



## Closing Announcement of Second Quarter of the Fiscal Year Ending March 31, 2020 [Japanese Standards] (Consolidated)

November 14, 2019

Name of Listed Company: Prospect Co., Ltd. Listed on the Tokyo Stock Exchange  
 Code No.: 3528 URL: <http://www.prospectjapan.co.jp>  
 Representative: (Title) Representative Director and President (Name) Masato Tabata  
 Contact Person: (Title) Head of the General Affairs Department (Name) Jiro Taketani TEL: 03-3470-8411  
 Scheduled Date of Submitting Quarterly Report: November 14, 2019  
 Scheduled Date of Commencement of Dividend Payment: -  
 Whether supplementary explanation materials for the quarterly closing are prepared: Yes  
 Whether explanation meeting is held for the quarterly closing: No

(Indicated by rounding off an amount less than 1 million yen)

### 1. Consolidated Results for Second Quarter of Fiscal Year Ending March 31, 2020 (From April 1, 2019 to September 30, 2020)

(1) Consolidated Operating Results (cumulative) (% indicates the rate of increase or decrease from the same quarter of the previous year.)

	Sales		Operating profit		Ordinary profit		Net profit attributable to owners of the parent	
	(million yen)	%	(million yen)	%	(million yen)	%	(million yen)	%
Second Quarter of the Fiscal Year Ending March 31, 2020	1,833	Δ45.8	Δ1,383	-	Δ477	-	Δ536	-
Second Quarter of the Fiscal Year Ended March 31, 2019	3,380	Δ3.1	Δ1,907	-	Δ1,483	-	Δ1,569	-

(Note) Second Quarter of Fiscal Year Ending March 31, 2020: Δ1,035 (million yen) (-%)  
 Second Quarter of Fiscal Year Ended March 31, 2019: Δ2,429 (million yen) (-%)

	Net profit per share	Fully diluted net profit per share
	(yen, sen)	(yen, sen)
Second Quarter of the Fiscal Year Ending March 31, 2020	Δ1.21	-
Second Quarter of the Fiscal Year Ended March 31, 2019	Δ3.55	-

### (2) Consolidated Financial Condition

	Total assets	Net asset	Net worth ratio	Net asset per share
	(million yen)	(million yen)	%	(yen, sen)
Second Quarter of the Fiscal Year Ending March 31, 2020	32,784	15,552	45.8	33.81
Fiscal Year Ended March 31, 2019	31,754	16,738	50.7	36.23

(Reference) Net worth: Second Quarter of Fiscal Year Ending March 31, 2020: 15,022 (million yen)  
 Fiscal Year Ended March 31, 2019: 16,096 (million yen)

### 2. Status of Dividends

	Annual dividends				
	End of 1st quarter	End of 2nd quarter	End of 3rd quarter	End of period	Total
	(yen, sen)	(yen, sen)	(yen, sen)	(yen, sen)	(yen, sen)
Fiscal Year Ended March 31, 2019	-	-	-	-	-
Fiscal Year Ending March 31, 2020	-	-	-	-	-
Fiscal Year Ending March 31, 2020 (Forecast)	-	-	-	1.00	1.00

(Note) Existence of adjustment of the dividend forecast most recently announced: No

### 3. Expected Consolidated Results for Fiscal Year Ending March 31, 2020 (From April 1, 2019 to March 31, 2020)

The Company Group withdrew from the asset management business, which was one of its segments, in the first quarter of the fiscal year ending March 2020. Going forward, the Company Group will continue to develop businesses centered on the real estate sales business and the renewable energy business, and will continue as before to use M&A as a measure for expansion. As for M&A, it is difficult to predict, and difficult for the Company Group to make forecasts because the increase in results from M&A has a major impact on overall results. As there is a risk of misleading investors, etc., in disclosing business results forecast under such circumstances, the

Company has adopted a policy to make timely disclosure of closing business results and a summary of the business to be conducted on a quarterly basis, and not to disclose a forecast of consolidated business results.

