

# Q2 FY11/20 Financial Earnings Summary



FIRST BROTHERS

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First Brothers Co., Ltd. (3454)

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July 7, 2020

## Message from the management

We at First Brothers would like to express our sincere gratitude to all our stakeholders for your continued support.

As the impact of the COVID-19 pandemic continues to spread in various regions of the world, we also wish to extend our deepest sympathies to all those who have contracted the disease or whose lives have been affected by the spread of the disease.

In Q2 FY11/20, the First Brothers Group faced the challenge of responding to the COVID-19 pandemic. However, as we had previously completed the development of a structure to support remote work, we were able to acquire new properties and undertake new asset management projects without delay while working remotely.

In 1H FY11/20, our portfolio of properties for lease (principal investment) grew as we added new assets worth roughly 11.7 billion yen, comprising new acquisitions and completed in-house development projects. In addition, we secured two new asset management projects (worth roughly 9.1 billion yen) in our fund business.

Our existing strategy of expanding our portfolio of properties for lease is paying off, with income from leasing serving as a stable source of earnings even during the COVID-19 pandemic. Going forward, we will continue to pursue our strategy of portfolio expansion.

Group company Higashinihon Fudosan Co., Ltd. acquired a large-scale commercial facility in Hirosaki (Aomori Prefecture), which is its place of origin. It also launched the “HIROSAKI Eats” food delivery support project to support local restaurants, and has made solid progress in its initiatives to resolve local issues and realize its potential value to the community.

In 1H FY11/20, we recorded gross profit of 1.0 billion yen, operating profit of 190 million yen, an ordinary loss of 150 million yen, and a loss attributable to owners of parent of 90 million yen.

Earnings progress may appear to have been slow, but this is mainly attributable to the low level of property sale in 1H FY11/20, and our full-year earnings forecast for FY11/20 remains unchanged.

Turning to dividends, our earnings are subject to annual fluctuations due to the high transaction value of the deals we handle in our businesses. We therefore aspire to be a company that shareholders will continue to support over the medium to long term, and our policy is to provide stable and continuous dividends. We target a dividend on equity ratio (DOE) of 2.0%. We plan to pay a year-end dividend of 24 yen per share in FY11/20. As a rule, we will continue to evaluate and implement a shareholder return policy that encourages investors to hold our shares over the medium to long term.

We ask for your continued understanding and support.

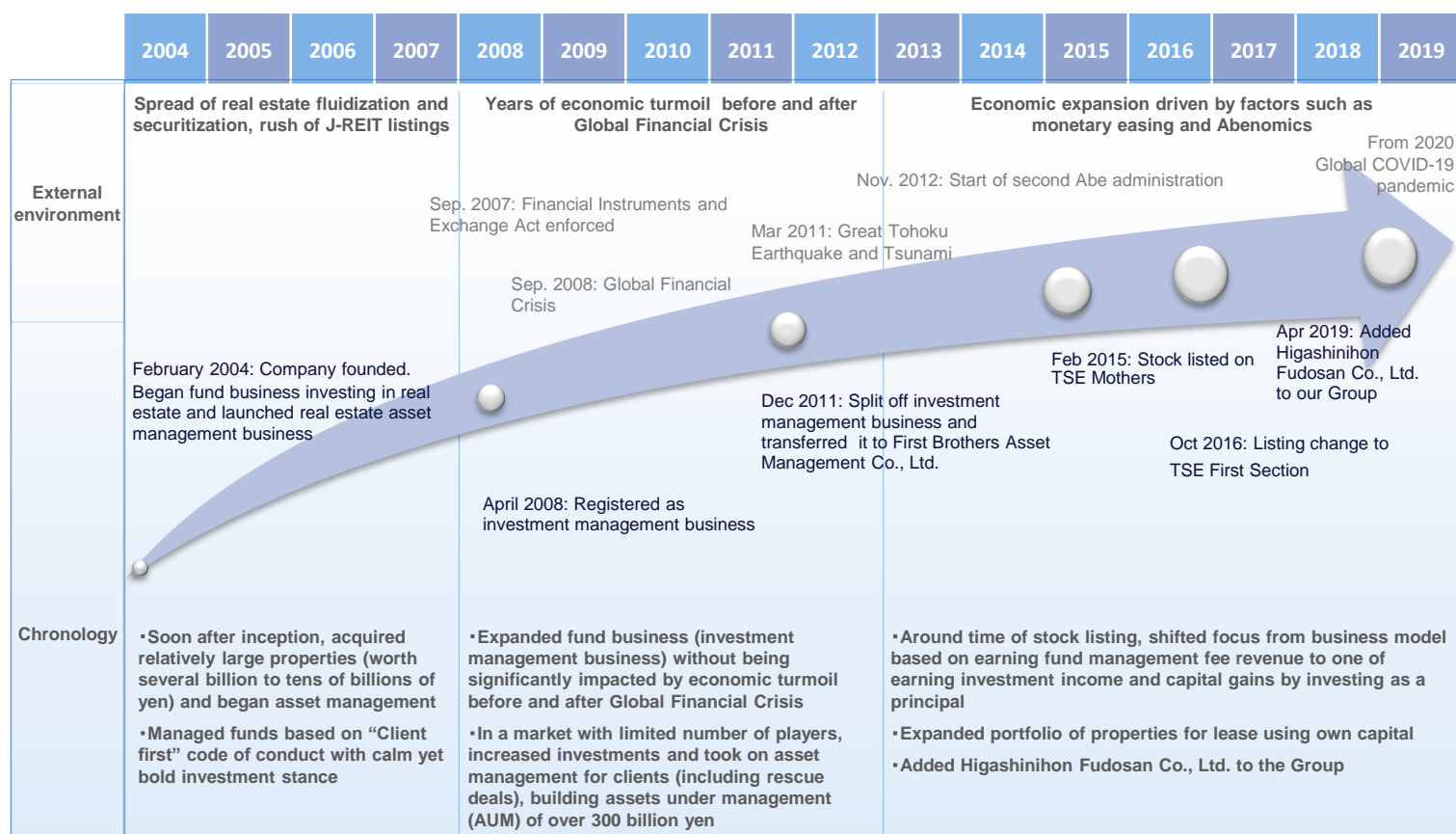
July 7, 2020  
Tomoki Yoshihara  
President  
First Brothers Co., Ltd.

