



Closing Announcement of Second Quarter of the Fiscal Year Ending March 31, 2019 [Japanese Standards] (Consolidated)

December 13, 2018

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: December 13, 2018
 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, 2019 (From April 1, 2018 to September 30, 2018)

(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, 2019 | 3,380 | Δ3.1 | Δ1,907 | - | Δ1,483 | - | Δ1,569 | - |
| Second Quarter of the Fiscal Year Ended March 31, 2018 | 3,486 | Δ12.6 | Δ1,006 | - | Δ295 | - | 1,869 | - |

(Note) Second Quarter of Fiscal Year Ending March 31, 2019: Δ2,429 (million yen) (-%)
 Second Quarter of Fiscal Year Ended March 31, 2018: 1,833 (million yen) (-%)
 Comprehensive income:

| | Net profit per share | Fully diluted net profit per share |
|---|----------------------|------------------------------------|
| | (yen, sen) | (yen, sen) |
| Second Quarter of the Fiscal Year Ending March 31, 2019 | Δ3.55 | - |
| Second Quarter of the Fiscal Year Ended March 31, 2018 | 7.39 | 6.78 |

(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, 2019 | 39,378 | 22,192 | 56.8 | 50.36 |
| Fiscal Year Ended March 31, 2018 | 40,541 | 25,218 | 64.0 | 59.89 |

(Reference) Net worth: Second Quarter of Fiscal Year Ending March 31, 2019: 22,377 (million yen)
 Fiscal Year Ended March 31, 2018: 25,944 (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, 2018 | - | - | - | 4.00 | 4.00 |
| Fiscal Year Ending March 31, 2019 | - | - | - | - | - |
| Fiscal Year Ending March 31, 2019 (Forecast) | - | - | - | 3.00 | 3.00 |

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

3. Expected Consolidated Results for Fiscal Year Ending March 31, 2019 (From April 1, 2018 to March 31, 2019)

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 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, 2019: | 447,090,984 shares | Fiscal Year Ended March 31, 2018: | 435,992,628 shares |
| [2] Number of treasury stocks at the end of term: | 2Q of the Fiscal Year Ending March 31, 2019: | 2,780,009 shares | Fiscal Year Ended March 31, 2018: | 2,779,484 shares |
| [3] Average number of shares during the term (cumulative quarter): | 2Q of the Fiscal Year Ending March 31, 2019: | 442,489,957 shares | 2Q of the Fiscal Year Ended March 31, 2018: | 253,055,384 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.)

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 during the Current Consolidated Cumulative 2nd Quarter has continued along a moderate recovery track as a whole against the backdrop of improvement in the employment and income environment. However, concerns remain due to uncertainty in overseas economic conditions and the impact from fluctuations in financial and capital markets, etc.

Under such a business environment, sales of the Company Group for the Consolidated Cumulative 2nd Quarter for the year ending March 31, 2019 were 3,380 million yen (3,486 million yen in the same quarter in the previous year), operating loss was 1,907 million yen (1,006 million yen in the same quarter in the previous year), ordinary loss was 1,483 million yen (295 million yen in the same quarter in the previous year) and quarterly net loss attributable to the owners of the parent was 1,569 million yen (quarterly net profit attributable to the owners of the parent of 1,869 million yen in the same quarter in the previous year).

Business performance by segment is 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 62 housing units at 2,527 million yen (77 housing units at 3,015 million yen in the same quarter in the previous year) and delivered 37 housing units and recorded sales of 1,472 million yen and segment profit of 53 million yen (24 housing units for sales of 766 million yen and segment loss of 40 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 36 buildings of 976 million yen (21 buildings of 590 million yen in the same quarter in the previous year) and delivered 13 buildings and recorded sales of 620 million yen and segment loss of 28 million yen (11 buildings, sales of 476 million yen and segment loss of 55 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 Δ 1,233 million yen and segment loss of 1,386 million yen (sales of 132 million yen and segment profit of 19 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 2,302 million yen and segment profit of 53 million yen (sales of 1,798 million yen and segment loss of 5 million yen in the same quarter in the previous year).

[6] 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 321 million yen and segment profit of 77 million yen (sales of 293 million yen and segment profit of 116 million yen in the same quarter in the previous year).

