

Translation

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**Summary of Consolidated Financial Results
for the Year Ended November 30, 2019
(Based on Japanese GAAP)**

January 10, 2020

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 26, 2020
 Scheduled date to file Securities Report: February 26, 2020
 Scheduled date to commence dividend payments: February 6, 2020
 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, 2019 (from December 1, 2018 to November 30, 2019)

(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, 2019	19,838	(9.3)	3,462	(32.5)	2,810	(40.2)	2,183	(24.3)
Year ended November 30, 2018	21,864	16.5	5,130	52.1	4,700	53.6	2,885	40.9

	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, 2019	155.83	155.57	14.3	5.0	17.5
Year ended November 30, 2018	205.97	204.93	22.3	10.8	23.5

(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, 2019	63,869	16,296	25.4	1,155.85
As of November 30, 2018	48,043	14,283	29.7	1,019.34

(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, 2019	(5,436)	(1,926)	7,320	7,658
Year ended November 30, 2018	(3,395)	(95)	5,082	7,697

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, 2018	—	0.00	—	18.00	18.00	252	8.7	1.9
Year ended November 30, 2019	—	0.00	—	21.00	21.00	294	13.5	1.9
Year ending November 30, 2020 (Forecast)	—	0.00	—	24.00	24.00		13.5	

3. Forecast of consolidated financial results for the year ending November 30, 2020 (from December 1, 2019 to November 30, 2020)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	22,820	15.0	4,580	32.3	3,930	39.8	2,500	14.5	178.28

4. Notes

- (1) Changes in significant subsidiaries during the year ended November 30, 2019
(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, 2019	14,445,000 shares	As of November 30, 2018	14,445,000 shares
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Number of treasury shares at the end of the period

As of November 30, 2019	433,262 shares	As of November 30, 2018	433,262 shares
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Average number of shares during the period

Year ended November 30, 2019	14,011,738 shares	Year ended November 30, 2018	14,011,738 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of November 30, 2018	As of November 30, 2019
Assets		
Current assets		
Cash and deposits	7,672,150	7,705,101
Deposits in trust	505,771	501,243
Accounts receivable - trade	97,436	78,907
Real estate for sale	34,014,708	44,365,293
Real estate for sale in process	3,265,523	6,315,348
Supplies	264	859
Operational investment securities	490,666	613,753
Other	1,135,385	2,757,208
Allowance for doubtful accounts	(1,203)	(962)
Total current assets	47,180,705	62,336,754
Non-current assets		
Property, plant and equipment		
Buildings and structures	107,275	136,417
Accumulated depreciation	(53,771)	(58,845)
Buildings and structures, net	53,503	77,572
Vehicles	–	4,635
Accumulated depreciation	–	(2,623)
Vehicles, net	–	2,012
Tools, furniture and fixtures	65,577	83,369
Accumulated depreciation	(51,255)	(44,728)
Tools, furniture and fixtures, net	14,322	38,641
Land	56,000	–
Construction in progress	18,024	454,456
Total property, plant and equipment	141,850	572,683
Intangible assets	7,253	5,238
Investments and other assets		
Investment securities	75,513	63,564
Investments in other securities of subsidiaries and associates	141,189	20,986
Deferred tax assets	111,227	38,892
Leasehold and guarantee deposits	298,177	397,921
Other	87,786	432,978
Total investments and other assets	713,894	954,343
Total non-current assets	862,997	1,532,264
Total assets	48,043,703	63,869,019

(Thousands of yen)

	As of November 30, 2018	As of November 30, 2019
Liabilities		
Current liabilities		
Short-term loans payable	600,000	1,763,000
Current portion of long-term loans payable	779,648	1,398,320
Current portion of long-term non-recourse loans payable	15,488	15,488
Income taxes payable	604,377	55,449
Provision for shareholder benefit program	20,000	23,000
Other	1,344,096	1,961,630
Total current liabilities	3,363,609	5,216,888
Non-current liabilities		
Long-term loans payable	28,521,926	38,182,939
Long-term non-recourse loans payable	613,643	598,155
Deferred tax liabilities	249,006	1,224,528
Retirement benefit liability	–	22,714
Other	1,012,233	2,327,061
Total non-current liabilities	30,396,808	42,355,398
Total liabilities	33,760,418	47,572,286
Net assets		
Shareholders' equity		
Capital stock	1,589,830	1,589,830
Capital surplus	1,913,110	1,913,075
Retained earnings	11,034,423	12,964,037
Treasury shares	(285,698)	(285,698)
Total shareholders' equity	14,251,667	16,181,245
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	31,075	15,549
Deferred gains or losses on hedges	–	(1,303)
Total accumulated other comprehensive income	31,075	14,245
Non-controlling interests	542	101,240
Total net assets	14,283,284	16,296,732
Total liabilities and net assets	48,043,703	63,869,019

