



## Closing Announcement of Second Quarter of the Fiscal Year Ending March 31, 2018 [Japanese Standards] (Consolidated)

November 10, 2017

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) Curtis Freeze  
 Contact Person: (Title) Representative Director, Managing Director (Name) Masato Tabata TEL: 03-3470-8411  
 Scheduled Date of Submitting Quarterly Report: November 10, 2017  
 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, 2018 (From April 1, 2017 to September 30, 2017)

(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, 2018	3,486	Δ12.6	Δ1,006	-	Δ295	-	1,903	-
Second Quarter of the Fiscal Year Ended March 31, 2017	3,989	Δ21.4	Δ367	-	Δ550	-	Δ568	-

(Note) Comprehensive income: Second Quarter of Fiscal Year Ending March 31, 2018: 1,867 (million yen) (-%) Second Quarter of Fiscal Year Ended March 31, 2017: Δ725 (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, 2018	7.52		6.90	
Second Quarter of the Fiscal Year Ended March 31, 2017	Δ3.35		-	

## (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, 2018	39,162	23,845	63.5	62.08
Fiscal Year Ended March 31, 2017	27,368	12,489	42.0	67.77

(Reference) Net worth: Second Quarter of Fiscal Year Ending March 31, 2018: 24,874 (million yen) Fiscal Year Ended March 31, 2017: 11,505 (million yen)

## 2. Status of Dividend

	Annual dividend				
	End of 1 <sup>st</sup> quarter	End of 2 <sup>nd</sup> quarter	End of 3 <sup>rd</sup> quarter	End of period	Total
	(yen, sen)	(yen, sen)	(yen, sen)	(yen, sen)	(yen, sen)
Fiscal Year Ended March 31, 2017	-	-	-	3.00	3.00
Fiscal Year Ending March 31, 2018	-	-	-	-	-
Fiscal Year Ending March 31, 2018 (Forecast)	-	-	-	4.00	4.00

(Note) Existence of adjustment of the dividend forecast most recently announced: None

## 3. Expected Consolidated Results for Fiscal Year Ending March 31, 2018 (From April 1, 2017 to March 31, 2018)

The Company Group has proactively adopted M&A as a diversification strategy and has also expanded its asset management business as one of its important segments. As these businesses tend to be significantly affected by changes in economic conditions and market environment, it is extremely difficult to properly forecast and disclose ordinary business 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 special subsidiaries accompanying changes in the scope of consolidation): Yes  
 New: 1 (Company Name: The Prospect Japan Fund Limited), Exclusion: --- (Company Name: )  
 (Note) For details, refer to “2. Quarterly Consolidated Financial Statements and Major Notes (4) Notes to Quarterly Consolidated Financial Statements (Changes in Material Subsidiaries in the Current Consolidated Cumulative Quarter)” on p. 10 of the attached materials.

- (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, 2018:	403,448,312 shares	Fiscal Year Ended March 31, 2017:	172,556,807 shares
[2] Number of treasury stocks at the end of term:	2Q of the Fiscal Year Ending March 31, 2018:	2,775,408 shares	Fiscal Year Ended March 31, 2017:	2,773,334 shares
[3] Average number of shares during the term (cumulative quarter):	2Q of the Fiscal Year Ending March 31, 2018:	253,055,384 shares	2Q of the Fiscal Year Ended March 31, 2017:	169,808,104 shares

\* The quarterly closing announcement is not subject to quarterly review.

\* 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.)

Description regarding the future such as the forecast of business results stated in this material is based on information which the Company has currently obtained and certain assumptions that the Company determines to be reasonable, and does not make assurances of the achievement thereof by the Company. Also, actual results, etc., may significantly differ from the forecast depending on various factors. For the conditions constituting the precondition of the forecast of business results and the matters to be noted in using the forecast of business results, etc., refer to “1. Qualitative Information of the Current Quarterly Closing (3) Explanation about Future Forecast Information, including Forecast of Consolidated Business Results” on p. 3 of the attached materials.