## About us

### Company overview

|                    |   |
|--------------------|---|
| Company name       | First Brothers Co., Ltd.  |
| Established        | February 4, 2004  |
| Address            | Marunouchi Bldg., 25th Fl., 2-4-1 Marunouchi, Chiyoda-ku, Tokyo   |
| Capital            | 1,589,830,800 yen   |
| Stock code         | 3454 (Tokyo Stock Exchange First Section)   |
| Number of staff    | 68 (as of May 31, 2020; consolidated group basis)   |
| Major subsidiaries | First Brothers Capital Co., Ltd.<br>First Brothers Asset Management Co., Ltd.<br>First Brothers Development Co., Ltd.<br>Higashinihon Fudosan Co., Ltd. |

### Group chronology



## Group's major businesses

Since our inception in February 2004, the First Brothers Group has grown centering around the core business of originating funds that mainly target real estate and managing investment assets on behalf of institutional investors<sup>\*1</sup>. Around the time of our stock listing in February 2015, we made significant changes to our business structure. Today, we are an investment company managing our own investment assets<sup>\*2</sup>, securing stable income primarily from real estate properties while also investing in various peripheral fields.

### **(1) Real estate investment**

First Brothers maintains a portfolio of real estate for lease through which we expect to generate stable income over the medium to long term. From the vast number of properties available on the market, we carefully select and invest in small to medium-scale properties, and add value to them in various ways. We also develop new properties when sufficient returns can be expected. Our portfolio is refreshed as appropriate to realize gains from added property value.

We also conduct joint investments with institutional investors if we find investment opportunities in large-scale real estate projects.

### **(2) Private equity investment**

First Brothers undertakes various other investment projects such as investment in distressed debt, venture capital, and unlisted company stocks.

### **(3) Renewable energy**

Among the many forms of renewable energy, we focus our business development efforts on the geothermal energy sector. Although commercialization will take several years, we believe this is an area of investment where we can leverage our Group's expertise to make a visible contribution to society.

### **(4) Fund business**

The fund business involves fund origination and provision of asset management services to institutional investors. Our funds invest in relatively large properties worth several billion to tens of billions of yen, and we adopt an investment strategy of securing both investment income and capital gains. Guided by our rule of conduct of "Client first," the First Brothers Group's top priority is to provide investment services that put client satisfaction above all else. Since we buy or sell investment assets for our funds at the most profitable timing, the Group's AUM balance changes significantly in tandem with real estate market trends.

We also apply the know-how that we have fostered in our fund business to occasionally handle asset management of active real estate investments that investors are running independently.

\*1 Investment Management business ((4) above)

The Investment Management business provides client asset management through private funds that mainly invest in real estate and real estate beneficiary rights. This involves a series of business activities from investment strategy planning, proposals, and property acquisitions to property management during the investment period and disposition (sale of investment property). Investment Management has been the source of the Group's progress.

\*2 Investment Banking business ((1), (2), and (3) above)

The Investment Banking business represents investment activities in which the Group is the principal investor. The business centers on investments in real estate for lease that are projected to return a stable income. It also includes private equity investments that harness the platforms and strengths of our existing businesses, investments in renewable energy and other social infrastructure, and joint investments (same-boat investments) in private funds formed by the Group. These investment activities form the pillar of the Group's growth.

## Topics for Q2 FY11/20 (1)

### Portfolio of properties for lease (principal investment)

The First Brothers Group is expanding its portfolio by acquiring properties for lease that are projected to return a stable income over the medium to long term.

In 1H FY11/20, we newly acquired quality properties for lease to add to our portfolio. In addition, in Q3, we have already undertaken new property acquisitions, making headway with our continuous effort to identify quality real estate and expand our property holdings.

The balance of our portfolio and corresponding book value, market value, and realized gain are shown below.

| (Unit: million yen)                             | FY11/18<br>(end of fiscal year) | FY11/19<br>(end of fiscal year) | Q2 FY11/20<br>(end of Q2) | YoY<br>change | YoY<br>change (%) |
|---|---------------------------------|---------------------------------|---------------------------|---------------|-------------------|
| Balance* <sup>1</sup><br>(number of properties) | 33,012<br>(27 properties)       | 43,377<br>(49 properties)       | 55,120<br>(55 properties) | +11,743       | +27.0%            |
| Increase* <sup>1</sup>                          | 17,934                          | 22,171                          | 11,746                    | -             | -                 |
| Decrease* <sup>1</sup>                          | 12,971                          | 11,807                          | 3* <sup>5</sup>           | -             | -                 |
| Book value* <sup>2</sup>                        | 34,014                          | 44,340                          | 56,250                    | +11,909       | +26.9%            |
| Market value* <sup>3</sup>                      | 38,502                          | 49,990                          | 64,496                    | +14,506       | +29.0%            |
| Unrealized gain* <sup>3</sup>                   | 4,487                           | 5,650                           | 8,246                     | +2,596        | +45.9%            |
| NOI yield* <sup>4</sup>                         | 6.4%                            | 6.9%                            | 6.8%                      | -             | -                 |

\*1 Balance and increase values are based on acquisition price (before tax).

\*2 Book value is adjusted by adding transaction costs at the time of acquisition to the acquisition price, and reflecting capital expenditures and depreciation expenses for the investment period.

