

May 14, 2019

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019

[Japanese GAAP]

Company name: Nippon Commercial Development Co., Ltd.

Securities code: 3252

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Scheduled date of Annual General Meeting of Shareholders:

June 21, 2019

Scheduled date of filing of Annual Securities Report:

June 24, 2019

Scheduled date of payment of dividend:

June 24, 2019

Preparation of supplementary materials for financial results:

Yes

Holding of financial results meeting:

Yes (for institutional investors and analysts)

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

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(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, 2019	39,834	27.4	4,446	20.7	4,327	42.2	2,684	37.1
Fiscal year ended Mar. 31, 2018	31,260	17.5	3,684	(23.9)	3,044	(41.2)	1,958	(69.6)

Note: Comprehensive income (million yen)

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

Fiscal year ended Mar. 31, 2018: 2,191 (down 66.9%)

	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, 2019	149.30	148.35	12.8	5.2	11.2
Fiscal year ended Mar. 31, 2018	109.61	108.69	10.4	4.9	11.8

Reference: Equity in earnings of associates (million yen) Fiscal year ended Mar. 31, 2019: 303 Fiscal year ended Mar. 31, 2018: 30

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2019	99,597	21,611	21.7	1,196.94
As of Mar. 31, 2018	67,251	20,304	30.2	1,135.12

Reference: Shareholders' equity (million yen)

As of Mar. 31, 2019: 21,591

As of Mar. 31, 2018: 20,278

(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, 2019	(28,020)	(7)	32,511	18,856
Fiscal year ended Mar. 31, 2018	(5,639)	154	6,412	14,508

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, 2018	-	0.00	-	55.00	55.00	982	50.2	5.2
Fiscal year ended Mar. 31, 2019	-	0.00	-	55.00	55.00	992	36.8	4.7
Fiscal year ending Mar. 31, 2020 (forecasts)	-	0.00	-	55.00	55.00		36.6	

3. Consolidated Forecast for the Fiscal Year Ending March 31, 2020 (April 1, 2019 – March 31, 2020)

(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	50,000	25.5	5,000	12.4	4,000	(7.6)	2,700	0.6	150.14

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 3 of the attachment.

* Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None

Newly added: -

Excluded: -

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

1) Changes in accounting policies due to revisions in accounting standards, others: Yes

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, 2019: 18,039,200 shares As of Mar. 31, 2018: 17,865,200 shares

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

As of Mar. 31, 2019: 141 shares As of Mar. 31, 2018: 141 shares

3) Average number of shares outstanding during the period

Fiscal year ended Mar. 31, 2019: 17,983,415 shares Fiscal year ended Mar. 31, 2018: 17,864,664 shares

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended March 31, 2019 (April 1, 2018 – March 31, 2019)

(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, 2019	35,868	22.4	4,481	26.1	4,055	24.5	2,711	21.2
Fiscal year ended Mar. 31, 2018	29,301	22.6	3,552	(15.8)	3,257	(13.2)	2,236	(68.7)

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Mar. 31, 2019	150.78	149.82
Fiscal year ended Mar. 31, 2018	125.21	124.16

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2019	88,762	17,054	19.2	944.31
As of Mar. 31, 2018	54,399	15,107	27.7	844.25

Reference: Shareholders' equity (million yen) As of Mar. 31, 2019: 17,034 As of Mar. 31, 2018: 15,082

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.

How to view presentation materials

The Company plans to hold a financial results meeting for institutional investors and analysts on Friday, May 31, 2019. Materials to be distributed at this event will be available on the Company's website immediately thereafter.

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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, 2019 (“the fiscal year under review”) remained on a modest recovery trend backed by a pick-up in consumer spending as well as continued improvements in corporate earnings and employment/income environment. However, due attention must be paid to impact of the ongoing trade issues on the global economy, uncertainties over policies and repercussions of money and capital market fluctuations. Overall, uncertainties for the future economic prospects remained undisputed.

The Japanese real estate and real estate finance industries remained solid with a continuingly low vacancy rate of office buildings in major cities backed by the healthy corporate earnings while demand for commercial land increased further against a backdrop of a strong inbound market.