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## 1. Qualitative Information of the Current Quarterly Closing

### (1) Explanation about Business Results

The Japanese economy in the Current Consolidated Cumulative 2nd Quarter continued along a moderate recovery track, partly due to the effects from various policies implemented by the central government. On the other hand, a sense of uncertainty remains about the future outlook due to uncertain overseas economic conditions and the impact from fluctuations in financial and capital markets.

Under such a business environment, sales of the Company Group for the Consolidated Cumulative 2nd Quarter for the year ending March 31, 2018 were 3,486 million yen (3,989 million yen in the same quarter in the previous year), operating loss was 1,006 million yen (367 million yen in the same quarter in the previous year), ordinary loss was 295 million yen (550 million yen in the same quarter in the previous year), quarterly net profit attributable to owners of the parent was 1,903 million yen (quarterly net loss attributable to owners of the parent of 568 million yen in the same quarter in the previous year).

In this regard, in the Current Consolidated Cumulative 2nd Quarter, in connection with The Prospect Japan Fund Limited (hereinafter referred to as “TPJF”) becoming a subsidiary, we recorded profit on negative goodwill of 2,420 million yen in extraordinary profit.

Business performance by segment is as follows.

In addition, the name of the reported segment has been changed since the Consolidated 1st Quarter. The previously named “Solar Business” has been renamed the “Renewable Energy Business” due to the start of the biomass related business. There is no other impact on the segment information other than the name change.

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

We mainly sell condominiums for general customers in the metropolitan area.

In the Current Consolidated Cumulative 2nd Quarter, we executed new contracts for 77 housing units at 3,015 million yen (91 housing units at 2,974 million yen in the same quarter in the previous year) and delivered 24 housing units and recorded sales of 766 million yen and segment loss of 40 million yen (6 housing units for sales of 230 million yen and segment loss of 152 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, etc.

In the Current Consolidated Cumulative 2nd Quarter, no contracts or sales results were recorded (contracts of 173 million yen, sales of 299 million yen and segment profit of 30 million yen in the same quarter in the previous year).

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

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

In the Current Consolidated Cumulative 2nd Quarter, we executed new contracts for 21 buildings of 590 million yen (13 buildings of 417 million yen in the same quarter in the previous year) and delivered 11 buildings and recorded sales of 476 million yen and a segment loss of 55 million yen (9 buildings, sales of 419 million yen and segment loss of 66 million yen in the same quarter in the previous year) (including reforms, etc.).

#### [4] Asset Management Business

We conduct management business of real estate and securities, comprised of Japanese stocks.

In the Current Consolidated Cumulative 2nd Quarter, we recorded sales of 132 million yen and segment profit of 19 million yen (sales of 174 million yen and segment profit of 62 million yen in the same quarter in the previous year).

#### [5] Construction Business

We conduct propulsion construction and pre-stressed concrete (PC) construction, etc.

In the Current Consolidated Cumulative 2nd Quarter, we recorded sales of 1,798 million yen and segment loss of 5 million yen (sales of 2,699 million yen and segment profit of 70 million yen in the same quarter in the previous year).

#### [6] Renewable Energy Business

We conduct renewable energy business, the main revenue source of which is the sale of electricity generated by PV, etc.

In the Current Consolidated Cumulative 2nd Quarter, we recorded sales of 293 million yen and segment profit of 116 million yen (sales of 132 million yen and segment profit of 63 million yen in the same quarter in the previous year).

[7] Other

For others, mainly as real estate lease business, we lease condominiums, etc., owned by the Company to general customers.