\* Precautions

- (1) Changes in material subsidiaries in the current consolidated cumulative quarter (changes in the specified subsidiaries accompanying changes in the scope of consolidation): None  
 New: --- (Company Name: \_\_\_\_\_), Exclusion: --- (Company Name: \_\_\_\_\_)
- (2) Application of accounting particular to preparation of Consolidated Quarterly Financial Statements: None
- (3) Changes in accounting policy, changes in accounting estimate and restatement  
 [1] Changes in accounting policy in connection with the amendment of accounting standards, etc.: None  
 [2] Changes in accounting policy other than [1] above: None  
 [3] Changes in accounting estimate: None  
 [4] Restatement: None

(4) Number of outstanding shares (common stocks)

[1] Number of outstanding shares at the end of term (including treasury stocks):	2Q of the Fiscal Year Ending March 31, 2020:	447,090,984 shares	Fiscal Year Ended March 31, 2019:	447,090,984 shares
[2] Number of treasury stocks at the end of term:	2Q of the Fiscal Year Ending March 31, 2020:	2,780,152 shares	Fiscal Year Ended March 31, 2019:	2,780,118 shares
[3] Average number of shares during the term (cumulative quarter):	2Q of the Fiscal Year Ending March 31, 2020:	444,310,857 shares	2Q of the Fiscal Year Ended March 31, 2019:	442,489,957 shares

\* The quarterly closing announcement is not subject to quarterly review by a certified public accountant or an audit corporation.

\* Explanation about Appropriate Use of the Forecast of Business Results and other Matters to be Noted

(Matters to be Noted for Statement about the Future, etc.)

The forward-looking statements in this document, such as forecasts of business results stated in this material, are based on information that the Company currently has and certain assumptions that the Company deems to be reasonable, and does not make assurances of the achievement thereof by the Company. Furthermore, actual results, etc., may significantly differ from forecasts depending on various factors. For the conditions constituting the preconditions of business results forecasts and the matters to be noted in using the forecasts, etc., refer to "1. Qualitative Information of the Current Quarterly Closing (3) Explanation about Future Forecast Information, including Forecast of Consolidated Business Results" on page 3 of the attached materials.

(How to obtain supplementary explanation materials)

Supplementary explanation materials are disclosed simultaneously on TDnet.

○ Table of Contents of Attached Materials

1. Qualitative Information of the Current Quarterly Closing .....	2
(1) Explanation about Business Results .....	2
(2) Explanation about Financial Conditions .....	3
(3) Explanation about Future Forecast Information, including Forecast of Consolidated Business Results .....	3
2. Quarterly Consolidated Financial Statements and Major Notes .....	4
(1) Quarterly Consolidated Financial Statements .....	4
(2) Quarterly Consolidated Profit and Loss Statement and Quarterly Consolidated Statement of Comprehensive Income .....	6
Quarterly Consolidated Profit and Loss Statement	
Consolidated Cumulative Second Quarter .....	6
Quarterly Consolidated Statement of Comprehensive Income	
Consolidated Cumulative Second Quarter .....	8
(3) Quarterly Consolidated Cash Flow Statement .....	9
(4) Notes to Quarterly Consolidated Financial Statements .....	11
(Notes to Assumptions on Going Concern) .....	11
(Explanatory Note in Case of Significant Changes in the Amount of Shareholders' Equity) .....	11
(Changes in Material Subsidiaries in the Current Consolidated Cumulative Quarter) .....	11
(Application of Accounting Particular to Preparation of Consolidated Quarterly Financial Statements) .....	11
(Changes in Accounting Policy) .....	11
(Changes in Accounting Estimate) .....	11

## 1. Qualitative Information of the Current Quarterly Closing

### (1) Explanation about Business Results

In the second quarter of the current consolidated cumulative period, despite prolonged economic weakness mainly in exports, the Japanese economy has gradually recovered due to the effects of various policies as employment and income conditions continue to improve. On the other hand, situations that require attention in overseas economic trends, such as trade tension, the direction of the UK's withdrawal from the EU, and changes in the financial capital markets, have continued.

Under this business environment, a valuation loss was recorded in the "Asset Management Business" (1,011 million yen) associated with a decline in the market capitalization of securities held by Prospect Japan Fund Limited. At the Board of Directors meeting held on May 15, 2019, withdrawal from the asset management business by dissolving and liquidating Prospect Japan Fund Limited and having ownership of its held securities transferred to the Company was decided on. As a result, the securities were transferred to the Company on September 26 and 27, 2019, and the purpose of holding said securities was changed from trading securities to other securities. The transferred shares will not be held for long and will be disposed of appropriately in light of business progress. Valuation differences after the transfer to other securities is recorded in the net assets section of the consolidated balance sheet. The transfer due to the change in the purpose of holding has been included from the current consolidated cumulative second quarter because of the difference in consolidated settlement dates with the subsidiary.