[7] 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 19 million yen and segment profit of 4 million yen (sales of 18 million yen and segment profit of 5 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 39,378 million yen, a decrease of 1,163 million yen as compared with the end of the previous consolidated fiscal year. This was due to a decrease in cash and deposits by payment of accounts payable and corporate income tax, etc., and dividends from retained earnings, etc.

Liabilities at the end of the Current Consolidated 2nd Quarter were 17,186 million yen, an increase of 1,863 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 22,192 million yen, a decrease of 3,026 million yen as compared with the end of the previous consolidated fiscal year. This was due to recording of quarterly net loss attributable to the owners of the parent and payment of dividends, 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, it is expected that it will take considerable time until the income and employment environment will improve, and the overall situation still leaves little room for optimism.

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 ending March 31, 2019.

2. Quarterly Consolidated Financial Statements and Major Notes

(1) Quarterly Consolidated Financial Statements

(Unit: thousand yen)

| | Previous Consolidated Fiscal Year (March 31, 2018) | Current Consolidated 2nd Quarter (September 30, 2018) |
|---|--|---|
| Assets | | |
| Current Assets | | |
| Cash and deposits | 10,681,319 | 5,609,021 |
| Notes and accounts receivable | 481,156 | 360,098 |
| Accounts receivable for completed construction projects | 1,008,222 | 994,988 |
| Accounts receivable for investment advisory fees | 2,521 | 2,499 |
| Securities | 10,563,962 | 11,361,957 |
| Real estate for sale | 611,780 | 753,119 |
| Real estate for sale in process | 2,580,616 | 2,699,889 |
| Real estate for development | 640,226 | 307,796 |
| Expenses for uncompleted construction projects | 76,496 | 378,023 |
| Raw materials and stores | 12,939 | 14,635 |
| Other | 1,044,265 | 1,988,225 |
| Allowance for doubtful accounts | △50,062 | △49,692 |
| Total Current Assets | 27,653,446 | 24,420,562 |
| Fixed Assets | | |
| Tangible fixed assets | | |
| Buildings (net) | 724,029 | 725,678 |
| Machinery, equipment and delivery equipment (net) | 3,608,734 | 3,561,675 |
| Tools, furniture and fixtures (net) | 37,638 | 33,134 |
| Land | 2,084,909 | 2,284,981 |
| Leased assets (net) | 3,640 | 3,250 |
| Construction in progress | 1,216,367 | 3,151,837 |
| Total Tangible Fixed Assets | 7,675,319 | 9,760,557 |
| Intangible fixed assets | | |
| Goodwill | 831,991 | 755,284 |
| Software | 16,319 | 15,789 |
| Other | 33,595 | 33,423 |
| Total Intangible Fixed Assets | 881,907 | 804,497 |
| Investments and other assets | | |
| Investment securities | 114,546 | 114,546 |
| Investment in capital | 2,669,647 | 2,727,594 |
| Long-term loans | 946,376 | 1,011,531 |
| Deferred tax assets | 401,348 | 317,899 |
| Other | 920,107 | 977,837 |
| Allowance for doubtful accounts | △720,848 | △756,188 |
| Total Investments and Other Assets | 4,331,178 | 4,393,222 |
| Total Fixed Assets | 12,888,404 | 14,958,277 |
| Total Assets | 40,541,850 | 39,378,839 |

(Unit: thousand yen)