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. Specifically, the Group strove to expand the scale of private REIT under management by selling 11 projects (with the total selling price of 15,354 million yen) on January 11, 2019 to JINUSHI Private REIT Investment Corporation (hereinafter “JINUSHI REIT”) that started its operation in January 2017 as REIT specializing in land with leasehold interest. As a result, the total assets of JINUSHI REIT reached over 51 billion yen at the end of the fiscal year under review. We expect the total assets will grow steadily to exceed 100 billion yen by the end of the fiscal year ending March 31, 2021. Meanwhile, overseas activities of the JINUSHI business took off by signing the first purchase agreement for land in the City of Torrance in Los Angeles County—a prime location that can easily be converted to a different use.

As a result, the Group reported net sales for the fiscal year under review of 39,834 million yen (up 27.4% year on year), operating profit of 4,446 million yen (up 20.7% year on year), ordinary profit of 4,327 million yen (up 42.2% year on year), and profit attributable to owners of parent of 2,684 million yen (up 37.1% year on year).

The main reasons for the year-on-year growth in net sales and profits are summarized as follows:

- i) Net sales increased substantially during the first quarter of the fiscal year under review thanks to the progress in sales of the properties located in Minato-ku, Tokyo; Chuo-ku, Kobe city; Koga city, Fukuoka prefecture; etc. in the Real Estate Investment Business; and
- ii) Backed by a steady increase in purchase of real estate for sale, such newly purchased properties were additionally sold not only to JINUSHI REIT but also to firms other than JINUSHI REIT.

Results by business segment were as follows:

- i) Real Estate Investment Business
The segment reported sales of 38,718 million yen (up 27.1% year on year) with segment profit of 7,258 million yen (up 15.7% year on year).
- ii) Subleasing, Leasing and Fund Fee Business
The segment reported sales of 555 million yen (up 15.6% year on year) with segment profit of 303 million yen (up 37.1% year on year).
- iii) Planning and Brokerage Business
The segment reported sales of 195 million yen (up 828.5% year on year) with segment profit of 195 million yen (up 906.9% year on year).
- iv) Other Businesses
The segment (*) reported sales of 406 million yen (up 13.8% year on year) with segment profit of 295 million yen (up 8.2% year on year).

* In the Other Businesses segment, we are engaged in the overseas PFI business.

(2) Overview of Financial Position for the Fiscal year under review**Assets, Liabilities and Net Assets**

Total assets increased 32,346 million yen from the end of the previous fiscal year to 99,597 million yen at the end of the fiscal year under review. This increase was attributable mainly to an increase of 4,334 million yen in cash and deposits as a result of selling properties to the investors including JINUSHI REIT, and an increase of 28,466 million yen in real estate for sale as a result of accelerated purchase of properties.

Total liabilities increased 31,038 million yen from the end of the previous fiscal year to 77,985 million yen. This increase was attributable mainly to an increase of 32,700 million yen in loans payable to purchase properties.

Net assets increased 1,307 million yen from the end of the previous fiscal year to 21,611 million yen. This increase was attributable mainly to the booking of profit attributable to owners of parent of 2,684 million yen, which was partially offset by the distribution of dividends of surplus of 982 million yen. Consequently, the equity ratio at the end of the fiscal year under review was 21.7%.

(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 4,347 million yen from the end of the previous fiscal year to 18,856 million yen, mainly due to the record high inventory level of real estate for sale attained at the end of the fiscal year under review through the accelerated purchase of high-quality properties, the sales of 11 properties (with the total selling price of 15,354 million yen) with reasonable margin to the world’s first REIT named “JINUSHI REIT” specializing in land with leasehold interest to meet the demand from institutional investors in real estate management and the fact that we continued to raise 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 used in operating activities totaled 28,020 million yen, compared with net cash used of 5,639 million yen one year earlier. The main factor was an increase of 28,831 million yen in inventories, which was partially offset by reporting of profit before income taxes of 3,831 million yen.

Cash flows from investing activities

Net cash used in investing activities totaled 7 million yen, compared with 154 million yen provided one year earlier. This decrease was caused mainly by purchase of property, plant and equipment, and payments for leasehold and guarantee deposits, which were partially offset by proceeds from sales of investment securities.

