

## Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2020

[Japanese GAAP]

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Listing: TSE/NSE, First Sections  
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Scheduled date of Annual General Meeting of Shareholders: June 25, 2020  
Scheduled date of filing of Annual Securities Report: June 26, 2020  
Scheduled date of payment of dividend: June 26, 2020  
Preparation of supplementary materials for financial results: Yes  
Holding of financial results meeting: None

(All amounts are rounded down to the nearest million yen)

### 1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 – March 31, 2020)

#### (1) Consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2020	74,187	86.2	5,244	17.9	4,599	6.3	3,177	18.3
Fiscal year ended Mar. 31, 2019	39,834	27.4	4,446	20.7	4,327	42.2	2,684	37.1

Note: Comprehensive income (million yen) Fiscal year ended Mar. 31, 2020: 2,974 (up 42.6%)

Fiscal year ended Mar. 31, 2019: 2,085 (down 4.8%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit on net sales
	Yen	Yen	%	%	%
Fiscal year ended Mar. 31, 2020	174.59	174.41	14.0	5.3	7.1
Fiscal year ended Mar. 31, 2019	149.30	148.35	12.8	5.2	11.2

Reference: Equity in earnings of associates (million yen) Fiscal year ended Mar. 31, 2020: 166 Fiscal year ended Mar. 31, 2019: 303

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2020	75,054	23,870	31.8	1,305.43
As of Mar. 31, 2019	99,597	21,611	21.7	1,196.94

Reference: Shareholders' equity (million yen) As of Mar. 31, 2020: 23,870

As of Mar. 31, 2019: 21,591

#### (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
Fiscal year ended Mar. 31, 2020	29,681	1,160	(27,820)	21,850
Fiscal year ended Mar. 31, 2019	(28,020)	(7)	32,511	18,856

### 2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Mar. 31, 2019	-	0.00	-	55.00	55.00	992	36.8	4.7
Fiscal year ended Mar. 31, 2020	-	0.00	-	55.00	55.00	1,005	31.5	4.4
Fiscal year ending Mar. 31, 2021 (forecasts)	-	0.00	-	55.00	55.00		31.3	

### 3. Consolidated Forecast for the Fiscal Year Ending March 31, 2021 (April 1, 2020 – March 31, 2021)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	-	-	-	-	-	-	-	-	-
Full year	75,000	1.1	5,600	6.8	4,600	0.0	3,200	0.7	175.82

Note: Nippon Commercial Development has decided not to announce the first-half forecasts. For more details, please refer to "1.

Overview of Results of Operations, (4) Outlook" on page 4 of the attachment.

**\* Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): Yes

Newly added: -

Excluded: 1 (Kumagai International Limited)

(2) Changes in accounting policies and accounting estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, others: None

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting estimates: None

4) Restatements: None

(3) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Mar. 31, 2020: 18,285,800 shares As of Mar. 31, 2019: 18,039,200 shares

2) Number of treasury shares at the end of the period

As of Mar. 31, 2020: 141 shares As of Mar. 31, 2019: 141 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2020: 18,200,154 shares Fiscal year ended Mar. 31, 2019: 17,983,415 shares

**Reference: Summary of Non-consolidated Financial Results**

**1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2020 (April 1, 2019 – March 31, 2020)**

(1) Non-consolidated results of operations

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Mar. 31, 2020	72,827	103.0	5,660	26.3	4,861	19.9	3,375	24.5
Fiscal year ended Mar. 31, 2019	35,868	22.4	4,481	26.1	4,055	24.5	2,711	21.2

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2020	185.46	185.27
Fiscal year ended Mar. 31, 2019	150.78	149.82

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2020	67,545	19,710	29.2	1,077.92
As of Mar. 31, 2019	88,762	17,054	19.2	944.31

Reference: Shareholders' equity (million yen) As of Mar. 31, 2020: 19,710 As of Mar. 31, 2019: 17,034

The current financial report is not subject to the audit by an auditing firm.

Cautionary statement with respect to forward-looking statements, and other special items

Earnings forecasts regarding future performance in this material are based on assumptions judged to be valid and information currently available to the Company. Actual results may differ significantly from these forecasts for a number of factors. Please refer to "1. Overview of Results of Operations, (4) Outlook" on page 3 of the attachments for assumptions for forecasts and notes of caution for usage.

Cancelation of scheduled financial results meeting

Although we planned to hold a financial results meeting for institutional investors and analysts, we decided to cancel the meeting and instead offer a video meeting due to concerns over the spread of COVID-19 as we consider securing health and safety of the participants is our first priority. The video and materials of the meeting will be available on the Company's website.