In the previous consolidated fiscal year, the Company Group transferred all shares the Company held in its consolidated subsidiary, which had been engaged in the "Construction Business" segment, and excluded the company from the scope of consolidation on March 31, 2019, and, therefore, the construction business segment was abolished as of the 1st Quarter of the current fiscal year.

As a result of the above, the Company Group's sales for the 2nd Quarter of the fiscal year ending March 2020 were 1,833 million yen (3,380 million yen in the same quarter in the previous year), with an operating loss of 1,383 million yen (1,907 million yen in the same quarter in the previous year), an ordinary loss of 477 million yen (1,483 million yen in the same quarter in the previous year), and net loss attributable to owners of parent of 536 million yen (1,569 million yen in the same quarter of the previous year).

Business results by segment were as follows

#### [1] Real Estate Sales Business, Condominium Sales Business

We engage in construction and sales of "GRO-BEL Condominium" developed by the Company, mainly in the Tokyo Metropolitan Area.

In the Current Consolidated Cumulative 2nd Quarter, we executed new contracts on 26 housing units at 1,190 million yen (62 housing units at 2,527 million yen in the same quarter in the previous year), delivered 34 housing units and recorded sales of 1,643 million yen and a segment profit of 66 million yen (37 housing units for sales of 1,472 million yen and a segment profit of 53 million yen in the same quarter in the previous year).

#### [2] Real Estate Sales Business, Land and Buildings

We focus our sales on residential land and detached homes as well as individual buildings.

In the Current Consolidated Cumulative 2nd Quarter, no contracts or sales results were recorded (no contracts or sales results in the same quarter in the previous year).

#### [3] Real Estate Sales Business, Custom-Built Homes

We undertake contract construction and reform construction for detached homes, etc., in Yamagata Prefecture as a main business area.

In the Current Consolidated Cumulative 2nd Quarter, we executed new contracts on 34 buildings of 852 million yen (36 buildings of 976 million yen in the same quarter of the previous year), and delivered 20 buildings and recorded sales of 713 million and a segment loss of 39 million yen (13 buildings, sales of 620 million yen and segment loss of 28 million yen in the same quarter in the previous year) (including reforms, etc.).

#### [4] Asset Management Business

We engage in the research and management business of Japanese stocks, real estate investment advisory agency business and real estate investments.

In the Current Consolidated Cumulative 2nd Quarter, we recorded sales of  $\Delta$ 1,003 million yen and a segment loss of

1,123 million yen (sales of  $\Delta$ 1,233 million yen and segment loss of 1,386 million yen in the same quarter in the previous year).

[5] Renewable Energy Business

We conduct sales of electricity generated by photovoltaic power, development of power plants and biomass related business, etc.

In the Current Consolidated Cumulative 2nd Quarter, we recorded sales of 470 million yen and segment profit of 144 million yen (sales of 321 million yen and segment profit of 77 million yen in the same quarter in the previous year).

[6] Other

Mainly as a real estate lease business, we lease condominiums, etc., owned by the Company.

In the Current Consolidated Cumulative 2nd Quarter, we recorded sales of 7 million yen and segment profit of 2 million yen (sales of 19 million yen and segment profit of 4 million yen in the same quarter in the previous year).

(2) Explanation about Financial Conditions

Total assets at the end of the Current Consolidated 2nd Quarter were 32,784 million yen, an increase of 1,029 million yen compared with the end of the previous consolidated fiscal year. This was mainly due to an increase in property, plants and equipment that came with the progress of solar power plant construction in the renewable energy business.

Liabilities at the end of the Current Consolidated 2nd Quarter were 17,231 million yen, an increase of 2,215 million yen compared with the end of the previous consolidated fiscal year. This was due to an increase in borrowings accompanying the procurement of construction funds for solar power plants in the renewable energy business.

Net assets at the end of the Current Consolidated 2nd Quarter were 15,552 million yen, a decrease of 1,185 million yen compared with the end of the previous consolidated fiscal year. This was mainly due to recording a net loss attributable to the owners of the parent, the negative valuation difference on securities available for sale due to the decline in the market value of securities held, and changes in foreign currency translation adjustments.

