

Translation

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**Summary of Consolidated Financial Results
for the Six Months Ended May 31, 2019
(Based on Japanese GAAP)**

July 5, 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 to file Quarterly Securities Report: July 8, 2019
 Scheduled date to commence dividend payments: –
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended May 31, 2019 (from December 1, 2018 to May 31, 2019)

(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, 2019	4,081	(71.1)	416	(86.3)	95	(96.7)	12	(99.3)
Six months ended May 31, 2018	14,131	40.4	3,047	68.0	2,851	71.0	1,798	64.0

	Earnings per share		Diluted earnings per share	
	Yen		Yen	
Six months ended May 31, 2019	0.90		0.90	
Six months ended May 31, 2018	128.38		127.70	

(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, 2019	64,415	14,033	21.8	1,000.80
As of November 30, 2018	48,043	14,283	29.7	1,019.34

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, 2018	–	0.00	–	18.00	18.00
Year ending November 30, 2019	–	0.00			
Year ending November 30, 2019 (Forecast)			–	21.00	21.00

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 six months ended May 31, 2019
 (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, 2019	14,445,000 shares	As of November 30, 2018	14,445,000 shares
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Number of treasury shares at the end of the period

As of May 31, 2019	433,262 shares	As of November 30, 2018	433,262 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended May 31, 2019	14,011,738 shares	Six months ended May 31, 2018	14,011,738 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of November 30, 2018	As of May 31, 2019
Assets		
Current assets		
Cash and deposits	7,672,150	5,375,371
Deposits in trust	505,771	657,417
Accounts receivable - trade	97,436	115,648
Real estate for sale	34,014,708	50,315,454
Real estate for sale in process	3,265,523	4,365,272
Operational investment securities	490,666	586,256
Other	1,135,649	1,335,460
Allowance for doubtful accounts	(1,203)	(1,731)
Total current assets	47,180,705	62,749,151
Non-current assets		
Property, plant and equipment	141,850	607,701
Intangible assets	7,253	6,347
Investments and other assets	713,894	1,052,025
Total non-current assets	862,997	1,666,074
Total assets	48,043,703	64,415,225
Liabilities		
Current liabilities		
Short-term loans payable	600,000	8,305,200
Current portion of long-term loans payable	779,648	1,098,770
Current portion of long-term non-recourse loans payable	15,488	15,488
Income taxes payable	604,377	125,054
Provision for bonuses	–	110,193
Other	1,364,096	848,630
Total current liabilities	3,363,609	10,503,337
Non-current liabilities		
Long-term loans payable	28,521,926	35,233,287
Long-term non-recourse loans payable	613,643	605,899
Net defined benefit liability	–	60,802
Provision for directors' retirement benefits	–	21,351
Other	1,261,239	3,956,996
Total non-current liabilities	30,396,808	39,878,336
Total liabilities	33,760,418	50,381,673
Net assets		
Shareholders' equity		
Capital stock	1,589,830	1,589,830
Capital surplus	1,913,110	1,913,110
Retained earnings	11,034,423	10,794,869
Treasury shares	(285,698)	(285,698)
Total shareholders' equity	14,251,667	14,012,112
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	31,075	14,164
Deferred gains or losses on hedges	–	(3,357)
Total accumulated other comprehensive income	31,075	10,806
Non-controlling interests	542	10,632
Total net assets	14,283,284	14,033,551
Total liabilities and net assets	48,043,703	64,415,225

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, 2018	Six months ended May 31, 2019
Net sales	14,131,078	4,081,741
Cost of sales	10,446,694	2,812,757
Gross profit	3,684,384	1,268,983
Selling, general and administrative expenses	636,757	852,386
Operating profit	3,047,627	416,597
Non-operating income		
Interest income	89	212
Dividend income	36	74
Rent income	2,004	1,200
Gain on sales of investment securities	113	114
Interest on refund	2,006	256
Gain on valuation of derivatives	1,637	–
Other	194	156
Total non-operating income	6,082	2,014
Non-operating expenses		
Interest expenses	118,958	143,134
Commission fee	74,786	53,737
Loss on valuation of derivatives	2,736	123,210
Other	5,712	3,034
Total non-operating expenses	202,193	323,118
Ordinary profit	2,851,516	95,493
Extraordinary income		
Gain on sales of non-current assets	–	2,288
Total extraordinary income	–	2,288
Profit before income taxes	2,851,516	97,781
Income taxes - current	1,057,279	74,001
Income taxes - deferred	(4,646)	11,019
Total income taxes	1,052,633	85,021
Profit	1,798,882	12,760
Profit attributable to non-controlling interests	–	103
Profit attributable to owners of parent	1,798,882	12,656