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## 1. Overview of Results of Operations

### (1) Overview of Results of Operations for the Fiscal year under review

The Japanese economy during the fiscal year ended March 31, 2020 (“the fiscal year under review”) started with a modest recovery trend due to a pick-up in consumer spending and other factors backed by improvements in corporate earnings and employment/income environment. However, uncertainties have remained about its future due to a change in consumer sentiment caused by the consumption tax hike in October 2019 on top of the prolonged US-China trade friction and a slowdown in the Chinese economy. At present, business confidence is worsening due to the worldwide spread of the COVID-19 infection. Furthermore, in addition to a sharp decrease in the inbound tourism, there was a slump in demand due to the suspension of various events and the government’s request to refrain from going out. The economy is expected to remain challenging until the COVID-19 crisis subsides.

In the Japanese real estate and real estate finance industries, a low vacancy rate of office buildings still continued in major cities. Also, the demand for commercial land had initially remained solid against a backdrop of the strong inbound tourism market, but it suddenly changed toward the end of the fiscal year under review due to the global expansion of the COVID-19 infections, and business sentiment is worsened.

Under these circumstances, the Nippon Commercial Development Group (hereinafter, “the Group”) accelerated the purchase of properties to further expand the market for “JINUSHI business” and also to cater for institutional investors’ need for the real estate investment. Meanwhile, last summer, the Group foresaw changes in the real estate market, and, as stated in the “Notice Actions to Strengthen Financial Soundness” (announced on October 11, 2019, Japanese version only), worked on enhancing the Group’s financial strength with the following objectives: (1) Improve the total asset turnover (reduce the time period from property purchase until its sale) and financial indicators such as the equity ratio, (2) Expand capability to procure additional funds by decreasing interest-bearing debt, (3) Realize gains at an earlier stage of development. In addition to the initial plan, the Group accelerated sales of its real estate worth about 22.0 billion yen substantially reduce interest-bearing debt. As a result, the Group has achieved a significant improvement in its financial indicators with the total asset turnover increased to 0.85 times (compared with 0.48 times in the previous fiscal year), the equity ratio increased to 31.8% (compared with 21.7% in the previous fiscal year) and the operating cash inflow of 29,681 million yen (compared with the operating cash outflow of 28,020 million yen in the previous fiscal year).

As for financial strategy, applying lessons from the financial crisis triggered by the collapse of Lehman Brothers, we successfully obtained loans for development projects without financial covenants. In addition, the loans have long-term repayment periods of 5 to over 30 years with no acceleration clause (apart from scheduled repayments). Meantime, the Group’s cash and deposits on a consolidated basis at the end of the fiscal year under review are 21.8 billion yen as it has increased liquidity on hand, allowing us to readily purchase land.

In addition, the Group sold 17 projects (with the total selling price of 26,075 million yen) on January 10, 2020 to JINUSHI Private REIT Investment Corporation (hereinafter “JINUSHI REIT”) under the sponsorship of the Company. JINUSHI REIT started its operation in January 2017 as REIT specializing in land with leasehold interest and operated by JINUSHI Asset Management Co., Ltd., the Company’s wholly owned subsidiary. At the end of the fiscal year under review the total assets of JINUSHI REIT reached about 82.0 billion yen. We expect the total assets will grow steadily to exceed 100.0 billion yen by the end of the fiscal year ending March 31, 2021.

As a result, the Group reported net sales for the fiscal year under review of 74,187 million yen (up 86.2% year on year), operating profit of 5,224 million yen (up 17.9% year on year), ordinary profit of 4,599 million yen (up 6.3% year on year), and profit attributable to owners of parent of 3,177 million yen (up 18.3% year on year).

Results by business segment were as follows:

i) Real Estate Investment Business

The segment reported sales of 73,533 million yen (up 89.9% year on year) with segment profit of 8,399 million yen (up 15.7% year on year).

ii) Subleasing, Leasing and Fund Fee Business

The segment reported sales of 647 million yen (up 16.5% year on year) with segment profit of 419 million yen (up 38.2% year on year).

iii) Planning and Brokerage Business

The segment reported sales of 6 million yen (down 96.6% year on year) with segment profit of 6 million yen (down 96.7% year on year).

The segment previously described as “Other businesses,” is reclassified as “Other”(\*) as we have reviewed the segment classification method and determined that it is no longer material.

(\*) “Other” represents the overseas PFI business.

## (2) Overview of Financial Position for the Fiscal year under review

### Assets, Liabilities and Net Assets

Total assets decreased 24,542 million yen from the end of the previous fiscal year to 75,054 million yen at the end of the fiscal year under review. This decrease was attributable mainly to a decrease of 26,023 million yen in real estate for sale resulting from our efforts to enhance financial strength primarily by accelerating sale of real estate for sale.

Total liabilities decreased 26,801 million yen from the end of the previous fiscal year to 51,184 million yen. This decrease was attributable mainly to a decrease of 27,219 million yen in borrowings due to repayment of borrowings associated with the sale of real estate for sale.

Net assets increased 2,258 million yen from the end of the previous fiscal year to 23,870 million yen. This increase was attributable mainly to the booking of profit attributable to owners of parent of 3,177 million yen, which was partially offset by the distribution of dividends of surplus of 992 million yen. Consequently, the equity ratio at the end of the fiscal year under review was 31.8%.

