as announced in the “Notice Regarding Revision of Year-End Dividend Forecast (Dividend Increase)” announced today (February 13, 2018).

3. Forecast of consolidated financial results for the fiscal year ending December 31, 2018

(from January 1, 2018 to December 31, 2018)

(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
FY2018	76,284	20.0	7,959	11.8	7,222	11.5	4,639	8.5	190.48

* 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)

FY2017	24,355,000 shares	FY2016	24,355,000 shares
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 - (ii) Number of treasury stock held at end of the period

FY2017	– shares	FY2016	– shares
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 - (iii) Average number of shares outstanding during the period

FY2017	24,355,000 shares	FY2016	24,110,560 shares
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* 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 FY2018” under “1. Operating Results and Financial Position” on page 4 of the Accompanying Materials for the assumptions of the financial forecasts and points to note in the use of financial forecasts

(2) Change in the method of presenting denomination units

Amounts in the account titles and any other matters, which were previously presented in units of thousands of yen in the Company’s consolidated financial statements, will be presented in units of millions of yen in its future consolidated financial statements, including those for this consolidated fiscal year. To make comparisons straightforward, the amounts for the results of the previous consolidated fiscal year are also presented in units of millions of yen.

(3) 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.

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1. Operating Results and Financial Position

(1) Analysis of Operating Results

During the consolidated fiscal year under review (January 1 through December 31, 2017), the Japanese economy continued to maintain a moderate recovery, fueled by improvements in employment and income conditions, reflecting the effects of various policies implemented by the government and the Bank of Japan. The economic outlook, however, continued to be cautious because uncertainties about overseas economies and fluctuations in financial capital markets remained to be seen.

In the real estate industry where the MUGEN ESTATE Group operates, strong demand of individual investors, business corporations and foreign investors for investment-type properties continued on the back of the favorable financing conditions provided by the Bank of Japan's negative interest rate policy. In the used real estate market, demand for investment-type and residential-type properties, whose prices rose at a gradual pace, continued to be polarized, reflecting the tendency of choosing properties according to use and locations.

In the second-hand housing market, the number of contracts signed in the Tokyo metropolitan area during the period between January and November 2017 increased 0.4% year on year according to a private-sector research agency. On the other hand, the number of new condominium units released in the Tokyo metropolitan area, which is expected to increase from a year ago for the first time in four years, still remains below 40,000 units. Due to the resultant effects of soaring prices and a supply shortage, demand for relatively low-priced, high-quality used condominiums continued to be strong.

In the office leasing market, predominantly in the central Tokyo area, the vacancy rate in the 23 wards of Tokyo continued to be low at 2.25% in December 2017 according to a private-sector research agency, reflecting strong demand from companies relocating and expanding their offices, while the number of large-sized new offices released was low. The floor area of large-sized office buildings that will be completed in central Tokyo is expected to increase three times from a year ago to approximately 600,000 square meters in 2018, and their vacancy rates may rise depending on the convenience and management of existing buildings. For all that, demand for real estate transactions is expected to remain strong on the back of improvements in corporate earnings, employment environments, favorable financing conditions, and inflows of money from overseas.

In this market environment, the MUGEN ESTATE Group continued to further its strategy of becoming a dominant player in the Tokyo metropolitan area in the Real Estate Trading Business, its core segment, and kept stepping up its efforts to strengthen the purchase and resale of investment-type properties, which are its growth drivers.

As a result, consolidated net sales increased 10.6% year on year, to 63,568 million yen, consolidated operating income rose 12.9% year on year, to 7,122 million yen, consolidated ordinary income climbed 13.7% year on year, to 6,478 million yen, and consolidated profit attributable to owners of parent soared 46.2%, to 4,276 million yen in the fiscal year under review.

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.

The following is an overview of the results by segments.

[Real Estate Trading Business]

In the Real Estate Trading Business, the MUGEN ESTATE Group strengthened sales to domestic investors, mainly affluent people and business corporations, as well as investors in overseas countries, predominantly those in Asia, while at the same time promoting the sale of large-sized investment-type properties, working on plans to increase the number of properties sold and raise unit selling prices, and enhancing product lineups. As a result, the MUGEN ESTATE Group sold 318 units of investment-type properties (up 69 units year on year), including 47 units priced at more than 300 million yen (up 3 units year on year, with 7 units priced at more than 1 billion yen), whose average unit selling price was 164.1 million yen (down 9.5% year on year), registering net sales of 52,203 million yen (up 15.5% year on year) for investment-type properties. The decline in the average unit selling price from a year ago was attributable to a significant increase in the number of investment property units whose unit selling prices were low. On the other hand, the average unit selling price of investment-type buildings excluding property units was 248.9 million yen, showing steady progress in its efforts to sell large-sized properties.