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

(Thousands of yen)

	Fiscal year ended November 30, 2018	Fiscal year ended November 30, 2019
Net sales	21,864,175	19,838,417
Cost of sales	15,375,905	14,512,389
Gross profit	6,488,270	5,326,027
Selling, general and administrative expenses	1,357,800	1,863,515
Operating profit	5,130,469	3,462,511
Non-operating income		
Interest income	254	302
Dividend income	1,006	1,095
Rent income	3,874	2,396
Interest on refund	2,502	398
Gain on sales of investment securities	761	796
Other	375	240
Total non-operating income	8,774	5,230
Non-operating expenses		
Interest expenses	225,187	344,769
Commission expenses	176,376	222,966
Loss on valuation of derivatives	33,704	86,004
Other	3,920	3,785
Total non-operating expenses	439,188	657,527
Ordinary profit	4,700,054	2,810,215
Extraordinary income		
Gain on sales of non-current assets	–	11,005
Total extraordinary income	–	11,005
Extraordinary losses		
Loss on retirement of non-current assets	0	6,729
Loss on valuation of investments in capital of subsidiaries and associates	–	1,553
Impairment loss	57,300	–
Total extraordinary losses	57,300	8,283
Profit before income taxes	4,642,754	2,812,937
Income taxes - current	1,733,086	775,746
Income taxes - deferred	23,671	(146,254)
Total income taxes	1,756,758	629,492
Profit	2,885,996	2,183,445
Profit attributable to non-controlling interests	3	59
Profit attributable to owners of parent	2,885,993	2,183,385

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended November 30, 2018	Fiscal year ended November 30, 2019
Profit	2,885,996	2,183,445
Other comprehensive income		
Valuation difference on available-for-sale securities	(2,900)	(15,525)
Deferred gains or losses on hedges	–	(1,308)
Total other comprehensive income	(2,900)	(16,834)
Comprehensive income	2,883,095	2,166,610
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	2,883,092	2,166,556
Comprehensive income attributable to non-controlling interests	3	54

Consolidated statements of changes in equity

Fiscal year ended November 30, 2018

(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	8,358,987	(285,698)	11,576,231
Changes of items during period					
Dividends of surplus			(210,176)		(210,176)
Profit attributable to owners of parent			2,885,993		2,885,993
Decrease by inclusion of subsidiaries from consolidation			(294)		(294)
Increase by exclusion of subsidiaries from consolidation			20		20
Decrease by exclusion of subsidiaries from consolidation			(106)		(106)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	2,675,435	–	2,675,435
Balance at end of current period	1,589,830	1,913,110	11,034,423	(285,698)	14,251,667

	Accumulated other comprehensive income		Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Total accumulated other comprehensive income		
Balance at beginning of current period	33,975	33,975	–	11,610,206
Changes of items during period				
Dividends of surplus				(210,176)
Profit attributable to owners of parent				2,885,993
Decrease by inclusion of subsidiaries from consolidation				(294)
Increase by exclusion of subsidiaries from consolidation				20
Decrease by exclusion of subsidiaries from consolidation				(106)
Net changes of items other than shareholders' equity	(2,900)	(2,900)	542	(2,357)
Total changes of items during period	(2,900)	(2,900)	542	2,673,077
Balance at end of current period	31,075	31,075	542	14,283,284

Fiscal year ended November 30, 2019

(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	11,034,423	(285,698)	14,251,667
Changes of items during period					
Dividends of surplus			(252,211)		(252,211)
Profit attributable to owners of parent			2,183,385		2,183,385
Sales of shares of consolidated subsidiaries		(35)			(35)
Decrease by inclusion of subsidiaries from consolidation			(1,560)		(1,560)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	(35)	1,929,614	–	1,929,578
Balance at end of current period	1,589,830	1,913,075	12,964,037	(285,698)	16,181,245