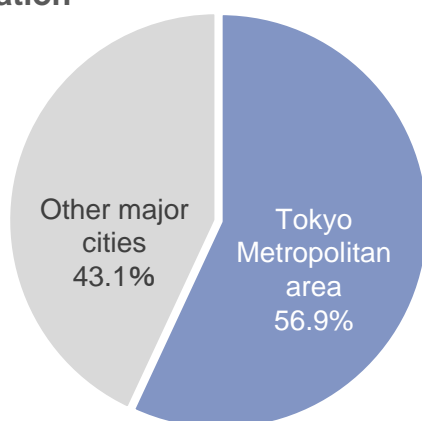
\*3 Market value is the most recent appraised value or assessment value based on the appraised value, and unrealized gain is the difference between this value and book value.

\*4 Assumed APR for stable operation (cash-based net income from rents minus administrative expenses, etc., divided by acquisition price).

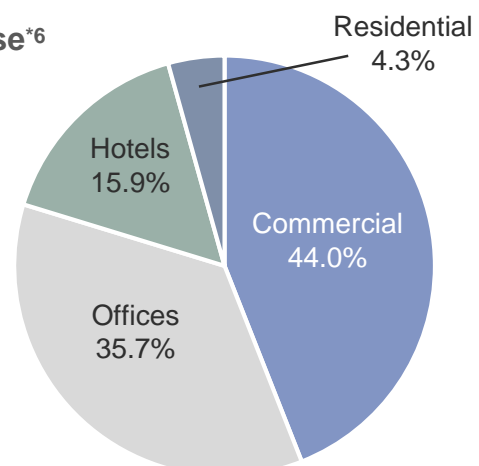
\*5 Reflects external sale of condominium units. These condominium deals were small and are not included in the number of properties.

The graphs below break down the balance (acquisition price-based; as of end Q2 FY11/20) of our portfolio of properties for lease by location and use.

#### By location



#### By use\*<sup>6</sup>



\*<sup>6</sup> Mixed-use properties calculated based on primary usage.

## Topics for Q2 FY11/20 (2)

### Portfolio of properties for lease / Stable income and SGA cover rate

Our policy is to expand our portfolio of properties for lease in order to increase stable gross profit from leasing<sup>\*1</sup>. However, gross profit from leasing may drop temporarily due to factors such as the sale of assets to refresh our portfolio and vacancy losses incidental to work to enhance property value.

In 1H FY11/20, gross profit from leasing trended above selling, general and administrative (SGA) expenses as we made progress with expanding our portfolio of properties for lease (increase of 11.7 billion yen in balance of property holdings).

|   | Q2 FY11/17<br>(six months) | Q2 FY11/18<br>(six months) | Q2 FY11/19<br>(six months) | Q2 FY11/20<br>(six months) |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| Gross profit from leasing <sup>*1</sup> (million yen) | 606                        | 613                        | 664                        | 953 <sup>*3</sup>          |
| SGA cover rate <sup>*2</sup>                          | 95%                        | 91%                        | 96%                        | 127%                       |

\*1 Net income gained from properties for lease (NOI [excluding one-time factors] – depreciation expenses)

\*2 Gross profit from leasing / Selling, general and administrative expenses (excluding one-time factors)

\*3 Correlation between NOI yield during stable operation (see p. 4) and gross profit from leasing (Q2 FY11/20)

- NOI during stable operation in Q2 FY11/20 1,699 million yen  
(49,248 million yen [average balance of property holdings at beginning of year/end of Q2] x 6.9% [average NOI yield at beginning of year/end of Q2] x 6/12 months)
- Depreciation expenses in Q2 – 325 million yen
- Vacancy losses incidental to work to add value to properties and rent for properties acquired during Q2, etc. – 421 million yen

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 •Gross profit from leasing in Q2 FY11/20 953 million yen

### Portfolio of properties for lease / Portfolio rotation through property sale

We manage the properties for lease we acquire, adding value to them through enhancements, and also sell some on the market as appropriate to achieve portfolio rotation and generate capital gains.

We are planning to sell multiple properties in FY11/20 to refresh our portfolio, but the bulk of the sale is scheduled for 2H.

| (million yen)                        | Q2 FY11/17<br>(six months) | Q2 FY11/18<br>(six months) | Q2 FY11/19<br>(six months) | Q2 FY11/20<br>(six months) |
|--------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
| Sales value <sup>*1</sup>            | 8,950                      | 12,956                     | 2,800                      | 4 <sup>*2</sup>            |
| Gross profit from sale <sup>*1</sup> | 1,829                      | 3,094                      | 606                        | 0                          |

\*1 Includes sales of real estate for sale in process (including land for development of properties for lease).

\*2 Reflects external sale of condominium units.

### ■ Fluctuations in sales value and gross profit from sale

For the purpose of portfolio rotation, we sell some of our properties to which we have successfully added significant value, or in cases where we find a buyer presenting favorable conditions. We select these properties by assessing our progress in value enhancement. Because the value of each property is relatively large and each sales transaction can be affected by a range of factors, total sales value on a quarterly or annual basis can fluctuate significantly depending on the number of executed transactions. Gross profit from sale also fluctuates, since the profit margin varies from property to property.

Although the sale of properties remained at low levels in 1H FY11/20, sales activities are largely in line with our full-year plan. That being said, we will make a disclosure without delay should there be any development that would require us to revise our earnings forecast, such as an inability to execute sales planned for FY11/20 due to prolonged stagnation in economic activity caused by the COVID-19 pandemic.

## Topics for Q2 FY11/20 (3)

### Portfolio of properties for lease / Financing status

Our loan balance tends to increase as investment progresses, because we take out loans when acquiring properties.