In the Current Consolidated Cumulative 2nd Quarter, we recorded sales of 18 million yen and segment profit of 5 million yen (sales of 33 million yen and segment profit of 21 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 39,162 million yen, an increase of 11,794 million yen as compared with the end of the previous consolidated fiscal year. This was due to an increase in cash and deposits and securities in connection with TPJF becoming a consolidated subsidiary, an increase in inventory assets in connection with the new purchase of land for the condominium sales business and the progress of projects, and an increase in tangible fixed assets related to capital investment in the renewable energy business, etc.

Liabilities at the end of the Current Consolidated 2nd Quarter were 15,316 million yen, an increase of 437 million yen as compared with the end of the previous consolidated fiscal year. This was due to an increase in borrowings as a result of new financing of project funds in the condominium sales business and capital investment funds, etc., in the renewable energy business, etc.

Net assets at the end of the Current Consolidated 2nd Quarter were 23,845 million yen, an increase of 11,356 million yen as compared with the end of the previous consolidated fiscal year. This was due to an increase in capital and capital surplus as a result of the issuance of new shares in connection with consolidation of TPJF, etc.

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

With regard to the outlook for the future, improvement in the economic environment is expected due to the success of various economic policies. However, we must continue to keep a close eye on the uncertainty in overseas economic conditions and the impact from fluctuations in financial and capital markets.

Under such circumstances, the Company Group has proactively adopted M&A as a diversification strategy and has also expanded its asset management business as one of its important segments. As these businesses tend to be significantly affected by changes in economic conditions and market environment, it is extremely difficult to properly forecast and disclose ordinary business 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 sales and a forecast of profits for the Fiscal Year ended March 31, 2018.

## 2. Quarterly Consolidated Financial Statements and Major Notes

### (1) Consolidated Quarterly Financial Statements

(Unit: thousand yen)

	Previous Consolidated Fiscal Year (March 31, 2017)	Current Consolidated 2nd Quarter (September 30, 2017)
<b>Assets</b>		
Current Assets		
Cash and deposits	5,409,806	5,992,545
Notes and accounts receivable	295,664	542,210
Accounts receivable for completed construction projects	1,071,410	514,922
Accounts receivable for investment advisory fees	16,397	11
Securities	790,188	10,341,517
Real estate for sale	925,573	381,073
Real estate for sale in process	2,451,405	3,562,902
Real estate for development	476,221	311,847
Expenses for uncompleted construction projects	27,631	251,164
Raw materials and stores	21,088	13,048
Deferred tax assets	376,038	259,212
Other	1,137,521	2,629,865
Allowance for doubtful accounts	△49,358	△46,932
Total Current Assets	12,949,590	24,753,390
Fixed Assets		
Tangible fixed assets		
Buildings (net)	710,726	689,036
Machinery, equipment and delivery equipment (net)	3,372,631	3,262,124
Tools, furniture and fixtures (net)	53,093	45,645
Land	2,558,513	2,558,519
Construction in progress	891,705	2,000,378
Total tangible fixed assets	7,586,671	8,555,703
Intangible fixed assets		
Goodwill	1,015,260	916,415
Software	17,602	18,152
Other	30,255	31,983
Total intangible fixed assets	1,063,118	966,550
Investments and other assets		
Investment securities	114,546	114,546
Investments in capital	2,761,293	3,449,286
Long-term loans	2,445,624	1,003,423
Deferred tax assets	11,567	7,484
Other	1,076,068	964,485
Allowance for doubtful accounts	△640,442	△652,540
Total investments and other assets	5,768,658	4,886,685
Total Fixed Assets	14,418,447	14,408,940
Total Assets	27,368,038	39,162,330

(Unit: thousand yen)

