

Translation

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Summary of Consolidated Financial Results for the Year Ended November 30, 2017 (Based on Japanese GAAP)

January 12, 2018

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 23, 2018
 Scheduled date to file Securities Report: February 23, 2018
 Scheduled date to commence dividend payments: February 6, 2018
 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, 2017 (from December 1, 2016 to November 30, 2017)

(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, 2017	18,766	28.5	3,373	(15.0)	3,060	(16.4)	2,048	(10.4)
Year ended November 30, 2016	14,606	220.5	3,966	40.0	3,662	37.8	2,287	37.7

	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, 2017	146.21	—	19.1	8.1	18.0
Year ended November 30, 2016	162.33	—	25.7	12.3	27.2

(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, 2017	39,153	11,610	29.7	828.61
As of November 30, 2016	36,072	9,885	27.4	705.51

(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, 2017	(1,226)	222	1,450	6,161
Year ended November 30, 2016	(7,844)	(315)	9,810	5,693

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, 2016	—	0.00	—	50.00	50.00	350	15.4	4.0
Year ended November 30, 2017	—	0.00	—	15.00	15.00	210	10.3	2.0
Year ending November 30, 2018 (Forecast)	—	0.00	—	18.00	18.00		9.0	

3. Forecast of consolidated financial results for the year ending November 30, 2018 (from December 1, 2017 to November 30, 2018)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
Full year	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	22,568	20.3	5,015	48.7	4,458	45.7	2,815	37.4	200.92

4. Notes

(1) Changes in significant subsidiaries during the year ended November 30, 2017

(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, 2017	14,445,000 shares	As of November 30, 2016	14,445,000 shares
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Number of treasury shares at the end of the period

As of November 30, 2017	433,262 shares	As of November 30, 2016	433,262 shares
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Average number of shares during the period

Year ended November 30, 2017	14,011,738 shares	Year ended November 30, 2016	14,092,241 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of November 30, 2016	As of November 30, 2017
Assets		
Current assets		
Cash and deposits	5,693,711	6,161,609
Deposits in trust	609,013	536,552
Accounts receivable - trade	46,089	33,887
Real estate for sale	25,775,835	28,789,238
Real estate for sale in process	1,115,508	1,215,631
Supplies	843	722
Deferred tax assets	374,721	140,821
Operating loans	458,985	41,985
Operational investment securities	599,555	488,602
Other	696,643	1,082,911
Allowance for doubtful accounts	(112,791)	(41,985)
Total current assets	35,258,117	38,449,978
Non-current assets		
Property, plant and equipment		
Buildings	69,467	101,271
Accumulated depreciation	(45,745)	(49,820)
Buildings, net	23,721	51,450
Tools, furniture and fixtures	57,591	77,371
Accumulated depreciation	(44,522)	(50,101)
Tools, furniture and fixtures, net	13,069	27,269
Land	52,291	72,199
Construction in progress	81,115	59,124
Total property, plant and equipment	170,198	210,044
Intangible assets	8,879	10,132
Investments and other assets		
Investment securities	5,989	79,328
Investments in other securities of subsidiaries and associates	70,360	94,251
Deferred tax assets	445	2,248
Lease and guarantee deposits	204,787	205,206
Other	353,431	101,863
Total investments and other assets	635,015	482,898
Total non-current assets	814,093	703,074
Total assets	36,072,210	39,153,053

(Thousands of yen)

	As of November 30, 2016	As of November 30, 2017
Liabilities		
Current liabilities		
Short-term loans payable	860,000	860,000
Current portion of long-term loans payable	745,140	698,480
Current portion of long-term non-recourse loans payable	–	7,500
Income taxes payable	814,967	455,112
Provision for shareholder benefit program	–	14,682
Other	819,789	627,434
Total current liabilities	3,239,896	2,663,209
Non-current liabilities		
Long-term loans payable	21,832,386	22,931,152
Long-term non-recourse loans payable	–	740,625
Deferred tax liabilities	1,419	14,994
Other	1,113,130	1,192,865
Total non-current liabilities	22,946,935	24,879,636
Total liabilities	26,186,832	27,542,846
Net assets		
Shareholders' equity		
Capital stock	1,589,830	1,589,830
Capital surplus	1,913,110	1,913,110
Retained earnings	6,664,919	8,358,987
Treasury shares	(285,698)	(285,698)
Total shareholders' equity	9,882,162	11,576,231
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	3,215	33,975
Total accumulated other comprehensive income	3,215	33,975
Total net assets	9,885,378	11,610,206
Total liabilities and net assets	36,072,210	39,153,053

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

(Thousands of yen)