(3) Explanation about Future Forecast Information, including Forecast of Consolidated Business Results

With regard to the outlook for the future, in addition to an uncertain global economy, trends in economic measures against the consumption tax increase in October are completely unpredictable, and whether the economy will improve or decline continuous to be unforeseeable.

Under these circumstances, the Company Group withdrew from the asset management business, which was one of its segments, in the first quarter of the fiscal year ending March 2020. Going forward, the Company Group will continue to develop businesses centered on the real estate sales business and the renewable energy business, and will continue as before to use M&A as a measure for expansion. As for M&A, it is difficult to predict, and difficult for the Company Group to make forecasts because the increase in results from M&A has a major impact on overall results. As there is a risk of misleading investors, etc., in disclosing business results forecast under such circumstances, the Company Group has adopted a policy to make timely disclosures of closing business results and a summary of business to be conducted on a quarterly basis, and will not disclose a forecast of the sales and profit forecasts for the fiscal year ending March 2020.

## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Quarterly Consolidated Financial Statements

(Unit: thousand yen)

	Previous Consolidated Fiscal Year (March 31, 2019)	Current Consolidated 2nd Quarter (September 30, 2019)
<b>Assets</b>		
Current Assets		
Cash and deposits	5,049,760	3,050,662
Notes and accounts receivable	130,663	165,840
Accounts receivable for completed construction projects	21,087	53,519
Accounts receivable for investment advisory fees	2,511	2,499
Securities	7,800,080	59,238
Real estate for sale	1,263,907	1,775,484
Real estate for sale in process	2,409,079	2,769,622
Real estate for development	442,074	40,098
Expenses for uncompleted construction projects	55,122	374,845
Raw materials and stores	4,550	5,003
Other	502,703	857,949
Allowance for doubtful accounts	△1,122	△64,909
<b>Total Current Assets</b>	<b>17,680,419</b>	<b>9,089,856</b>
Fixed Assets		
Tangible fixed assets		
Buildings (net)	192,591	252,824
Machinery, equipment and delivery equipment (net)	3,764,366	6,271,862
Tools, furniture and fixtures (net)	3,849	3,752
Land	994,538	854,376
Leased assets (net)	2,860	4,210
Construction in progress	4,918,480	4,792,744
<b>Total Tangible Fixed Assets</b>	<b>9,876,685</b>	<b>12,179,772</b>
Intangible fixed assets		
Goodwill	4,929	2,509
Software	2,993	2,656
Other	178,631	173,833
<b>Total Intangible Fixed Assets</b>	<b>186,554</b>	<b>178,999</b>
Investments and other assets		
Investment securities	230,517	6,411,509
Investment in capital	1,368,009	1,765,389
Long-term loans	2,365,201	2,554,960
Deferred tax assets	105,450	40,883
Other	697,622	758,263
Allowance for doubtful accounts	△755,660	△195,258
<b>Total Investments and Other Assets</b>	<b>4,011,141</b>	<b>11,335,747</b>
<b>Total Fixed Assets</b>	<b>14,074,381</b>	<b>23,694,519</b>
<b>Total Assets</b>	<b>31,754,801</b>	<b>32,784,375</b>

(Unit: thousand yen)

	Previous Consolidated Fiscal Year (March 31, 2019)	Current Consolidated 2nd Quarter (September 30, 2019)
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and accounts payable	57,720	58,624
Accrued construction payment	295,807	321,405
Short-term borrowings	272,625	950,900
Bonds to be redeemed within a year	74,000	69,000
Current portion of long-term borrowings	1,823,069	2,753,109
Corporate income tax, etc., payable	35,805	84,034
Amount received for uncompleted construction projects	79,208	231,152
Reserve for bonuses	34,053	32,493
Reserve for officers' bonuses	10,000	-
Allowance for compensation for completed construction projects	3,929	3,430
Other	1,310,871	682,898
<b>Total Current Liabilities</b>	<b>3,997,090</b>	<b>5,187,047</b>
<b>Fixed Liabilities</b>		
Bonds	48,000	41,000
Long-term borrowings	10,366,761	10,635,787
Net defined benefit liabilities	144,860	160,971
Reserve for retirement benefits for officers	138,571	30,408
Asset retirement obligations	68,820	315,959
Deferred tax liability	-	10,256
Other	251,998	850,090
<b>Total Fixed Liabilities</b>	<b>11,019,012</b>	<b>12,044,473</b>
<b>Total Liabilities</b>	<b>15,016,102</b>	<b>17,231,521</b>
<b>Net Assets</b>		
<b>Shareholders' equity</b>		
Capital	12,086,958	12,086,958
Capital surplus	10,217,645	1,979,736
Retained earnings	△5,908,282	1,770,285
Treasury stock	△140,420	△140,420
<b>Total Shareholders' Equity</b>	<b>16,255,901</b>	<b>15,696,560</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	-	△288,216
Foreign currency translation adjustments	△158,919	△386,131
<b>Total Accumulated Other Comprehensive Income</b>	<b>△158,919</b>	<b>△674,347</b>
New share subscription rights	547,293	530,641
Non-controlling interest	94,423	-
<b>Total Net Assets</b>	<b>16,738,698</b>	<b>15,552,854</b>
<b>Total Liabilities and Net Assets</b>	<b>31,754,801</b>	<b>32,784,375</b>