In addition, the Group conducted sales of residential-type properties such as condominiums, whose purchase prices continued

to rise due to intensified competition because of low barriers to entry to the market by implementing selected purchases in central Tokyo and areas that are convenient for daily living, and by ensuring strict profit management on a property-by-property basis. Consequently, the number of units sold was 358 (down 10 unit year on year), the average unit selling price stood at 24.9 million yen (down 7.5% year on year), and net sales for residential-type properties came to 8,939 million yen (down 10.0% year on year).

As a result, net sales for the segment increased 11.0% year on year, to 61,212 million yen, and segment profit (operating income for the segment) grew 11.5% year on year, to 7,792 million yen.

[Real Estate Leasing and Other Business]

In the Real Estate Leasing and Other Business, revenue from real estate leasing came to 2,317 million yen (down 0.1% year on year), which was on par with the level a year ago, despite a decrease in inventory of investment-type properties due to the implementation of carefully selected purchases of investment-type properties in the Real Estate Trading Business.

As a result, net sales for the segment increased 0.6% year on year, to 2,356 million yen, and segment profit (operating income for the segment) grew 0.2% year on year, to 908 million yen.

(2) Analysis of Financial Position

The consolidated financial position of the MUGEN ESTATE Group at the end of the fiscal year under review includes assets of 59,212 million yen (up 1.8% year on year), liabilities of 39,872 million yen (down 6.4% year on year), and net assets of 19,340 million yen (up 24.3% year on year).

The principal factors for the growth in assets included increases of 4,442 million yen in cash and deposits and 500 million yen in other in current assets, which offset a decline of 3,854 million yen in real estate for sale.

The decline of liabilities was mainly attributable to decreases of 4,670 million yen in long-term loans payable (including the current portion of such loans) and 692 million yen in other in current liabilities, which offset increases of 1,390 million yen in corporate bonds (including the current portion of such bonds) and 1,000 million yen in short-term loans payable.

The rise in net assets chiefly reflected an increase of 4,276 million yen in retained earnings due to the recording of profit attributable to owners of parent, which offset an asset decline of 511 million yen attributable to dividends paid from surplus.

(3) Analysis of Cash Flows

Cash and cash equivalents at the end of the consolidated fiscal year under review (“cash”) increased 4,279 million yen from the end of the previous consolidated fiscal year, to 11,942 million yen. The cash flow positions and contributing factors are as follows:

[Cash flows from operating activities]

Net cash provided by operating activities during the consolidated fiscal year under review totaled 7,266 million yen (net cash used in operating activities during the previous consolidated fiscal year was 8,723 million yen). This was mainly attributable to profit before income taxes of 6,644 million yen and proceeds of 3,174 million yen due to a decrease in inventories, while the payment of income taxes stood at 2,104 million yen.

[Cash flows from investing activities]

Net cash used in investing activities during the consolidated fiscal year under review amounted to 124 million yen (net cash used in investing activities during the previous consolidated fiscal year was 1,242 million yen). This was primarily the result of proceeds of 1,768 million yen from the withdrawal of time deposits, while payments into deposits amounted to 1,932 million yen.

[Cash flows from financing activities]

Net cash used in financing activities during the consolidated fiscal year under review totaled 2,862 million yen (net cash provided by financing activities during the previous consolidated fiscal year was 11,338 million yen). This was primarily the result of proceeds from long-term loans payable amounting to 26,004 million yen and proceeds of 1,574 million yen from the issuance of corporate bonds, while the repayment of long-term loans payable was 30,674 million yen.

(Reference) Cash flow indicators

	FY2015	FY2016	FY2017
Equity ratio (%)	25.3	26.6	32.5
Market value equity ratio (%)	65.3	30.4	47.5
Interest-bearing debt to cash flow ratio (years)	—	—	5.0
Interest coverage ratio (times)	—	—	11.7

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 FY2015 and FY2016 are omitted because the cash flows from operating activities in these years is negative.

(4) Outlook for FY2018 (January 1, 2018 to December 31, 2018)

Looking ahead (fiscal year ending December 31, 2018), the Japanese economy is expected to remain on a moderate recovery path, reflecting a rise in capital spending, an increase in wages and further improvements in employment environments that will continue against the backdrop of strong corporate earnings. Overseas economies will also continue a gradual recovery, mainly in the United States as well as in Asia and Europe, although uncertainties about geopolitical risks and policies remain to be seen.

