

Translation

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Summary of Consolidated Financial Results for the Year Ended November 30, 2016 (Based on Japanese GAAP)

January 13, 2017

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 24, 2017
 Scheduled date to file Securities Report: February 24, 2017
 Scheduled date to commence dividend payments: –
 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, 2016 (from December 1, 2015 to November 30, 2016)

(1) Consolidated operating results

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Year ended November 30, 2016	14,606	220.5	3,966	40.0	3,662	37.8	2,287	37.7
Year ended November 30, 2015	4,557	(57.5)	2,832	26.7	2,658	23.4	1,661	152.5

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary income/total assets	Operating income/net sales
	Yen	Yen	%	%	%
Year ended November 30, 2016	324.65	–	25.7	12.3	27.2
Year ended November 30, 2015	242.21	242.06	29.8	17.5	62.1

(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, 2016	36,072	9,885	27.4	1,411.01
As of November 30, 2015	23,281	7,900	33.9	1,093.89

(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, 2016	(7,844)	(315)	9,810	5,693
Year ended November 30, 2015	(10,351)	(210)	13,295	4,040

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, 2015	–	0.00	–	0.00	0.00	–	–	–
Year ended November 30, 2016	–	0.00	–	50.00	50.00	350	15.4	4.0
Year ending November 30, 2017 (Forecast)	–	0.00	–	30.00	30.00		8.8	

3. Forecast of consolidated financial results for the year ending November 30, 2017 (from December 1, 2016 to November 30, 2017)

Percentages indicate year-on-year changes

	Net sales		Operating income		Ordinary income		Profit attributable to owners of parent		Earnings per share
Full year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	18,072	23.7	4,107	3.6	3,687	0.7	2,396	4.8	342.09

4. Notes

(1) Changes in significant subsidiaries during the year ended November 30, 2016

(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: Yes

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, 2016	7,222,500 shares	As of November 30, 2015	7,222,500 shares
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Number of treasury shares at the end of the period

As of November 30, 2016	216,631 shares	As of November 30, 2015	– shares
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Average number of shares during the period

Year ended November 30, 2016	7,046,120 shares	Year ended November 30, 2015	6,857,714 shares
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Consolidated financial statements

Consolidated balance sheets

(Thousands of yen)

	As of November 30, 2015	As of November 30, 2016
Assets		
Current assets		
Cash and deposits	4,040,609	5,693,711
Deposits in trust	574,700	609,013
Accounts receivable - trade	91,149	46,089
Real estate for sale	16,191,402	25,775,835
Real estate for sale in process	–	1,115,508
Supplies	947	843
Deferred tax assets	156,627	374,721
Operating loans	453,000	458,985
Operational investment securities	694,532	599,555
Other	500,409	696,643
Allowance for doubtful accounts	(147,720)	(112,791)
Total current assets	22,555,659	35,258,117
Non-current assets		
Property, plant and equipment		
Buildings	69,467	69,467
Accumulated depreciation	(41,390)	(45,745)
Buildings, net	28,076	23,721
Tools, furniture and fixtures	56,048	57,591
Accumulated depreciation	(40,917)	(44,522)
Tools, furniture and fixtures, net	15,130	13,069
Land	52,291	52,291
Construction in progress	84,577	81,115
Total property, plant and equipment	180,076	170,198
Intangible assets	3,901	8,879
Investments and other assets		
Investment securities	54,718	5,989
Investments in other securities of subsidiaries and associates	259,019	70,360
Deferred tax assets	2,028	445
Lease and guarantee deposits	175,877	204,787
Other	50,142	353,431
Total investments and other assets	541,786	635,015
Total non-current assets	725,764	814,093
Total assets	23,281,423	36,072,210

	(Thousands of yen)	
	As of November 30, 2015	As of November 30, 2016
Liabilities		
Current liabilities		
Short-term loans payable	–	860,000
Current portion of long-term loans payable	352,156	745,140
Income taxes payable	734,509	814,967
Other	472,752	819,789
Total current liabilities	1,559,417	3,239,896
Non-current liabilities		
Long-term loans payable	12,961,757	21,832,386
Deferred tax liabilities	9,546	1,419
Other	850,117	1,113,130
Total non-current liabilities	13,821,421	22,946,935
Total liabilities	15,380,838	26,186,832
Net assets		
Shareholders' equity		
Capital stock	1,589,830	1,589,830
Capital surplus	1,913,110	1,913,110
Retained earnings	4,377,602	6,664,919
Treasury shares	–	(285,698)
Total shareholders' equity	7,880,543	9,882,162
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	20,041	3,215
Total accumulated other comprehensive income	20,041	3,215
Total net assets	7,900,585	9,885,378
Total liabilities and net assets	23,281,423	36,072,210

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

(Thousands of yen)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Net sales	4,557,189	14,606,132
Cost of sales	567,417	9,367,668
Gross profit	3,989,772	5,238,463
Selling, general and administrative expenses	1,157,764	1,272,439
Operating income	2,832,007	3,966,024
Non-operating income		
Interest income	686	522
Dividend income	36	3,400
Foreign exchange gains	6,783	—
Rent income	4,008	4,008
Interest on refund	139	2,194
Commission fee	1,645	—
Gain on valuation of derivatives	2,915	33,221
Other	0	128
Total non-operating income	16,216	43,476
Non-operating expenses		
Interest expenses	120,550	177,849
Commission fee	36,073	128,066
Share issuance cost	26,143	—
Going public expenses	6,729	27,271
Loss on valuation of derivatives	—	11,213
Other	705	2,738
Total non-operating expenses	190,202	347,139
Ordinary income	2,658,021	3,662,361
Extraordinary income		
Gain on liquidation of subsidiaries and associates	—	5,499
Gain on sales of investment securities	—	1,557
Total extraordinary income	—	7,057
Extraordinary losses		
Loss on retirement of non-current assets	78	19
Loss on valuation of investment securities	1,557	50,230
Loss on valuation of investments in capital of subsidiaries and associates	4,282	—
Total extraordinary losses	5,917	50,249
Profit before income taxes	2,652,103	3,619,169
Income taxes - current	1,016,097	1,541,125
Income taxes - deferred	(24,220)	(209,478)
Total income taxes	991,877	1,331,646
Profit	1,660,226	2,287,522
Loss attributable to non-controlling interests	(780)	—
Profit attributable to owners of parent	1,661,006	2,287,522