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended May 31, 2018	Six months ended May 31, 2019
Profit	1,798,882	12,760
Other comprehensive income		
Valuation difference on available-for-sale securities	(7,668)	(16,910)
Deferred gains or losses on hedges	–	(3,371)
Total other comprehensive income	(7,668)	(20,281)
Comprehensive income	1,791,214	(7,521)
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,791,214	(7,611)
Comprehensive income attributable to non-controlling interests	–	89

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended May 31, 2018	Six months ended May 31, 2019
Cash flows from operating activities		
Profit before income taxes	2,851,516	97,781
Depreciation	173,195	202,666
Increase (decrease) in allowance for doubtful accounts	(41,216)	–
Increase (decrease) in provision for bonuses	95,512	101,179
Increase (decrease) in provision for shareholder benefit program	(14,682)	(20,000)
Increase (decrease) in net defined benefit liability	–	400
Increase (decrease) in provision for directors' retirement benefits	–	638
Interest and dividend income	(126)	(286)
Interest expenses	118,958	143,134
Decrease(increase) in deposits in trust	56,652	(151,646)
Decrease (increase) in notes and accounts receivable - trade	(24,138)	(18,211)
Decrease (increase) in inventories	2,107,869	(4,860,846)
Decrease (increase) in operating loans receivable	41,985	–
Decrease (increase) in investment securities for sale	53,652	(106,783)
Decrease (increase) in investment in anonymous association of subsidiaries and associates	(14,211)	(282,267)
Decrease (increase) in other current assets	(557,152)	(4,663,096)
Increase (decrease) in other current liabilities	145,513	(1,271,183)
Increase (decrease) in other non-current liabilities	(114,740)	281,777
Other, net	(2,600)	14,530
Subtotal	4,875,987	(10,532,211)
Interest and dividend income received	126	286
Interest expenses paid	(120,191)	(141,951)
Income taxes refund	166,416	65
Income taxes paid	(430,343)	(544,135)
Net cash provided by (used in) operating activities	4,491,996	(11,217,946)
Cash flows from investing activities		
Payments into time deposits	–	(250)
Purchase of property, plant and equipment	(38,264)	(7,240)
Proceeds from sales of intangible assets	–	2,000
Purchase of investment securities	(2,783)	(5,960)
Proceeds from sales of investment securities	1,848	5,252
Payments for lease and guarantee deposits	(3,240)	(68,881)
Proceeds from collection of lease and guarantee deposits	101	42,276
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(1,719,584)
Other, net	(1,000)	(16,500)
Net cash provided by (used in) investing activities	(43,338)	(1,768,888)

(Thousands of yen)

	Six months ended May 31, 2018	Six months ended May 31, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	–	7,655,200
Proceeds from long-term loans payable	6,710,000	5,890,000
Proceeds from long-term non recourse loans payable	1,400,000	–
Repayments of long-term loans payable	(8,293,097)	(2,664,163)
Repayment of long-term non recourse loans payable	(1,511,250)	(7,744)
Cash dividends paid	(209,841)	(252,102)
Net cash provided by (used in) financing activities	(1,904,188)	10,621,189
Effect of exchange rate change on cash and cash equivalents	(1,261)	(2,908)
Net increase (decrease) in cash and cash equivalents	2,543,208	(2,368,552)
Cash and cash equivalents at beginning of period	6,161,609	7,697,649
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(254)	–
Cash and cash equivalents at end of period	8,704,563	5,329,097