## (3) Overview of Cash Flows for the Fiscal year under review

Cash and cash equivalents (hereinafter “net cash”) at the end of the fiscal year under review increased 2,993 million yen from the end of the previous fiscal year to 21,850 million yen, mainly due to the execution of the early sale of real estate for sale with the accelerated purchase of high-quality properties, the sales of 17 projects (with the total selling price of 26,075 million yen) with a reasonable margin to JINUSHI REIT specializing in land with leasehold interest to meet the demand from institutional investors in real estate management. This increase is also attributable to the fact that we continued to procure funds successfully and smoothly from financial institutions.

The main changes in cash flow from operating, investing, and financing activities are described as below.

### Cash flows from operating activities

Net cash provided by operating activities totaled 29,681 million yen, compared with 28,020 million yen used one year earlier. This cash inflow was caused mainly by the booking of profit before income taxes of 4,627 million yen and a 25,947 million yen decrease in inventories.

### Cash flows from investing activities

Net cash provided by investing activities totaled 1,160 million yen, compared with 7 million yen used one year earlier. This cash inflow was caused mainly by proceeds from sales of investment securities, which were partially offset by purchase of property, plant and equipment, and payments for leasehold and guarantee deposits.

#### Cash flows from financing activities

Net cash used in financing activities totaled 27,820 million yen, compared with 32,511 million yen provided one year earlier. This cash outflow was caused mainly by repayment of 59,720 million yen of long-term borrowing due to the early sale of real estate for sale, which was partially offset by purchase of real estate for sale as a result of smooth fund procurement.

#### **(4) Outlook**

We anticipate that Japan's economic future will remain uncertain due to the trends in overseas economies over trade issues, the effects of fluctuations in the financial and capital markets and the spread of the COVID-19 infection. In particular, each country is very busy in urgently coping with the rapid spread of the COVID-19 infection on a global basis, and thus there is concern about its serious and long-term effects not only on the Japanese economy but also on the world economy.

On the other hand, as of the end of March 2020, 80% of the tenants of our "JINUSHI Business" belong to the industries (including the logistics industry) that handle daily necessities such as supermarkets, home improvement store and drug stores. Such tenants are generally performing well due to the "cocooning consumption." The Group has set a policy for the next fiscal year to continue to focus on purchasing real estate for sale mainly for "JINUSHI business," further expand the scale of assets of JINUSHI REIT, and aim for achieving growth in both sales and profits.

Our basic policy for dividends is to make distributions consistently while taking into consideration earnings in each fiscal year, future business development, and other factors. For the fiscal year that ended March 31, 2020, we plan to pay a year-end dividend of 55 yen per share subject to the resolution of the 20th Annual General Meeting of Shareholders. For the fiscal year ending March 31, 2021, we also plan to pay a year-end dividend of 55 yen.

We refrain from announcing earnings forecast for the first half of the fiscal year ending March 31, 2021. The reason is that we have deals under negotiations and that the forecast figures will vary significantly depending on the timing of the closure of these deals and their contract prices.

For more details on the full-year earnings forecast for the fiscal year ending March 31, 2021, please refer to "Results of Operations for the Fiscal Year Ended March 31, 2020" (available on our website (\*)), which is the supplementary materials for the Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2020.

\* <https://www.ncd-jp.com/> (IR Information, IR News)

## **2. Basic Approach to the Selection of Accounting Standards**

The Group will continue to prepare consolidated financial statements using generally accepted accounting principles in Japan for the time being to permit comparisons with the financial data of our peer companies in Japan.

**3. Consolidated Financial Statements and Notes****(1) Consolidated Balance Sheet**

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	FY3/20 (As of Mar. 31, 2020)
Assets		
Current assets		
Cash and deposits	18,856,819	21,850,515
Trade accounts receivable	99,399	146,776
Real estate for sale	69,516,193	43,493,097
Advance payments-trade	1,300,963	1,130,891
Prepaid expenses	197,713	174,837
Other	49,279	89,429
Total current assets	90,020,368	66,885,548
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	334,414	359,588
Tools, furniture and fixtures, net	52,256	74,666
Land	3,758	3,758
Leased assets, net	65,505	84,342
Total property, plant and equipment	455,934	522,356
Intangible assets		
Trademark right	644	434
Other	8,703	13,540
Total intangible assets	9,347	13,975
Investments and other assets		
Investment securities	1,520,154	300,462
Shares of subsidiaries and associates	6,285,426	6,041,020
Investments in capital of subsidiaries and associates	4,000	4,000
Investments in capital	505,161	505,161
Leasehold and guarantee deposits	452,639	482,926
Long-term prepaid expenses	135,107	96,874
Other	421,832	291,608
Allowance for doubtful accounts	(212,582)	(89,160)
Total investments and other assets	9,111,738	7,632,895
Total non-current assets	9,577,020	8,169,226
Total assets	99,597,389	75,054,774