| | Previous Consolidated Fiscal Year (March 31, 2018) | Current Consolidated 2nd Quarter (September 30, 2018) |
|--|--|---|
| Liabilities | | |
| Current Liabilities | | |
| Notes and accounts payable | 1,024,294 | 862,955 |
| Accrued construction payment | 1,038,014 | 1,038,470 |
| Short-term borrowings | 792,900 | 1,068,380 |
| Bonds to be redeemed within a year | 43,800 | 28,800 |
| Current portion of long-term borrowings | 1,791,784 | 1,910,360 |
| Corporate income tax, etc., payable | 830,801 | 583,766 |
| Amount received for uncompleted construction projects | 186,669 | 546,634 |
| Reserve for bonuses | 237,986 | 88,233 |
| Reserve for officers' bonuses | 725,580 | - |
| Allowance for compensation for completed construction projects | 11,556 | 11,511 |
| Allowance for construction projects losses | 6,300 | 6,700 |
| Other | 624,433 | 1,076,719 |
| Total Current Liabilities | 7,314,119 | 7,222,531 |
| Fixed Liabilities | | |
| Bonds | 147,900 | 136,000 |
| Long-term borrowings | 7,007,450 | 8,917,794 |
| Deferred tax liabilities | 1,521 | - |
| Net defined benefit liabilities | 135,947 | 145,475 |
| Reserve for retirement benefits for officers | 153,232 | 165,804 |
| Allowance for compensation for completed construction projects | 201,995 | 201,995 |
| Provision for loss on compensation expenses | 11,500 | 11,500 |
| Asset retirement obligations | 11,187 | 54,343 |
| Other | 338,314 | 330,917 |
| Total Fixed Liabilities | 8,009,048 | 9,963,830 |
| Total Liabilities | 15,323,168 | 17,186,361 |
| Net Assets | | |
| Shareholders' equity | | |
| Capital | 11,803,729 | 12,086,958 |
| Capital surplus | 11,667,268 | 10,217,645 |
| Retained earnings | 2,537,608 | 967,812 |
| Treasury stock | △140,389 | △140,417 |
| Total Shareholders' Equity | 25,868,217 | 23,131,998 |
| Accumulated other comprehensive income | | |
| Foreign currency translation adjustments | 75,878 | △754,448 |
| Total Accumulated Other Comprehensive Income | 75,878 | △754,448 |
| New share subscription rights | △935,059 | △362,326 |
| Non-controlling interest | 209,646 | 177,255 |
| Total Net Assets | 25,218,682 | 22,192,478 |
| Total Liabilities and Net Assets | 40,541,850 | 39,378,839 |

(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, 2017 To September 30, 2017) | Current Consolidated Cumulative 2nd Quarter (From April 1, 2018 To September 30, 2018) |
|---|--|---|
| Sales | 3,486,452 | 3,380,018 |
| Cost of Goods Sold | 2,824,516 | 3,989,956 |
| Gross Profit on Sales or Gross Loss on Sales (Δ) | 661,936 | Δ609,938 |
| Selling, General and Administrative Expenses | 1,668,555 | 1,297,707 |
| Operating Loss (Δ) | Δ1,006,619 | Δ1,907,645 |
| Non-operating Income | | |
| Interest income and dividends | 171,417 | 342,199 |
| Gain on investment in capital | 711,557 | 85,544 |
| Valuation profit on securities | 5,760 | 1,709 |
| Clerical affairs fee received | 1,200 | 1,350 |
| Penalties income | - | 100 |
| Reversal of selling expenses | - | 833 |
| Investment profit by equity method | - | 1,422 |
| Foreign currency exchange profit | 11,634 | 133,837 |
| Other | 24,009 | 11,906 |
| Total Non-operating Income | 925,578 | 578,902 |
| Non-operating Expenses | | |
| Interest expenses | 166,724 | 77,962 |
| Borrowing fees | 8,414 | 8,858 |
| Bond issuance cost | 1,225 | - |
| Loss on investment in silent partnership | - | 14,669 |
| Transfer to allowance for doubtful accounts | 3,301 | 35,158 |
| Other | 34,839 | 18,463 |
| Total Non-operating Expenses | 214,505 | 155,112 |
| Ordinary Loss (Δ) | Δ295,546 | Δ1,483,855 |
| Extraordinary Profits | | |
| Profit on sale of fixed assets | 642 | 10 |
| Profit on reversal of new share subscription rights | 8,320 | 8,090 |
| Profit on negative goodwill | 2,528,979 | - |
| Total Extraordinary Profits | 2,537,941 | 8,100 |
| Extraordinary Losses | | |
| Retirement loss on fixed assets | 0 | 0 |
| Loss on impairment | - | 843 |
| Total Extraordinary Losses | 0 | 843 |
| Quarterly net profit or net loss before dividends distribution from silent partnership, income taxes (Δ) | 2,242,395 | Δ1,476,598 |
| Dividends distribution from silent partnership | 14,939 | 6,732 |
| Quarterly net profit before taxes, etc., or quarterly net loss before taxes, etc. (Δ) | 2,227,455 | Δ1,483,331 |
| Corporate income tax, resident tax and business tax payable | 309,720 | 29,981 |
| Adjustment of corporate income tax, etc. | 46,509 | 81,927 |
| Total Corporate Income Tax, etc. | 356,229 | 111,909 |
| Quarterly net profit or quarterly net loss (Δ) | 1,871,226 | Δ1,595,240 |
| Quarterly net profit attributable to non-controlling interests or quarterly net loss attributable to non- controlling interests (Δ) | 1,825 | Δ25,444 |
| Quarterly net profit attributable to owners of the parent or quarterly net loss attributable to owners of the parent (Δ) | 1,869,400 | Δ1,569,795 |

