

Consolidated Financial Results for the Fiscal Year Ended October 31, 2019

[Japanese GAAP]

December 10, 2019

Company name: Good Com Asset Co.,Ltd.

Stock Exchange Listing: TSE (1st Section)

Stock code: 3475

URL: <https://www.goodcomasset.co.jp/>

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Scheduled date of Annual General Meeting of Shareholders: January 30, 2020

Scheduled date of payment of dividend: January 31, 2020

Scheduled date of filing of Annual Securities Report: January 30, 2020

Preparation of supplementary materials for financial results: Yes

Holding of financial results meeting: Yes (for securities analysts and individual investors)

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

1. Consolidated Financial Results for the Fiscal Year Ended October 31, 2019

(November 1, 2018 - October 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 Oct. 31, 2019 | 23,376 | 39.0 | 1,755 | 4.6 | 1,650 | 5.3 | 1,127 | 5.2 |
| Fiscal year ended Oct. 31, 2018 | 16,817 | 71.0 | 1,678 | 84.9 | 1,567 | 91.0 | 1,071 | 72.8 |

Note: Comprehensive income (million yen) Fiscal year ended Oct. 31, 2019: 1,127 (up 5.5%)
Fiscal year ended Oct. 31, 2018: 1,069 (up 71.9%)

| | Net income per share | Diluted net income per share | Return on equity | Ordinary profit on total assets | Operating profit to net sales |
|---------------------------------|----------------------|------------------------------|------------------|---------------------------------|-------------------------------|
| | Yen | Yen | % | % | % |
| Fiscal year ended Oct. 31, 2019 | 157.01 | 150.34 | 16.9 | 11.9 | 7.5 |
| Fiscal year ended Oct. 31, 2018 | 159.99 | 152.09 | 22.3 | 12.5 | 10.0 |

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Oct. 31, 2019: - Fiscal year ended Oct. 31, 2018: -

(2) Consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of Oct. 31, 2019 | 15,191 | 7,017 | 46.2 | 975.37 |
| As of Oct. 31, 2018 | 12,434 | 6,356 | 51.1 | 872.55 |

Reference: Shareholders' equity (million yen) As of Oct. 31, 2019: 7,017 As of Oct. 31, 2018: 6,356

(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 Oct. 31, 2019 | (2,642) | (56) | 1,845 | 4,959 |
| Fiscal year ended Oct. 31, 2018 | 5,165 | (25) | (1,843) | 5,814 |

2. Dividends

| | Dividend per share | | | | | Total dividends | 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 Oct. 31, 2018 | - | 0.00 | - | 35.00 | 35.00 | 254 | 21.9 | 4.0 |
| Fiscal year ended Oct. 31, 2019 | - | 0.00 | - | 47.00 | 47.00 | 338 | 29.9 | 5.1 |
| Fiscal year ending Oct. 31, 2020 (forecasts) | - | 0.00 | - | 61.00 | 61.00 | | 29.6 | |

3. Consolidated Forecast for the Fiscal Year Ending October 31, 2020 (November 1, 2019 - October 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 | 8,618 | 1.3 | 682 | 7.1 | 606 | 4.4 | 409 | 3.6 | 56.94 |
| Full year | 30,405 | 30.1 | 2,336 | 33.1 | 2,188 | 32.6 | 1,482 | 31.5 | 205.99 |

Notes

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None
- (2) Changes in accounting policies and accounting-based estimates, and restatements
- 1) Changes in accounting policies due to revisions in accounting standards, others: None
 - 2) Changes in accounting policies other than 1) above: None
 - 3) Changes in accounting-based 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 Oct. 31, 2019: | 7,345,000 shares | As of Oct. 31, 2018: | 7,285,400 shares |
|----------------------|------------------|----------------------|------------------|
 - 2) Number of treasury shares at the end of the period

| | | | |
|----------------------|----------------|----------------------|------------|
| As of Oct. 31, 2019: | 150,256 shares | As of Oct. 31, 2018: | 220 shares |
|----------------------|----------------|----------------------|------------|
 - 3) Average number of shares outstanding during the period

| | | | |
|----------------------------------|------------------|----------------------------------|------------------|
| Fiscal year ended Oct. 31, 2019: | 7,179,212 shares | Fiscal year ended Oct. 31, 2018: | 6,696,895 shares |
|----------------------------------|------------------|----------------------------------|------------------|