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	FY3/20 (As of Mar. 31, 2020)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade accounts payable	102,436	224,555
Short-term borrowings	4,967,800	1,099,000
Current portion of long-term borrowings	3,519,042	2,770,374
Accounts payable-other	447,211	412,835
Accrued expenses	54,087	29,698
Lease obligations	17,897	20,458
Income taxes payable	919,968	1,523,866
Accrued consumption taxes	43,928	29,395
Deposits received	159,819	196,053
Advances received	30,648	45,000
Unearned revenue	135,804	97,513
Current portion of guarantee deposits received	1,385,877	1,404,118
Other	91,862	1,373
<b>Total current liabilities</b>	<b>11,876,383</b>	<b>7,854,242</b>
<b>Non-current liabilities</b>		
Long-term borrowings	65,207,001	42,604,523
Long-term leasehold and guarantee deposits received	178,055	163,955
Lease obligations	50,608	69,674
Deferred tax liabilities	538,820	448,295
Retirement benefit liability	43,367	-
Other	91,292	43,367
<b>Total non-current liabilities</b>	<b>66,109,145</b>	<b>43,329,816</b>
<b>Total liabilities</b>	<b>77,985,528</b>	<b>51,184,058</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	2,900,258	3,048,547
Capital surplus	4,509,668	4,657,957
Retained earnings	14,810,593	16,995,921
Treasury shares	(79)	(79)
<b>Total shareholders' equity</b>	<b>22,220,441</b>	<b>24,702,346</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	(24,217)	(27,939)
Foreign currency translation adjustment	(604,579)	(803,690)
<b>Total accumulated other comprehensive income</b>	<b>(628,797)</b>	<b>(831,630)</b>
Share acquisition rights	20,216	-
<b>Total net assets</b>	<b>21,611,860</b>	<b>23,870,716</b>
<b>Total liabilities and net assets</b>	<b>99,597,389</b>	<b>75,054,774</b>

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

(Thousands of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Net sales	39,834,330	74,187,219
Cost of sales	31,662,130	65,086,742
Gross profit	8,172,200	9,100,476
Selling, general and administrative expenses	3,725,373	3,855,806
Operating profit	4,446,826	5,244,670
Non-operating income		
Interest income	10,682	5,550
Dividend income	9,946	973
Interest on securities	6,117	5,870
Share of profit of entities accounted for using equity method	303,733	166,856
Gain on bad debts recovered	100,300	22,704
Outsourcing service income	100,265	100,475
Foreign exchange gains	88,291	79,806
Other	83,420	21,206
Total non-operating income	702,758	403,442
Non-operating expenses		
Interest expenses	613,391	729,090
Financing expenses	167,470	272,050
Other	41,199	47,507
Total non-operating expenses	822,061	1,048,649
Ordinary profit	4,327,524	4,599,463
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	333,040	-
Gain on sales of investment securities	-	116,810
Gain on reversal of share acquisition rights	-	13,394
Total extraordinary income	333,040	130,204
Extraordinary losses		
Loss on sales of investment securities	159,960	-
Loss on valuation of investment securities	265,211	-
Loss on sales of shares of subsidiaries and associates	294,229	-
Office relocation expenses	80,585	-
Impairment loss	29,153	-
Loss on liquidation of subsidiaries	-	101,691
Total extraordinary losses	829,140	101,691
Profit before income taxes	3,831,424	4,627,976
Income taxes-current	1,311,896	1,537,505
Income taxes-deferred	(165,468)	(87,005)
Total income taxes	1,146,427	1,450,500
Profit	2,684,996	3,177,475
Profit attributable to non-controlling interests	-	-
Profit attributable to owners of parent	2,684,996	3,177,475

**Consolidated Statement of Comprehensive Income**

	(Thousands of yen)	
	FY3/19	FY3/20
	(Apr. 1, 2018 – Mar. 31, 2019)	(Apr. 1, 2019 – Mar. 31, 2020)
Profit	2,684,996	3,177,475
Other comprehensive income		
Valuation difference on available-for-sale securities	(4,294)	(3,722)
Foreign currency translation adjustment	(594,733)	(199,110)
Total other comprehensive income	(599,028)	(202,833)
Comprehensive income	2,085,967	2,974,642
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	2,085,967	2,974,642
Comprehensive income attributable to non-controlling interests	-	-

**(3) Consolidated Statement of Changes in Equity**

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,795,626	4,405,036	13,108,175	(79)	20,308,759
Changes during period					
Issuance of new shares	104,632	104,632			209,264
Dividends of surplus			(982,578)		(982,578)
Profit attributable to owners of parent			2,684,996		2,684,996
Net changes in items other than shareholders' equity					
Total changes during period	104,632	104,632	1,702,418	-	1,911,682
Balance at end of period	2,900,258	4,509,668	14,810,593	(79)	22,220,441

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	(19,922)	(9,845)	(29,768)	25,030	20,304,021
Changes during period					
Issuance of new shares					209,264
Dividends of surplus					(982,578)
Profit attributable to owners of parent					2,684,996
Net changes in items other than shareholders' equity	(4,294)	(594,733)	(599,028)	(4,814)	(603,842)
Total changes during period	(4,294)	(594,733)	(599,028)	(4,814)	1,307,839
Balance at end of period	(24,217)	(604,579)	(628,797)	20,216	21,611,860