Cash flows from financing activities

Net cash provided by financing activities totaled 32,511 million yen, compared with 6,412 million yen provided one year earlier. The main factors were a net increase of 1,639 million yen in short-term loans payable and the proceeds of 61,618 million yen from long-term loans payable to finance the accelerated purchase of real estate for sale, which were partially offset by repayment of 29,953 million yen of long-term loans payable due to successful progress in sale of real estate for sale.

(4) Outlook

Going forward, we expect the modest recovery trend to continue in Japan as the employment and income situation continues to improve, and capital expenditures to continue to grow backed by the healthy corporate earnings and the needs to respond to growth areas. The Japanese real estate and real estate finance industries are expected to remain strong supported by the reduced vacancy rate of office buildings centered on major cities and the further growing demands for commercial areas against a backdrop of the inbound market. As for the outlook for the overseas

economy, the U.S. economy will be on a steady recovery. However, we need to pay attention to potential impacts of the trade conflict between China and the U.S. and repercussions caused by fluctuations in money and capital markets.

In such a business environment, 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, 2019, we plan to pay a year-end dividend of 55 yen per share subject to resolution of the 19th Annual General Meeting of Shareholders. For the fiscal year ending March 31, 2020, we also plan to pay a year-end dividend of 55 yen.

We are not announcing earnings forecast for the first half of the fiscal year ending March 31, 2020. 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 earnings forecast for the fiscal year ending March 31, 2020, please refer to “Results of Operations for the Fiscal Year Ended March 31, 2019” (available on our website (*)), which is the supplementary materials for the Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2019.

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

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)	
	FY3/18	FY3/19
	(As of Mar. 31, 2018)	(As of Mar. 31, 2019)
Assets		
Current assets		
Cash and deposits	14,521,977	18,856,819
Operating accounts receivable	193,652	99,399
Real estate for sale	41,049,532	69,516,193
Advance payments-trade	553,732	1,300,963
Prepaid expenses	81,123	197,713
Other	75,396	49,279
Total current assets	56,475,414	90,020,368
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	104,228	334,414
Tools, furniture and fixtures, net	13,345	52,256
Land	3,758	3,758
Leased assets, net	66,556	65,505
Total property, plant and equipment	187,888	455,934
Intangible assets		
Trademark right	853	644
Other	11,274	8,703
Total intangible assets	12,128	9,347
Investments and other assets		
Investment securities	2,423,951	1,520,154
Shares of subsidiaries and associates	7,088,432	6,285,426
Investments in capital of subsidiaries and associates	4,000	4,000
Investments in capital	505,161	505,161
Leasehold and guarantee deposits	282,292	452,639
Long-term prepaid expenses	76,510	135,107
Other	556,168	421,832
Allowance for doubtful accounts	(360,757)	(212,582)
Total investments and other assets	10,575,759	9,111,738
Total non-current assets	10,775,777	9,577,020
Total assets	67,251,191	99,597,389

	(Thousands of yen)	
	FY3/18	FY3/19
	(As of Mar. 31, 2018)	(As of Mar. 31, 2019)
Liabilities		
Current liabilities		
Operating accounts payable	139,789	102,436
Short-term loans payable	3,328,800	4,967,800
Current portion of long-term loans payable	764,215	3,519,042
Accounts payable-other	818,887	447,211
Accrued expenses	29,530	54,087
Lease obligations	13,583	17,897
Income taxes payable	1,061,170	919,968
Accrued consumption taxes	8,111	43,928
Deposits received	585,855	159,819
Advances received	1,145,000	30,648
Unearned revenue	95,893	135,804
Current portion of guarantee deposits received	904,206	1,385,877
Provision for bonuses	14,760	-
Other	52,438	91,862
Total current liabilities	8,962,242	11,876,383
Non-current liabilities		
Long-term loans payable	36,900,557	65,207,001
Lease obligations	55,873	50,608
Deferred tax liabilities	681,202	538,820
Long-term lease and guarantee deposits	179,555	178,055
Retirement benefit liability	69,247	43,367
Other	98,492	91,292
Total non-current liabilities	37,984,928	66,109,145
Total liabilities	46,947,170	77,985,528
Net assets		
Shareholders' equity		
Capital stock	2,795,626	2,900,258
Capital surplus	4,405,036	4,509,668
Retained earnings	13,108,175	14,810,593
Treasury shares	(79)	(79)
Total shareholders' equity	20,308,759	22,220,441
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	(19,922)	(24,217)
Foreign currency translation adjustment	(9,845)	(604,579)
Total accumulated other comprehensive income	(29,768)	(628,797)
Share acquisition rights	25,030	20,216
Total net assets	20,304,021	21,611,860
Total liabilities and net assets	67,251,191	99,597,389

