

Translation

Notice: This document is an excerpt translation of the original Japanese document and is only for reference purposes. In the event of any discrepancy between this translated document and the original Japanese document, the latter shall prevail.

**Summary of Consolidated Financial Results
for the Six Months Ended May 31, 2020
(Based on Japanese GAAP)**

July 7, 2020

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 to file Quarterly Securities Report: July 8, 2020
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended May 31, 2020 (from December 1, 2019 to May 31, 2020)

(1) Consolidated operating results (cumulative)

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	%
Six months ended May 31, 2020	1,997	(51.1)	192	(53.8)	(159)	–	(92)	–
Six months ended May 31, 2019	4,081	(71.1)	416	(86.3)	95	(96.7)	12	(99.3)

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended May 31, 2020	(6.63)		–	
Six months ended May 31, 2019	0.90		0.90	

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of May 31, 2020	71,812	15,935	22.0	1,129.10
As of November 30, 2019	63,869	16,296	25.4	1,155.85

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen				
Year ended November 30, 2019	–	0.00	–	21.00	21.00
Year ending November 30, 2020	–	0.00	–	–	–
Year ending November 30, 2020 (Forecast)	–	–	–	24.00	24.00

3. Forecast of consolidated financial results for the year ending November 30, 2020 (from December 1, 2019 to November 30, 2020)

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	22,820	15.0	4,580	32.3	3,930	39.8	2,500	14.5	178.28

4. Notes

- (1) Changes in significant subsidiaries during the six months ended May 31, 2020
 (changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: No
- (3) 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

(4) Number of issued shares (common shares)

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

As of May 31, 2020	14,445,000 shares	As of November 30, 2019	14,445,000 shares
--------------------	-------------------	-------------------------	-------------------

Number of treasury shares at the end of the period

As of May 31, 2020	421,662 shares	As of November 30, 2019	433,262 shares
--------------------	----------------	-------------------------	----------------

Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended May 31, 2020	14,022,387 shares	Six months ended May 31, 2019	14,011,738 shares
-------------------------------	-------------------	-------------------------------	-------------------

Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of November 30, 2019	As of May 31, 2020
Assets		
Current assets		
Cash and deposits	7,705,101	2,865,633
Deposits in trust	501,243	726,573
Accounts receivable - trade	78,907	55,865
Real estate for sale	44,365,293	56,275,286
Real estate for sale in process	6,315,348	7,858,794
Operational investment securities	613,753	549,412
Other	2,758,068	1,871,434
Allowance for doubtful accounts	(962)	(43,900)
Total current assets	62,336,754	70,159,102
Non-current assets		
Property, plant and equipment	572,683	564,885
Intangible assets	5,238	3,919
Investments and other assets	954,343	1,084,925
Total non-current assets	1,532,264	1,653,730
Total assets	63,869,019	71,812,832
Liabilities		
Current liabilities		
Short-term borrowings	1,763,000	2,891,449
Current portion of long-term borrowings	1,398,320	1,672,243
Current portion of long-term non-recourse loans payable	15,488	15,488
Income taxes payable	55,449	30,252
Provision for bonuses	–	122,760
Other	1,984,630	643,016
Total current liabilities	5,216,888	5,375,211
Non-current liabilities		
Long-term borrowings	38,182,939	45,536,695
Long-term non-recourse loans payable	598,155	590,411
Retirement benefit liability	22,714	19,142
Other	3,551,589	4,356,154
Total non-current liabilities	42,355,398	50,502,402
Total liabilities	47,572,286	55,877,613
Net assets		
Shareholders' equity		
Share capital	1,589,830	1,589,830
Capital surplus	1,913,075	1,917,257
Retained earnings	12,964,037	12,576,804
Treasury shares	(285,698)	(278,048)
Total shareholders' equity	16,181,245	15,805,844
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	15,549	31,405
Deferred gains or losses on hedges	(1,303)	(3,524)
Total accumulated other comprehensive income	14,245	27,880
Non-controlling interests	101,240	101,493
Total net assets	16,296,732	15,935,218
Total liabilities and net assets	63,869,019	71,812,832

