

Consolidated Financial Results for the Fiscal Year Ended October 31, 2020

[Japanese GAAP]

December 11, 2020

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Stock code: 3475

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Stock Exchange Listing: TSE (1st Section)

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Scheduled date of Annual General Meeting of Shareholders: January 28, 2021

Scheduled date of payment of dividend: January 29, 2021

Scheduled date of filing of Annual Securities Report: January 28, 2021

Preparation of supplementary materials for financial results: Yes

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

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

1. Consolidated Financial Results for the Fiscal Year Ended October 31, 2020

(November 1, 2019 - October 31, 2020)

(1) Consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Oct. 31, 2020	26,323	12.6	2,829	61.2	2,644	60.2	1,826	62.0
Fiscal year ended Oct. 31, 2019	23,376	39.0	1,755	4.6	1,650	5.3	1,127	5.2

Note: Comprehensive income (million yen) Fiscal year ended Oct. 31, 2020: 1,824 (up 61.8%)

Fiscal year ended Oct. 31, 2019: 1,127 (up 5.5%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit to net sales
	Yen	Yen	%	%	%
Fiscal year ended Oct. 31, 2020	124.48	122.40	23.7	12.9	10.7
Fiscal year ended Oct. 31, 2019	78.51	75.17	16.9	11.9	7.5

Reference: Equity in earnings of affiliates (million yen) Fiscal year ended Oct. 31, 2020: - Fiscal year ended Oct. 31, 2019: -

Note: The Company conducted a 2-for-1 common stock split effective on November 1, 2020. Net income per share and diluted net income per share are calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Oct. 31, 2020	25,915	8,397	32.4	569.19
As of Oct. 31, 2019	15,191	7,017	46.2	487.68

Reference: Shareholders' equity (million yen) As of Oct. 31, 2020: 8,397 As of Oct. 31, 2019: 7,017

Note: The Company conducted a 2-for-1 common stock split effective on November 1, 2020. Net assets per share are calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
Fiscal year ended Oct. 31, 2020	(6,112)	(582)	8,312	6,578
Fiscal year ended Oct. 31, 2019	(2,642)	(56)	1,845	4,959

2. Dividends

	Dividend per share					Total dividends	Payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Fiscal year ended Oct. 31, 2019	-	0.00	-	47.00	47.00	338	29.9	5.1
Fiscal year ended Oct. 31, 2020	-	0.00	-	68.00	68.00	501	27.3	6.4
Fiscal year ending Oct. 31, 2021 (forecasts)	-	0.00	-	41.00	41.00		30.8	

Note: The Company conducted a 2-for-1 common stock split effective on November 1, 2020. Dividends per share for the fiscal years ended October 31, 2019 and October 31, 2020 are the actual amounts before the stock split.

3. Consolidated Forecast for the Fiscal Year Ending October 31, 2021 (November 1, 2020 - October 31, 2021)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	15,517	94.1	1,103	69.0	994	72.3	665	71.3	45.13
Full year	41,876	59.1	3,070	8.5	2,903	9.8	1,962	7.5	133.02

Note: The Company conducted a 2-for-1 common stock split effective on November 1, 2020. Net income per share forecast is calculated based on the number of outstanding shares (excluding treasury shares) after the stock split.

Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in scope of consolidation): None

(2) Changes in accounting policies and accounting-based estimates, and restatements

- 1) Changes in accounting policies due to revisions in accounting standards, others: None
- 2) Changes in accounting policies other than 1) above: None
- 3) Changes in accounting-based estimates: None
- 4) Restatements: None

(3) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Oct. 31, 2020: 15,198,000 shares As of Oct. 31, 2019: 14,690,000 shares

2) Number of treasury shares at the end of the period

As of Oct. 31, 2020: 444,426 shares As of Oct. 31, 2019: 300,512 shares

3) Average number of shares outstanding during the period

Fiscal year ended Oct. 31, 2020: 14,672,178 shares Fiscal year ended Oct. 31, 2019: 14,358,424 shares

Note: The Company conducted a 2-for-1 common stock split effective on November 1, 2020. The number of outstanding shares (common shares) is calculated as if this stock split had taken place at the beginning of the previous fiscal year.