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

	(Thousands of yen)	
	FY3/18	FY3/19
	(Apr. 1, 2017 – Mar. 31, 2018)	(Apr. 1, 2018 – Mar. 31, 2019)
Net sales	31,260,663	39,834,330
Cost of sales	24,402,427	31,662,130
Gross profit	6,858,235	8,172,200
Selling, general and administrative expenses	3,174,186	3,725,373
Operating profit	3,684,048	4,446,826
Non-operating income		
Interest income	7,023	10,682
Dividend income	13,698	9,946
Interest on securities	6,068	6,117
Share of profit of entities accounted for using equity method	30,809	303,733
Gain on bad debts recovered	33,650	100,300
Fiduciary obligation fee	110,533	100,265
Foreign exchange gains	-	88,291
Other	27,350	83,420
Total non-operating income	229,133	702,758
Non-operating expenses		
Interest expenses	541,767	613,391
Financing expenses	178,738	167,470
Foreign exchange losses	127,331	-
Other	21,170	41,199
Total non-operating expenses	869,008	822,061
Ordinary profit	3,044,174	4,327,524
Extraordinary income		
Gain on sales of shares of subsidiaries and associates	-	333,040
Total extraordinary income	-	333,040
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 transfer expenses	-	80,585
Impairment loss	70,275	29,153
Total extraordinary losses	70,275	829,140
Profit before income taxes	2,973,898	3,831,424
Income taxes-current	992,416	1,311,896
Income taxes-deferred	(29,966)	(165,468)
Total income taxes	962,450	1,146,427
Profit	2,011,448	2,684,996
Profit attributable to non-controlling interests	53,356	-
Profit attributable to owners of parent	1,958,092	2,684,996

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY3/18	FY3/19
	(Apr. 1, 2017 – Mar. 31, 2018)	(Apr. 1, 2018 – Mar. 31, 2019)
Profit	2,011,448	2,684,996
Other comprehensive income		
Valuation difference on available-for-sale securities	14,378	(4,294)
Foreign currency translation adjustment	165,355	(594,733)
Total other comprehensive income	179,733	(599,028)
Comprehensive income	2,191,182	2,085,967
Comprehensive income attributable to:		
Comprehensive income attributable to owners of parent	2,134,246	2,085,967
Comprehensive income attributable to non-controlling interests	56,935	-

(3) Consolidated Statement of Changes in Equity

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,794,183	2,772,628	12,132,529	(79)	17,699,262
Changes of items during period					
Issuance of new shares	1,443	1,443			2,886
Change in ownership interest of parent due to transactions with non-controlling interests		1,630,964			1,630,964
Dividends of surplus			(982,446)		(982,446)
Profit attributable to owners of parent			1,958,092		1,958,092
Net changes of items other than shareholders' equity					
Total changes of items during period	1,443	1,632,408	975,646	-	2,609,497
Balance at end of current period	2,795,626	4,405,036	13,108,175	(79)	20,308,759

	Accumulated other comprehensive income			Share acquisition rights	Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income			
Balance at beginning of current period	(29,476)	(176,446)	(205,923)	25,097	2,359,982	19,878,418
Changes of items during period						
Issuance of new shares						2,886
Change in ownership interest of parent due to transactions with non-controlling interests						1,630,964
Dividends of surplus						(982,446)
Profit attributable to owners of parent						1,958,092
Net changes of items other than shareholders' equity	9,553	166,600	176,154	(66)	(2,359,982)	(2,183,894)
Total changes of items during period	9,553	166,600	176,154	(66)	(2,359,982)	425,603
Balance at end of current period	(19,922)	(9,845)	(29,768)	25,030	-	20,304,021