In the real estate industry where the MUGEN ESTATE Group operates, strong demand from parties managing assets, parties seeking inheritance tax shields and foreign investors for investment-type properties will continue to be solid, with financing conditions expected to remain as favorable as ever. On the other hand, given that the real estate market is becoming increasingly polarized, the Group considers that carefully selected purchases are essential for securing reasonable profitability.

In this market environment, the MUGEN ESTATE Group will continue to promote its strategy of becoming a dominant player in the Tokyo metropolitan area in the Real Estate Trading Business. It will conduct its business with a focus on the purchase and resale of investment-type properties, its growth drivers, in order to enhance and expand its business in Tokyo and the three neighboring prefectures (Tokyo, Kanagawa, Saitama and Chiba) from the Group's three offices – the head office, Shinjuku Branch, and Yokohama Branch. In the business of investment-type properties, it will continue to step up its efforts to sell large-sized properties, thereby raising the average unit selling price. In addition, it will move forward aggressively with initiatives for new businesses such as a leaseback business that will be launched in February 2018.

With regard to investment-type properties such as rental condominiums and office blocks in the Real Estate Trading Business, the Group expects that the number of units sold will rise 22 units year on year, to 340 units, the average unit selling price will increase 15.4% year on year, to 189.4 million yen, and net sales will climb 23.4% year on year, to 64,420 million yen. It will redouble its efforts to sell large-sized properties including those priced at more than 1 billion yen, and it will continue to achieve an increase in sales and profit by increasing the number of units sold and raising the average unit selling price. With regard to residential-type properties such as condominium units, the Group forecasts that the number of units sold will edge up 2 units year on year, to 360, the average unit selling price will increase 4.1% year on year, to 26.0 million yen, and net sales will rise 4.7% year on year, to 9,360 million yen.

As a result, net sales of the Real Estate Trading Business are expected to climb 20.6% year on year, to 73,840 million yen.

Net sales of the Real Estate Leasing and Other Business are projected to increase 3.7% year on year, to 2,444 million yen, reflecting an anticipated increase in real estate for sale as the source of revenue in real estate leasing, which is linked to the purchase of investment-type properties in the Real Estate Trading Business.

Through the implementation of these measures, the Group forecasts an increase in sales and profit for the consolidated fiscal year ending December 31, 2018, with consolidated net sales of 76,284 million yen (up 20.0% year on year), consolidated operating income of 7,959 million yen (up 11.8% year on year), consolidated ordinary income of 7,222 million yen (up 11.5%

year on year) and consolidated profit attributable to owners of parent of 4,639 million yen (up 8.5% year on year).

(5) Basic Policy for Dividend Distribution and Dividends for FY2017 and FY2018

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 mid- to-long-term basis.

Based on this policy, for the fiscal year under review, the Group plans to increase its annual dividend per share by 4 yen, to 25 yen, or a payout ratio of 14.2%, in comparison with the dividend paid in the previous consolidated fiscal year.

With regard to its dividend for the fiscal year ending December 31, 2018, the Group forecasts that its annual dividend per share will be raised to 30 yen, or a payout ratio of 15.7%, taking the full-year consolidated results forecasts for the said fiscal year into account.

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)

	FY2016 (As of December 31, 2016)	FY2017 (As of December 31, 2017)
Assets		
Current assets		
Cash and deposits	8,825	13,268
Accounts receivable - trade	21	15
Real estate for sale	45,354	41,500
Real estate for sale in process	77	114
Deferred tax assets	339	394
Other	556	1,057
Allowance for doubtful accounts	(8)	(10)
Total current assets	55,167	56,339
Non-current assets		
Property, plant and equipment		
Buildings	1,282	1,264
Accumulated depreciation	(260)	(278)
Buildings, net	1,021	986
Land	1,413	1,326
Other	134	136
Accumulated depreciation	(68)	(70)
Other, net	65	66
Total property, plant and equipment	2,500	2,379
Intangible assets		
Leasehold right	55	55
Other	83	68
Total intangible assets	138	124
Investments and other assets		
Deferred tax assets	230	177
Other	91	156
Total investments and other assets	321	334
Total non-current assets	2,961	2,837
Deferred assets		
Bond issuance cost	16	35
Total deferred assets	16	35
Total assets	58,145	59,212

(Million yen)