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	2,900,258	4,509,668	14,810,593	(79)	22,220,441
Changes during period					
Issuance of new shares	148,288	148,288			296,577
Dividends of surplus			(992,148)		(992,148)
Profit attributable to owners of parent			3,177,475		3,177,475
Net changes in items other than shareholders' equity					
Total changes during period	148,288	148,288	2,185,327	-	2,481,905
Balance at end of period	3,048,547	4,657,957	16,995,921	(79)	24,702,346

	Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income		
Balance at beginning of period	(24,217)	(604,579)	(628,797)	20,216	21,611,860
Changes during period					
Issuance of new shares					296,577
Dividends of surplus					(992,148)
Profit attributable to owners of parent					3,177,475
Net changes in items other than shareholders' equity	(3,722)	(199,110)	(202,833)	(20,216)	(223,049)
Total changes during period	(3,722)	(199,110)	(202,833)	(20,216)	2,258,855
Balance at end of period	(27,939)	(803,690)	(831,630)	-	23,870,716

**(4) Consolidated Statement of Cash Flows**

	(Thousands of yen)	
	FY3/19	FY3/20
	(Apr. 1, 2018 – Mar. 31, 2019)	(Apr. 1, 2019 – Mar. 31, 2020)
Cash flows from operating activities		
Profit before income taxes	3,831,424	4,627,976
Depreciation	166,164	116,101
Gain on reversal of share acquisition rights	-	(13,394)
Impairment loss	29,153	-
Increase (decrease) in allowance for doubtful accounts	6,170	750
Loss (gain) on sales of investment securities	159,960	(116,810)
Loss (gain) on valuation of investment securities	265,211	-
Share of loss (profit) of entities accounted for using equity method	5,421	93,275
Loss (gain) on sales of shares of subsidiaries and associates	(38,811)	-
Loss on liquidation of subsidiaries	-	101,691
Gain on bad debts recovered	(100,300)	(22,704)
Interest income	(10,682)	(5,550)
Dividend income	(9,946)	(973)
Interest income on securities	(6,117)	(5,870)
Interest expenses	613,391	729,090
Foreign exchange losses (gains)	(88,291)	(79,806)
Non-deductible consumption taxes	270,850	225,779
Decrease (increase) in trade receivables	81,639	(47,377)
Decrease (increase) in inventories	(28,831,479)	25,947,787
Increase (decrease) in trade payables	(20,543)	122,118
Decrease (increase) in advance payments-trade	(747,230)	170,071
Decrease (increase) in prepaid expenses	(113,102)	26,268
Increase (decrease) in accrued expenses	6,648	6,356
Increase (decrease) in accounts payable-other	(372,428)	(33,326)
Increase (decrease) in accrued consumption taxes	35,816	(14,532)
Increase (decrease) in deposits received	(426,036)	36,234
Increase (decrease) in advances received	(1,114,352)	14,352
Increase (decrease) in unearned revenue	39,910	(38,291)
Increase (decrease) in leasehold and guarantee deposits received	480,170	18,240
Other, net	(155,262)	(450,667)
Subtotal	(26,042,651)	31,406,791
Interest and dividends income received	26,667	15,433
Interest paid	(594,196)	(791,312)
Income taxes paid	(1,410,567)	(949,607)
Net cash provided by (used in) operating activities	(28,020,748)	29,681,305
Cash flows from investing activities		
Purchase of property, plant and equipment	(323,703)	(144,135)
Payments for leasehold and guarantee deposits	(247,687)	(52,218)
Proceeds from sales of investment securities	415,930	1,319,773
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	171,414	-
Other, net	(23,097)	37,146
Net cash provided by (used in) investing activities	(7,143)	1,160,565

	(Thousands of yen)	
	FY3/19	FY3/20
	(Apr. 1, 2018 – Mar. 31, 2019)	(Apr. 1, 2019 – Mar. 31, 2020)
Cash flows from financing activities		
Proceeds from issuance of shares	204,450	289,755
Net increase (decrease) in short-term borrowing	1,639,000	(3,868,800)
Proceeds from long-term borrowing	61,618,157	36,488,370
Repayments of long-term borrowing	(29,953,189)	(59,720,215)
Repayments of lease obligations	(14,767)	(17,540)
Dividends paid	(982,108)	(992,035)
Net cash provided by (used in) financing activities	32,511,541	(27,820,465)
Effect of exchange rate change on cash and cash equivalents	(135,806)	(27,709)
Net increase (decrease) in cash and cash equivalents	4,347,842	2,993,695
Cash and cash equivalents at beginning of period	14,508,977	18,856,819
Cash and cash equivalents at end of period	18,856,819	21,850,515

## **(5) Notes to Consolidated Financial Statements**

### **Going Concern Assumption**

Not applicable.