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	2,795,626	4,405,036	13,108,175	(79)	20,308,759
Changes of items 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 of items other than shareholders' equity					
Total changes of items during period	104,632	104,632	1,702,418	-	1,911,682
Balance at end of current 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 current period	(19,922)	(9,845)	(29,768)	25,030	20,304,021
Changes of items during period					
Issuance of new shares					209,264
Dividends of surplus					(982,578)
Profit attributable to owners of parent					2,684,996
Net changes of items other than shareholders' equity	(4,294)	(594,733)	(599,028)	(4,814)	(603,842)
Total changes of items during period	(4,294)	(594,733)	(599,028)	(4,814)	1,307,839
Balance at end of current period	(24,217)	(604,579)	(628,797)	20,216	21,611,860

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY3/18	FY3/19
	(Apr. 1, 2017 – Mar. 31, 2018)	(Apr. 1, 2018 – Mar. 31, 2019)
Cash flows from operating activities		
Profit before income taxes	2,973,898	3,831,424
Depreciation	159,519	166,164
Impairment loss	70,275	29,153
Increase (decrease) in allowance for doubtful accounts	7,662	6,170
Loss (gain) on sales of investment securities	-	159,960
Loss (gain) on valuation of investment securities	-	265,211
Share of loss (profit) of entities accounted for using equity method	292,162	5,421
Loss (gain) on sales of shares of subsidiaries and associates	-	(38,811)
Gain on bad debts recovered	(33,650)	(100,300)
Interest income	(7,023)	(10,682)
Dividend income	(13,698)	(9,946)
Interest income on securities	(6,068)	(6,117)
Interest expenses	541,767	613,391
Foreign exchange losses (gains)	127,331	(88,291)
Non-deductible consumption taxes	178,135	270,850
Decrease (increase) in notes and accounts receivable-trade	(116,203)	81,639
Decrease (increase) in inventories	(9,546,942)	(28,831,479)
Increase (decrease) in notes and accounts payable-trade	18,277	(20,543)
Decrease (increase) in advance payments	(318,732)	(747,230)
Decrease (increase) in prepaid expenses	49,663	(113,102)
Increase (decrease) in accrued expenses	3,872	6,648
Increase (decrease) in accounts payable-other	23,742	(372,428)
Increase (decrease) in accrued consumption taxes	(25,399)	35,816
Increase (decrease) in deposits received	511,320	(426,036)
Increase (decrease) in advances received	1,145,000	(1,114,352)
Increase (decrease) in unearned revenue	(16,779)	39,910
Increase (decrease) in leasehold and guarantee deposits received	(62,080)	480,170
Other, net	(49,782)	(155,262)
Subtotal	(4,093,734)	(26,042,651)
Interest and dividend income received	28,795	26,667
Interest expenses paid	(533,661)	(594,196)
Income taxes paid	(1,041,331)	(1,410,567)
Net cash provided by (used in) operating activities	(5,639,932)	(28,020,748)
Cash flows from investing activities		
Decrease (increase) in time deposits	207,061	-
Purchase of property, plant and equipment	(37,757)	(323,703)
Payments for leasehold and guarantee deposits	(4,537)	(247,687)
Proceeds from sales of investment securities	-	415,930
Proceeds from sales of shares of subsidiaries resulting in change in scope of consolidation	-	171,414
Other, net	(10,344)	(23,097)
Net cash provided by (used in) investing activities	154,422	(7,143)