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended October 31, 2019 (November 1, 2018 - October 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 Oct. 31, 2019 | 23,059 | 39.4 | 1,734 | 5.2 | 1,620 | 5.1 | 1,107 | 5.2 |
| Fiscal year ended Oct. 31, 2018 | 16,546 | 72.7 | 1,647 | 84.5 | 1,541 | 92.7 | 1,052 | 77.1 |

| | Net income per share | Diluted net income per share |
|---------------------------------|----------------------|------------------------------|
| | Yen | Yen |
| Fiscal year ended Oct. 31, 2019 | 154.31 | 147.75 |
| Fiscal year ended Oct. 31, 2018 | 157.18 | 149.42 |

(2) Non-consolidated financial position

| | Total assets | Net assets | Equity ratio | Net assets per share |
|---------------------|--------------|-------------|--------------|----------------------|
| | Million yen | Million yen | % | Yen |
| As of Oct. 31, 2019 | 14,888 | 6,926 | 46.5 | 962.73 |
| As of Oct. 31, 2018 | 12,216 | 6,284 | 51.4 | 862.68 |

Reference: Shareholders' equity (million yen) As of Oct. 31, 2019: 6,926 As of Oct. 31, 2018: 6,284

The current financial report is not subject to audit by certified public accountants or auditing firms.

Explanation of appropriate use of earnings forecasts, and other special items

Cautionary statement with respect to forward-looking statements

Outlook and other forward-looking statements in these materials are based on assumption judged to be valid and information available to the Company's management at the time the materials were prepared, but are not promises by the Company regarding future performance. 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 4 for forecast assumptions and notes of caution for usage.

How to view supplementary materials for financial results

The Company plans to hold financial results meetings for securities analysts and institutional investors on Wednesday, December 11, 2019, and for individual investors on Thursday, December 12 and Friday, December 13, 2019. Supplementary materials for these meetings will be disclosed at the Timely Disclosure network (TDnet) with financial results, and will be available on the Company's website immediately thereafter.

Contents of Attachments

| | |
|--|----------|
| 1. Overview of Results of Operations | 2 |
| (1) Results of Operations | 2 |
| (2) Financial Position | 3 |
| (3) Cash Flows | 3 |
| (4) Outlook | 4 |
| (5) Important Information about Going Concern Assumption | 4 |
| 2. Basic Approach for the Selection of Accounting Standards | 4 |
| 3. Consolidated Financial Statements and Notes | 5 |
| (1) Consolidated Balance Sheet | 5 |
| (2) Consolidated Statements of Income and Comprehensive Income | 7 |
| Consolidated Statement of Income | 7 |
| Consolidated Statement of Comprehensive Income | 8 |
| (3) Consolidated Statement of Changes in Equity | 9 |
| (4) Consolidated Statement of Cash Flows | 11 |
| (5) Notes to Consolidated Financial Statements | 12 |
| Going Concern Assumption | 12 |
| Segment and Other Information | 12 |
| Per-share Information | 15 |
| Material Subsequent Events | 15 |

1. Overview of Results of Operations

(1) Results of Operations

The Japanese economy continued to recover slowly during the fiscal year that ended in October 2019 due to steady growth in the labor market and personal income and other reasons despite concerns about the downward pressure caused by the negative effects of U.S. trade protectionism and other events.

Japan's market for newly constructed condominiums is the primary business domain of the Good Com Asset Group. During the fiscal year that ended in October 2019, the percentage of new condominiums sold in the Tokyo metropolitan area within one month of going on sale was 59.6%, according to the Real Estate Economic Institute. This percentage was 58.7% in Tokyo's 23 wards, the Group's main business area. This is well below the 70% level generally regarded as a sign of a strong condominium market.

The Group continued to purchase properties as planned. In the Genovia series of condominiums, which are located mainly in Tokyo's 23 wards, planning, development and sales activities were expanded for the Genovia green veil, Genovia skygarden and Genovia skyrun brands. We also reinforced the customer support framework and strengthened the Genovia brand.