(2) Quarterly Consolidated Profit and Loss Statement and Quarterly Consolidated Statement of Comprehensive Income  
 (Quarterly Consolidated Profit and Loss Statement)  
 (Consolidated Cumulative Second Quarter)

(Unit: thousand yen)

	Previous Consolidated Cumulative 2nd Quarter (From April 1, 2018 To September 30, 2018)	Current Consolidated Cumulative 2nd Quarter (From April 1, 2019 To September 30, 2019)
Sales	3,380,018	1,833,197
Cost of Goods Sold	3,989,956	2,147,750
Gross Profit on Sales or Gross Loss on Sales	△609,938	△314,552
Selling, General and Administrative Expenses	1,297,707	1,069,202
Operating Loss (△)	△1,907,645	△1,383,755
Non-operating Income		
Interest income and dividends	342,199	216,884
Investment profit by equity method	1,422	5,316
Gain on investment in capital	85,544	100,661
Gain on investments in silent partnership	-	110,837
Gain on valuation of securities	1,709	-
Clerical affairs fee received	1,350	1,100
Gain on bad debts recovered	-	135,943
Penalty income	100	-
Reversal of selling expenses	833	-
Foreign currency exchange profit	133,837	-
Reversal of allowance for doubtful accounts	-	496,614
Other	11,906	11,415
Total Non-operating Income	578,902	1,078,773
Non-operating Expenses		
Interest expenses	77,962	90,810
Valuation loss on investment securities	-	195
Borrowing fees	8,858	17,956
Loss on investment in silent partnership	14,669	-
Transfer to allowance for doubtful accounts	35,158	-
Foreign currency exchange loss	-	60,406
Other	18,463	3,130
Total Non-operating Expenses	155,112	172,499
Ordinary Profit or Ordinary Loss (△)	△1,483,855	△477,481
Extraordinary Profits		
Profit on sale of fixed assets	10	14
Profit on reversal of new share subscription rights	8,090	16,651
Gain on return of directors' bonuses	-	64,098
Other	-	8,238
Total Extraordinary Profits	8,100	89,002
Extraordinary Losses		
Loss on sale of fixed assets	0	0
Impairment loss	843	-
Loss on liquidation of subsidiaries and affiliates	-	27,720
Other	-	985
Total Extraordinary Losses	843	28,705
Quarterly net profit or net loss before dividends distribution from silent partnership, income taxes (△)	△1,476,598	△417,184
Dividends distribution from silent partnership	6,732	1,556
Quarterly net profit before taxes, etc., or quarterly net loss before taxes, etc. (△)	△1,483,331	△418,741
Corporate income tax, resident tax and business tax payable	29,981	32,613
Adjustment of corporate income tax, etc.	81,927	85,419
Total Corporate Income Tax, etc.	111,909	118,032
Quarterly net profit or quarterly net loss (△)	△1,595,240	△536,774



Net profit attributable to non-controlling interests or net loss attributable to non-controlling interests ( $\Delta$ )	$\Delta 25,444$	-
Net profit attributable to owners of the parent	$\Delta 1,569,795$	$\Delta 536,774$

(Quarterly Consolidated Statement of Comprehensive Income)  
(Consolidated Cumulative Second Quarter)

(Unit: thousand yen)