	(Thousands of yen)	
	FY3/18	FY3/19
	(Apr. 1, 2017 – Mar. 31, 2018)	(Apr. 1, 2018 – Mar. 31, 2019)
Cash flows from financing activities		
Proceeds from issuance of common shares	2,820	204,450
Net increase (decrease) in short-term loans payable	2,788,800	1,639,000
Proceeds from long-term loans payable	26,232,839	61,618,157
Repayments of long-term loans payable	(21,453,513)	(29,953,189)
Repayments of lease obligations	(14,390)	(14,767)
Cash dividends paid	(981,917)	(982,108)
Liquidation dividends paid to non-controlling interests	(35,879)	-
Payments from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	(126,165)	-
Net cash provided by (used in) financing activities	6,412,593	32,511,541
Effect of exchange rate change on cash and cash equivalents	7,200	(135,806)
Net increase (decrease) in cash and cash equivalents	934,284	4,347,842
Cash and cash equivalents at beginning of period	13,574,693	14,508,977
Cash and cash equivalents at end of period	14,508,977	18,856,819

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Changes in Accounting Policies

(Application of Practical Solution on Transactions Granting Employees and Others Share Acquisition Rights, which Involve Considerations, with Vesting Conditions, etc.)

Effective from April 1, 2018, the Company applied “Practical Solution on Transactions Granting Employees and Others Share Acquisition Rights, which Involve Considerations, with Vesting Conditions” (Practical Issues Task Force No. 36, January 12, 2018; hereinafter, “PITF No. 36”) and other related pronouncements. Accordingly, the Company accounts for transactions granting employees and others share acquisition rights, which involve considerations, with vesting conditions in accordance with “Accounting Standards for Share-based Payment” (Accounting Standards Board of Japan (ASBJ) No. 8, December 27, 2005) and other related pronouncements.

However, in respect of the application of PITF No. 36, pursuant to the provisional treatment stipulated in PITF No. 36, paragraph 10 (3), the Company will continue to apply the same accounting treatment as before for transactions granting employees and others share acquisition rights, which involve considerations, with vesting conditions that were entered into prior to the effective date of PITF No. 36.

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 four reportable segments: Real Estate Investment Business, Subleasing, Leasing and Fund Fee Business, Planning and Brokerage Business, and Other Businesses.

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.

The Other Businesses segment includes activities involving 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

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Reportable segment					Adjustments (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Real Estate Investment Business	Subleasing, Leasing and Fund Fee Business	Planning and Brokerage Business	Other Businesses	Subtotal		
Net sales							
Sales to external customers	30,401,848	480,861	21,055	356,897	31,260,663	-	31,260,663
Inter-segment sales and transfers	56,000	-	-	-	56,000	(56,000)	-
Total	30,457,848	480,861	21,055	356,897	31,316,663	(56,000)	31,260,663
Segment profits	6,275,710	221,467	19,410	273,155	6,789,743	(3,105,694)	3,684,048
Segment assets	42,014,983	202,986	-	9,309,854	51,527,824	15,723,367	67,251,191
Other items							
Depreciation and amortization	111,297	7,175	-	6,268	124,740	34,778	159,519
Increase in property, plant and equipment and intangible assets	-	30,000	-	-	30,000	42,571	72,571

Notes: 1. The above adjustments are as follows:

To segment profits		(Thousands of yen)
Elimination of inter-segment transactions		(56,000)
Corporate expenses *		(3,049,694)
Total		(3,105,694)

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

To segment assets		(Thousands of yen)
Corporate assets *		15,723,367
Total		15,723,367

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

To depreciation and amortization		(Thousands of yen)
Corporate expenses *		34,778
Total		34,778

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

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

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Reportable segment					Adjustments (Note 1)	Amounts shown on consolidated financial statements (Note 2)
	Real Estate Investment Business	Subleasing, Leasing and Fund Fee Business	Planning and Brokerage Business	Other Businesses	Subtotal		
Net sales							
Sales to external customers	38,676,993	555,744	195,498	406,093	39,834,330	-	39,834,330
Inter-segment sales and transfers	42,000	-	-	-	42,000	(42,000)	-
Total	38,718,993	555,744	195,498	406,093	39,876,330	(42,000)	39,834,330
Segment profits	7,258,864	303,686	195,456	295,633	8,053,642	(3,606,815)	4,446,826
Segment assets	71,037,872	272,355	-	7,505,041	78,815,270	20,782,119	99,597,389
Other items							
Depreciation and amortization	118,979	7,800	-	4,627	131,406	34,757	166,164
Increase in property, plant and equipment and intangible assets	-	-	-	-	-	338,638	338,638

Notes: 1. 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 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 reportable segments.