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

(Unit: thousand yen)

| | Previous Consolidated Cumulative 2nd Quarter (From April 1, 2017 To September 30, 2017) | Current Consolidated Cumulative 2nd Quarter (From April 1, 2018 To September 30, 2018) |
|--|--|---|
| Quarterly net profit or quarterly net loss (Δ) | 1,871,226 | Δ 1,595,240 |
| Other comprehensive income | | |
| Foreign currency translation adjustments | Δ 37,553 | Δ 834,612 |
| Total Other Comprehensive Income | Δ 37,553 | Δ 834,612 |
| Quarterly comprehensive income | 1,833,672 | Δ 2,429,853 |
| (Breakdown) | | |
| Quarterly comprehensive income attributable to owners of the parent | 1,837,511 | Δ 2,400,122 |
| Quarterly comprehensive income attributable to non-controlling interests | Δ 3,838 | Δ 29,731 |

(3) Quarterly Consolidated Cash Flow Statement

(Unit: thousand yen)

| | Previous Consolidated Cumulative 2nd Quarter (From April 1, 2017 To September 30, 2017) | Current Consolidated Cumulative 2nd Quarter (From April 1, 2018 To September 30, 2018) |
|---|--|---|
| Cash flow from operating activities | | |
| Quarterly net profit before taxes, etc., or quarterly net loss before taxes, etc. (Δ) | 2,227,455 | Δ1,483,331 |
| Depreciation expense | 151,335 | 166,058 |
| Stock compensation expenses | 43,715 | - |
| Depreciation of goodwill | 98,845 | 76,707 |
| Bond issuance cost | 1,225 | - |
| New share subscription rights issuance expenses | - | 3,326 |
| Loss on impairment | - | 843 |
| Profit on negative goodwill | Δ2,528,979 | - |
| Increase/decrease in allowance for doubtful accounts (Δ: decrease) | 9,671 | 34,970 |
| Increase/decrease in reserve for bonuses (Δ: decrease) | Δ43,198 | Δ149,753 |
| Increase/decrease in reserve for officers' bonuses (Δ: decrease) | Δ12,420 | Δ725,580 |
| Increase/decrease in allowance for compensation for completed construction projects (Δ: decrease) | 497 | Δ44 |
| Increase/decrease in allowance for construction project losses (Δ: decrease) | Δ10,400 | 400 |
| Increase/decrease in net defined benefit liabilities (Δ: decrease) | Δ1,675 | 9,527 |
| Increase/decrease in reserve for officers' retirement benefits (Δ: decrease) | 26,335 | 12,572 |
| Interest income and dividend income | Δ171,417 | Δ342,199 |
| Profit on reversal of new share subscription rights | Δ8,320 | Δ8,090 |
| Profit/loss on investment in silent partnership (Δ: profit) | 22,351 | 14,669 |
| Interest expenses | 166,724 | 77,962 |
| Investment profit/loss by equity method (Δ: profit) | - | Δ1,422 |
| Valuation profit/loss on securities (Δ: profit) | Δ5,760 | Δ1,709 |
| Profit/loss on operation of investments in capital (Δ: profit) | Δ711,557 | Δ85,544 |
| Foreign currency exchange profit/loss (Δ: profit) | Δ11,634 | Δ133,837 |
| Profit/loss on sale of fixed assets (Δ: profit) | Δ642 | Δ10 |
| Dividends distribution from silent partnership | 6,446 | 3,507 |
| Increase/decrease in accounts receivable (Δ: increase) | 328,550 | 137,074 |
| Increase/decrease in advance received (Δ: decrease) | 294,507 | 406,725 |
| Increase/decrease in inventory assets (Δ: increase) | Δ651,867 | Δ212,680 |
| Increase/decrease in trades payable (Δ: decrease) | Δ384,434 | Δ329,125 |
| Increase/decrease in operating investment securities (Δ: increase) | 903,087 | Δ1,119,440 |
| Increase/decrease in advance payment (Δ: increase) | Δ201,082 | Δ125,358 |
| Increase/decrease in receivables (Δ: increase) | 271,662 | 129,972 |
| Other | Δ73,344 | 413,070 |
| Subtotal | Δ264,321 | Δ3,230,742 |
| Interest and dividends received | 89,682 | 274,049 |
| Interest paid | Δ62,715 | Δ73,394 |
| Corporate income tax, etc., paid | Δ173,314 | Δ219,765 |
| Cash flow from operating activities | Δ410,669 | Δ3,249,853 |