	FY2016 (As of December 31, 2016)	FY2017 (As of December 31, 2017)
Liabilities		
Current liabilities		
Accounts payable - trade	621	523
Short-term loans payable	3,927	4,928
Current portion of bonds	180	530
Current portion of long-term loans payable	3,472	4,853
Income taxes payable	988	1,379
Provision for bonuses	45	72
Construction warranty reserve	56	58
Other	1,671	978
Total current liabilities	10,962	13,325
Non-current liabilities		
Bonds payable	720	1,760
Long-term loans payable	30,021	23,969
Net defined benefit liability	69	81
Other	814	736
Total non-current liabilities	31,625	26,547
Total liabilities	42,588	39,872
Net assets		
Shareholders' equity		
Capital stock	2,549	2,549
Capital surplus	2,472	2,472
Retained earnings	10,442	14,208
Total shareholders' equity	15,464	19,230
Subscription rights to shares	92	110
Total net assets	15,557	19,340
Total liabilities and net assets	58,145	59,212

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

Consolidated Statement of Income

(Million yen)

	FY2016 (From January 1, 2016 to December 31, 2016)	FY2017 (From January 1, 2017 to December 31, 2017)
Net sales	57,488	63,568
Cost of sales	47,156	52,166
Gross profit	10,332	11,402
Selling, general and administrative expenses	4,021	4,279
Operating income	6,310	7,122
Non-operating income		
Interest and dividend income	1	1
Commission fee	7	11
Penalty income	10	21
Insurance income	7	-
Reversal of deposits received	60	-
Other	8	4
Total non-operating income	96	39
Non-operating expenses		
Interest expenses	647	619
Share issuance cost	15	-
Commission fee	43	52
Other	3	10
Total non-operating expenses	709	683
Ordinary income	5,696	6,478
Extraordinary income		
Gain on sales of non-current assets	0	29
Other	-	136
Total extraordinary income	0	165
Extraordinary losses		
Loss on sales of non-current assets	-	0
Consumption taxes for prior period	791	-
Other	0	-
Total extraordinary losses	791	0
Profit before income taxes	4,905	6,644
Income taxes - current	2,148	2,369
Income taxes - deferred	(169)	(1)
Total income taxes	1,979	2,367
Profit	2,925	4,276
Profit attributable to owners of parent	2,925	4,276

Consolidated Statements of Comprehensive Income

(Million yen)

	FY2016 (From January 1, 2016 to December 31, 2016)	FY2017 (From January 1, 2017 to December 31, 2017)
Income before minority interests	2,925	4,276
Comprehensive income	2,925	4,276
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,925	4,276

(3) Consolidated Statements of Changes in Net Assets

FY2016 (From January 1, 2016 to December 31, 2016)

(Million yen)

	Shareholders' equity				Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity		
Balance at the beginning of the fiscal year	1,586	1,509	7,869	10,966	47	11,013
Changes of items during period						
Issuance of new shares	959	959		1,919		1,919
Issuance of new shares - exercise of subscription rights to shares	2	2		5		5
Dividends of surplus			(352)	(352)		(352)
Profit attributable to owners of parent			2,925	2,925		2,925
Net changes of items other than shareholders' equity					44	44
Total changes of items during period	962	962	2,573	4,498	44	4,543
Balance at the end of the fiscal year	2,549	2,472	10,442	15,464	92	15,557

FY2017 (From January 1, 2017 to December 31, 2017)

(Million yen)

	Shareholders' equity				Subscription rights to shares	Total net assets
	Capital stock	Capital surplus	Retained earnings	Total shareholders' equity		
Balance at the beginning of the fiscal year	2,549	2,472	10,442	15,464	92	15,557
Changes of items during period						
Issuance of new shares				-		-
Issuance of new shares - exercise of subscription rights to shares				-		-
Dividends of surplus			(511)	(511)		(511)
Profit attributable to owners of parent			4,276	4,276		4,276
Net changes of items other than shareholders' equity					18	18
Total changes of items during period	-	-	3,765	3,765	18	3,783
Balance at the end of the fiscal year	2,549	2,472	14,208	19,230	110	19,340

(4) Consolidated Statements of Cash Flows

(Million yen)