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

Related information

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

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	17,069,044	Real Estate Investment Business Subleasing, Leasing and Fund Fee Business
Kanden Realty & Development Co., Ltd.	5,300,000	Real Estate Investment Business

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

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

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

We reported 70 million yen of an impairment loss on corporate assets which cannot be attributable to any reportable segments.

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.

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

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

Not applicable.

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

Not applicable.

Information related to gain on bargain purchase for each reportable segment

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

Not applicable.

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

Not applicable.

Per Share Information

(Yen)

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net assets per share	1,135.12	1,196.94
Net income per share	109.61	149.30
Diluted net income per share	108.69	148.35

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

	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)	FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)
Net income per share		
Profit attributable to owners of parent (Thousands of yen)	1,958,092	2,684,996
Profit not attributable to common shareholders (Thousands of yen)	-	
Profit attributable to owners of parent applicable to common shares (Thousands of yen)	1,958,092	2,684,996
Average number of common shares outstanding during the period (Shares)	17,864,664	17,983,415
Diluted net income per share		
Adjustment to profit attributable to owners of parent	-	-
Increase in the number of common shares (Shares)	151,377	115,109
[Of which, share acquisition rights]	[151,377]	[115,109]
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)	
	FY3/18	FY3/19
	(As of Mar. 31, 2018)	(As of Mar. 31, 2019)
Assets		
Current assets		
Cash and deposits	11,800,278	16,021,857
Operating accounts receivable	98,054	22,841
Real estate for sale	37,097,525	67,240,854
Advance payments-trade	553,732	1,289,495
Prepaid expenses	51,627	177,982
Short-term loans receivable from subsidiaries and associates	2,104,055	-
Other	69,394	200,674
Total current assets	51,774,669	84,953,705
Non-current assets		
Property, plant and equipment		
Buildings	36,162	217,295
Structures	68,066	60,266
Tools, furniture and fixtures	13,345	29,508
Land	3,758	3,758
Leased assets	66,556	65,505
Total property, plant and equipment	187,888	376,333
Intangible assets		
Trademark right	853	644
Software	7,869	6,612
Other	0	0
Total intangible assets	8,723	7,256
Investments and other assets		
Investment securities	298,543	306,414
Shares of subsidiaries and associates	300,000	365,415
Investments in capital	505,161	505,161
Investments in capital of subsidiaries and associates	232,898	232,898
Long-term loans receivable from subsidiaries and associates	650,000	1,359,549
Leasehold and guarantee deposits	232,676	333,673
Long-term prepaid expenses	73,110	132,707
Deferred tax assets	97,507	141,444
Other	38,121	48,443
Allowance for doubtful accounts	(300)	(300)
Total investments and other assets	2,427,719	3,425,406
Total non-current assets	2,624,331	3,808,996
Total assets	54,399,000	88,762,701

	(Thousands of yen)	
	FY3/18	FY3/19
	(As of Mar. 31, 2018)	(As of Mar. 31, 2019)
Liabilities		
Current liabilities		
Operating accounts payable	107,816	87,127
Short-term loans payable	3,328,800	4,967,800
Current portion of long-term loans payable	764,215	2,863,077
Lease obligations	13,583	17,897
Accounts payable-other	237,776	344,742
Accrued expenses	23,889	52,099
Income taxes payable	1,014,009	869,704
Accrued consumption taxes	-	18,732
Deposits received	533,739	96,451
Advances received	1,145,000	30,648
Unearned revenue	63,787	133,851
Current portion of guarantee deposits received	770,855	1,385,877
Total current liabilities	8,003,472	10,868,008
Non-current liabilities		
Long-term loans payable	30,954,005	60,520,110
Long-term lease and guarantee deposited	179,555	178,055
Lease obligations	55,873	50,608
Other	98,492	91,292
Total non-current liabilities	31,287,925	60,840,067
Total liabilities	39,291,398	71,708,076
Net assets		
Shareholders' equity		
Capital stock	2,795,626	2,900,258
Capital surplus		
Legal capital surplus	2,774,071	2,878,703
Total capital surpluses	2,774,071	2,878,703
Retained earnings		
Other retained earnings		
Retained earnings brought forward	9,550,961	11,279,899
Total retained earnings	9,550,961	11,279,899
Treasury shares	(79)	(79)
Total shareholders' equity	15,120,580	17,058,782
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	(38,009)	(24,373)
Total valuation and translation adjustments	(38,009)	(24,373)
Share acquisition rights	25,030	20,216
Total net assets	15,107,602	17,054,625
Total liabilities and net assets	54,399,000	88,762,701