As a rule, we take out super long-term loans with repayment terms of 10 years or longer and use interest rate swaps<sup>\*1</sup> to maintain a fixed interest rate for a certain portion of our loan balance.

\*1 The market price of an interest rate swap contract fluctuates according to interest rate market trends.

We recorded a valuation loss of 29 million yen on interest rate swap contracts in 1H FY11/20 as market rates trended lower. Our policy, however, is to fix interest payments over the long term to avoid the risk of interest rates going up; the swap contracts contribute to stabilizing our cash flow.

|   | FY11/17<br>(end of fiscal year) | FY11/18<br>(end of fiscal year) | FY11/19<br>(end of fiscal year) | Q2 FY11/20<br>(end of Q2) |
|---|---------------------------------|---------------------------------|---------------------------------|---------------------------|
| Loan balance<br>(million yen)                   | 24,377                          | 27,930                          | 37,646                          | 47,814                    |
| (Of which, non-<br>recourse loans)              | 748                             | 629                             | 613                             | 605                       |
| Leverage <sup>*2</sup>                          | 84.7%                           | 82.1%                           | 84.9%                           | 85.0%                     |
| Weighted average<br>residual period             | 22.4 years                      | 16.2 years                      | 13.9 years                      | 13.9 years                |
| Weighted average<br>interest rate <sup>*3</sup> | 0.92%                           | 0.79%                           | 0.84%                           | 0.80%                     |
| % of loans with fixed<br>interest rates         | 56.1%                           | 61.6%                           | 55.1%                           | 43.0%                     |

\*2 Loan balance / Book value of properties for lease

\*3 Before fixing interest rates.

### Fund business (Investment Management business)

Guided by our rule of conduct of “Client first,” the First Brothers Group’s top priority is to provide investment services that put client satisfaction above all else. We therefore always buy or sell investment assets for our funds at the most profitable timing. As a consequence, the Group’s AUM balance changes significantly based on real estate market price movements.

In 1H FY11/20, competition to buy relatively large-scale properties—our funds’ target assets—was fierce compared with the market for small to mid-size properties that we invest in on our own account. As such, the Group refrained from new property acquisitions at the funds for which we manage investment independently.

The increase in AUM in 1H FY11/20 reflected the real estate investment activities that our investor clients undertake independently, for which the Group provides asset management on contract for the duration of the investment period.

We are continuing our efforts to seek out new properties for acquisition at our funds for which we manage investment independently.

| (million yen)          | FY11/17<br>(end of fiscal year) | FY11/18<br>(end of fiscal year) | FY11/19<br>(end of fiscal year) | Q2 FY11/20<br>(end of Q2) |
|------------------------|---------------------------------|---------------------------------|---------------------------------|---------------------------|
| AUM                    | 0                               | 8,733                           | 13,583                          | 20,950                    |
| Increase <sup>*1</sup> | 0                               | 8,733                           | 4,850                           | 9,130                     |
| Decrease <sup>*1</sup> | 32,183                          | 0                               | 0                               | 1,763                     |

\*1 Increase/decrease include conclusion and expiration of asset management agreements.

## FY11/20 full-year earnings forecast and impact of COVID-19

The First Brothers Group is positioning expansion of our portfolio of properties for lease as a core growth strategy. We will continue to acquire and manage properties with potential for value enhancement, and engage in real estate development as needed, seeking to exist harmoniously with local communities to sustain growth of the Group.

Our consolidated earnings forecasts for FY11/20 factor in full-year earnings contributions of Higashinihon Fudosan Co., Ltd., which has become a group company, and a year-on-year increase in the sale of properties to refresh our portfolio. We therefore forecast sales and profit growth in FY11/20.

That being said, our consolidated earnings could be affected if the real estate sales and leasing markets are hurt by prolonged stagnation in economic activity caused by the COVID-19 pandemic. At present, we see no need to revise our earnings forecast, but if such a need arises in the future, we will make a prompt disclosure accordingly.

Note: The Group manages earnings on a full-year basis, and thus only discloses a full-year earnings forecast.

| (million yen)                              | FY11/18<br>Full-year results | FY11/19<br>Full-year results | FY11/20<br>Full-year forecasts | YoY<br>change |
|--|------------------------------|------------------------------|--------------------------------|---------------|
| Net sales                                  | 21,864                       | 19,838                       | 22,820                         | +15.0%        |
| Gross profit                               | 6,488                        | 5,326                        | 6,450                          | +21.1%        |
| Investment Management<br>business          | 43                           | 94                           | 51                             | -45.0%        |
| Investment Banking<br>business             | 6,444                        | 5,231                        | 6,398                          | +22.3%        |
| Operating profit                           | 5,130                        | 3,462                        | 4,580                          | +32.3%        |
| Ordinary profit                            | 4,700                        | 2,810                        | 3,930                          | +39.8%        |
| Profit attributable to<br>owners of parent | 2,885                        | 2,183                        | 2,500                          | +14.5%        |

### About the Group's earnings performance

The Group's policy is to expand its portfolio of properties for lease while increasing profits and shareholders' equity, but its earnings performance has the following characteristics at present because of the relatively large weighting of profit from property sale.

#### (1) Short-term earnings fluctuations

Our quarterly and annual earnings performance can fluctuate significantly, because large sales and profits tend to be recorded when we sell properties, whereas most of our SG&A expenses are fixed expenses such as personnel expenses and rent.

Also, Group consolidated profit margins at all levels tend to fluctuate, because profit margins in property sale vary between real estate investment projects.

While real estate transactions are influenced by various circumstances, there are no obvious seasonal patterns.

#### (2) Gross profit over net sales

We prioritize gross profit over net sales, because net sales include the sales value of properties. This means we prefer investments with a small transaction value and a large profit over those with a large transaction value and lower profit.



