Qualitative Information for the Fiscal Year Ended December 31, 2017

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1. Analysis of Business Performance and Financial Position

(1) Analysis of Business Performance

（Current Fiscal Year Results）

For the fiscal year ended December 31, 2017, improvements in corporate results and employment situation due to the government's policies and the BOJ's monetary policies are leading to a steady tendency of individual consumption.

In the real estate industry, although there is a sense of slowing in some business areas owing to the impact of soaring land prices, building costs and personnel expenses, the market trend of investment real estate remains robust due to the high attitude of investors and construction demands, along with the backdrop of financial easing.

Amidst this environment, the Group strove to strengthen the cooperation among the Real Estate Sales Business, Real Estate Management Business, General Contractor Business, Energy Business, Elderly Care Business to enhance the corporate value of the Group as a whole.

As a result of the above, consolidated business results for the Group's fiscal year ended December 31, 2017, saw net sales of ¥105,936 million (up by 30.3% from the previous fiscal year), operating income of ¥12,920 million (up by 22.2%), ordinary income of ¥12,201 million (up by 23.3%), and profit attributable to owners of the parent of ¥8,489 million (up by 27.4%). Thus net sales and profits increased for the eighth consecutive year, with profits renewing record highs following the previous fiscal year.

Performance within each segment is as follows:

Starting from the fiscal year ended December 31, 2017, we have changed the business segments to "Real Estate Sales Business", "Real Estate Management Related Business", "General Contractor Business", " Energy Business", " Elderly Care Business", and " Other Business". This is to obtain speed in decision making, putting strategy into practice, and to make organization changes for realizing more appropriate management grouping. YoY comparison figures are calculated by applying the figures from the previous fiscal year to the new segments.

① Real Estate Sales Business

Apartments sales made proposals on apartment management that starts from land purchasing, focusing on asset building for salaried workers and civil servants. Sales (Handovers) enjoyed a higher pace than last year, and the Group strove to secure land for new apartments.

As for Condominium sales, in the Tokyo metropolitan area, sales of high design quality properties specialized in investment were steady.

As a result, segment sales stood at ¥79,578million (up by 34.5% YoY), with profit for the segment recorded at ¥11,333 million (up by 21.3% YoY).

② Real Estate Management Related Business

In order to maintain and improve managed property occupancy rates, the Group strove to promote occupancy by advertising and strengthening the leasing business. As a result, the number of rental management units stood at 27,358 units as of the end of FY12/2017. As for condominium management, the Group strove to maintain and improve the asset value of the property, the level of service toward management associations, and condominiums under management stood at 5,361 units as of the end of FY12/2017. This both rental management and condominium management remained steady.

With an aim to augmenting guarantee plans to increase the number of debt guarantees and to increase the number of new customers, the Group strove to improve the collection rate. As for small amount and short-term insurance, the Group strove to augment insurance products and to increase the number of new customers.

As a result, segment sales stood at ¥10,229 million (up by 21.7% YoY), with profit for the segment recorded at ¥1,499 million (up by 27.7% YoY).

③ General Contractor Business

The General contractor business continued to make good progress, owing to obtaining new orders from new customers and existing construction projects making steady progress as planned. These projects are mainly orders from corporations, individuals, and government agencies.

As a result, segment sales stood at ¥13,532million (up by 15.2% YoY), with profit for the segment was recorded at ¥1,452 million (up by 0.3% YoY).

④ Energy Business

Along with the start of operations of SK Energy Osaka Co., Ltd., the number of households supplied by LP gas has reached 22,658 households as of the end of FY12/2017. Also, retail selling of electricity has begun from FY12/2017.

As a result, segment sales stood at ¥1,199 million (up by 41.2% YoY), with profit for the segment recorded at ¥224 million (up by 64.4% YoY).

⑤ Elderly Care Business

The Group primarily owns and operates housing with services for the elderly, facilities which provide day services, group homes and multifunctional small group homes, in addition to maintaining and improving occupancy rates of each facility, striving to enhance care-related services.

Also, in June 2017, “Friend Kasumigaoka” was opened as our new group home and multifunctional small group home in Fukuoka.

As a result, segment sales stood at ¥915 million (up by 17.7% YoY), with profit for the segment recorded at ¥54 million (down by 51.7% YoY, due to the initial costs for “Friend Kasumigaoka”).

⑥ Other Businesses

As for overseas operations, in Shanghai and Singapore, we initiate intermediation business for real estate leasing and sales, and in Indonesia, construction related business, and real estate development of “Sakura Terrace”, our brand for Investment Apartments in Jakarta. Also, new actions are taken in the domestic business, such as “Renovation × Vacation Rental”, starting the development of new real estate services using block chain technology, in association with Chaintope Inc.

As a result, segment sales stood at ¥139 million (up by 0.7%), with profit for the segment recorded at ¥182 million (up by 34.2%).