During the current fiscal year, 850 condominium units in 26 buildings were sold. The buildings are Higashi-Nihombashi Ekimae (Chuo-ku, Tokyo), Koenji (Nakano-ku, Tokyo), Asakusa II (Taito-ku, Tokyo), Komagome Eki II (Bunkyo-ku, Tokyo), Shinjuku Waseda (Shinjuku-ku, Tokyo), Sumidagawa west (Arakawa-ku, Tokyo), Sumidabunka (Sumida-ku, Tokyo), Setagaya Sakuragaoka (Setagaya-ku, Tokyo), Asakusa Kuramae (Taito-ku, Tokyo), Akihabara (Taito-ku, Tokyo), Higashi Mukojima (Sumida-ku, Tokyo), Nerima Takanodai (Nerima-ku, Tokyo), Musashiseki Koen (Nerima-ku, Tokyo), Honhaneda (Ota-ku, Tokyo), Shinokachimachi (Taito-ku, Tokyo), Ueno (Taito-ku, Tokyo), Ikegami (Ota-ku, Tokyo), Suitengumae (Koto-ku, Tokyo), Shinjuku Nakaochiai (Shinjuku-ku, Tokyo), Kameido IV (Koto-ku, Tokyo), Ojikamiya (Adachi-ku, Tokyo), Sumida Yahiro (Sumida-ku, Tokyo), Ueno II (Taito-ku, Tokyo), Saginomiya (Nakano-ku, Tokyo), Shin-Nakano (Nakano-ku, Tokyo) and Ryogoku III (Sumida-ku, Tokyo).

Net sales increased 39.0% year on year to 23,376 million yen. Operating profit increased 4.6% to 1,755 million yen, ordinary profit increased 5.3% to 1,650 million yen and profit attributable to owners of parent was up 5.2% to 1,127 million yen.

Results by business segment are as follows:

(a) Sales to individuals

This segment consists of sales of our Genovia series one-room and family condominiums to individual investors in Japan. During the current fiscal year, 205 condominium units were sold, compared with 207 units one year earlier.

As a result, sales were 6,951 million yen, up 8.1% from one year earlier, and segment profit decreased 56.1% to 247 million yen.

(b) Sales to real estate companies

This segment consists of sales of our Genovia series one-room condominiums to real estate sales companies in Japan. Thanks to aggressive activities to sell properties to these companies, 645 condominium units were sold, compared with 419 units one year earlier.

As a result, sales were 15,694 million yen, up 60.8% from one year earlier, and segment profit increased 43.1% to 1,174 million yen.

(c) Property management

This segment performed well due to strong growth in the number of managed condominium buildings and tenant-occupied condominium units. Due in part to demand from companies for employee housing, the month-end occupancy rate was 100% for nine months.

As a result, sales were 751 million yen, up 16.9% from one year earlier, and segment profit increased 5.5% to 361 million yen.

(d) Overseas sales

There were no sales to individual investors in other countries during the current fiscal year.

As a result, there were no sales and a segment loss of 42 million yen, compared with a loss of 54 million yen one year earlier.

(2) Financial Position

Total assets increased 22.2% from the end of the previous fiscal year to 15,191 million yen at the end of the current fiscal year. Total liabilities increased 34.5% from the end of the previous fiscal year to 8,174 million yen and total net assets increased 10.4% from the end of the previous fiscal year to 7,017 million yen. The equity ratio was 46.2%.

(a) Current assets

Current assets increased 2,615 million yen from the end of the previous fiscal year to 14,900 million yen at the end of the current fiscal year. This was mainly due to increases in real estate for sale of 2,908 million yen and advance payments-trade of 376 million yen, while there was a decrease in cash and deposits of 854 million yen.

(b) Non-current assets

Non-current assets increased 141 million yen from the end of the previous fiscal year to 291 million yen. This was mainly due to increases in property, plant and equipment of 36 million yen, long-term prepaid expenses included in the investments and other assets of 62 million yen, and deferred tax assets of 25 million yen.

(c) Current liabilities

Current liabilities increased 1,356 million yen from the end of the previous fiscal year to 6,182 million yen mainly due to an increase in short-term loans payable of 1,195 million yen.

(d) Non-current liabilities

Non-current liabilities increased 739 million yen from the end of the previous fiscal year to 1,991 million yen mainly due to a 709 million yen increase in long-term loans payable.

(e) Net assets

Total net assets increased 660 million yen from the end of the previous fiscal year to 7,017 million yen. The main factors include a 1,127 million yen increase in retained earnings due to the booking of profit attributable to owners of parent, which was partially offset by a 254 million yen decrease in retained earnings due to dividend payments and a 214 million yen increase in treasury shares.

(3) Cash Flows

Cash and cash equivalents (hereinafter, "net cash") at the end of the current fiscal year decreased 854 million yen, or 14.7%, from the end of the previous fiscal year to 4,959 million yen.

Cash flows by category during the fiscal year is as follows.

Cash flows from operating activities

Net cash used in operating activities was 2,642 million yen (5,165 million yen provided in the previous fiscal year). This was mainly due to a 2,996 million yen increase in inventories.