## Growth strategy /

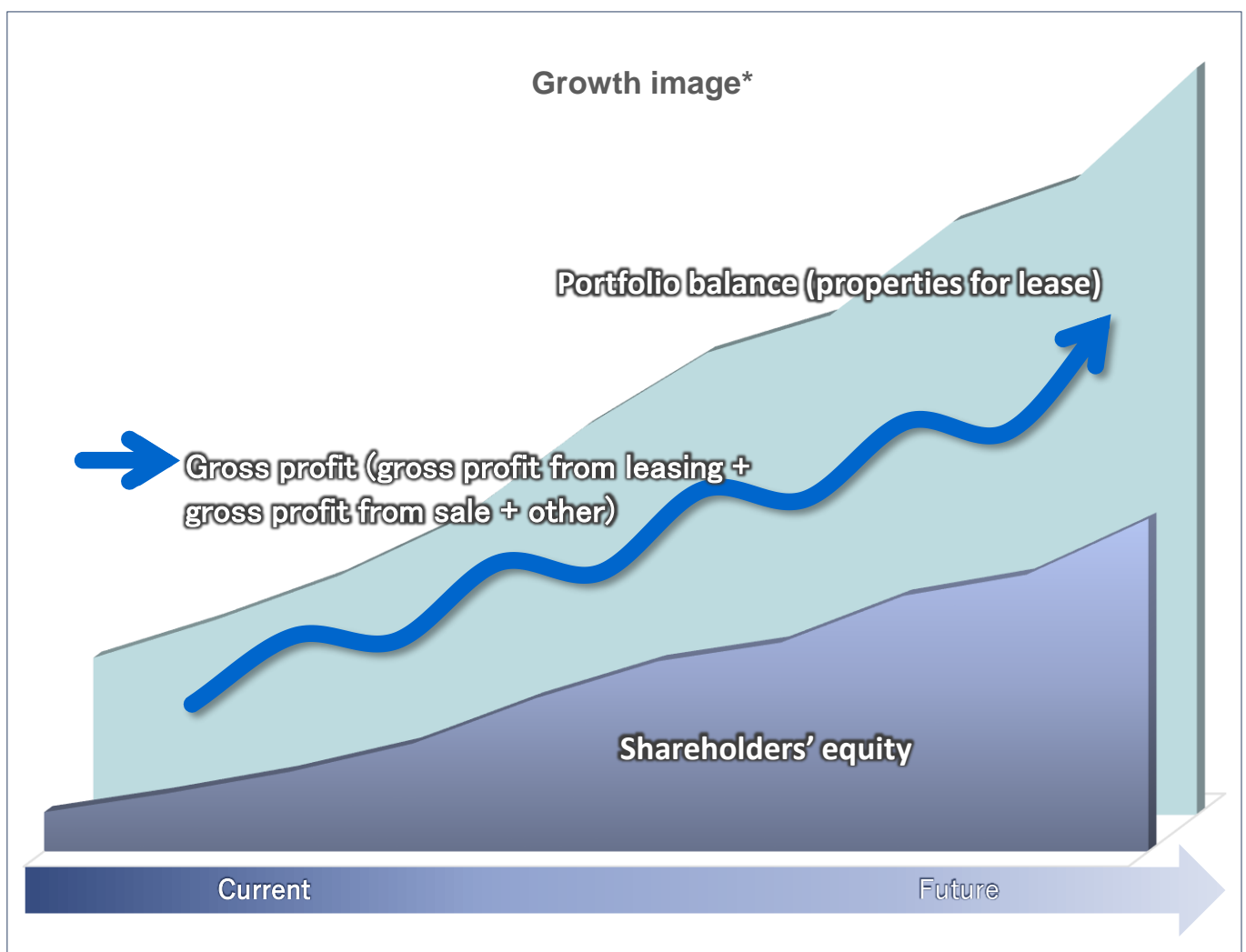
### Expansion strategy for our portfolio of properties for lease

Around the time of our stock listing in February 2015, we shifted focus from a business model of earning fee revenue from asset management services to one of generating investment income and capital gains through principal investment.

The Group's principal investment activities mainly focus on investments in real estate for lease. Our strategy in this area is to continue expanding our portfolio consisting of multiple properties. By expanding our portfolio, we achieve the following: (1) generate more stable income (income from leasing); (2) boost unrealized gains by adding value to each property; and (3) monetize the unrealized gains through portfolio rotation (selling some properties), securing appropriate profit from the sale.

The Group positions the expansion of property portfolio as the pillar of its investment strategy. To this end, we will continue to acquire and manage properties that present opportunities for value enhancement. At the same time, we will take on the challenge of property development as necessary and seek to exist harmoniously with local communities to ensure sustained growth of group companies.

Although the Group expects profits and shareholder's equity to grow as we expand our portfolio, since profit from property sale (to refresh the portfolio) accounts for a large weighting at this stage, term profit is subject to change depending on the status of such sale during the corresponding period.



\* This is a conceptual image. Scale and growth rates do not reflect the Group's profit plans.