	Previous Consolidated Cumulative 2nd Quarter (From April 1, 2018 To September 30, 2018)	Current Consolidated Cumulative 2nd Quarter (From April 1, 2019 To September 30, 2019)
Quarterly net profit or quarterly net loss ( $\Delta$ )	$\Delta 1,595,240$	$\Delta 536,774$
Other comprehensive income		
Valuation difference on available-for-sale securities	-	$\Delta 288,216$
Foreign currency translation adjustments	$\Delta 834,612$	$\Delta 184,306$
Share of other comprehensive income of entities accounted for using equity method	-	$\Delta 26,190$
Total other comprehensive income	$\Delta 834,612$	$\Delta 498,712$
Quarterly Comprehensive Income	$\Delta 2,429,853$	$\Delta 1,035,486$
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent	$\Delta 2,400,122$	$\Delta 1,052,202$
Quarterly comprehensive income attributable to non- controlling interests	$\Delta 29,731$	16,715

## (3) Quarterly Consolidated Cash Flow Statement

(Unit: thousand yen)

	Previous Consolidated Cumulative 2nd Quarter (From April 1, 2018 To September 30, 2018)	Current Consolidated Cumulative 2nd Quarter (From April 1, 2019 To September 30, 2019)
<b>Cash flow from operating activities</b>		
Quarterly net profit before taxes, etc., or quarterly net loss before taxes, etc. (Δ)	Δ1,483,331	Δ418,741
Depreciation expense	166,058	194,380
Goodwill amortization	76,707	2,419
New share subscription rights issuance expenses	3,326	-
Loss on impairment	843	-
Increase/decrease in allowance for doubtful accounts (Δ: decrease)	34,970	Δ496,614
Increase/decrease in reserve for bonuses (Δ: decrease)	Δ149,753	Δ1,560
Increase/decrease in reserve for officers' bonuses (Δ: decrease)	Δ725,580	Δ10,000
Increase/decrease in allowance for compensation for completed construction projects (Δ: decrease)	Δ44	Δ498
Increase/decrease in allowance for construction project losses (Δ: decrease)	400	-
Increase/decrease in net defined benefit liabilities (Δ: decrease)	9,527	16,111
Increase/decrease in reserve for officers' retirement benefits (Δ: decrease)	12,572	Δ108,163
Interest income and dividend income	Δ342,199	Δ216,884
Profit on reversal of new share subscription rights	Δ8,090	Δ16,651
Profit/loss on investment in silent partnership (Δ: profit)	14,669	Δ110,837
Interest expenses	77,962	90,810
Investment profit/loss by equity method (Δ: profit)	Δ1,422	Δ5,316
Valuation profit/loss on securities (Δ: profit)	Δ1,709	195
Profit/loss on operation of investments in capital (Δ: profit)	Δ85,544	Δ100,661
Foreign currency exchange profit/loss (Δ: profit)	Δ133,837	60,406
Profit/loss on sale of fixed assets (Δ: profit)	Δ10	Δ14
Profit/loss on liquidation of subsidiaries and associates (Δ: profit)	-	27,720
Increase/decrease in accounts receivable (Δ: increase)	137,074	Δ68,011
Increase/decrease in advance received (Δ: decrease)	406,725	121,585
Increase/decrease in inventory assets (Δ: increase)	Δ212,680	Δ687,840
Increase/decrease in trades payable (Δ: decrease)	Δ329,125	13,608
Increase/decrease in operating investment securities (Δ: increase)	Δ1,119,440	1,011,607
Increase/decrease in advance payment (Δ: increase)	Δ125,358	Δ61,384
Increase/decrease in receivables (Δ: increase)	129,972	Δ152,585
Other	416,577	Δ226,043
Subtotal	Δ3,230,742	Δ1,142,962
Interest and dividends received	274,049	140,596
Interest paid	Δ73,394	Δ102,077
Refund of corporate income tax, etc.	-	128,469
Corporate income tax, etc., paid	Δ219,765	Δ57,892
Cash flow from operating activities	Δ3,249,853	Δ1,033,867

(Unit: thousand yen)