(2) Statement of Income

	(Thousands of yen)	
	FY3/18	FY3/19
	(Apr. 1, 2017 – Mar. 31, 2018)	(Apr. 1, 2018 – Mar. 31, 2019)
Net sales	29,301,320	35,868,061
Cost of sales	23,647,009	28,891,369
Gross profit	5,654,310	6,976,691
Selling, general and administrative expenses	2,101,366	2,495,021
Operating profit	3,552,944	4,481,669
Non-operating income		
Interest income	44,794	46,741
Dividend income	67,802	826
Interest on securities	6,068	6,117
Gain on investments in partnership	9,180	15,719
Commission income	1,200	38,478
Other	246	932
Total non-operating income	129,292	108,817
Non-operating expenses		
Interest expenses	273,096	363,620
Financing expenses	151,415	167,470
Other	424	3,967
Total non-operating expenses	424,936	535,058
Ordinary profit	3,257,300	4,055,428
Extraordinary losses		
Office transfer expenses	-	80,585
Impairment loss	70,275	29,153
Total extraordinary losses	70,275	109,739
Profit before income taxes	3,187,024	3,945,688
Income taxes-current	970,234	1,277,437
Income taxes-deferred	(20,021)	(43,264)
Total income taxes	950,213	1,234,173
Profit	2,236,810	2,711,515

(3) Statement of Changes in Equity

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of current period	2,794,183	2,772,628	2,772,628	8,296,597	8,296,597	(79)	13,863,329
Changes of items during period							
Issuance of new shares	1,443	1,443	1,443				2,886
Dividends of surplus				(982,446)	(982,446)		(982,446)
Profit				2,236,810	2,236,810		2,236,810
Net changes of items other than shareholders' equity							
Total changes of items during period	1,443	1,443	1,443	1,254,364	1,254,364	-	1,257,251
Balance at end of current period	2,795,626	2,774,071	2,774,071	9,550,961	9,550,961	(79)	15,120,580

	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 current period	(16,435)	(16,435)	25,097	13,871,991
Changes of items during period				
Issuance of new shares				2,886
Dividends of surplus				(982,446)
Profit				2,236,810
Net changes of items other than shareholders' equity	(21,574)	(21,574)	(66)	(21,640)
Total changes of items during period	(21,574)	(21,574)	(66)	1,235,610
Balance at end of current period	(38,009)	(38,009)	25,030	15,107,602

FY3/19 (Apr. 1, 2018 – Mar. 31, 2019)

(Thousands of yen)

	Shareholders' equity						
	Capital stock	Capital surplus		Retained earnings		Treasury shares	Total shareholders' equity
		Legal capital surplus	Total capital surplus	Other retained earnings Retained earnings brought forward	Total retained earnings		
Balance at beginning of current period	2,795,626	2,774,071	2,774,071	9,550,961	9,550,961	(79)	15,120,580
Changes of items 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 of items other than shareholders' equity							
Total changes of items during period	104,632	104,632	104,632	1,728,937	1,728,937	-	1,938,201
Balance at end of current 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 current period	(38,009)	(38,009)	25,030	15,107,602
Changes of items during period				
Issuance of new shares				209,264
Dividends of surplus				(982,578)
Profit				2,711,515
Net changes of items other than shareholders' equity	13,636	13,636	(4,814)	8,822
Total changes of items during period	13,636	13,636	(4,814)	1,947,023
Balance at end of current period	(24,373)	(24,373)	20,216	17,054,625

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.