### **Segment and Other Information**

Segment information

#### 1. Overview of reportable segment

Segments used for financial reporting are the Group's constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The Group is primarily engaged in the real estate business with three reportable segments: Real Estate Investment Business, Subleasing, Leasing and Fund Fee Business, Planning and Brokerage Business.

The Real Estate Investment Business segment includes activities involving real estate investments.

The Subleasing, Leasing and Fund Fee Business segment includes activities involving subleasing, leasing and fund fees.

The Planning and Brokerage Business segment includes activities involving planning and brokerage services.

From the fiscal year ended March 31, 2020, the segment previously described as "Other businesses," is reclassified as "Other"(\*) as we have reviewed the segment classification method and determined that it is no longer material.

(\*) "Other" represents the overseas PFI business.

#### 2. Calculation methods for net sales, profits or losses, assets, liabilities, and other items for each reportable segment

The accounting methods used for reportable segments are generally the same as those adopted for preparation of the consolidated financial statements.

Profits for reportable segments are operating profit figures.

Inter-segment sales and transfers between the segments are based on prevailing market prices.

## 3. Information related to net sales, profits or losses, assets, liabilities and other items for each reportable segment

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Reportable segment				Other (Note 1)	Adjustments (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Real Estate Investment Business	Subleasing, Leasing and Fund Fee Business	Planning and Brokerage Business	Subtotal			
Net sales							
Sales to external customers	38,676,993	555,744	195,498	39,428,237	406,093	-	39,834,330
Inter-segment sales and transfers	42,000	-	-	42,000	-	(42,000)	-
Total	38,718,993	555,744	195,498	39,470,237	406,093	(42,000)	39,834,330
Segment profits	7,258,864	303,686	195,456	7,758,008	295,633	(3,606,815)	4,446,826
Segment assets	71,037,872	272,355	-	71,310,228	7,505,041	20,782,119	99,597,389
Other items							
Depreciation and amortization	118,979	7,800	-	126,779	4,627	34,757	166,164
Increase in property, plant and equipment and intangible assets	-	-	-	-	-	338,638	338,638

Notes: 1. The "Other" segment represents businesses not included in any reportable segments and includes the overseas PFI business and entertainment business (golf course management).

2. The above adjustments are as follows:

To segment profits		(Thousands of yen)
Elimination of inter-segment transactions		(42,000)
Corporate expenses *		(3,564,815)
Total		(3,606,815)

\* Corporate expenses mainly include selling, general and administrative expenses that cannot be attributed to any reportable segments.

To segment assets		(Thousands of yen)
Corporate assets *		20,782,119
Total		20,782,119

\* Corporate assets mainly include assets which belong to administration department of the Company.

To depreciation and amortization		(Thousands of yen)
Corporate expenses *		34,757
Total		34,757

\* Corporate expenses mainly include expenses which belong to administration department of the Company that cannot be attributed to any reportable segments.

3. Segment profit is adjusted to be consistent with operating profit shown on the consolidated financial statements.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(Thousands of yen)

	Reportable segment				Other (Note 1)	Adjustments (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Real Estate Investment Business	Subleasing, Leasing and Fund Fee Business	Planning and Brokerage Business	Subtotal			
Net sales							
Sales to external customers	73,533,039	647,543	6,635	74,187,219	-	-	74,187,219
Inter-segment sales and transfers	-	-	-	-	-	-	-
Total	73,533,039	647,543	6,635	74,187,219	-	-	74,187,219
Segment profits	8,399,529	419,816	6,376	8,825,723	(2,666)	(3,578,386)	5,244,670
Segment assets	44,875,442	216,525	-	45,091,968	6,044,353	23,918,452	75,054,774
Other items							
Depreciation and amortization	56,277	1,950	-	58,227	95	57,778	116,101
Increase in property, plant and equipment and intangible assets	-	-	-	-	-	197,593	197,593

Notes: 1. The “Other” segment represents businesses not included in any reportable segments and includes the overseas PFI business.

2. The above adjustments are as follows:

To segment profits	(Thousands of yen)
Corporate expenses *	(3,578,386)
Total	(3,578,386)

\* Corporate expenses mainly include selling, general and administrative expenses that cannot be attributed to any reportable segments.

To segment assets	(Thousands of yen)
Corporate assets *	23,918,452
Total	23,918,452

\* Corporate assets mainly include assets which belong to administration department of the Company.

To depreciation and amortization	(Thousands of yen)
Corporate expenses *	57,778
Total	57,778

\* Corporate expenses mainly include expenses which belong to administration department of the Company that cannot be attributed to any reportable segments.

3. Segment profit is adjusted to be consistent with operating profit shown on the consolidated financial statements.

## Related information

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

### 1. Information by product or service

This information is omitted because the same information is presented in “Segment information, 3. Information related to net sales, profits or losses, assets, liabilities and other items for each reportable segment.”

### 2. Information by region

#### (1) Net sales

This information is omitted because sales to external customers in Japan exceeded 90% of net sales presented in the consolidated statement of income.

