

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, 2018 [Based on Japanese GAAP]

February 12, 2019

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 26, 2019 Scheduled date of dividend payment: March 27, 2019

Scheduled date of securities report submission: March 26, 2019 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, 2018

(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	%
FY2018	53,931	(15.2)	5,985	(16.0)	5,237	(19.2)	3,356	(21.5)
FY2017	63,568	10.6	7,122	12.9	6,478	13.7	4,276	46.2

(Note) Comprehensive income FY2018 3,356 million yen (-21.5 %) FY2017 4,276 million yen (-46.2 %)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income to total assets	Operating income to net sales
	Yen	Yen	%	%	%
FY2018	137.80	137.36	16.3	8.3	11.1
FY2017	175.61	175.18	24.7	11.0	11.2

(Reference)Equity in earnings (losses) of affiliates FY2018 - million yen FY2017 - 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, 2018	66,760	22,106	32.9	902.41
As of December 31, 2017	59,212	19,340	32.5	789.59

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

As of December 31, 2017 19,230 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
FY2018	(7,220)	(104)	4,534	9,151
FY2017	7,266	(124)	(2,862)	11,942

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			
FY2017	Yen -	Yen 0.00	Yen -	Yen 25.00	Yen 25.00	Million yen 608	% 14.2	% 3.5
FY2018	Yen -	Yen 0.00	Yen -	Yen 30.00	Yen 30.00	730	21.8	3.5
FY2019 (forecast)	Yen -	Yen 0.00	Yen -	Yen 30.00	Yen 30.00		25.9	

3. Forecast of consolidated financial results for the fiscal year ending December 31, 2019

(from January 1, 2019 to December 31, 2019)

(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
FY2019	58,143	7.8	5,043	(15.7)	4,381	(16.3)	2,826	(15.8)	116.03

* Notes

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

Note: While not corresponding to a change of specified subsidiaries, Mugen Investment Advisors Co., Ltd. and Mugen Funding Co., Ltd. were added to the scope of consolidation in the third quarter of the fiscal year under review.

(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)

FY2018 24,361,000 shares FY2017 24,355,000 shares

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

FY2018 59 shares FY2017 – shares

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

FY2018 24,359,437 shares FY2017 24,355,000 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 4 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.

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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, 2018), the Japanese economy continued to maintain a moderate recovery, partly thanks to the effect of government policies amid improving employment and income conditions. However, attention needs to be paid to the future, given the uncertainty of overseas economies due to emerging trade issues and the impact of fluctuations in the financial and capital markets.

In the real estate industry where the MUGEN ESTATE Group operates, financial institutions have begun to tighten their loan standards for individual investors those whom are unable to prepare sufficient personal funds, reflecting the problem of inappropriate loans caused by some financial institutions. However, the real estate market remained firm as the willingness of affluent people in Japan and foreign investors to purchase properties continued to be robust.

In the second-hand housing market, the number of contracts signed for used condominiums in the Tokyo metropolitan area during the period stayed on a moderate upward trend. Meanwhile, the number of new condominium units released in the Tokyo metropolitan area stayed low as contracted prices of new condominiums remained high, and demand for relatively low-priced used condominiums continued.

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, mainly on the back of strong corporate earnings. Subsequently, the rent level maintained a moderate upward trend.

In this market environment, the MUGEN ESTATE Group saw sales fall below the plan in the first half in the Real Estate Trading Business, its core segment, due to the effect of financial institutions tightening their loan standards for investors in investment-type properties, and the Group revised its initial financial forecasts on August 6, 2018. In the second half, demand from affluent people in Japan and foreign investors continued to be robust, and the Group took active sales measures by stimulating demand through revised sales prices and strengthening its selling structure.

As a result, consolidated net sales decreased 15.2% year on year, to 53,931 million yen, consolidated operating income fell 16.0% year on year, to 5,985 million yen, consolidated ordinary income decreased 19.2% year on year, to 5,237 million yen, and consolidated profit attributable to owners of parent was down 21.5%, to 3,356 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 segment.

[Real Estate Trading Business]

In the Real Estate Trading Business, 302 units of investment-type properties were sold (down 16 units year on year), whose average unit selling price was 137million yen (down 16.3% year on year), and net sales stood at 41,491 million yen (down 20.5% year on year). A total of 291 units of residential-type properties were sold (down 67 units year on year), whose average unit selling price was 31 million yen (up 25.8% year on year), and net sales were 9,141 million yen (up 2.3% year on year).

