

FY2018 FINANCIAL RESULTS OVERVIEW

2018 Financial Results Summary

- Sales ¥21.53 billion, Operating Income ¥1.73 billion, Ordinary Income ¥1.38 billion
16 consecutive periods with sales and profit growth , record ordinary income
- Number of residential compact condominiums sold increased by **200% over** prior period
- Urban S-type residential sales began, target customer matching, **progressing well**
- **Sales prices increasing** due to the success of our center city focused strategy
- **Advertising efficiency and sales efficiency have increased** because of an evolution in our marketing and CRM strategies

Unit : ¥1,000,000,
%

	FY 2016	FY 2017	FY 2018	Vs Prior Year	Percent Change
Sales	12,166	19,219	21,534	2,314	① 12.0%
Cost of goods sold	9,105	15,564	17,173	1,608	10.3%
Gross profit	3,061	3,655	4,361	705	19.3%
SG&A	1,945	2,263	2,630	366	16.2%
Operating income	1,115	1,391	1,730	338	24.3%
Non-operating profit and loss	-182	-263	-344	-81	31.2%
Ordinary income	933	1,128	1,385	256	22.8%
Pre-tax profit	934	1,128	1,381	252	22.4%
Income tax	351	396	509	112	28.4%
Net income	583	732	872	139	19.1%
Gross profit %	25.2%	19.0%	20.3%	1.2%	
Operating profit %	9.2%	7.2%	8.0%	0.8%	
Ordinary income %	7.7%	5.9%	6.4%	0.6%	
Net Income %	4.8%	3.8%	4.0%	0.2%	
EPS(¥)	87.76	109.63	126.16	16.53	
ROE (%)	19.5%	20.2%	19.1%	-1.1%	
ROA (%)	4.6%	4.6%	4.4%	-0.3%	

①

	FY 2017	FY 2018
For investment (Crecia, etc.)	425 units ¥10,643 million	382 units ¥10,705 million
Residential (V Crecia)	62 units ¥2,496 million	133 units ¥4,711 million
Apartment (S Crecia)	0 buildings —	3 buildings ¥537 million
Others	251 units ¥5,459 million	225 units ¥4,907 million

Although unit sales declined for investment condominiums, sales **increased**

i : Center city concentration strategy for investment condominiums has **increased sale prices**

ii : Residential compact condominium units sold **increased by 200%** over the prior period

iii : Urban S-type residential sales have begun

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② While our competitors gross margins have declined, **ours has risen**.

Cost efficiency and other factors contributed to an **operating income increase of 24.3%**.

i : CRM strategy evolution

⇒ Sales units per salesperson / month
UP 24%

ii : Marketing strategy evolution

⇒ Contain advertising expenses
Cost per acquisition **DOWN 66%**

iii : Property management business

Steady increase in the number of managed units
⇒ In addition to **increasing** stock income, profit margins **will increase** by securing a variety of commissions

Unit: ¥1,000,000,
%

	FY 2018	FY 2019	Vs Prior Year	Percent Change
Cash and deposits	2,390	3,847	① 1,456	60.9%
Real estate for sale	2,357	5,634	② 3,276	139.0%
Real estate sale in-process	11,515	12,518	1,002	8.7%
Other	241	389	147	61.2%
Current assets	16,504	22,388	5,883	35.6%
Fixed assets	354	445	91	25.8%
Total assets	16,859	22,834	5,975	35.4%
Accounts payable	736	1,495	758	103.0%
Short-term debt	324	1,966	1,641	506.0%
Bonds redeemable within 1 year	30	130	100	333.3%
1 year long-term debt repayment	4,672	4,002	-669	-14.3%
Other	1,006	1,105	99	9.9%
Current liabilities	6,769	8,699	1,930	28.5%
Corporate bonds	145	15	-130	-89.7%
Long term debt	5,929	8,907	2,977	50.2%
Other	38	47	9	24.0%
Fixed liabilities	6,113	8,970	2,856	46.7%
Total liabilities	12,883	17,669	4,786	37.2%
Net assets	3,976	5,164	1,188	29.9%
Total liabilities/net assets	16,859	22,834	5,975	35.4%
<i>Flow ratio</i>	<i>243.8%</i>	<i>257.4%</i>	<i>13.5%</i>	
<i>Capital adequacy ratio</i>	<i>23.6%</i>	<i>22.6%</i>	<i>-1.0%</i>	

① Cash on deposits increased due to issuance of new stock, retained earnings, and increased borrowing. Due to the large number of Q4 building completions next period, **cash on deposits increased to prepare for the cash need.**

② Steady increase in inventory by securing a pipeline for the next period on. Also, by strengthening our center city concentration strategy **Unit prices increasing** and we will **maintain a healthy inventory.**

③ Over ¥5 billion.
In addition to profit reserves, **shareholder equity increased steadily** due to the exercise of third-party allotment stock acquisition rights issued simultaneously with our designation on the First Section of the Tokyo Stock Exchange.

Basic guidelines for FY 2019

- In the real estate development and sales business
the objective has changed from “growth” to **“sustainability and ensuring future growth potential”**
(As with last year, because property completion is concentrated in Q4, a loss or lower results are assumed)
- Focusing on **new businesses** such as real estate crowdfunding
New business development team launched in March 2019
- New initiative **challenge**
Referral recruitment team launched
(to reduce hiring costs and strengthen hiring capabilities)
DX team launched
(streamlining costs by automating operations and labor savings, and focusing on creative operations)

Forecast for year FY 2019

Unit : ¥1,000,000, %

	FY 2017	FY 2018	FY 2019 Forecast	Projected change
Sales	19,219	21,534	① 22,000	465
Operating profit	1,391	1,730	1,360	② -370
Ordinary profit	1,128	1,385	1,000	-385
Net income	732	872	630	-242
Operating profit %	7.2%	8.0%	6.2%	-1.9%
Ordinary profit %	5.9%	6.4%	4.5%	-1.9%
Net income %	3.8%	4.0%	2.9%	-1.2%
EPS(円)	109.63	126.16	88.98	-37.18

① maintain previous year's sales

In the real estate development and sales business, our objective has changed from "growth" to "stability and future growth potential" while taking into consideration the financial environment and real estate market conditions.

i : Stability ⇒ Conservative business growth

By prioritizing the rationalization and efficiency of our business, we will become a strong organization and a strong business body.

ii : Strengthen buying and reselling of our own brands with weak impact on the balance sheet as one of the measures to **create profit** with limited resources

② Strategic profit reduction

Actively consider new businesses and M&As in order to secure “ future growth potential.”

In addition, in order to **attract customers** and strengthen the customer base in the future, we plan to concentrate on investing in **crowdfunding partners acquisition**.