	Previous Consolidated Fiscal Year (March 31, 2017)	Current Consolidated 2nd Quarter (September 30, 2017)
<b>Liabilities</b>		
<b>Current Liabilities</b>		
Notes and accounts payable	833,260	613,920
Accrued construction payment	1,759,135	762,091
Short-term borrowings	181,400	406,880
Bonds to be redeemed within a year	51,900	53,800
Current portion of long-term borrowings	1,798,503	4,025,406
Corporate income tax, etc., payable	244,108	154,611
Amount received for uncompleted construction projects	179,947	347,640
Reserve for bonuses	135,026	91,828
Reserve for officers' bonuses	12,420	-
Allowance for compensation for completed construction projects	11,375	11,872
Allowance for construction projects losses	16,700	6,300
Provision for loss on litigation	20,000	20,000
Other	655,190	1,241,893
<b>Total Current Liabilities</b>	<b>5,898,968</b>	<b>7,736,244</b>
<b>Fixed Liabilities</b>		
Bonds	146,700	164,800
Long-term borrowings	7,854,349	6,503,577
Deferred tax liabilities	1,890	1,267
Net defined benefit liabilities	136,674	134,998
Reserve for retirement benefits for officers	114,822	141,157
Allowance for compensation for completed construction projects	201,995	201,995
Provision for loss on compensation expenses	23,000	23,000
Asset retirement obligations	11,179	11,183
Other	489,024	398,310
<b>Total Fixed Liabilities</b>	<b>8,979,636</b>	<b>7,580,290</b>
<b>Total Liabilities</b>	<b>14,878,604</b>	<b>15,316,535</b>
<b>Net Assets</b>		
<b>Shareholders' equity</b>		
Capital	4,257,256	10,940,558
Capital surplus	5,480,641	10,804,097
Retained earnings	1,838,718	3,232,662
Treasury stock	△140,020	△140,141
<b>Total shareholders' equity</b>	<b>11,436,596</b>	<b>24,837,177</b>
<b>Accumulated other comprehensive income</b>		
Foreign currency translation adjustments	69,318	37,429
<b>Total accumulated other comprehensive income</b>	<b>69,318</b>	<b>37,429</b>
New share subscription rights	778,640	△1,227,189
Non-controlling interest	204,878	198,378
<b>Total Net Assets</b>	<b>12,489,433</b>	<b>23,845,795</b>
<b>Total Liabilities and Net Assets</b>	<b>27,368,038</b>	<b>39,162,330</b>

(2) Quarterly Consolidated Profit and Loss Statement and 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, 2016 To September 30, 2016)	Current Consolidated Cumulative 2nd Quarter (From April 1, 2017 To September 30, 2017)
Sales	3,989,352	3,486,452
Cost of Goods Sold	3,386,920	2,824,516
Gross Profit on Sales	602,431	661,936
Selling, General and Administrative Expenses	969,683	1,668,555
Operating loss (Δ)	Δ367,252	Δ1,006,619
Non-operating Income		
Interest income and dividend	216,831	171,417
Gain on investments in capital	-	711,557
Valuation gain on securities	-	5,760
Clerical affairs fee received	150	1,200
Penalties income	3,180	-
Foreign currency exchange profit	-	11,634
Reversal of allowance for doubtful accounts	16,135	-
Other	16,741	24,009
Total Non-operating Income	253,038	925,578
Non-operating Expenses		
Interest expenses	152,610	166,724
Borrowing fees	9,827	8,414
Foreign currency exchange loss	245,457	-
Bond issuance cost	-	1,225
Transfer to allowance for doubtful accounts	-	3,301
Other	27,944	34,839
Total Non-operating Expenses	435,840	214,505
Ordinary Loss (Δ)	Δ550,054	Δ295,546
Extraordinary Profits		
Profit on sale of fixed assets	1,226	642
Profit on reversal of stock acquisition rights	7,593	8,320
Profit on negative goodwill	-	2,420,250
Total Extraordinary Profits	8,820	2,429,212
Extraordinary Losses		
Retirement loss on fixed assets	0	0
Total Extraordinary Losses	0	0
Quarterly net profit or net loss before dividends distribution from silent partnership, income taxes (Δ)	Δ541,234	2,133,666
Dividends distribution from silent partnership	9,710	14,939
Quarterly net profit before taxes, etc. or quarterly net loss before taxes, etc. (Δ)	Δ550,944	2,118,726
Corporate income tax, resident tax and business tax payable	12,533	93,586
Adjustment of corporate income tax, etc.	4,743	120,020
Total corporate income tax, etc.	17,277	213,606
Quarterly net profit or quarterly net loss (Δ)	Δ568,222	1,905,119
Quarterly net profit attributable to non-controlling interests	46	1,825
Quarterly net profit attributable to owners of the parent or quarterly net loss attributable to owners of the parent (Δ)	Δ568,269	1,903,294