As a result, net sales for the segment decreased 17.2% year on year, to 50,697 million yen, and segment profit (operating income for the segment) fell 19.5% year on year, to 6,272 million yen.

[Real Estate Leasing and Other Business]

In the Real Estate Leasing and Other Business, revenue from real estate leasing expanded 36.8% year on year, to 3,169 million yen.

As a result, net sales for the segment increased 37.3% year on year, to 3,234 million yen, and segment profit (operating income for the segment) rose 28.4% year on year, to 1,166 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 66,760 million yen (up 12.7% year on year), liabilities of 44,654 million yen (up 12.0% year on year), and net assets of 22,106 million yen (up 14.3% year on year).

The principal factors for the growth in assets included increases of 10,135 million yen in real estate for sale, which offset a decline of 2,751 million yen in cash and deposits.

The rise in liabilities was mainly attributable to increases of 6,781 million yen in long-term loans payable (including the current portion of such loans) and 158 million yen in corporate bonds (including the current portion of such bonds), which offset decreases of 1,714 million yen in short-term loans payable and 410 million yen in other in current liabilities.

The rise in net assets chiefly reflected an increase of 3,356 million yen in retained earnings due to the recording of profit attributable to owners of parent, which offset an asset decline of 608 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") decreased 2,790 million yen from the end of the previous consolidated fiscal year, to 9,151 million yen. The cash flow positions and contributing factors are as follows:

[Cash flows from operating activities]

Net cash used by operating activities during the consolidated fiscal year under review totaled 7,220 million yen (net cash provided in operating activities during the previous consolidated fiscal year was 7,266 million yen).

This was mainly attributable to profit before income taxes of 5,243 million yen and proceeds of 1,014 million yen due to depreciation, while the payment of income taxes stood at 2,045 million yen and proceeds of 11,001 million yen due to increase in inventories.

[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 1,897 million yen from the withdrawal of time deposits, while payments into deposits amounted to 1,936 million yen and Purchase of property, plant and equipment to 64 million yen.

[Cash flows from financing activities]

Net cash provided in financing activities during the consolidated fiscal year under review totaled 4,534 million yen (net cash used by financing activities during the previous consolidated fiscal year was 2,862 million yen).

This was primarily the result of proceeds from long-term loans payable amounting to 32,996 million yen and proceeds of 736 million yen from the issuance of corporate bonds, while the repayment of long-term loans payable was 26,215 million yen and short-term loans payable was 1,779 million yen.

(Reference) Cash flow indicators

	FY2016	FY2017	FY2018
Equity ratio (%)	26.6	32.5	32.9
Market value equity ratio (%)	30.4	47.5	19.1
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 FY2016 and FY2018 are omitted because the cash flows from operating activities in these years are negative.

(4) Outlook for FY2019 (January 1, 2019 to December 31, 2019)

Looking ahead, the favorable financing environment at low interest rates is expected to remain solid. While financial institutions maintain tightened loan standards for investment-type properties, the Group thinks that the tightened standards are limited for high-quality used properties, creditworthy business companies, affluent people and foreign investors.

In this market environment, the MUGEN ESTATE Group has revised its medium-term management plan which the Group announced in the previous fiscal year and formulated a new medium-term management plan for fiscal 2019 through fiscal 2021 in light of changes in the business environment and recent trends in its business performance. In the new medium-term management plan, the Group regards this period as one to evolve into a company that can continue to grow and has adopted management policies of “making products that support the business base,” “building networks that support the revenue base” and “creating human resources and systems that support the management base.”

As measures to achieve the plans set in the new medium-term management plan, the Group will work to (1) provide products that respond to environmental changes, meet social needs and please customers, (2) refurbish properties held, (3) master products and services, (4) master the selling and buying of properties, (5) respond to diverse work styles and (6) further strengthen the Group power.

For details, please refer to the “Notice of Revision of Medium-Term Management Plan” and the “Financial Results of Fiscal Year Ended December 31, 2018” released today.

For the consolidated fiscal year ending December 31, 2019, the Group forecasts an increase in sales and a decrease in profit, with consolidated net sales of 58,143 million yen (up 7.8% year on year), consolidated operating income of 5,043 million yen (down 15.7% year on year), consolidated ordinary income of 4,381 million yen (down 16.3% year on year) and consolidated profit attributable to owners of parent of 2,826 million yen (down 15.8% year on year).

(5) Basic Policy for Dividend Distribution and Dividends for FY2018 and FY2019

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 5 yen, to 30 yen, or a payout ratio of 21.8%, in comparison with the dividend paid in the previous consolidated fiscal year.