Cash flows from investing activities

Net cash used in investing activities was 56 million yen (25 million yen used in the previous fiscal year). The main factors include purchase of property, plant and equipment of 40 million yen and payments for lease deposits of 21 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 1,845 million yen (1,843 million yen used in the previous fiscal year). The main factors include proceeds from long-term loans payable of 9,876 million yen and a net increase in

short-term loans payable of 1,195 million yen, while there were repayments of long-term loans payable of 8,749 million yen.

(4) Outlook

The outlook for Japan's market for newly constructed condominiums, the primary business domain of the Group, is generally negative for a number of reasons. Two significant reasons are Japan's declining population and the expected surplus of condominiums following major sports events taking place in Japan. Nevertheless, we believe that the demand for rental condominiums will remain strong in Tokyo's 23 wards, which is where we operate. Demand is backed by the increasing numbers of single-person households, senior households and foreign workers.

The Group will continue to make substantial purchases of land primarily in Tokyo's 23 wards, where the demand for rental housing is expected to remain strong. We will also strengthen sales capabilities by heightening the profile of Genovia series condominiums in the condominium market and training and increasing our sales team. We plan to use the Good Com Fund, our new real estate crowd funding business, for extensive activities to sell Genovia series condominiums in small investment units. The need for estate planning to reduce inheritance taxes is expected to continue to increase. Japan has revised the basic deductions for these taxes, resulting in a large increase in the amount of cash and deposits subject to inheritance tax. Small investments in real estate are a convenient means of shifting assets from cash to real estate, which simplifies the distribution of assets to an individual's heirs. As a result, we expect the demand for these investments to increase.

In the fiscal year ending October 31, 2020, we plan to strengthen sales capabilities for sales to individuals in Japan by hiring more salespeople and giving these people sound training. For sales to real estate companies, our sales activities will take advantage of our land procurement skills. As a result, we expect the total of sales to individuals, sales to real estate companies, overseas sales and crowd funding sales of small investment units to be 1,003 condominium units, 18.0% more than in the current fiscal year.

In addition, we forecast steady and strong performance in the property management business as the number of properties under management climbs along with the increasing number of condominium units sold.

The Group forecasts net sales of 30,405 million yen, (up 30.1% year on year), operating profit of 2,336 million yen (up 33.1%), ordinary profit of 2,188 million yen (up 32.6%), and profit attributable to owners of parent of 1,482 million yen (up 31.5%) for the fiscal year ending October 31, 2020.

For properties sold to real estate companies, payments are usually received several months after a sales contract is signed despite measures to sign sales contracts quickly with real estate sales companies. Due to this delay, we expect a large share of sales to be recorded in the second half of the fiscal year. Therefore, we are forecasting big increases in fiscal year sales and earnings to all-time highs even though we expect first half sales and earnings to be about the same as in the current fiscal year.

(5) Important Information about Going Concern Assumption

Not applicable.

2. Basic Approach for the Selection of Accounting Standards

The Group will continue to prepare consolidated financial statements based on generally accepted accounting principles in Japan for the time being to permit comparisons with prior years and with the financial data of other companies.

We will nevertheless consider applying International Financial Reporting Standards (IFRS) in light of future trends in our foreign investor ownership ratio and application of IFRS by our industry peers.

3. Consolidated Financial Statements and Notes**(1) Consolidated Balance Sheet**

(Thousands of yen)

| | FY10/18 (As of Oct. 31, 2018) | FY10/19 (As of Oct. 31, 2019) |
|---|----------------------------------|----------------------------------|
| Assets | | |
| Current assets | | |
| Cash and deposits | 5,834,194 | 4,979,582 |
| Real estate for sale | 5,619,682 | 8,528,080 |
| Real estate for sale in process | 24,848 | 49,406 |
| Advance payments-trade | 729,715 | 1,106,278 |
| Other | 76,369 | 236,769 |
| Total current assets | 12,284,809 | 14,900,117 |
| Non-current assets | | |
| Property, plant and equipment | | |
| Buildings and structures | 18,768 | 54,710 |
| Accumulated depreciation | (14,218) | (16,532) |
| Buildings and structures, net | 4,550 | 38,177 |
| Other | 10,492 | 14,244 |
| Accumulated depreciation | (8,011) | (9,119) |
| Other, net | 2,480 | 5,125 |
| Total property, plant and equipment | 7,031 | 43,303 |
| Intangible assets | | |
| Software | 1,433 | 1,013 |
| Total intangible assets | 1,433 | 1,013 |
| Investments and other assets | | |
| Investment securities | 13,083 | 15,419 |
| Long-term loans receivable from employees | 548 | - |
| Deferred tax assets | 55,878 | 81,460 |
| Other | 72,062 | 150,468 |
| Total investments and other assets | 141,573 | 247,348 |
| Total non-current assets | 150,038 | 291,665 |
| Total assets | 12,434,847 | 15,191,783 |