#### (2) Property, plant and equipment

Not applicable because there are no property, plant and equipment outside Japan.

## 3. Information by major client

(Thousands of yen)

Company name	Net sales	Business segment
JINUSHI Private REIT Investment Corporation	15,585,482	Real Estate Investment Business Subleasing, Leasing and Fund Fee Business
Tsukushi Investment LLC	6,250,000	Real Estate Investment Business

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

## 1. Information by product or service

This information is omitted because the same information is presented in “Segment information, 3. Information related to net sales, profits or losses, assets, liabilities and other items for each reportable segment.”

## 2. Information by region

## (1) Net sales

This information is omitted because sales to external customers in Japan exceeded 90% of net sales presented in the consolidated statement of income.

## (2) Property, plant and equipment

Not applicable because there are no property, plant and equipment outside Japan.

## 3. Information by major client

(Thousands of yen)

Company name	Net sales	Business segment
JINUSHI Private REIT Investment Corporation	26,436,943	Real Estate Investment Business Subleasing, Leasing and Fund Fee Business
SMFL MIRAI Partners Company, Limited	18,900,503	Real Estate Investment Business Subleasing, Leasing and Fund Fee Business
ML Estate Company, Limited	9,061,138	Real Estate Investment Business Subleasing, Leasing and Fund Fee Business Planning and Brokerage Business

Information related to impairment losses on non-current assets for each reportable segment

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

We reported 29 million yen of an impairment loss on corporate assets which cannot be attributable to any reportable segments.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

Not applicable.

Information related to goodwill amortization and the unamortized balance for each reportable segment

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

Not applicable.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

Not applicable.

Information related to gain on bargain purchase for each reportable segment

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

Not applicable.

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

Not applicable.

**Per Share Information**

(Yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Net assets per share	1,196.94	1,305.43
Net income per share	149.30	174.59
Diluted net income per share	148.35	174.41

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

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Net income per share		
Profit attributable to owners of parent (Thousands of yen)	2,684,996	3,177,475
Profit not attributable to common shareholders (Thousands of yen)	-	-
Profit attributable to owners of parent applicable to common shares (Thousands of yen)	2,684,996	3,177,475
Average number of common shares outstanding during the period (Shares)	17,983,415	18,200,154
Diluted net income per share		
Adjustment to profit attributable to owners of parent	-	-
Increase in the number of common shares (Shares)	115,109	17,775
[Of which, share acquisition rights]	[115,109]	[17,775]
Summary of potentially dilutive shares not included in the calculation of diluted net income per share due to their anti-dilutive effect	-	-

**Subsequent Events**

Not applicable.

**4. Non-consolidated Financial Statements****(1) Balance Sheet**

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	FY3/20 (As of Mar. 31, 2020)
Assets		
Current assets		
Cash and deposits	16,021,857	20,257,088
Operating accounts receivable	22,841	76,271
Real estate for sale	67,240,854	42,101,656
Advance payments-trade	1,289,495	1,119,572
Prepaid expenses	177,982	155,347
Other	200,674	281,030
Total current assets	84,953,705	63,990,966
Non-current assets		
Property, plant and equipment		
Buildings	217,295	307,464
Structures	60,266	-
Tools, furniture and fixtures	29,508	52,922
Land	3,758	3,758
Leased assets	65,505	84,342
Total property, plant and equipment	376,333	448,487
Intangible assets		
Trademark right	644	434
Software	6,612	12,141
Other	0	0
Total intangible assets	7,256	12,576
Investments and other assets		
Investment securities	306,414	298,212
Shares of subsidiaries and associates	365,415	365,415
Investments in capital of subsidiaries and associates	232,898	232,898
Investments in capital	505,161	505,161
Long-term loans receivable from subsidiaries and associates	1,359,549	1,029,569
Leasehold and guarantee deposits	333,673	368,143
Long-term prepaid expenses	132,707	94,458
Deferred tax assets	141,444	138,816
Other	48,443	61,392
Allowance for doubtful accounts	(300)	(300)
Total investments and other assets	3,425,406	3,093,767
Total non-current assets	3,808,996	3,554,831
Total assets	88,762,701	67,545,797