With regard to its dividend for the fiscal year ending December 31, 2019, the Group forecasts that its annual dividend per share will be 30 yen, or a payout ratio of 25.9%, 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

	FY2017 (As of December 31, 2017)	FY2018 (As of December 31, 2018)	(Million yen)
Assets			
Current assets			
Cash and deposits	13,268	10,517	
Accounts receivable - trade	15	22	
Real estate for sale	41,500	51,635	
Real estate for sale in process	114	87	
Deferred tax assets	394	614	
Other	1,057	1,067	
Allowance for doubtful accounts	(10)	(11)	
Total current assets	<u>56,339</u>	<u>63,934</u>	
Non-current assets			
Property, plant and equipment			
Buildings	1,264	1,295	
Accumulated depreciation	(278)	(334)	
Buildings, net	<u>986</u>	<u>960</u>	
Land	1,326	1,343	
Other	136	148	
Accumulated depreciation	(70)	(86)	
Other, net	66	61	
Total property, plant and equipment	<u>2,379</u>	<u>2,366</u>	
Intangible assets			
Leasehold right	55	55	
Other	68	28	
Total intangible assets	<u>124</u>	<u>83</u>	
Investments and other assets			
Deferred tax assets	177	157	
Other	156	181	
Total investments and other assets	<u>334</u>	<u>339</u>	
Total non-current assets	<u>2,837</u>	<u>2,789</u>	
Deferred assets			
Bond issuance cost	35	36	
Total deferred assets	<u>35</u>	<u>36</u>	
Total assets	<u>59,212</u>	<u>66,760</u>	

(Million yen)

	FY2017 (As of December 31, 2017)	FY2018 (As of December 31, 2018)
Liabilities		
Current liabilities		
Accounts payable - trade	523	400
Short-term loans payable	4,928	3,213
Current portion of bonds	530	754
Current portion of long-term loans payable	4,853	4,142
Income taxes payable	1,379	1,359
Provision for bonuses	72	47
Construction warranty reserve	58	49
Other	978	567
Total current liabilities	13,325	10,532
Non-current liabilities		
Bonds payable	1,760	1,694
Long-term loans payable	23,969	31,462
Net defined benefit liability	81	88
Other	736	876
Total non-current liabilities	26,547	34,121
Total liabilities	39,872	44,654
Net assets		
Shareholders' equity		
Capital stock	2,549	2,552
Capital surplus	2,472	2,475
Retained earnings	14,208	16,956
Treasury shares	—	(0)
Total shareholders' equity	19,230	21,983
Subscription rights to shares	110	122
Total net assets	19,340	22,106
Total liabilities and net assets	59,212	66,760

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

Consolidated Statement of Income

	FY2017 (From January 1, 2017 to December 31, 2017)	FY2018 (From January 1, 2018 to December 31, 2018)	(Million yen)
Net sales	63,568	53,931	
Cost of sales	52,166	44,084	
Gross profit	11,402	9,847	
Selling, general and administrative expenses	4,279	3,862	
Operating profit	7,122	5,985	
Non-operating income			
Interest and dividend income	1	1	
Commission fee	11	15	
Penalty income	21	16	
Refund of real estate acquisition tax	0	12	
Other	3	4	
Total non-operating income	39	50	
Non-operating expenses			
Interest expenses	619	703	
Commission fee	52	68	
Other	10	25	
Total non-operating expenses	683	797	
Ordinary profit	6,478	5,237	
Extraordinary income			
Gain on sales of non-current assets	29	0	
Reversal of consumption taxes for prior period	136	-	
Gain on reversal of share acquisition rights	-	6	
Total extraordinary income	165	6	
Extraordinary losses			
Loss on sales of non-current assets	0	-	
Loss on retirement of non-current assets	-	0	
Total extraordinary losses	0	0	
Profit before income taxes	6,644	5,243	
Income taxes - current	2,369	2,087	
Income taxes - deferred	(1)	(200)	
Total income taxes	2,367	1,887	
Profit	4,276	3,356	
Profit attributable to owners of parent	4,276	3,356	

Consolidated Statements of Comprehensive Income

	FY2017 (From January 1, 2017 to December 31, 2017)	FY2018 (From January 1, 2018 to December 31, 2018)	(Million yen)
Income before minority interests	4,276	3,356	
Comprehensive income	4,276	3,356	
Comprehensive income attributable to			
Comprehensive income attributable to owners of parent	4,276	3,356	

