

Translation

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**Summary of Consolidated Financial Results
for the Year Ended November 30, 2018
(Based on Japanese GAAP)**

January 11, 2019

Company name: First Brothers Co., Ltd.
 Stock exchange listing: Tokyo
 Stock code: 3454 URL <http://www.firstbrothers.com/>
 Representative: President Tomoki Yoshihara
 Inquiries: Chief Financial Officer Yoshinobu Hotta TEL 03(5219)5370
 Scheduled date of ordinary general meeting of shareholders: February 26, 2019
 Scheduled date to file Securities Report: February 26, 2019
 Scheduled date to commence dividend payments: February 12, 2019
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended November 30, 2018 (from December 1, 2017 to November 30, 2018)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended November 30, 2018	21,864	16.5	5,130	52.1	4,700	53.6	2,885	40.9
Year ended November 30, 2017	18,766	28.5	3,373	(15.0)	3,060	(16.4)	2,048	(10.4)

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended November 30, 2018	205.97	204.93	22.3	10.8	23.5
Year ended November 30, 2017	146.21	—	19.1	8.1	18.0

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of November 30, 2018	48,043	14,283	29.7	1,019.34
As of November 30, 2017	39,153	11,610	29.7	828.61

(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
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended November 30, 2018	(3,395)	(95)	5,082	7,697
Year ended November 30, 2017	(1,226)	222	1,450	6,161

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended November 30, 2017	—	0.00	—	15.00	15.00	210	10.3	2.0
Year ended November 30, 2018	—	0.00	—	18.00	18.00	252	8.7	1.9
Year ending November 30, 2019 (Forecast)	—	0.00	—	21.00	21.00		14.7	

3. Forecast of consolidated financial results for the year ending November 30, 2019 (from December 1, 2018 to November 30, 2019)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	20,020	(8.4)	3,850	(25.0)	3,170	(32.6)	2,000	(30.7)	142.74

4. Notes

(1) Changes in significant subsidiaries during the year ended November 30, 2018

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements

Changes in accounting policies due to revisions to accounting standards and other regulations: No

Changes in accounting policies due to other reasons: No

Changes in accounting estimates: No

Restatement of prior period financial statements: No

(3) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of November 30, 2018	14,445,000 shares	As of November 30, 2017	14,445,000 shares
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Number of treasury shares at the end of the period

As of November 30, 2018	433,262 shares	As of November 30, 2017	433,262 shares
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Average number of shares during the period

Year ended November 30, 2018	14,011,738 shares	Year ended November 30, 2017	14,011,738 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of November 30, 2017	As of November 30, 2018
Assets		
Current assets		
Cash and deposits	6,161,609	7,672,150
Deposits in trust	536,552	505,771
Accounts receivable - trade	33,887	97,436
Real estate for sale	28,789,238	34,014,708
Real estate for sale in process	1,215,631	3,265,523
Supplies	722	264
Deferred tax assets	140,821	101,608
Operating loans	41,985	–
Operational investment securities	488,602	490,666
Other	1,082,911	1,135,385
Allowance for doubtful accounts	(41,985)	(1,203)
Total current assets	38,449,978	47,282,314
Non-current assets		
Property, plant and equipment		
Buildings	101,271	107,275
Accumulated depreciation	(49,820)	(53,771)
Buildings, net	51,450	53,503
Tools, furniture and fixtures	77,371	65,577
Accumulated depreciation	(50,101)	(51,255)
Tools, furniture and fixtures, net	27,269	14,322
Land	72,199	56,000
Construction in progress	59,124	18,024
Total property, plant and equipment	210,044	141,850
Intangible assets	10,132	7,253
Investments and other assets		
Investment securities	79,328	75,513
Investments in other securities of subsidiaries and associates	94,251	141,189
Deferred tax assets	2,248	9,619
Lease and guarantee deposits	205,206	298,177
Other	101,863	87,786
Total investments and other assets	482,898	612,285
Total non-current assets	703,074	761,389
Total assets	39,153,053	48,043,703

(Thousands of yen)