## Shareholder returns

### Basic dividend policy

- Dividends are paid once a year (end of fiscal year)
- Stable and continuous dividends regardless of short-term earnings fluctuations
- Dividends to increase in the medium to long term as the company grows
- Target dividend on equity (DOE) of around 2.0%

#### 【Formula for calculating dividend per share】

Consolidated shareholders' equity\* x 2.0% / Average number of shares for fiscal year

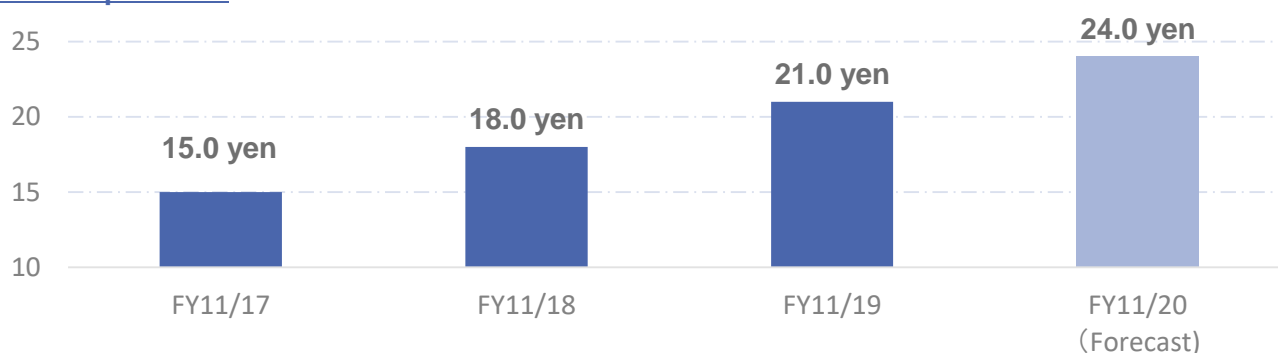
\* average of values at beginning and end of fiscal year

Although the dividend payout ratio is generally used as a standard for calculating dividends, we use consolidated shareholders' equity (a balance sheet item) instead. This is because the dividend payout ratio is linked to annual profit, whereas we intend to provide stable and continuous dividends regardless of short-term earnings fluctuations.

If net income is in profit, consolidated shareholders' equity will gradually rise every fiscal year. We can therefore increase our dividends over the medium to long term in line with the company's growth.

We also consider share buy-backs as a flexible method for providing shareholder returns.

### Dividend per share



### Shareholder benefit plan

#### (1) Eligible shareholders

All registered shareholders as of November 30 of each year holding a minimum of one unit (100 shares) of company stock

#### (2) Details of shareholder benefits

| Eligible shareholders  | Benefit                     |
|--|-----------------------------|
| Shareholders holding a minimum of 100 shares other than those in the categories below                  | Original 1,000 yen QUO Card |
| Shareholder who have held more than 100 and fewer than 200 shares for one year or longer <sup>*1</sup> | Original 2,000 yen QUO Card |
| Shareholders who have held 200 or more shares for one year or longer <sup>*1</sup>                     | Original 4,000 yen QUO Card |

<sup>\*1</sup> Applies to shareholders recorded in the company shareholder register under the same shareholder number at least three consecutive times as of May 31 and November 30 of each year

#### (3) Distribution timing

Benefits are distributed together with Convocation Notice of Annual General Meeting of Shareholders in early February of each year. Requests to reissue benefits to shareholders who did not receive them are accepted until August 31 of each year.

## Q2 FY11/20 earnings summary

### Consolidated income statement (summary)

In 1H FY11/20, we made progress in expanding our portfolio of properties for lease, but sales and profits were down year-on-year because the bulk of the property sale in FY11/20 is scheduled for 2H and only a few transactions were accounted for in 1H.

The Group's quarterly earnings are strongly affected by whether or not properties are sold, and for this reason, our progress rates versus our full-year forecasts were low in 1H. As we manage our business plan on an annual basis, our full-year forecast for FY11/20 remains unchanged.

| (million yen)                                | Cumulative Q2 FY11/18 | Cumulative Q2 FY11/19 | Cumulative Q2 FY11/20 | YoY change | Progress rate in Cumulative Q2 FY11/20 |
|--|-----------------------|-----------------------|-----------------------|------------|--|
| Net sales                                    | 14,131                | 4,081                 | 1,997                 | -51.1%     | 8.8%                                   |
| Gross profit                                 | 3,684                 | 1,268                 | 1,005                 | -20.7%     | 15.6%                                  |
| Selling, general and administrative expenses | 636                   | 852                   | 813                   | -4.6%      | -                                      |
| Operating profit                             | 3,047                 | 416                   | 192                   | -53.8%     | 4.2%                                   |
| Ordinary profit                              | 2,851                 | 95                    | (159)                 | N/A        | N/A                                    |
| Profit attributable to owners of parent      | 1,798                 | 12                    | (92)                  | N/A        | N/A                                    |

### Gross profit breakdown

| (million yen)                  | Cumulative Q2 FY11/18 | Cumulative Q2 FY11/19 | Cumulative Q2 FY11/20 | YoY change |
|--------------------------------|-----------------------|-----------------------|-----------------------|------------|
| Investment Management business | 27                    | 68                    | 97                    | +42.7%     |
| Investment Banking business    | 3,656                 | 1,200                 | 908                   | -24.3%     |
| Gross profit from sale         | 3,094                 | 607                   | 0                     | -99.9%     |
| Gross profit from leasing      | 551                   | 595                   | 878                   | +47.6%     |
| Other                          | 10                    | (1) <sup>*1</sup>     | 29                    | N/A        |
| Total gross profit             | 3,684                 | 1,268                 | 1,005                 | -20.7%     |

\*1 Includes loss associated with silent partnership distributions (4 million yen) in the private equity investment business.

### Selling, general and administrative expenses breakdown

| (million yen)                                      | Cumulative Q2 FY11/18 | Cumulative Q2 FY11/19 | Cumulative Q2 FY11/20 | YoY change |
|--|-----------------------|-----------------------|-----------------------|------------|
| Personnel expenses                                 | 412                   | 437                   | 490                   | +52        |
| Rent   | 72                    | 86                    | 86                    | -0         |
| Commission expenses / remuneration                 | 83                    | 235 <sup>*2</sup>     | 95                    | -139       |
| Taxes and dues                                     | 59                    | 37                    | 37                    | +0         |
| Other  | 8 <sup>*1</sup>       | 55                    | 103 <sup>*3</sup>     | +48        |
| Total selling, general and administrative expenses | 636                   | 852                   | 813                   | -38        |

\*1 Does not include reversal of allowance for doubtful accounts (22 million yen) on recovery of overdue accounts receivable.