	Fiscal year ended November 30, 2016	Fiscal year ended November 30, 2017
Net sales	14,606,132	18,766,472
Cost of sales	9,367,668	14,046,139
Gross profit	5,238,463	4,720,332
Selling, general and administrative expenses	1,272,439	1,347,062
Operating profit	3,966,024	3,373,270
Non-operating income		
Interest income	522	204
Dividend income	3,400	1,289
Rent income	4,008	4,008
Interest on refund	2,194	698
Gain on valuation of derivatives	33,221	5,654
Gain on sales of investment securities	—	3,188
Other	128	745
Total non-operating income	43,476	15,788
Non-operating expenses		
Interest expenses	177,849	222,136
Commission fee	128,066	89,336
Going public expenses	27,271	—
Loss on valuation of derivatives	11,213	14,756
Other	2,738	2,218
Total non-operating expenses	347,139	328,448
Ordinary profit	3,662,361	3,060,610
Extraordinary income		
Gain on liquidation of subsidiaries and associates	5,499	—
Gain on sales of investment securities	1,557	—
Gain on sales of shares of subsidiaries and associates	—	62,481
Total extraordinary income	7,057	62,481
Extraordinary losses		
Loss on retirement of non-current assets	19	—
Loss on valuation of investment securities	50,230	—
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
Total extraordinary losses	50,249	14,865
Profit before income taxes	3,619,169	3,108,226
Income taxes - current	1,541,125	832,908
Income taxes - deferred	(209,478)	226,652
Total income taxes	1,331,646	1,059,561
Profit	2,287,522	2,048,664
Profit attributable to owners of parent	2,287,522	2,048,664

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended November 30, 2016	Fiscal year ended November 30, 2017
Profit	2,287,522	2,048,664
Other comprehensive income		
Valuation difference on available-for-sale securities	(16,825)	30,759
Total other comprehensive income	(16,825)	30,759
Comprehensive income	2,270,697	2,079,424
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,270,697	2,079,424
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

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

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

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended November 30, 2016	Fiscal year ended November 30, 2017
Cash flows from operating activities		
Profit before income taxes	3,619,169	3,108,226
Depreciation	257,483	307,793
Impairment loss	—	11,015
Increase (decrease) in allowance for doubtful accounts	(34,928)	(70,805)
Increase (decrease) in provision for shareholder benefit program	—	14,682
Interest and dividend income	(3,923)	(1,493)
Interest expenses	177,849	222,136
Going public expenses	27,271	—
Loss on retirement of non-current assets	19	—
Loss (gain) on sales of shares of subsidiaries and associates	—	(62,481)
Loss (gain) on liquidation of subsidiaries and associates	(5,499)	856
Decrease(increase) in deposits in trust	(34,312)	72,460
Decrease (increase) in notes and accounts receivable - trade	45,059	12,202
Decrease (increase) in inventories	(10,945,370)	(3,408,672)
Decrease (increase) in operating loans receivable	(5,985)	417,000
Decrease (increase) in investment securities for sale	68,952	131,947
Decrease (increase) in other current assets	(136,520)	(218,433)
Decrease(increase)in investment in anonymous association of subsidiaries and associates	134,633	(23,890)
Increase (decrease) in other current liabilities	359,423	(245,568)
Increase (decrease) in other non-current liabilities	263,013	79,734
Other, net	26,585	7,903
Subtotal	(6,187,079)	354,612
Interest and dividend income received	3,923	1,493
Interest expenses paid	(183,382)	(219,457)
Income taxes refund	—	209
Income taxes paid	(1,478,309)	(1,363,540)
Net cash provided by (used in) operating activities	(7,844,848)	(1,226,683)
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,674)	(24,689)
Purchase of intangible assets	(6,690)	(4,000)
Purchase of investment securities	(872)	(308,871)
Proceeds from sales of investment securities	2,000	261,742
Purchase of shares of subsidiaries and associates	(723,418)	—
Proceeds from sales of shares of subsidiaries and associates	—	302,000
Collection of investment and loans receivable	477,000	—
Payments for lease and guarantee deposits	(30,938)	(3,101)
Proceeds from collection of lease and guarantee deposits	—	656
Other, net	(24,254)	(857)
Net cash provided by (used in) investing activities	(315,848)	222,878

(Thousands of yen)

	Fiscal year ended November 30, 2016	Fiscal year ended November 30, 2017
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	860,000	—
Proceeds from long-term loans payable	15,480,000	12,965,000
Proceeds from long-term non recourse loans payable	—	750,000
Repayments of long-term loans payable	(6,216,387)	(11,912,894)
Repayment of long-term non recourse loans payable	—	(1,875)
Purchase of treasury shares	(285,698)	—
Cash dividends paid	—	(350,042)
Other, net	(27,271)	—
Net cash provided by (used in) financing activities	9,810,643	1,450,188
Effect of exchange rate change on cash and cash equivalents	(2,690)	4,264
Net increase (decrease) in cash and cash equivalents	1,647,255	450,647
Cash and cash equivalents at beginning of period	4,040,609	5,693,711
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	5,846	17,250
Cash and cash equivalents at end of period	5,693,711	6,161,609