	As of November 30, 2017	As of November 30, 2018
Liabilities		
Current liabilities		
Short-term loans payable	860,000	600,000
Current portion of long-term loans payable	698,480	779,648
Current portion of long-term non-recourse loans payable	7,500	15,488
Income taxes payable	455,112	604,377
Provision for shareholder benefit program	14,682	20,000
Other	627,434	1,587,410
Total current liabilities	2,663,209	3,606,924
Non-current liabilities		
Long-term loans payable	22,931,152	28,521,926
Long-term non-recourse loans payable	740,625	613,643
Deferred tax liabilities	14,994	5,691
Other	1,192,865	1,012,233
Total non-current liabilities	24,879,636	30,153,493
Total liabilities	27,542,846	33,760,418
Net assets		
Shareholders' equity		
Capital stock	1,589,830	1,589,830
Capital surplus	1,913,110	1,913,110
Retained earnings	8,358,987	11,034,423
Treasury shares	(285,698)	(285,698)
Total shareholders' equity	11,576,231	14,251,667
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	33,975	31,075
Total accumulated other comprehensive income	33,975	31,075
Non-controlling interests	–	542
Total net assets	11,610,206	14,283,284
Total liabilities and net assets	39,153,053	48,043,703

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Thousands of yen)

	Fiscal year ended November 30, 2017	Fiscal year ended November 30, 2018
Net sales	18,766,472	21,864,175
Cost of sales	14,046,139	15,375,905
Gross profit	4,720,332	6,488,270
Selling, general and administrative expenses	1,347,062	1,357,800
Operating profit	3,373,270	5,130,469
Non-operating income		
Interest income	204	254
Dividend income	1,289	1,006
Rent income	4,008	3,874
Interest on refund	698	2,502
Gain on valuation of derivatives	5,654	–
Gain on sales of investment securities	3,188	761
Other	745	375
Total non-operating income	15,788	8,774
Non-operating expenses		
Interest expenses	222,136	225,187
Commission fee	89,336	176,376
Loss on valuation of derivatives	14,756	33,704
Other	2,218	3,920
Total non-operating expenses	328,448	439,188
Ordinary profit	3,060,610	4,700,054
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	62,481	–
Total extraordinary income	62,481	–
Extraordinary losses		
Loss on retirement of non-current assets	–	0
Loss on valuation of investments in capital of subsidiaries and associates	2,993	–
Loss on liquidation of subsidiaries and associates	856	–
Impairment loss	11,015	57,300
Total extraordinary losses	14,865	57,300
Profit before income taxes	3,108,226	4,642,754
Income taxes - current	832,908	1,733,086
Income taxes - deferred	226,652	23,671
Total income taxes	1,059,561	1,756,758
Profit	2,048,664	2,885,996
Profit attributable to non-controlling interests	–	3
Profit attributable to owners of parent	2,048,664	2,885,993

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended November 30, 2017	Fiscal year ended November 30, 2018
Profit	2,048,664	2,885,996
Other comprehensive income		
Valuation difference on available-for-sale securities	30,759	(2,900)
Total other comprehensive income	30,759	(2,900)
Comprehensive income	2,079,424	2,883,095
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,079,424	2,883,092
Comprehensive income attributable to non-controlling interests	—	3

Consolidated statements of changes in equity

Fiscal year ended November 30, 2017

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,589,830	1,913,110	6,664,919	(285,698)	9,882,162
Changes of items during period					
Dividends of surplus			(350,293)		(350,293)
Profit attributable to owners of parent			2,048,664		2,048,664
Decrease by inclusion of subsidiaries from consolidation			(4,302)		(4,302)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	1,694,068	–	1,694,068
Balance at end of current period	1,589,830	1,913,110	8,358,987	(285,698)	11,576,231

	Accumulated other comprehensive income		Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income	
Balance at beginning of current period	3,215	3,215	9,885,378
Changes of items during period			
Dividends of surplus			(350,293)
Profit attributable to owners of parent			2,048,664
Decrease by inclusion of subsidiaries from consolidation			(4,302)
Net changes of items other than shareholders' equity	30,759	30,759	30,759
Total changes of items during period	30,759	30,759	1,724,828
Balance at end of current period	33,975	33,975	11,610,206