| | (Thousands of yen) | |
|---|-----------------------|-----------------------|
| | FY10/18 | FY10/19 |
| | (As of Oct. 31, 2018) | (As of Oct. 31, 2019) |
| Liabilities | | |
| Current liabilities | | |
| Accounts payable for construction contracts | 42,022 | 78,363 |
| Short-term loans payable | 292,230 | 1,487,886 |
| Current portion of bonds | 10,000 | - |
| Current portion of long-term loans payable | 3,460,649 | 3,877,851 |
| Income taxes payable | 435,385 | 390,956 |
| Provision for bonuses | 16,637 | 16,538 |
| Provision for vacancy warranties | 20,609 | 25,684 |
| Other | 549,165 | 305,644 |
| Total current liabilities | 4,826,699 | 6,182,924 |
| Non-current liabilities | | |
| Long-term loans payable | 1,234,424 | 1,944,201 |
| Provision for shareholder benefit program | - | 25,139 |
| Other | 17,027 | 22,007 |
| Total non-current liabilities | 1,251,451 | 1,991,347 |
| Total liabilities | 6,078,150 | 8,174,271 |
| Net assets | | |
| Shareholders' equity | | |
| Capital stock | 1,588,123 | 1,589,516 |
| Capital surplus | 1,496,623 | 1,498,016 |
| Retained earnings | 3,273,293 | 4,145,550 |
| Treasury shares | (130) | (214,924) |
| Total shareholders' equity | 6,357,910 | 7,018,158 |
| Accumulated other comprehensive income | | |
| Valuation difference on available-for-sale securities | 869 | 1,890 |
| Foreign currency translation adjustment | (2,081) | (2,536) |
| Total accumulated other comprehensive income | (1,212) | (646) |
| Total net assets | 6,356,697 | 7,017,512 |
| Total liabilities and net assets | 12,434,847 | 15,191,783 |

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

(Thousands of yen)

| | FY10/18 (Nov. 1, 2017 - Oct. 31, 2018) | FY10/19 (Nov. 1, 2018 - Oct. 31, 2019) |
|--|---|---|
| Net sales | 16,817,869 | 23,376,633 |
| Cost of sales | 13,640,949 | 19,883,818 |
| Gross profit | 3,176,920 | 3,492,814 |
| Selling, general and administrative expenses | 1,498,592 | 1,737,285 |
| Operating profit | 1,678,328 | 1,755,529 |
| Non-operating income | | |
| Interest income | 54 | 58 |
| Dividend income | 287 | 316 |
| Commission income | 2,423 | 2,846 |
| Penalty income | 2,501 | 27,593 |
| Interest on refund | 1,035 | - |
| Other | 1,213 | 1,103 |
| Total non-operating income | 7,515 | 31,918 |
| Non-operating expenses | | |
| Interest expenses | 89,670 | 107,241 |
| Commission expenses | 9,420 | 29,136 |
| Share issuance cost | 19,186 | 408 |
| Other | 547 | 303 |
| Total non-operating expenses | 118,824 | 137,091 |
| Ordinary profit | 1,567,019 | 1,650,357 |
| Profit before income taxes | 1,567,019 | 1,650,357 |
| Income taxes-current | 523,509 | 549,151 |
| Income taxes-deferred | (27,914) | (26,032) |
| Total income taxes | 495,595 | 523,119 |
| Profit | 1,071,424 | 1,127,238 |
| Profit attributable to owners of parent | 1,071,424 | 1,127,238 |

(Consolidated Statement of Comprehensive Income)

(Thousands of yen)

| | FY10/18 (Nov. 1, 2017 - Oct. 31, 2018) | FY10/19 (Nov. 1, 2018 - Oct. 31, 2019) |
|--|---|---|
| Profit | 1,071,424 | 1,127,238 |
| Other comprehensive income | | |
| Valuation difference on available-for-sale securities | (1,794) | 1,021 |
| Foreign currency translation adjustment | (330) | (455) |
| Total other comprehensive income | (2,124) | 566 |
| Comprehensive income | 1,069,299 | 1,127,804 |
| Comprehensive income attributable to | | |
| Comprehensive income attributable to owners of parent | 1,069,299 | 1,127,804 |
| Comprehensive income attributable to non-controlling interests | - | - |