(Unit: thousand yen)

| | Previous Consolidated Cumulative 2nd Quarter (From April 1, 2017 To September 30, 2017) | Current Consolidated Cumulative 2nd Quarter (From April 1, 2018 To September 30, 2018) |
|---|--|---|
| Cash flow from investing activities | | |
| Expenditure for acquisition of tangible fixed assets | △1,948,762 | △2,059,011 |
| Revenue from sale of tangible fixed assets | - | 1,208 |
| Expenditure for acquisition of intangible fixed assets | △6,128 | △2,456 |
| Expenditure for acquisition of securities | △11,972 | △30,001 |
| Revenue from sale of securities | - | 100,836 |
| Revenue from sale of investment real estate | 1,431 | - |
| Revenue from acquisition of shares of a subsidiary accompanying the change in scope of consolidation | 1,680,153 | - |
| Expenditure for payment of investments in capital | - | △403 |
| Expenditure for loans | - | △895,504 |
| Revenue from collection of loans | 214 | 7,990 |
| Cash flow from investing activities | △285,063 | △2,877,342 |
| Cash flow from financing activities | | |
| Revenue from short-term borrowings | 637,300 | 1,439,000 |
| Expenditure for repayment of short-term borrowings | △411,820 | △1,163,520 |
| Expenditure for repayment of installment liabilities | △3,521 | - |
| Revenue from long-term borrowings | 1,317,000 | 3,775,500 |
| Expenditure for repayment of long-term borrowings | △384,745 | △1,746,580 |
| Revenue from issuance of bonds | 48,775 | - |
| Expenditure for redemption of bonds | △30,000 | △26,900 |
| Revenue from issuance of shares due to exercise of new share subscription rights | △320 | 546,023 |
| Revenue from issuance of new share subscription rights | - | 4,673 |
| Expenditure for acquisition of treasury stock | △120 | △27 |
| Expenditure for repayment of lease liabilities | - | △567 |
| Dividends paid | △503,756 | △1,719,380 |
| Dividends paid to non-controlling interests | △2,660 | △2,660 |
| Revenue from payment by the contributors of silent partnership | 160,000 | - |
| Cash flow from financing activities | 826,130 | 1,105,560 |
| Translation differences in cash and cash equivalents | △2,615 | △50,663 |
| Increase/decrease in cash and cash equivalents (△: decrease) | 127,782 | △5,072,297 |
| Cash and cash equivalents at the beginning of period | 5,379,806 | 10,651,319 |
| Cash and cash equivalents at the end of the quarterly period | 5,507,588 | 5,579,021 |

(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)

No applicable matter.

(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, 2019: Supplementary Explanation Material

[Closing Overview]

For sales, despite an increase in the condominium sales business and other segments which exceeded results in the previous period, in the asset management business, sales turned significantly negative due to valuation losses, etc., in connection with the decline in the total market price of the share holdings, and the entire Group recorded 3,380 million yen, a 3.1% decrease in revenue as compared with the previous quarter.

As for net profit attributable to owners of the parent, in addition to operating losses recorded in the custom-built homes business, asset management business and construction business, due to company-wide expenses of 481 million yen not attributable to specific reported segments recorded as selling, general and administrative expenses, etc., interest income related to overseas projects and foreign exchange profit related to assets denominated in foreign currencies were recorded in non-operating income, however, a loss of 1,569 million yen was recorded, which was lower than the same period in the previous year.