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

(Unit: thousand yen)

	Previous Consolidated Cumulative 2nd Quarter (From April 1, 2016 To September 30, 2016)	Current Consolidated Cumulative 2nd Quarter (From April 1, 2017 To September 30, 2017)
Quarterly net profit or quarterly net loss ( $\Delta$ )	$\Delta 568,222$	1,905,119
Other comprehensive income		
Foreign currency translation adjustments	$\Delta 157,391$	$\Delta 37,553$
Total other comprehensive income	$\Delta 157,391$	$\Delta 37,553$
Quarterly comprehensive income	$\Delta 725,613$	1,867,565
(Breakdown)		
Quarterly comprehensive income attributable to owners of the parent	$\Delta 702,445$	1,871,404
Quarterly comprehensive income attributable to non-controlling interests	$\Delta 23,167$	$\Delta 3,838$

## (3) Quarterly Consolidated Cash Flow Statement

(Unit: thousand yen)

	Previous Consolidated Cumulative 2nd Quarter (From April 1, 2016 To September 30, 2016)	Current Consolidated Cumulative 2nd Quarter (From April 1, 2017 To September 30, 2017)
<b>Cash flow from operating activities</b>		
Quarterly net profit before taxes, etc. or quarterly net loss before taxes, etc. (Δ)	Δ550,944	2,118,726
Depreciation	95,050	151,335
Stock compensation expense	45,585	43,715
Depreciation of goodwill	98,845	98,845
Bond issuance cost	-	1,225
Profit on negative goodwill	-	Δ2,420,250
Increase/decrease in allowance for doubtful accounts (Δ: decrease)	Δ16,135	9,671
Increase/decrease in allowance for bonuses (Δ: decrease)	43,871	Δ43,198
Increase/decrease in reserve for officers' bonuses (Δ: decrease)	Δ10,256	Δ12,420
Increase/decrease in allowance for compensation for completed construction projects (Δ: decrease)	Δ6,646	497
Increase/decrease in allowance for construction projects losses (Δ: decrease)	Δ2,200	Δ10,400
Increase/decrease in net defined benefit liabilities (Δ: decrease)	15,055	Δ1,675
Increase/decrease in officers' retirement allowance (Δ: decrease)	7,846	26,335
Interest income and dividend income	Δ216,831	Δ171,417
Profit on reversal of stock acquisition rights	Δ7,593	Δ8,320
Profit/loss on investment in silent partnership (Δ: profit)	19,587	22,351
Interest expenses	152,610	166,724
Valuation profit/loss on investment securities (Δ: profit)	-	Δ5,760
Profit/loss on operation of investments in capital (Δ: profit)	-	Δ711,557
Profit/loss on foreign currency exchange difference (Δ: profit)	245,457	Δ11,634
Profit/loss on sale of fixed assets (Δ: profit)	Δ1,226	Δ642
Dividends distribution from silent partnership	-	6,446
Increase/decrease in accounts receivable (Δ: increase)	1,472,943	328,550
Increase/decrease in advance received (Δ: decrease)	275,391	294,507
Increase/decrease in inventory assets (Δ: increase)	Δ1,257,462	Δ651,867
Increase/decrease in trades payable (Δ: decrease)	Δ934,916	Δ384,434
Increase/decrease in operating investment securities (Δ: increase)	Δ678,511	103,087
Increase/decrease in advance payment (Δ: increase)	Δ118,543	Δ201,082
Increase/decrease in receivables (Δ: increase)	Δ74,467	271,662
Other	Δ99,365	Δ73,344
Subtotal	Δ1,502,857	Δ1,064,321
Interest and dividends received	64,815	89,682
Interest paid	Δ154,573	Δ62,715
Corporate income tax, etc., refunded	1,524	-
Corporate income tax, etc., paid	Δ22,680	Δ173,314
Cash flow from operating activities	Δ1,613,771	Δ1,210,669