Fiscal year ended November 30, 2018

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	1,589,830	1,913,110	8,358,987	(285,698)	11,576,231
Changes of items during period					
Dividends of surplus			(210,176)		(210,176)
Profit attributable to owners of parent			2,885,993		2,885,993
Decrease by inclusion of subsidiaries from consolidation			(294)		(294)
Increase by exclusion of subsidiaries from consolidation			20		20
Decrease by exclusion of subsidiaries from consolidation			(106)		(106)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	2,675,435	–	2,675,435
Balance at end of current period	1,589,830	1,913,110	11,034,423	(285,698)	14,251,667

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of current period	33,975	33,975	–	11,610,206
Changes of items during period				
Dividends of surplus				(210,176)
Profit attributable to owners of parent				2,885,993
Decrease by inclusion of subsidiaries from consolidation				(294)
Increase by exclusion of subsidiaries from consolidation				20
Decrease by exclusion of subsidiaries from consolidation				(106)
Net changes of items other than shareholders' equity	(2,900)	(2,900)	542	(2,357)
Total changes of items during period	(2,900)	(2,900)	542	2,673,077
Balance at end of current period	31,075	31,075	542	14,283,284

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended November 30, 2017	Fiscal year ended November 30, 2018
Cash flows from operating activities		
Profit before income taxes	3,108,226	4,642,754
Depreciation	307,793	328,140
Impairment loss	11,015	57,300
Increase (decrease) in allowance for doubtful accounts	(70,805)	(40,782)
Increase (decrease) in provision for shareholder benefit program	14,682	5,318
Interest and dividend income	(1,493)	(1,260)
Interest expenses	222,136	225,187
Loss on retirement of non-current assets	–	0
Loss (gain) on sales of shares of subsidiaries and associates	(62,481)	–
Loss (gain) on liquidation of subsidiaries and associates	856	–
Decrease(increase) in deposits in trust	72,460	30,781
Decrease (increase) in notes and accounts receivable - trade	12,202	(63,549)
Decrease (increase) in inventories	(3,408,672)	(7,550,570)
Decrease (increase) in operating loans receivable	417,000	41,985
Decrease (increase) in investment securities for sale	131,947	3,418
Decrease (increase) in other current assets	(218,433)	(195,845)
Decrease(increase)in investment in anonymous association of subsidiaries and associates	(23,890)	(46,938)
Increase (decrease) in other current liabilities	(245,568)	1,043,875
Increase (decrease) in other non-current liabilities	79,734	(180,631)
Other, net	7,903	(26,967)
Subtotal	354,612	(1,727,784)
Interest and dividend income received	1,493	1,260
Interest expenses paid	(219,457)	(226,816)
Income taxes refund	209	166,416
Income taxes paid	(1,363,540)	(1,608,982)
Net cash provided by (used in) operating activities	(1,226,683)	(3,395,906)
Cash flows from investing activities		
Purchase of property, plant and equipment	(24,689)	(36,396)
Purchase of intangible assets	(4,000)	(163)
Purchase of investment securities	(308,871)	(19,451)
Proceeds from sales of investment securities	261,742	13,437
Proceeds from sales of shares of subsidiaries and associates	302,000	–
Payments for lease and guarantee deposits	(3,101)	(53,499)
Proceeds from collection of lease and guarantee deposits	656	1,115
Other, net	(857)	(1,000)
Net cash provided by (used in) investing activities	222,878	(95,958)

(Thousands of yen)

	Fiscal year ended November 30, 2017	Fiscal year ended November 30, 2018
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	–	(260,000)
Proceeds from long-term loans payable	12,965,000	17,440,000
Proceeds from long-term non recourse loans payable	750,000	1,400,000
Repayments of long-term loans payable	(11,912,894)	(11,768,058)
Repayment of long-term non recourse loans payable	(1,875)	(1,518,994)
Cash dividends paid	(350,042)	(209,983)
Net cash provided by (used in) financing activities	1,450,188	5,082,964
Effect of exchange rate change on cash and cash equivalents	4,264	2,163
Net increase (decrease) in cash and cash equivalents	450,647	1,593,263
Cash and cash equivalents at beginning of period	5,693,711	6,161,609
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	17,250	(57,222)
Cash and cash equivalents at end of period	6,161,609	7,697,649