	Previous Consolidated Cumulative 2nd Quarter (From April 1, 2018 To September 30, 2018)	Current Consolidated Cumulative 2nd Quarter (From April 1, 2019 To September 30, 2019)
<b>Cash flow from investing activities</b>		
Expenditure for acquisition of tangible fixed assets	△2,059,011	△2,314,638
Revenue from sale of tangible fixed assets	1,208	14
Expenditure for acquisition of intangible fixed assets	△2,456	-
Expenditure for acquisition of securities	△30,001	△50,000
Revenue from sale of securities	100,836	-
Purchase of investment securities	-	△19,968
Proceeds from sales of investment securities	-	20,221
Expenditure for payment of investments in capital	△403	△300,000
Collection of investments in capital	-	36,280
Expenditure for loans	△895,504	△750,700
Revenue from collection of loans	7,990	555,265
<b>Cash flow from investing activities</b>	<b>△2,877,342</b>	<b>△2,823,525</b>
<b>Cash flow from financing activities</b>		
Revenue from short-term borrowings	1,439,000	1,510,900
Expenditure for repayment of short-term borrowings	△1,163,520	△811,400
Revenue from long-term borrowings	3,775,500	2,211,000
Expenditure for repayment of long-term borrowings	△1,746,580	△1,011,934
Expenditure for redemption of bonds	△26,900	△12,000
Revenue from issuance of shares due to exercise of new share subscription rights	546,023	-
Revenue from issuance of new share subscription rights	4,673	-
Expenditure for acquisition of treasury stock	△27	△0
Expenditure for repayment of lease liabilities	△567	△558
Dividends paid	△1,719,380	△1,613
Revenue from payment by the contributors of silent partnership	-	30,760
Expenditures for refunds to silent partnership	-	△1,400
Dividends paid to non-controlling interests	△2,660	-
<b>Cash flow from financing activities</b>	<b>1,105,560</b>	<b>1,913,753</b>
<b>Translation differences in cash and cash equivalents</b>	<b>△50,663</b>	<b>△55,459</b>
Increase/decrease in cash and cash equivalents (△: decrease)	△5,072,297	△1,999,098
Cash and cash equivalents at the beginning of period	10,651,319	5,049,760
Cash and cash equivalents at the end of the quarterly period	5,579,021	3,050,662

(4) Notes to Quarterly Consolidated Financial Statements

(Notes to Assumptions on a Going Concern)

No applicable matter.

(Explanatory Note in Case of Significant Changes in the Amount of Shareholders' Equity)

As a result of the resolution of the 118th Annual General Meeting of Shareholders held on June 27, 2019, after the Company reduced capital reserves by 7,562,779 thousand yen and transferred it to other capital surplus, and reduced reserved surplus by 83,651 thousand yen and transferred it to retained earnings carried forward, other capital reserves were reduced by 8,237,883 thousand yen on the same date and transferred to retained earnings carried forward to compensate for a deficit.

There is no significant change in the total amount of shareholder equity.

(Changes in Material Subsidiaries in the Current Consolidated Cumulative Quarter)

No applicable matter.

(Application of Accounting Particular to Preparation of Consolidated Quarterly Financial Statements)

No applicable matter.

(Changes in Accounting Policy)

No applicable matter.

(Changes in Accounting Estimate)

No applicable matter.

## Closing of Second Quarter of the Fiscal Year Ending March 31, 2020: Supplementary Explanation Material

### [Closing Overview]

As for net sales, because of a valuation loss associated with a decline in the market capitalization of securities held in the asset management business, along with the construction business being excluded from the scope of consolidation at the end of the previous fiscal year, a loss of 1,003 million yen was recorded, while The Group as a whole recorded 1,833 million yen, a 45.8% decrease from the previous year.

Regarding net income attributable to owners of the parent, although operating income was recorded in the condominium sales and renewable energy businesses, the Group as a whole recorded an operating loss of 1,383 million yen. While gains on investment in overseas projects and on reversal of allowance for loan losses on loan receivables as non-operating income were recorded, negative sales could not be absorbed and loss of 536 million yen was recorded.

In accordance with the resolution to withdraw from the asset management business, appropriate disposal of securities held is being moved forward. In addition, due to changes in the purpose of holding securities, the difference in valuation due to the decline in market capitalization of securities after the change date will be recorded on the balance sheet.