(Unit: thousand yen)

	Previous Consolidated Cumulative 2nd Quarter (From April 1, 2016 To September 30, 2016)	Current Consolidated Cumulative 2nd Quarter (From April 1, 2017 To September 30, 2017)
Cash flow from investing activities		
Expenditure for acquisition of tangible fixed assets	Δ1,909,275	Δ1,948,762
Revenue from sale of tangible fixed assets	-	Δ6,128
Expenditure for acquisition of securities	-	Δ11,972
Revenue from redemption of investment securities	47	-
Revenue from sale of investment real estate	5,269	1,431
Expenditure for payment of investments in capital	Δ515,528	-
Revenue from acquisition of shares of a subsidiary accompanying the change in scope of consolidation	-	2,935,110
Expenditure for loans	Δ201,117	-
Revenue from collection of loans	117	214
Cash flow from investing activities	Δ2,620,485	969,893
Cash flow from financing activities		
Revenue from short-term borrowings	280,000	637,300
Expenditure for repayment of short-term borrowings	Δ130,100	Δ411,820
Expenditure for repayment of installment liabilities	Δ5,305	Δ3,521
Revenue from long-term borrowings	3,170,500	1,317,000
Expenditure for repayment of long-term borrowings	Δ918,018	Δ384,745
Revenue from issuance of bonds	-	48,775
Expenditure for redemption of bonds	Δ28,200	Δ30,000
Revenue from issuance of shares due to exercise of stock acquisition rights	-	Δ320
Expenditure for acquisition of treasury stock	Δ68,652	Δ120
Dividends paid	Δ167,980	Δ503,756
Dividends paid to non-controlling interests	Δ2,660	Δ2,660
Revenue from payment by the contributors of silent partnership	17,600	160,000
Cash flow from financing activities	2,147,182	826,130
Translation differences in cash and cash equivalents	Δ11,759	Δ2,615
Increase/decrease in cash and cash equivalents (Δ: decrease)	Δ2,098,833	582,739
Cash and cash equivalents at the beginning of period	5,924,530	5,379,806
Cash and cash equivalents at the end of period	3,825,697	5,962,545

(4) Notes to Quarterly Consolidated Financial Statements

(Notes to Assumptions on Going Concern)

No applicable matter.

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

During the second quarter, new shares were issued to acquire TPJF. New shares were also issued due to the exercise of 10,000 units of the stock acquisition rights No.2. As a result, there was an increase in "Capital" of 6,683,302 thousand yen and an increase in "Capital Surplus" of 5,323,456 thousand yen. At the end of the second quarter, "Capital" was 10,940,558 thousand yen and "Capital Surplus" was 10,804,097 thousand yen.

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

During the second quarter, we made TPJF a fully-owned subsidiary and included it in the scope of consolidation.

TPJF is a specified subsidiary.

(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, 2018: Supplementary Explanation Material

### [Closing Overview]

For sales, in the renewable energy business, in which five solar power generation projects have been operating stably, sales exceeded results in the previous period and also exceeded results in the previous period in condominium sales business and custom-made homes business. However, the land and building business, etc., which recorded sales for the same period in the previous year, fell below the results in the previous period, and the entire Group recorded sales of 3,467 million yen, which was lower than the same period in the previous year.