1. Consolidated Business Results

(Unit: million yen)

| | 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 Ended March 31, 2018 | Consolidated Cumulative 2Q of the Fiscal Year Ending March 31, 2019 | Rate of increase or decrease from the previous year (%) | (Reference) Full year of the Fiscal Year ended March 31, 2018 |
|--|---|---|---|---|--|---|--|
| Sales | 6,936 | 5,076 | 3,989 | 3,486 | 3,380 | △3.1 | 11,688 |
| Operating profit | 79 | △488 | △367 | △1,006 | △1,907 | - | △1,543 |
| Ordinary profit | 88 | △501 | △550 | △295 | △1,483 | - | △1,098 |
| Net profit attributable to owners of the parent (for the year) | △44 | △520 | △568 | 1,869 | △1,569 | - | 1,483 |
| Net profit per share (for the year) | △0.41 | △3.37 | △3.35 | 7.39 | △3.55 | | 4.46 |

(Individual Business Results)

(Unit: million yen)

| | Consolidated Cumulative 2Q of the Fiscal Year Ended March 31, 2018 | Consolidated Cumulative 2Q of the Fiscal Year Ending March 31, 2019 | Rate of increase or decrease from the previous year (%) | (Reference) Full year of the Fiscal Year ended March 31, 2018 |
|--|---|--|---|--|
| Sales | 859 | 1,580 | 84.0 | 5,103 |
| Operating profit | △453 | △468 | - | △1,123 |
| Ordinary profit | 472 | 14 | △96.9 | △299 |
| Net profit (for the year) | 146 | △28 | - | △335 |
| Net profit per share (for the year) | 0.58 | △0.06 | | △1.01 |

2. Business Results by Reported Segment

(1) Sales

(Unit: million yen)

| | 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 Ended March 31, 2018 | Consolidated Cumulative 2Q of the Fiscal Year Ending March 31, 2019 | Rate of increase or decrease from the previous year (%) | (Reference) Full year of the Fiscal Year ended March 31, 2018 |
|---|---|---|---|---|--|---|--|
| Real estate sales business | | | | | | | |
| Condominium sales | 2,259 | 781 | 230 | 766 | 1,472 | 92.0 | 4,926 |
| Land and buildings | - | 111 | 299 | - | - | - | - |
| Custom-built homes | 771 | 645 | 419 | 476 | 620 | 30.3 | 1,482 |
| Asset management business | 395 | 177 | 174 | 132 | △1,233 | - | 158 |
| Construction business | 3,499 | 3,344 | 2,699 | 1,798 | 2,302 | 28.0 | 4,615 |
| Renewable energy business | - | 29 | 132 | 293 | 321 | 9.6 | 533 |
| Total | 6,925 | 5,090 | 3,956 | 3,467 | 3,484 | 0.5 | 11,716 |
| Other | 26 | 30 | 33 | 18 | 19 | 4.3 | 50 |
| Elimination of intersegment transactions | △16 | △45 | - | - | △123 | - | △78 |
| Total | 6,936 | 5,076 | 3,989 | 3,486 | 3,380 | △3.1 | 11,688 |

(2) Operating profit

(Unit: million yen)

| | 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 Ended March 31, 2018 | Consolidated Cumulative 2Q of the Fiscal Year Ending March 31, 2019 | Rate of increase or decrease from the previous year (%) | (Reference) Full year of the Fiscal Year ended March 31, 2018 |
|-----------------------------------|---|---|---|---|--|---|--|
| Real estate sales business | | | | | | | |
| Condominium sales | 130 | △93 | △152 | △40 | 53 | - | 602 |
| Land and buildings | - | 6 | 30 | - | - | - | - |
| Custom-built homes | 24 | △35 | △66 | △55 | △28 | - | 12 |
| Asset management business | 126 | 16 | 62 | 19 | △1,410 | - | △162 |
| Construction business | 124 | 82 | 70 | △5 | △45 | - | 242 |
| Renewable energy business | - | △93 | 63 | 116 | 77 | △33.6 | 155 |
| Total | 404 | △116 | 7 | 35 | △1,353 | - | 850 |
| Other | 13 | 19 | 21 | 5 | 3 | △40.4 | 0 |
| Depreciation of negative goodwill | △94 | △98 | △98 | △98 | △76 | - | △182 |
| Expenses of entire company | △243 | △292 | △297 | △948 | △481 | - | △2,212 |
| Total | 79 | △488 | △367 | △1,006 | △1,907 | - | △1,543 |