	FY2016 (From January 1, 2016 to December 31, 2016)	FY2017 (From January 1, 2017 to December 31, 2017)
Cash flows from operating activities		
Profit before income taxes	4,905	6,644
Depreciation	683	730
Increase (decrease) in allowance for doubtful accounts	(1)	4
Increase (decrease) in provision for bonuses	(18)	27
Increase (decrease) in construction warranty reserve	21	2
Increase (decrease) in net defined benefit liability	12	11
Interest and dividend income	(1)	(1)
Interest expenses	647	619
Share issuance cost	15	-
Share-based compensation expenses	47	18
Reversal of deposits received	(60)	-
Amortization of bond issuance cost	1	6
Loss (gain) on sales of non-current assets	(0)	(29)
Loss on retirement of non-current assets	0	-
Reversal of consumption taxes for prior period	-	(136)
Loss from prior period of consumption tax	791	-
Decrease (increase) in notes and accounts receivable - trade	1	4
Decrease (increase) in inventories	(12,939)	3,174
Increase (decrease) in notes and accounts payable - trade	(99)	(98)
Increase (decrease) in accrued consumption taxes	352	75
Decrease (increase) in consumption taxes refund receivable	82	17
Increase (decrease) in lease and guarantee deposits received	268	(69)
Decrease (increase) in other current assets	145	(514)
Increase (decrease) in other current liabilities	111	(506)
Other, net	26	(5)
Subtotal	(5,005)	9,976
Interest and dividend income received	1	1
Interest expenses paid	(658)	(606)
Income taxes paid	(3,061)	(2,104)
Net cash provided by (used in) operating activities	(8,723)	7,266
Cash flows from investing activities		
Payments into time deposits	(1,574)	(1,932)
Proceeds from withdrawal of time deposits	1,249	1,768
Purchase of property, plant and equipment	(874)	(107)
Proceeds from sales of property, plant and equipment	0	187
Purchase of intangible assets	(37)	(3)
Payments for investments in capital	(7)	(36)
Net cash provided by (used in) investing activities	(1,242)	(124)

(Millions yen)

	FY2016 (From January 1, 2016 to December 31, 2016)	FY2017 (From January 1, 2017 to December 31, 2017)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(114)	957
Proceeds from long-term loans payable	34,061	26,004
Repayments of long-term loans payable	(25,042)	(30,674)
Proceeds from issuance of bonds	882	1,574
Proceeds from issuance of common shares	1,904	-
Redemption of bonds	-	(210)
Proceeds from exercise of share options	2	-
Repayments of lease obligations	(2)	(2)
Cash dividends paid	(352)	(511)
Net cash provided by (used in) financing activities	11,338	(2,862)
Net increase (decrease) in cash and cash equivalents	1,372	4,279
Cash and cash equivalents at beginning of period	6,291	7,663
Cash and cash equivalents at end of period	7,663	11,942

(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

FY2016 (From January 1, 2016 to December 31, 2016)

(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	55,147	2,341	57,488	-	57,488
Inter-segment sales or transfer	0	7	8	(8)	-
Total	55,148	2,349	57,497	(8)	57,488
Segment profit	6,989	906	7,896	(1,585)	6,310
Segment assets	4,057	44,362	48,419	9,725	58,145
Other items					
Depreciation	11	650	661	21	683
Increase in PPE and intangible non-current assets	39	861	901	17	918

(Notes)

1. The adjustments include the following.

(1) The segment profit adjustment of (1,585) 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 9,725 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.

FY2017 (From January 1, 2017 to December 31, 2017)

(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	61,212	2,356	63,568	-	63,568
Inter-segment sales or transfer	30	8	39	(39)	-
Total	61,243	2,364	63,608	(39)	63,568
Segment profit	7,792	908	8,700	(1,577)	7,122
Segment assets	4,895	40,084	44,980	14,232	59,212
Other items					
Depreciation	13	693	707	23	730
Increase in PPE and intangible non-current assets	14	87	101	9	111

(Notes)

1. The adjustments include the following.

(1) The segment profit adjustment of (1,577) 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 14,232 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)

	FY2016 (From January 1, 2016 to December 31, 2016)	FY2017 (From January 1, 2017 to December 31, 2017)
Net assets per share	634.98 yen	789.59 yen
Net income per share	121.35 yen	175.61 yen
Diluted net income per share	121.13 yen	175.18 yen

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

Item	FY2016 (From January 1, 2016 to December 31, 2016)	FY2017 (From January 1, 2017 to December 31, 2017)
Net income per share		
Profit attributable to owners of parent (Millions yen)	2,925	4,276
Amount that does not belong to ordinary shareholders (Millions yen)	—	—
Profit attributable to owners of parent, available to common stock (Millions yen)	2,925	4,276
Average number of common stock outstanding for the period (shares)	24,110,560	24,355,000
Diluted net income per share		
Adjustment for profit attributable to owners of parent (thousand yen)	—	—
Increase in the number of common stock (shares)	43,786	59,639
Overview of dilutive shares not included in the calculation of diluted net income per share due to the absence of the dilution effect	—	—

(Note) The Company conducted a 2-for-1 split which became effective as of July 1, 2016. The figure for net asset per share has been adjusted to reflect the number of shares after the stock split occurred at the beginning of the previous fiscal year.

(Significant subsequent event)

Not applicable.