For operating profit, due to recording of company-wide expenses of 948 million yen, which do not belong to any specific reported segment, etc., loss of 1,006 million yen was recorded.

In addition to the above, due to recording of extraordinary profits of 2,420 million yen generated from profit on negative goodwill in connection with The Prospect Japan Fund Limited becoming a subsidiary, for quarterly net profit attributable to owners of the parent in the Current Consolidated Cumulative 2nd Quarter, profit of 1,903 million yen was recorded.

### 1. Consolidated Business Results

(Unit: million yen)

	Consolidated Cumulative 2Q of the Fiscal Year Ended March 31, 2014	Consolidated Cumulative 2Q of the Fiscal Year Ended March 31, 2015	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 Ending March 31, 2018	Rate of increase or decrease from the previous year (%)	(Reference) Full year of the Fiscal Year ended March 31, 2017
Sales	3,629	6,936	5,076	3,989	3,486	12.6	14,143
Operating profit	117	79	488	367	1,006	-	43
Ordinary profit	117	88	501	550	295	-	516
Net profit attributable to owners of the parent (for the year)	△ 128	△ 44	△ 520	△ 568	1,903	-	488
Net profit per share (for the year)	1.67	0.41	3.37	3.35	7.52		2.88

### (Individual Business Results)

(Unit: million yen)

	Consolidated Cumulative 2Q of the Fiscal Year Ended March 31, 2017	Consolidated Cumulative 2Q of the Fiscal Year Ending March 31, 2018	Rate of increase or decrease from the previous year (%)	(Reference) Full year of the Fiscal Year ended March 31, 2017
Sales	629	859	36.4	6,565
Operating profit	421	453	-	96
Ordinary profit	441	472	-	643
Net profit (for the year)	464	289	-	670
Net profit per share (for the year)	2.73	1.14		3.95

### 2. Business Results by Reported Segment

#### (1) Sales

(Unit: million yen)

	Consolidated Cumulative 2Q of the Fiscal Year Ended March 31, 2014	Consolidated Cumulative 2Q of the Fiscal Year Ended March 31, 2015	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 Ending March 31, 2018	Rate of increase or decrease from the previous year (%)	(Reference) Full year of the Fiscal Year ended March 31, 2017
Real estate sales business							
Condominium sales	2,635	2,259	781	230	766	233.0	4,103
Land and building	-	-	111	299	-	100.0	2,264
Custom-made homes	977	771	645	419	476	13.4	1,565
Asset management business	-	395	177	174	132	23.9	173
Construction business	-	3,499	3,344	2,699	1,798	33.4	5,722
Renewable energy business	-	-	29	132	293	121.3	250
Total	3,612	6,925	5,090	3,956	3,467	12.3	14,080
Other	16	26	30	33	18	44.3	62
Elimination of intersegment transactions	-	16	45	-	-	-	-
Total	3,629	6,936	5,076	3,989	3,486	12.6	14,143

#### (2) Operating profit

(Unit: million yen)

	Consolidated Cumulative 2Q of the Fiscal Year Ended March 31, 2014	Consolidated Cumulative 2Q of the Fiscal Year Ended March 31, 2015	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 Ending March 31, 2018	The rate of increase or decrease from the previous year (%)	(Reference) Full year of the Fiscal Year ended March 31, 2017
Real estate sales business							
Condominium sales	67	130	93	152	40	-	313
Land and building	-	-	6	30	-	100.0	218
Custom-made homes	42	24	35	66	55	-	29
Asset management business	-	126	16	62	19	68.6	39
Construction business	-	124	82	70	5	-	287
Renewable energy business	-	-	93	63	116	83.1	73
Total	109	404	116	7	35	347.5	881
Other	9	13	19	21	5	73.3	28
Depreciation of goodwill	22	94	98	98	98	-	197
Expenses of entire company	214	243	292	297	948	-	756
Total	117	79	488	367	1,006	-	43