(3) Consolidated Statement of Changes in Equity

FY10/18 (Nov. 1, 2017 – Oct. 31, 2018)

(Thousands of yen)

| | Shareholders' equity | | | | Total shareholders' equity |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | |
| Balance at beginning of current period | 504,440 | 412,940 | 2,323,288 | (130) | 3,240,539 |
| Changes of items during period | | | | | |
| Issuance of new shares | 1,081,603 | 1,081,603 | | | 2,163,207 |
| Issuance of new shares-exercise of share acquisition rights | 2,079 | 2,079 | | | 4,158 |
| Dividends of surplus | | | (121,419) | | (121,419) |
| Profit attributable to owners of parent | | | 1,071,424 | | 1,071,424 |
| Net changes of items other than shareholders' equity | | | | | - |
| Total changes of items during period | 1,083,682 | 1,083,682 | 950,005 | - | 3,117,370 |
| Balance at end of current period | 1,588,123 | 1,496,623 | 3,273,293 | (130) | 6,357,910 |

| | Accumulated other comprehensive income | | | 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 | 2,663 | (1,751) | 912 | 3,241,451 |
| Changes of items during period | | | | |
| Issuance of new shares | | | - | 2,163,207 |
| Issuance of new shares-exercise of share acquisition rights | | | - | 4,158 |
| Dividends of surplus | | | - | (121,419) |
| Profit attributable to owners of parent | | | - | 1,071,424 |
| Net changes of items other than shareholders' equity | (1,794) | (330) | (2,124) | (2,124) |
| Total changes of items during period | (1,794) | (330) | (2,124) | 3,115,246 |
| Balance at end of current period | 869 | (2,081) | (1,212) | 6,356,697 |

FY10/19 (Nov. 1, 2018 – Oct. 31, 2019)

(Thousands of yen)

| | Shareholders' equity | | | | |
|---|----------------------|-----------------|-------------------|-----------------|----------------------------|
| | Capital stock | Capital surplus | Retained earnings | Treasury shares | Total shareholders' equity |
| Balance at beginning of current period | 1,588,123 | 1,496,623 | 3,273,293 | (130) | 6,357,910 |
| Changes of items during period | | | | | |
| Issuance of new shares-exercise of share acquisition rights | 1,393 | 1,393 | | | 2,786 |
| Dividends of surplus | | | (254,981) | | (254,981) |
| Profit attributable to owners of parent | | | 1,127,238 | | 1,127,238 |
| Purchase of treasury shares | | | | (214,794) | (214,794) |
| Net changes of items other than shareholders' equity | | | | | - |
| Total changes of items during period | 1,393 | 1,393 | 872,256 | (214,794) | 660,248 |
| Balance at end of current period | 1,589,516 | 1,498,016 | 4,145,550 | (214,924) | 7,018,158 |

| | Accumulated other comprehensive income | | | 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 | 869 | (2,081) | (1,212) | 6,356,697 |
| Changes of items during period | | | | |
| Issuance of new shares-exercise of share acquisition rights | | | - | 2,786 |
| Dividends of surplus | | | - | (254,981) |
| Profit attributable to owners of parent | | | - | 1,127,238 |
| Purchase of treasury shares | | | - | (214,794) |
| Net changes of items other than shareholders' equity | 1,021 | (455) | 566 | 566 |
| Total changes of items during period | 1,021 | (455) | 566 | 660,814 |
| Balance at end of current period | 1,890 | (2,536) | (646) | 7,017,512 |