\*2 Includes expenses related to the acquisition of shares of Higashinihon Fudosan Co., Ltd. (158 million yen).

\*3 Includes provision of allowance for doubtful accounts (42 million yen).

### Consolidated balance sheet (summary)

Although we hold properties for lease mainly to generate stable income, they are recorded in the balance sheet as real estate for sale so that we can sell properties at the right opportunity when we refresh our portfolio.

Real estate for sale, real estate for sale in process, and borrowings increased in 1H FY11/20 due to expansion of our portfolio of properties for lease, including properties for lease under development.

| Consolidated assets<br>(million yen) | End FY11/18 | End FY11/19 | End Q2 FY11/20 | Change  |
|--------------------------------------|-------------|-------------|----------------|---------|
| Total current assets                 | 47,180      | 62,336      | 70,159         | +7,822  |
| Cash and deposits                    | 7,672       | 7,705       | 2,865          | -4,839  |
| Deposits in trust                    | 505         | 501         | 726            | +225    |
| Real estate for sale                 | 34,014      | 44,365      | 56,275         | +11,909 |
| Real estate for sale in process      | 3,265       | 6,315       | 7,858          | +1,543  |
| Other                                | 1,722       | 3,449       | 2,432          | -1,016  |
| Total non-current assets             | 862         | 1,532       | 1,653          | +121    |
| Total assets                         | 48,043      | 63,869      | 71,812         | +7,943  |

| Consolidated liabilities and<br>net assets (million yen)   | End FY11/18 | End FY11/19 | End Q2 FY11/20 | Change |
|--|-------------|-------------|----------------|--------|
| Total liabilities  | 33,760      | 47,572      | 55,877         | +8,305 |
| Total current liabilities                                  | 3,363       | 5,216       | 5,375          | +158   |
| Short-term borrowings                                      | 600         | 1,763       | 2,891          | +1,128 |
| Current portion of long-term<br>borrowings                 | 779         | 1,398       | 1,672          | +273   |
| Current portion of long-term<br>non-recourse loans payable | 15          | 15          | 15             | 0      |
| Other  | 1,968       | 2,040       | 796            | -1,244 |
| Total non-current liabilities                              | 30,396      | 42,355      | 50,502         | +8,147 |
| Long-term borrowings                                       | 28,521      | 38,182      | 45,536         | +7,353 |
| Long-term non-recourse<br>loans payable                    | 613         | 598         | 590            | -7     |
| Other  | 1,261       | 3,574       | 4,375          | +800   |
| Total net assets   | 14,283      | 16,296      | 15,935         | -361   |
| Total shareholders' equity                                 | 14,251      | 16,181      | 15,805         | -375   |
| Other  | 31          | 115         | 129            | +13    |
| Total liabilities and net assets                           | 48,043      | 63,869      | 71,812         | +7,943 |
| Net D/E ratio*1  | 1.52        | 2.05        | 2.94           | -      |

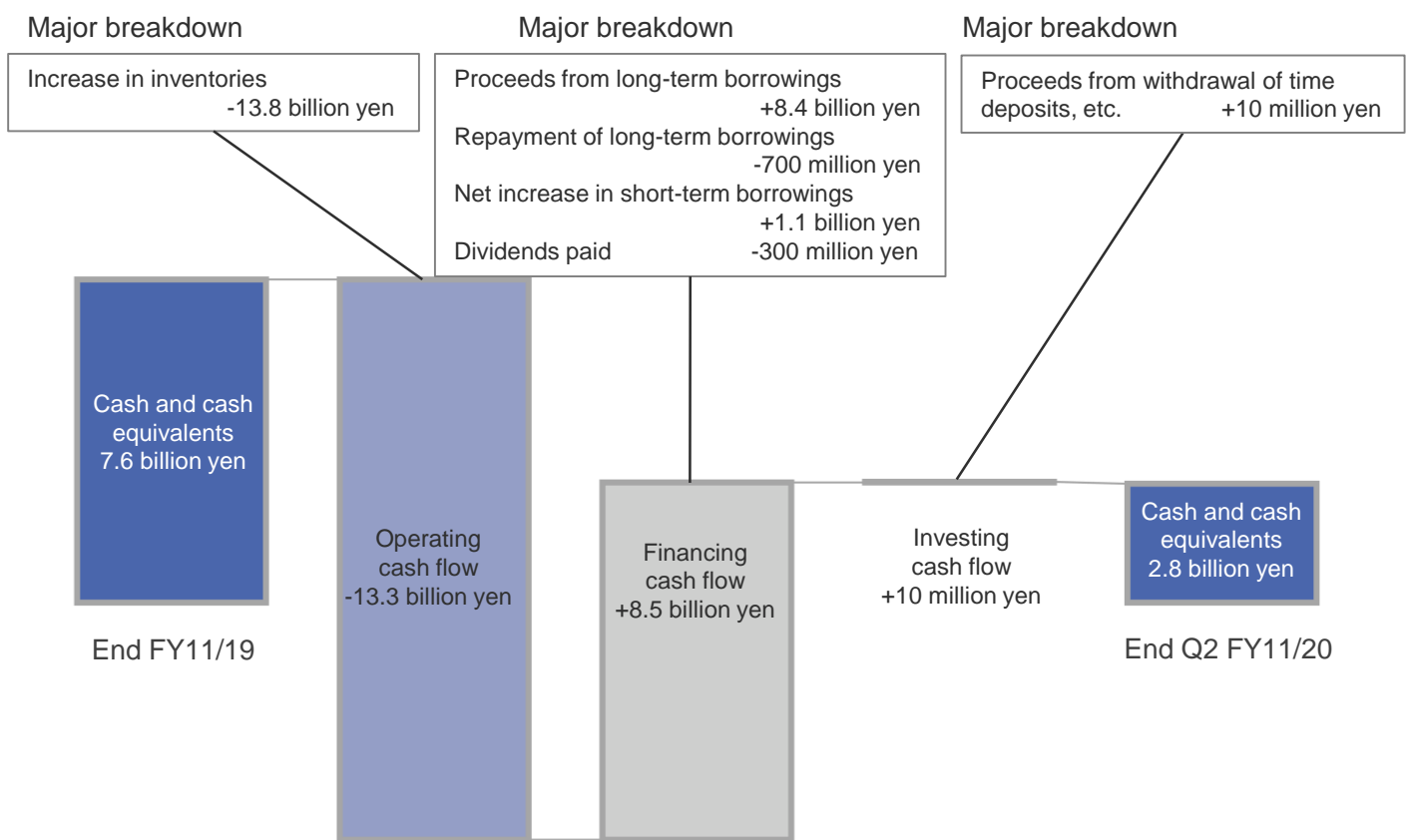
\*1 Net D/E ratio = (Interest-bearing debt excluding non-recourse loans – [cash and deposits + deposits in trust]) / Shareholders' equity