	Accumulated other comprehensive income			Non-controlling interests	Total net assets
	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total accumulated other comprehensive income		
Balance at beginning of current period	31,075	–	31,075	542	14,283,284
Changes of items during period					
Dividends of surplus					(252,211)
Profit attributable to owners of parent					2,183,385
Sales of shares of consolidated subsidiaries					(35)
Decrease by inclusion of subsidiaries from consolidation					(1,560)
Net changes of items other than shareholders' equity	(15,525)	(1,303)	(16,829)	100,698	83,869
Total changes of items during period	(15,525)	(1,303)	(16,829)	100,698	2,013,447
Balance at end of current period	15,549	(1,303)	14,245	101,240	16,296,732

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended November 30, 2018	Fiscal year ended November 30, 2019
Cash flows from operating activities		
Profit before income taxes	4,642,754	2,812,937
Depreciation	328,140	539,725
Impairment loss	57,300	–
Increase (decrease) in allowance for doubtful accounts	(40,782)	(768)
Increase (decrease) in provision for bonuses	–	(9,014)
Increase (decrease) in provision for shareholder benefit program	5,318	3,000
Increase (decrease) in retirement benefit liability	–	(37,687)
Increase (decrease) in provision for retirement benefits for directors (and other officers)	–	(20,712)
Interest and dividend income	(1,260)	(1,397)
Interest expenses	225,187	344,769
Loss (gain) on sales of non-current assets	–	(11,005)
Loss on retirement of non-current assets	0	6,729
Decrease(increase) in deposits in trust	30,781	4,527
Decrease (increase) in notes and accounts receivable - trade	(63,549)	13,117
Decrease (increase) in inventories	(7,550,570)	(1,154,983)
Decrease (increase) in operating loans receivable	41,985	–
Decrease (increase) in investment securities for sale	3,418	(134,181)
Decrease (increase) in other current assets	(195,845)	(5,037,893)
Decrease(increase)in investment in anonymous association of subsidiaries and associates	(46,938)	31,311
Increase (decrease) in other current liabilities	1,043,875	(177,971)
Increase (decrease) in other non-current liabilities	(180,631)	103,461
Other, net	(26,967)	3,580
Subtotal	(1,727,784)	(2,722,455)
Interest and dividend income received	1,260	1,397
Interest expenses paid	(226,816)	(334,107)
Income taxes refund	166,416	2,558
Income taxes paid	(1,608,982)	(2,383,876)
Net cash provided by (used in) operating activities	(3,395,906)	(5,436,483)
Cash flows from investing activities		
Payments into time deposits	–	(1,752)
Purchase of property, plant and equipment	(36,396)	(55,423)
Proceeds from sales of property, plant and equipment	–	82,317
Purchase of intangible assets	(163)	(567)
Proceeds from sales of intangible assets	–	2,000
Purchase of investment securities	(19,451)	(14,095)
Proceeds from sales of investment securities	13,437	15,596
Payments for leasehold and guarantee deposits	(53,499)	(110,881)
Proceeds from collection of leasehold and guarantee deposits	1,115	42,526
Purchase of shares of subsidiaries resulting in change in scope of consolidation	–	(1,719,584)
Other, net	(1,000)	(166,500)
Net cash provided by (used in) investing activities	(95,958)	(1,926,365)

(Thousands of yen)

	Fiscal year ended November 30, 2018	Fiscal year ended November 30, 2019
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(260,000)	1,113,000
Proceeds from long-term loans payable	17,440,000	17,966,000
Proceeds from long-term non recourse loans payable	1,400,000	–
Repayments of long-term loans payable	(11,768,058)	(11,490,961)
Repayment of long-term non recourse loans payable	(1,518,994)	(15,488)
Cash dividends paid	(209,983)	(252,205)
Dividends paid to non-controlling interests	–	(879)
Proceeds from changes in ownership interests in subsidiaries that do not result in change in scope of consolidation	–	999
Net cash provided by (used in) financing activities	5,082,964	7,320,465
Effect of exchange rate change on cash and cash equivalents	2,163	(3,273)
Net increase (decrease) in cash and cash equivalents	1,593,263	(45,657)
Cash and cash equivalents at beginning of period	6,161,609	7,697,649
Increase (decrease) in cash and cash equivalents resulting from change of scope of consolidation	(57,222)	6,682
Cash and cash equivalents at end of period	7,697,649	7,658,675