(4) Consolidated Statement of Cash Flows

| | (Thousands of yen) | |
|--|--------------------------------|--------------------------------|
| | FY10/18 | FY10/19 |
| | (Nov. 1, 2017 - Oct. 31, 2018) | (Nov. 1, 2018 - Oct. 31, 2019) |
| Cash flows from operating activities | | |
| Profit before income taxes | 1,567,019 | 1,650,357 |
| Depreciation | 33,052 | 56,696 |
| Increase (decrease) in provision for bonuses | 908 | (99) |
| Increase (decrease) in provision for vacancy warranties | (7,716) | 5,075 |
| Increase (decrease) in provision for shareholder benefit program | - | 25,139 |
| Interest and dividend income | (342) | (374) |
| Interest expenses | 89,670 | 107,241 |
| Decrease (increase) in advance payments | (502,355) | (376,563) |
| Decrease (increase) in inventories | 3,744,372 | (2,996,593) |
| Increase (decrease) in notes and accounts payable-trade | (74,764) | 36,341 |
| Increase (decrease) in accrued consumption taxes | 288,038 | (286,736) |
| Other, net | 357,758 | (116,627) |
| Subtotal | 5,495,642 | (1,896,144) |
| Interest and dividend income received | 102 | 110 |
| Interest expenses paid | (84,584) | (107,922) |
| Income taxes paid | (245,630) | (638,653) |
| Net cash provided by (used in) operating activities | 5,165,529 | (2,642,610) |
| Cash flows from investing activities | | |
| Purchase of property, plant and equipment | - | (40,050) |
| Purchase of investment securities | (5,597) | (599) |
| Payments into time deposits | (20,019) | (20,019) |
| Proceeds from withdrawal of time deposits | 20,018 | 20,018 |
| Payments for leasehold deposits | (19,320) | (21,545) |
| Other, net | (1,038) | 5,368 |
| Net cash provided by (used in) investing activities | (25,958) | (56,829) |
| Cash flows from financing activities | | |
| Net increase (decrease) in short-term loans payable | (94,070) | 1,195,656 |
| Proceeds from long-term loans payable | 5,971,000 | 9,876,970 |
| Repayments of long-term loans payable | (9,737,514) | (8,749,991) |
| Redemption of bonds | (10,000) | (10,000) |
| Proceeds from issuance of common shares | 2,148,179 | 2,377 |
| Purchase of treasury shares | - | (214,794) |
| Cash dividends paid | (121,419) | (254,981) |
| Net cash provided by (used in) financing activities | (1,843,823) | 1,845,236 |
| Effect of exchange rate change on cash and cash equivalents | (623) | (410) |
| Net increase (decrease) in cash and cash equivalents | 3,295,123 | (854,613) |
| Cash and cash equivalents at beginning of period | 2,519,052 | 5,814,176 |
| Cash and cash equivalents at end of period | 5,814,176 | 4,959,562 |

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Segment and Other Information

Segment Information

1. Overview of reportable segment

The Group's segments used for financial reporting are the 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 operations of the Group are divided into the following four reportable business segments: sales to individuals, sales to real estate companies, property management, and overseas sales.

The sale of newly constructed condominiums using the Company's own brand is the primary activity of the sales to individuals, sales to real estate companies and overseas sales segments. Sales to individuals is the sale of condominiums to individual investors in Japan and sales to real estate companies is sales to real estate companies in Japan. Overseas sales is the sale of condominiums to overseas individual investors and other buyers. Property management is the management of tenant-occupied condominium units as well as entire condominium buildings sold by the Company and the rental of these units until ownership is transferred to buyers.

2. Calculation method for net sales, profit or loss, assets, liabilities, and other items for each reportable segment

The accounting methods for reportable segments are generally the same as those described in "Significant Accounting Policies in the Preparation of Consolidated Financial Statements."

Profits for reportable segments are operating profit figures.

Inter-segment sales and transfers are based on market prices.

The Group does not allocate assets to specific business segments, but depreciation associated with these assets is allocated to specific business segments using reasonable standards.

3. Information related to net sales and profit or loss, assets, liabilities, and other items for each reportable segment

FY10/18 (Nov. 1, 2017 – Oct. 31, 2018)

(Thousands of yen)

| | Reportable segment | | | | Total |
|-----------------------------------|----------------------|--------------------------------|---------------------|----------------|------------|
| | Sales to individuals | Sales to real estate companies | Property management | Overseas sales | |
| Net sales | | | | | |
| External sales | 6,431,720 | 9,758,268 | 627,880 | - | 16,817,869 |
| Inter-segment sales and transfers | - | - | 15,486 | - | 15,486 |
| Total | 6,431,720 | 9,758,268 | 643,367 | - | 16,833,356 |
| Segment profit (loss) | 562,885 | 820,561 | 342,816 | (54,951) | 1,671,312 |
| Other items | | | | | |
| Depreciation | 2,120 | 315 | - | 135 | 2,571 |

Notes: 1. Total depreciation in this table is consistent with the amount shown in the consolidated financial statements.

2. The Group does not allocate assets to specific business segments.

FY10/19 (Nov. 1, 2018 – Oct. 31, 2019)

(Thousands of yen)

| | Reportable segment | | | | Total |
|-----------------------------------|----------------------|--------------------------------|---------------------|----------------|------------|
| | Sales to individuals | Sales to real estate companies | Property management | Overseas sales | |
| Net sales | | | | | |
| External sales | 6,951,513 | 15,694,244 | 730,875 | - | 23,376,633 |
| Inter-segment sales and transfers | - | - | 21,003 | - | 21,003 |
| Total | 6,951,513 | 15,694,244 | 751,879 | - | 23,397,637 |
| Segment profit (loss) | 247,041 | 1,174,201 | 361,750 | (42,427) | 1,740,565 |
| Other items | | | | | |
| Depreciation | 3,488 | 581 | - | 129 | 4,198 |

Notes: 1. Total depreciation in this table is consistent with the amount shown in the consolidated financial statements.