(Expectations for the Next Fiscal Year)

Regarding the expectations for the fiscal year ending December 31, 2018, gradual improvement in corporate performance and the employment environment are continuing due to economic and BOJ monetary policies, etc. In the real estate industry as well, market trends are generally steady due to rising investor sentiment accompanying monetary easing.

Under such circumstances, the Group aims to build a management foundation that can flexibly respond to changes in any economic environment, and we are further strengthening our main Real Estate Sales Business, and propelling the expansion of other business segments such as Real Estate Management Related Business, General Contractor Business, centering on strengthening our earning base and financial base and aim to establish a group structure that can earn profits in a stable manner.

Also, we will continue to focus on Elderly Care Business, and Overseas Business where the market scale is expected to expand, and proceed to obtain continuous growth of our corporate value, through proactive challenges to new business fields.

To that end, for the next fiscal year (ending December 31, 2018), consolidated results are expected as follows: Net sales at ¥120,000 million, operating income at ¥13,500 million, ordinary income at ¥13,200 million, and profit attributable to owners of parent at ¥9,200 million.

(2) Analysis of Consolidated Financial Position

① Assets, liabilities and net assets

(Assets)

At the end of the current fiscal year, the balance of assets rose by ¥18,699 million from the end of the previous fiscal year and the total came to ¥90,972 million. The main reasons for this increase were the following: Cash and deposits increased by ¥9,978 million, Real estate for sale increased by ¥2,007 million, and Costs on real estate business increased by ¥3,949 million.

(Liabilities)

At the end of the current fiscal year, the balance of liabilities rose by ¥10,857 million from the end of the previous fiscal year and the total came to ¥64,582 million. The main reasons for this increase were the following: Short-term loans payable increased by ¥7,702 million, long-term loans payable were up by ¥2,375 million.

(Net Assets)

At the end of the current fiscal year, the balance of net assets rose by ¥7,841 million from the end of the previous fiscal year and the total came to ¥26,390 million. The main reasons for this increase were an earned surplus increase of ¥7,763 million due to reported profit attributable to owners of parent, etc.

② Cash Flow Situation

At the end of the current fiscal year, the balance of cash and cash equivalents (hereinafter referred to as "Cash") increased by ¥9,868 million from the end of the previous fiscal year and the total came to ¥23,035 million.

The cash flow situation and its reasons are as follows:

(Cash Flow from Operating Activities)

Cash provided by operating activities was ¥247 million (¥734 million was used in the previous fiscal year). The principle reason for the increase was profit before income taxes of ¥12,253 million. The principle reason for the decrease were increase in inventories of ¥5,970 million.

(Cash Flow from Investing Activities)

Cash used in investing activities was ¥1,496 million (¥1,268 million was used in the previous fiscal year). The principle reasons for decrease were purchase of property, plant and equipment of ¥1,140 million.

(Cash Flow from Financing Activities)

Cash provided by financing activities was ¥9,004 million (¥7,775 million was provided in the previous fiscal year). The principle reasons for increase were proceeds from long-term loans payable of ¥14,926 million, net increase in short-term loans payable of ¥4,521 million. The principle reasons for decrease were repayments of long-term loans payable of ¥9,369 million.

(3) Basic Policy on the Payment of Dividends and Dividends for the Current and Next Fiscal Year

The Group aims to continuously maximize shareholder value including distribution of profits.

To that end, the Group is promoting the development of an efficient management structure, as well as aggressive marketing activities. In addition, we emphasize the return of earnings to shareholders by establishing stable and profitable revenue bases that are not easily influenced by economic swings, and the survival of the Company to be a top management priority.

Under these policies, for the fiscal year (ended December 31, 2017) results for the year and the future development of the business are taken into account for dividend payments. As such, the term-end ordinary dividends will be made at ¥22.5 per share. Special dividends of ¥5 per share and Memorial dividends of ¥5 per share will be added on the ordinary dividends and the total will come to ¥32.5 per share (annual dividends of ¥55 per share).

It should be noted that for the next fiscal year (ending December 31, 2018) dividends, in addition to the ordinary dividends, depending on the results we achieve, the Group is continuously planning special dividends for a dividend increase.

Ordinary Dividends	As basic policy for the stable return of earnings to shareholders, the Group plans for a dividend of ¥30 per share for the 2nd quarter-end and year-end each (annual dividends of ¥60 per share).
Special Dividends	Forecast for ordinary income for the fiscal year ending December 31, 2018 is at ¥13,200 million. In case the amount of ordinary income at the end of the fiscal year is expected to show an increase from the original forecast, the Group is planning a special dividend as follows: ・ 10% increase (¥14,520 mil.) from the original forecast… ¥6 ・ 20% increase (¥15,840 mil.) from the original forecast… ¥12

2. Basic Concept Concerning the Selection of Accounting Standards

The Group is applying Japanese accounting standards, taking into account the comparability between the consolidated financial statements and between companies.

Regarding the application of the International Financial Reporting Standards (IFRS) in the future, the Group plans to respond appropriately, taking into consideration future business development and the business climate in Japan and abroad.