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended May 31, 2019	Six months ended May 31, 2020
Net sales	4,081,741	1,997,770
Cost of sales	2,812,757	991,898
Gross profit	1,268,983	1,005,871
Selling, general and administrative expenses	852,386	813,389
Operating profit	416,597	192,482
Non-operating income		
Interest income	212	70
Dividend income	74	49
Rental income	1,200	–
Gain on sales of investment securities	114	1
Interest on tax refund	256	2,700
Other	156	91
Total non-operating income	2,014	2,911
Non-operating expenses		
Interest expenses	143,134	197,674
Commission expenses	53,737	123,906
Loss on valuation of derivatives	123,210	29,372
Other	3,034	4,325
Total non-operating expenses	323,118	355,279
Ordinary profit (loss)	95,493	(159,884)
Extraordinary income		
Gain on sales of non-current assets	2,288	–
Total extraordinary income	2,288	–
Extraordinary losses		
Loss on valuation of shares of subsidiaries and associates	–	1,000
Total extraordinary losses	–	1,000
Profit (loss) before income taxes	97,781	(160,884)
Income taxes - current	74,001	32,515
Income taxes - deferred	11,019	(99,316)
Total income taxes	85,021	(66,801)
Profit (loss)	12,760	(94,083)
Profit (loss) attributable to non-controlling interests	103	(1,097)
Profit (loss) attributable to owners of parent	12,656	(92,986)

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended May 31, 2019	Six months ended May 31, 2020
Profit (loss)	12,760	(94,083)
Other comprehensive income		
Valuation difference on available-for-sale securities	(16,910)	15,855
Deferred gains or losses on hedges	(3,371)	(2,230)
Total other comprehensive income	(20,281)	13,624
Comprehensive income	(7,521)	(80,458)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(7,611)	(79,351)
Comprehensive income attributable to non-controlling interests	89	(1,107)

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended May 31, 2019	Six months ended May 31, 2020
Cash flows from operating activities		
Profit (loss) before income taxes	97,781	(160,884)
Depreciation	202,666	336,891
Increase (decrease) in allowance for doubtful accounts	–	42,938
Increase (decrease) in provision for bonuses	101,179	122,760
Increase (decrease) in provision for shareholder benefit program	(20,000)	(23,000)
Increase (decrease) in retirement benefit liability	400	(3,571)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	638	–
Interest and dividend income	(286)	(119)
Interest expenses	143,134	197,674
Decrease(increase) in deposits in trust	(151,646)	(225,330)
Decrease (increase) in trade receivables	(18,211)	23,041
Decrease (increase) in inventories	(4,860,846)	(13,778,271)
Decrease (increase) in investment securities for sale	(106,783)	58,742
Decrease (increase) in investment in anonymous association of subsidiaries and associates	(282,267)	(8,494)
Decrease (increase) in other current assets	(4,663,096)	(146,264)
Increase (decrease) in other current liabilities	(1,271,183)	(1,302,743)
Increase (decrease) in other non-current liabilities	281,777	789,518
Other, net	14,530	34,712
Subtotal	(10,532,211)	(14,042,400)
Interest and dividends received	286	119
Interest paid	(141,951)	(205,851)
Income taxes refund	65	1,049,372
Income taxes paid	(544,135)	(76,247)
Net cash provided by (used in) operating activities	(11,217,946)	(13,275,007)
Cash flows from investing activities		
Payments into time deposits	(250)	(27,600)
Proceeds from withdrawal of time deposits	–	42,009
Purchase of property, plant and equipment	(7,240)	(8,896)
Proceeds from sales of intangible assets	2,000	–
Purchase of investment securities	(5,960)	–
Proceeds from sales of investment securities	5,252	1
Payments of leasehold and guarantee deposits	(68,881)	–
Proceeds from refund of leasehold and guarantee deposits	42,276	6,960
Purchase of shares of subsidiaries resulting in change in scope of consolidation	(1,719,584)	–
Other, net	(16,500)	(1,510)
Net cash provided by (used in) investing activities	(1,768,888)	10,963

(Thousands of yen)

	Six months ended May 31, 2019	Six months ended May 31, 2020
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	7,655,200	1,067,449
Proceeds from long-term borrowings	5,890,000	8,390,000
Repayments of long-term borrowings	(2,664,163)	(701,320)
Repayment of long-term non recourse loans payable	(7,744)	(7,744)
Proceeds from disposal of treasury shares	–	11,832
Dividends paid	(252,102)	(293,856)
Net cash provided by (used in) financing activities	10,621,189	8,466,360
Effect of exchange rate change on cash and cash equivalents	(2,908)	(528)
Net increase (decrease) in cash and cash equivalents	(2,368,552)	(4,798,211)
Cash and cash equivalents at beginning of period	7,697,649	7,658,675
Cash and cash equivalents at end of period	5,329,097	2,860,464