2. The Group does not allocate assets to specific business segments.

4. Reconciliation of amounts shown in the consolidated financial statements with total for reportable segments

(Thousands of yen)

| Net sales | FY10/18 | FY10/19 |
|--|------------|------------|
| Total for reportable segments | 16,833,356 | 23,397,637 |
| Elimination of inter-segment transactions | (15,486) | (21,003) |
| Net sales in consolidated financial statements | 16,817,869 | 23,376,633 |

(Thousands of yen)

| Profit | FY10/18 | FY10/19 |
|---|-----------|-----------|
| Total for reportable segments | 1,671,312 | 1,740,565 |
| Elimination of inter-segment transactions | 7,016 | 14,964 |
| Operating profit in consolidated financial statements | 1,678,328 | 1,755,529 |

Related Information

FY10/18 (Nov. 1, 2017 – Oct. 31, 2018)

1. Information by product and service

Omitted since sales to external customers in the category of a single product or service exceeded 90% of net sales on the consolidated statement of income.

2. Information by region

(1) Net sales

Omitted since there are no external sales outside Japan.

(2) Property, plant and equipment

Not applicable because there are no property, plant and equipment outside Japan.

3. Information by major customer

(Thousands of yen)

| Customer name | Net sales | Relevant segment |
|---------------|-----------|--------------------------------|
| BRI Co., Ltd. | 1,764,871 | Sales to real estate companies |

FY10/19 (Nov. 1, 2018 – Oct. 31, 2019)

1. Information by product and service

Omitted since sales to external customers in the category of a single product or service exceeded 90% of net sales on the consolidated statement of income.

2. Information by region

(1) Net sales

Omitted since there are no external sales outside Japan.

(2) Property, plant and equipment

Not applicable because there are no property, plant and equipment outside Japan.

3. Information by major customer

(Thousands of yen)

| Customer name | Net sales | Relevant segment |
|-----------------|-----------|--------------------------------|
| MAXIV Co., Ltd. | 3,135,585 | Sales to real estate companies |

Information Related to Impairment Loss of Non-current Assets for Each Reportable Segment

Not applicable.

Information Related to Amortization of Goodwill and Unamortized Balance for Each Reportable Segment

Not applicable.

Information Related to Gain on Bargain Purchase for Each Reportable Segment

Not applicable.

Per-share Information

(Yen)

| Item | FY10/18 (Nov. 1, 2017 – Oct. 31, 2018) | FY10/19 (Nov. 1, 2018 – Oct. 31, 2019) |
|------------------------------|---|---|
| Net assets per share | 872.55 | 975.37 |
| Net income per share | 159.99 | 157.01 |
| Diluted net income per share | 152.09 | 150.34 |

Notes: 1. Basis for calculation of net income per share and diluted net income per share is as follows.

(Thousands of yen)

| Item | FY10/18 (Nov. 1, 2017 – Oct. 31, 2018) | FY10/19 (Nov. 1, 2018 – Oct. 31, 2019) |
|--|---|---|
| Net income per share | | |
| Profit attributable to owners of parent | 1,071,424 | 1,127,238 |
| Amounts not available to common shareholders | - | - |
| Profit attributable to owners of parent applicable to common shares | 1,071,424 | 1,127,238 |
| Average number of common shares outstanding during the period (shares) | 6,696,895 | 7,179,212 |
| Diluted net income per share | | |
| Adjusted profit attributable to owners of parent | - | - |
| Increase in the number of common shares (shares) | 347,974 | 318,808 |
| [of which share acquisition rights (shares)] | [347,974] | [318,808] |

2. Basis for calculation of net assets per share is as follows.

(Thousands of yen)

| Item | FY10/18 (As of Oct. 31, 2018) | FY10/19 (As of Oct. 31, 2019) |
|---|----------------------------------|----------------------------------|
| Total net assets | 6,356,697 | 7,017,512 |
| Deduction on total net assets | - | - |
| Net assets applicable to common shares at end of period | 6,356,697 | 7,017,512 |
| Number of common shares at end of period used in calculation of net assets per share (shares) | 7,285,180 | 7,194,744 |

Material Subsequent Events

Not applicable.

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.