	(Thousands of yen)	
	FY3/19 (As of Mar. 31, 2019)	FY3/20 (As of Mar. 31, 2020)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Trade accounts payable	87,127	205,366
Short-term borrowing	4,967,800	1,099,000
Current portion of long-term borrowing	2,863,077	2,770,374
Accounts payable-other	344,742	305,610
Accrued expenses	52,099	30,600
Lease obligations	17,897	20,458
Income taxes payable	869,704	1,467,860
Accrued consumption taxes	18,732	7,238
Deposits received	96,451	155,002
Advances received	30,648	45,000
Unearned revenue	133,851	94,102
Current portion of guarantee deposits received	1,385,877	1,404,118
<b>Total current liabilities</b>	<b>10,868,008</b>	<b>7,604,732</b>
<b>Non-current liabilities</b>		
Long-term borrowing	60,520,110	39,996,932
Long-term leasehold and guarantee received	178,055	163,955
Lease obligations	50,608	69,674
Other	91,292	-
<b>Total non-current liabilities</b>	<b>60,840,067</b>	<b>40,230,563</b>
<b>Total liabilities</b>	<b>71,708,076</b>	<b>47,835,295</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Share capital	2,900,258	3,048,547
<b>Capital surplus</b>		
Legal capital surplus	2,878,703	3,026,992
<b>Total capital surpluses</b>	<b>2,878,703</b>	<b>3,026,992</b>
<b>Retained earnings</b>		
Other retained earnings		
Retained earnings brought forward	11,279,899	13,663,069
<b>Total retained earnings</b>	<b>11,279,899</b>	<b>13,663,069</b>
Treasury shares	(79)	(79)
<b>Total shareholders' equity</b>	<b>17,058,782</b>	<b>19,738,530</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	(24,373)	(28,028)
<b>Total valuation and translation adjustments</b>	<b>(24,373)</b>	<b>(28,028)</b>
Share acquisition rights	20,216	-
<b>Total net assets</b>	<b>17,054,625</b>	<b>19,710,501</b>
<b>Total liabilities and net assets</b>	<b>88,762,701</b>	<b>67,545,797</b>

**(2) Statement of Income**

(Thousands of yen)

	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)	FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)
Net sales	35,868,061	72,827,432
Cost of sales	28,891,369	64,133,150
Gross profit	6,976,691	8,694,281
Selling, general and administrative expenses	2,495,021	3,033,600
Operating profit	4,481,669	5,660,681
Non-operating income		
Interest income	46,741	9,914
Dividend income	826	933
Interest on securities	6,117	5,870
Gain on investments in partnership	15,719	16,092
Commission income	38,478	32,854
Other	932	1,837
Total non-operating income	108,817	67,503
Non-operating expenses		
Interest expenses	363,620	543,895
Financing expenses	167,470	272,050
Other	3,967	50,614
Total non-operating expenses	535,058	866,561
Ordinary profit	4,055,428	4,861,623
Extraordinary income		
Gain on sales of investment securities	-	13,394
Total extraordinary income	-	13,394
Extraordinary losses		
Office relocation expenses	80,585	-
Impairment loss	29,153	-
Total extraordinary losses	109,739	-
Profit before income taxes	3,945,688	4,875,017
Income taxes-current	1,277,437	1,496,537
Income taxes-deferred	(43,264)	3,161
Total income taxes	1,234,173	1,499,698
Profit	2,711,515	3,375,318

**(3) Statement of Changes in Equity**

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
Balance at beginning of period	2,795,626	2,774,071	2,774,071	9,550,961	9,550,961	(79)	15,120,580
Changes during period							
Issuance of new shares	104,632	104,632	104,632				209,264
Dividends of surplus				(982,578)	(982,578)		(982,578)
Profit				2,711,515	2,711,515		2,711,515
Net changes in items other than shareholders' equity							
Total changes during period	104,632	104,632	104,632	1,728,937	1,728,937	-	1,938,201
Balance at end of period	2,900,258	2,878,703	2,878,703	11,279,899	11,279,899	(79)	17,058,782

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(38,009)	(38,009)	25,030	15,107,602
Changes during period				
Issuance of new shares				209,264
Dividends of surplus				(982,578)
Profit				2,711,515
Net changes in items other than shareholders' equity	13,636	13,636	(4,814)	8,822
Total changes during period	13,636	13,636	(4,814)	1,947,023
Balance at end of period	(24,373)	(24,373)	20,216	17,054,625

FY3/20 (Apr. 1, 2019 – Mar. 31, 2020)

(Thousands of yen)

	Shareholders' equity						
	Share capital	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings	Total retained earnings		
				Retained earnings brought forward			
Balance at beginning of period	2,900,258	2,878,703	2,878,703	11,279,899	11,279,899	(79)	17,058,782
Changes during period							
Issuance of new shares	148,288	148,288	148,288				296,577
Dividends of surplus				(992,148)	(992,148)		(992,148)
Profit				3,375,318	3,375,318		3,375,318
Net changes in items other than shareholders' equity							
Total changes during period	148,288	148,288	148,288	2,383,170	2,383,170	-	2,679,748
Balance at end of period	3,048,547	3,026,992	3,026,992	13,663,069	13,663,069	(79)	19,738,530

	Valuation and translation adjustments		Share acquisition rights	Total net assets
	Valuation difference on available-for-sale securities	Total valuation and translation adjustments		
Balance at beginning of period	(24,373)	(24,373)	20,216	17,054,625
Changes during period				
Issuance of new shares				296,577
Dividends of surplus				(992,148)
Profit				3,375,318
Net changes in items other than shareholders' equity	(3,655)	(3,655)	(20,216)	(23,872)
Total changes during period	(3,655)	(3,655)	(20,216)	2,655,876
Balance at end of period	(28,028)	(28,028)	-	19,710,501

*This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.*