(3) Consolidated Statements of Changes in Net Assets

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	Treasury shares	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 - exercise of subscription rights to shares					-		-
Dividends of surplus			(511)		(511)		(511)
Profit attributable to owners of parent			4,276		4,276		4,276
Purchase of treasury shares					-		-
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

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

(4) Consolidated Statements of Cash Flows

	FY2017 (From January 1, 2017 to December 31, 2017)	FY2018 (From January 1, 2018 to December 31, 2018)	(Million yen)
Cash flows from operating activities			
Profit before income taxes	6,644	5,243	
Depreciation	730	1,014	
Increase (decrease) in allowance for doubtful accounts	4	6	
Increase (decrease) in provision for bonuses	27	(25)	
Increase (decrease) in construction warranty reserve	2	(9)	
Increase (decrease) in net defined benefit liability	11	7	
Interest and dividend income	(1)	(1)	
Interest expenses	619	703	
Share-based compensation expenses	18	24	
Refund of real estate acquisition tax	0	12	
Amortization of bond issuance cost	6	13	
Loss (gain) on sales of non-current assets	(29)	(0)	
Loss on retirement of non-current assets	-	0	
Reversal of consumption taxes for prior period	(136)	-	
Gain on reversal of share acquisition rights	-	(6)	
Decrease (increase) in notes and accounts receivable - trade	4	(10)	
Decrease (increase) in inventories	3,174	(11,001)	
Increase (decrease) in notes and accounts payable - trade	(98)	(122)	
Increase (decrease) in accrued consumption taxes	75	(410)	
Decrease (increase) in consumption taxes refund receivable	17	(626)	
Increase (decrease) in lease and guarantee deposits received	(69)	140	
Decrease (increase) in other current assets	(514)	624	
Increase (decrease) in other current liabilities	(506)	(70)	
Other, net	(6)	9	
Subtotal	9,976	(4,488)	
Interest and dividend income received	1	1	
Interest expenses paid	(606)	(688)	
Income taxes paid	(2,104)	(2,045)	
Net cash provided by (used in) operating activities	7,266	(7,220)	
Cash flows from investing activities			
Payments into time deposits	(1,932)	(1,936)	
Proceeds from withdrawal of time deposits	1,768	1,897	
Purchase of property, plant and equipment	(107)	(64)	
Proceeds from sales of property, plant and equipment	187	2	
Purchase of intangible assets	(3)	(3)	
Payments for investments in capital	(36)	-	
Net cash provided by (used in) investing activities	(124)	(104)	

	FY2017 (From January 1, 2017 to December 31, 2017)	FY2018 (From January 1, 2018 to December 31, 2018)	(Millions yen)
Cash flows from financing activities			
Net increase (decrease) in short-term loans payable	957	(1,779)	
Proceeds from long-term loans payable	26,004	32,996	
Repayments of long-term loans payable	(30,674)	(26,215)	
Proceeds from issuance of bonds	1,574	736	
Redemption of bonds	(210)	(592)	
Purchase of treasury shares	-	(0)	
Proceeds from exercise of share options	-	0	
Repayments of lease obligations	(2)	(2)	
Cash dividends paid	(511)	(608)	
Net cash provided by (used in) financing activities	(2,862)	4,534	
Net increase (decrease) in cash and cash equivalents	4,279	(2,790)	
Cash and cash equivalents at beginning of period	7,663	11,942	
Cash and cash equivalents at end of period	11,942	9,151	

(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 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.

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.

(Per share information)

	FY2017 (From January 1, 2017 to December 31, 2017)	FY2018 (From January 1, 2018 to December 31, 2018)
Net assets per share	789.59 yen	902.41 yen
Net income per share	175.61 yen	137.80 yen
Diluted net income per share	175.18 yen	137.36 yen

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

Item	FY2017 (From January 1, 2017 to December 31, 2017)	FY2018 (From January 1, 2018 to December 31, 2018)
Net income per share		
Profit attributable to owners of parent (Millions yen)	4,276	3,356
Amount that does not belong to ordinary shareholders (Millions yen)	—	—
Profit attributable to owners of parent, available to common stock (Millions yen)	4,276	3,356
Average number of common stock outstanding for the period (shares)	24,355,000	24,359,437
Diluted net income per share		
Adjustment for profit attributable to owners of parent (Millions yen)	—	—
Increase in the number of common stock (shares)	59,639	77,621
(Subscription rights to shares(shares))	(59,639)	(77,621)
Overview of dilutive shares not included in the calculation of diluted net income per share due to the absence of the dilution effect	—	—