### 1. Consolidated Business Results

(Unit: million yen)

	Consolidated Cumulative 2Q of the Fiscal Year Ended March 31, 2016	Consolidated Cumulative 2Q of the Fiscal Year Ended March 31, 2017	Consolidated Cumulative 2Q of the Fiscal Year Ended March 31, 2018	Consolidated Cumulative 2Q of the Fiscal Year Ended March 31, 2019	Consolidated Cumulative 2Q of the Fiscal Year Ending March 31, 2020	Rate of increase or decrease from the previous year (%)	(Reference) Full year of the Fiscal Year ended March 31, 2019
Sales	5,076	3,989	3,486	3,380	1,833	△ 45.8	6,325
Operating profit	△ 488	△ 367	△ 1,006	△ 1,907	△ 1,383	-	△ 6,653
Ordinary profit	△ 501	△ 550	△ 295	△ 1,483	△ 477	-	△ 6,780
Net profit attributable to owners of the parent (for the year)	△ 520	△ 568	1,869	△ 1,569	△ 536	-	△ 8,445
Net profit per share (for the year)	△ 3.37	△ 3.35	7.39	△ 3.55	△ 1.21		△ 19.05

### (Individual Business Results)

(Unit: million yen)

	Consolidated Cumulative 2Q of the Fiscal Year Ended March 31, 2019	Consolidated Cumulative 2Q of the Fiscal Year Ending March 31, 2020	Rate of increase or decrease from the previous year (%)	(Reference) Full year of the Fiscal Year ended March 31, 2019
Sales	1,580	1,659	5.0	3,985
Operating profit	△ 468	△ 377	-	△ 751
Ordinary profit	14	511	-	△ 1,522
Net profit (for the year)	△ 28	△ 1,062	-	△ 8,190
Net profit per share (for the year)	△ 0.06	△ 2.39		△ 18.47

### 2. Business Results by Reported Segment

#### (1) Sales

(Unit: million yen)

	Consolidated Cumulative 2Q of the Fiscal Year Ended March 31, 2016	Consolidated Cumulative 2Q of the Fiscal Year Ended March 31, 2017	Consolidated Cumulative 2Q of the Fiscal Year Ended March 31, 2018	Consolidated Cumulative 2Q of the Fiscal Year Ended March 31, 2019	Consolidated Cumulative 2Q of the Fiscal Year Ending March 31, 2020	Rate of increase or decrease from the previous year (%)	(Reference) Full year of the Fiscal Year ended March 31, 2019
Real estate sales business							
Condominium sales	781	230	766	1,472	1,643	11.6	3,829
Land and buildings	111	299	-	-	-	-	-
Custom-built homes	645	419	476	620	713	15.1	2,098
Asset management business	177	174	132	△ 1,233	△ 1,003	-	△ 5,885
Construction business	3,344	2,699	1,798	2,302	-	-	6,226
Renewable energy business	29	132	293	321	470	46.6	569
Total	5,090	3,956	3,467	3,484	1,824	△ 47.6	6,836
Other	30	33	18	19	7	△ 59.1	45
Elimination of intersegment transactions	△ 45	-	-	△ 123	0	-	△ 556
Total	5,076	3,989	3,486	3,380	1,833	△ 45.8	6,325

#### (2) Operating profit

(Unit: million yen)

	Consolidated Cumulative 2Q of the Fiscal Year Ended March 31, 2016	Consolidated Cumulative 2Q of the Fiscal Year Ended March 31, 2017	Consolidated Cumulative 2Q of the Fiscal Year Ended March 31, 2018	Consolidated Cumulative 2Q of the Fiscal Year Ended March 31, 2019	Consolidated Cumulative 2Q of the Fiscal Year Ending March 31, 2020	Rate of increase or decrease from the previous year (%)	(Reference) Full year of the Fiscal Year ended March 31, 2019
Real estate sales business							
Condominium sales	△ 93	△ 152	△ 40	53	66	25.9	321
Land and buildings	6	30	-	-	-	-	-
Custom-built homes	△ 35	△ 66	△ 55	△ 28	△ 39	-	69
Asset management business	16	62	19	△ 1,410	△ 1,122	-	△ 6,156
Construction business	82	70	△ 5	△ 45	-	-	158
Renewable energy business	△ 93	63	116	77	144	87.4	65
Total	△ 116	7	35	△ 1,353	△ 951	-	△ 5,542
Other	19	21	5	3	2	△ 9.6	16
Depreciation of negative goodwill	△ 98	△ 98	△ 98	△ 76	△ 2	-	△ 116
Expenses of entire company	△ 292	△ 297	△ 948	△ 481	△ 432	-	△ 1,012
Total	△ 488	△ 367	△ 1,006	△ 1,907	△ 1,383	-	△ 6,653