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Profit	1,660,226	2,287,522
Other comprehensive income		
Valuation difference on available-for-sale securities	(8,508)	(16,825)
Total other comprehensive income	(8,508)	(16,825)
Comprehensive income	1,651,717	2,270,697
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,652,497	2,270,697
Comprehensive income attributable to non-controlling interests	(780)	—

Consolidated statements of changes in equity

Fiscal year ended November 30, 2015

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	300,000	270,000	2,716,595	(69,000)	3,217,595
Changes of items during period					
Issuance of new shares	1,289,830	1,289,830			2,579,661
Profit attributable to owners of parent			1,661,006		1,661,006
Disposal of treasury shares		353,280		69,000	422,280
Net changes of items other than shareholders' equity					
Total changes of items during period	1,289,830	1,643,110	1,661,006	69,000	4,662,948
Balance at end of current period	1,589,830	1,913,110	4,377,602	—	7,880,543

	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	28,550	28,550	3,246,145
Changes of items during period			
Issuance of new shares			2,579,661
Profit attributable to owners of parent			1,661,006
Disposal of treasury shares			422,280
Net changes of items other than shareholders' equity	(8,508)	(8,508)	(8,508)
Total changes of items during period	(8,508)	(8,508)	4,654,439
Balance at end of current period	20,041	20,041	7,900,585

Fiscal year ended November 30, 2016

(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	4,377,602	—	7,880,543
Changes of items during period					
Profit attributable to owners of parent			2,287,522		2,287,522
Purchase of treasury shares				(285,698)	(285,698)
Decrease by exclusion of subsidiaries from consolidation			(205)		(205)
Net changes of items other than shareholders' equity					
Total changes of items during period	—	—	2,287,317	(285,698)	2,001,618
Balance at end of current period	1,589,830	1,913,110	6,664,919	(285,698)	9,882,162

	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	20,041	20,041	7,900,585
Changes of items during period			
Profit attributable to owners of parent			2,287,522
Purchase of treasury shares			(285,698)
Decrease by exclusion of subsidiaries from consolidation			(205)
Net changes of items other than shareholders' equity	(16,825)	(16,825)	(16,825)
Total changes of items during period	(16,825)	(16,825)	1,984,793
Balance at end of current period	3,215	3,215	9,885,378

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Cash flows from operating activities		
Profit before income taxes	2,652,103	3,619,169
Depreciation	125,697	257,483
Increase (decrease) in allowance for doubtful accounts	1,000	(34,928)
Interest and dividend income	(723)	(3,923)
Interest expenses	120,550	177,849
Share issuance cost	26,143	–
Going public expenses	6,729	27,271
Loss on retirement of non-current assets	78	19
Loss (gain) on liquidation of subsidiaries and associates	–	(5,499)
Decrease(increase) in deposits in trust	(373,009)	(34,312)
Decrease (increase) in notes and accounts receivable - trade	(56,869)	45,059
Decrease (increase) in inventories	(12,631,623)	(10,945,370)
Decrease (increase) in operating loans receivable	(103,000)	(5,985)
Decrease (increase) in investment securities for sale	(293,606)	68,952
Decrease (increase) in other current assets	(391,650)	(136,520)
Decrease(increase)in investment in anonymous association of subsidiaries and associates	483,990	134,633
Increase (decrease) in other current liabilities	136,637	359,423
Increase (decrease) in other non-current liabilities	648,875	263,013
Other, net	8,077	26,585
Subtotal	(9,640,599)	(6,187,079)
Interest and dividend income received	723	3,923
Interest expenses paid	(119,249)	(183,382)
Income taxes refund	868	–
Income taxes paid	(593,496)	(1,478,309)
Net cash provided by (used in) operating activities	(10,351,754)	(7,844,848)
Cash flows from investing activities		
Purchase of property, plant and equipment	(147,821)	(8,674)
Purchase of intangible assets	(1,445)	(6,690)
Purchase of investment securities	(51,094)	(872)
Proceeds from sales of investment securities	–	2,000
Purchase of shares of subsidiaries and associates	–	(723,418)
Collection of investment and loans receivable	–	477,000
Payments for lease and guarantee deposits	(10,000)	(30,938)
Other, net	25	(24,254)
Net cash provided by (used in) investing activities	(210,336)	(315,848)

(Thousands of yen)

	Fiscal year ended November 30, 2015	Fiscal year ended November 30, 2016
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	–	860,000
Proceeds from long-term loans payable	10,505,000	15,480,000
Repayments of long-term loans payable	(178,087)	(6,216,387)
Proceeds from issuance of common shares	2,557,523	–
Purchase of treasury shares	–	(285,698)
Proceeds from disposal of treasury shares	418,275	–
Other, net	(6,729)	(27,271)
Net cash provided by (used in) financing activities	13,295,981	9,810,643
Effect of exchange rate change on cash and cash equivalents	765	(2,690)
Net increase (decrease) in cash and cash equivalents	2,734,657	1,647,255
Cash and cash equivalents at beginning of period	1,305,952	4,040,609
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	–	5,846
Cash and cash equivalents at end of period	4,040,609	5,693,711