## Cash flow status

Because our operations are structured around acquiring properties for lease (inventory) with capital raised through borrowings, growth in our portfolio tends to drive operating cash outflows and financing cash inflows.

In 1H FY11/20, we recorded an operating cash outflow of 13.3 billion yen and a financing cash inflow of 8.5 billion yen as the balance of our portfolio of properties for lease increased.

The breakdown of changes in each cash flow item is shown below.



## Reference

### Group strengths

The First Brothers Group has a large team of elite professionals including people who have been active at the forefront of the industry from the earliest days of real estate securitization in Japan to accountants, real estate appraisers, and lawyers. Our strengths lie in the depth of our elite personnel, who play a central role in the Group's businesses.

### Management team

**President**  
First Brothers Co., Ltd.

**Tomoki  
Yoshihara**

- Founder of First Brothers Group. Has been involved in numerous large-scale transactions and remains active in the front lines of the industry
- After a career with a trust bank, where he engaged in scheme development in the early days of real estate securitization, achieved success in real estate investment at a foreign investment bank before starting his own business in 2004
- Has extensive experience, a successful track record, and a broad network of contacts in the investment business

**Executive Director**  
First Brothers Co., Ltd.

**Kazutaka  
Tsuji**

- Joined Group after career with trust bank, foreign investment bank, and asset management company
- Expert in compliance and risk management
- Real estate appraiser

**Executive Director**  
First Brothers Co., Ltd.

**Yoshinobu  
Hotta**

- Joined Group after career with trust bank, auditing firm, and consulting company
- Expert in investment structures
- Certified public accountant and real estate appraiser

**Executive Director**  
First Brothers Co., Ltd.

**Kohtaro  
Tamura**

- Partner at Ushijima & Partners, Attorneys at Law
- MLIT Real Estate Investment Market Policy Working Group chair
- Pioneer of legal affairs related to real estate securitization

**Executive Director (External)**  
First Brothers Co., Ltd.

**Tatsuo  
Watanabe**

- Distinguished career in financial administration. Ex-Ministry of Finance, held positions as Director of FSA Securities and Exchange Audit Committee Office, Deposit Insurance Organization board member, Vice Chairman of Japan Securities Dealers Association, and Chairman of Financial Information System Center

**Director, Corporate Strategic  
Business Development  
Department**  
First Brothers Co., Ltd.

**Akihito  
Sato**

- Joined Group after career with real estate appraisal office and asset management company
- Substantial knowledge and experience in real estate investment and portfolio management
- Real estate appraiser

**Corporate Advisor**  
First Brothers Co., Ltd.

**Tadashi  
Iwashita**

- Ex-Ministry of Finance, where he was Deputy Vice Minister of Finance, also serving as Japanese envoy in the USA and Secretary to the Prime Minister
- Held positions as director of the board at Japan Bank for International Cooperation, chairman of Lone Star Japan, and advisor at Daiwa Securities Group head office
- Representative Director and Chairman of Lawson Bank Inc.

**President**  
First Brothers Capital Co., Ltd.

**Taichi  
Kano**

- Assumed current position after positions as trust bank executive and director of J-REIT asset management company
- Extensive experience and contacts in financial industry
- Oversees Group's principal investment activities

**Senior Executive Managing  
Director**  
First Brothers Asset  
Management Co., Ltd.

**Daisuke  
Taniguchi**

- Assumed current position after career with major general contractor and foreign investment fund
- Involved in investment projects totaling 1 trillion yen
- Oversees Group's asset management activities

**Executive Officer**  
First Brothers Capital Co., Ltd.

**Tomo  
Aoki**

- Joined Group after career with real estate company and asset management firm
- Wealth of experience as asset manager of private funds
- Extensive experience in sourcing and disposition within Group

**Executive Officer**  
First Brothers Capital Co., Ltd.

**Taichi  
Ishikawa**

- Joined Group after career with general real estate company, foreign investment fund, and investment bank
- Expert in finance administration and real estate fund business
- Experienced in acquisition and asset management of diverse properties

**Executive Officer**  
First Brothers Capital Co., Ltd.

**Kazunori  
Sawada**

- Joined Group after serving as head of asset management of domestic bank
- Experienced in diverse traditional and alternative investments
- Large network of contacts with numerous domestic and international financial institutions and investors

**Investment Management  
Business Director**  
First Brothers Asset  
Management Co., Ltd.

**Masaki  
Minemura**

- Joined Group after career with major general contractor and foreign investment fund
- Experience in wide range of asset management, including real estate investment, stocks, and infrastructure projects

## Disclaimer

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