Reference: Summary of Non-consolidated Financial Results

1. Non-consolidated Financial Results for the Fiscal Year Ended October 31, 2020

(November 1, 2019 - October 31, 2020)

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Fiscal year ended Oct. 31, 2020	25,921	12.4	2,803	61.6	2,606	60.9	1,803	62.8
Fiscal year ended Oct. 31, 2019	23,059	39.4	1,734	5.2	1,620	5.1	1,107	5.2

	Net income per share	Diluted net income per share
	Yen	Yen
Fiscal year ended Oct. 31, 2020	122.90	120.84
Fiscal year ended Oct. 31, 2019	77.15	73.87

Note: The Company conducted a 2-for-1 common stock split effective on November 1, 2020. Net income per share and diluted net income per share are calculated as if this stock split had taken place at the beginning of the previous fiscal year.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Oct. 31, 2020	25,466	8,283	32.5	561.45
As of Oct. 31, 2019	14,888	6,926	46.5	481.36

Reference: Shareholders' equity (million yen) As of Oct. 31, 2020: 8,283 As of Oct. 31, 2019: 6,926

Note: The Company conducted a 2-for-1 common stock split effective on November 1, 2020. Net assets per share are calculated as if this stock split had taken place at the beginning of the previous fiscal year.

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

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

Cautionary statement with respect to forward-looking statements

Outlook and other forward-looking statements in these materials are based on assumption judged to be valid and information available to the Company's management at the time the materials were prepared. Actual results may differ significantly from these forecasts for a number of factors.

Please refer to "1. Overview of Results of Operations, (4) Outlook" on page 4 for forecast assumptions and notes of caution for usage.

How to view supplementary materials for financial results

The Company plans to hold online financial results meetings on Tuesday, December 15, 2020. Materials distributed at this event will be disclosed at the Timely Disclosure network (TDnet) with this financial report and also be available on the Company's website.

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1. Overview of Results of Operations

(1) Results of Operations

There was a sharp downturn of the Japanese economy during the fiscal year that ended in October 2020 because of the COVID-19 pandemic. Some sectors of the economy subsequently began to recover with the support of national and local government actions. However, the outlook for the economy remains unclear due to the inability to predict when this crisis will end.

Japan's market for newly constructed condominiums is the primary business domain of the Good Com Asset Group. During the fiscal year that ended in October 2020, the percentage of new condominiums sold in the Tokyo metropolitan area within one month of going on sale was 65.3%, up 5.7% from one year earlier, according to the Real Estate Economic Institute. This percentage was 62.9%, up 4.2%, in Tokyo's 23 wards, the Group's main business area. This is well below the 70% level generally regarded as a sign of a strong condominium market. The number of new condominium units placed on sale in the Tokyo metropolitan area during the current fiscal year decreased because of the COVID-19 crisis. However, the percentage sold within one month was higher than one year earlier mainly because of increasing demand for residences resulting from changes in life styles due to this crisis.

The Group continued to expand planning, development and sales activities, mainly in Tokyo's 23 wards, for the Genovia series of condominiums, which consists of the Genovia green veil, Genovia skygarden and Genovia skyrun brands. We also reinforced the customer support framework and strengthened the Genovia brand. The Group has a sound reputation for supplying investment condominiums that generate a consistently high return. As occupancy rates of hotels and office buildings declined because of COVID-19, we were able to sell properties in prime locations at favorable terms to real estate companies, which resulted in a big increase in earnings. There was also an increase in sales of condominium buildings.

During the current fiscal year, 750 condominium units in 29 buildings were sold and 1,439 units in 24 buildings were acquired.

Net sales increased 12.6% year on year to 26,323 million yen. Operating profit increased 61.2% to 2,829 million yen, ordinary profit increased 60.2% to 2,644 million yen and profit attributable to owners of parent was up 62.0% to 1,826 million yen.

Business segment performance was as follows:

The Group categorizes sales based on the sales of business units rather than on the type of buyer. Sales of business units in the sales to individuals segment and the sales to real estate companies segment to overseas investors are therefore included in one of these two business segments. Since sales in these segments include sales outside Japan, the Japanese language names of these segments have been changed by deleting the word "domestic." The segment names remain unchanged in English.

On September 9, 2020, Good Com Asset acquired Room Bank Insure Co., Ltd., making this company a wholly owned subsidiary. This acquisition added the apartment rent guarantee business to the Group. Due to the substantial synergies between this business and the leasing business, this new subsidiary is included in the property management segment and the name of this segment has been changed to property management, etc.

In the first quarter of the current fiscal year, Good Com Fund was added to the reportable segments because in December 2019 the Group started a new business that sells small amount investment units of a real estate fund in accordance with the Real Estate Specified Joint Enterprise Act.

(a) Sales to individuals

This segment consists of sales of the Genovia series of one-room and family condominiums to individual investors. During the current fiscal year, 219 condominium units were sold, compared with 205 units one year earlier.

Sales were 7,870 million yen, up 13.2% from one year earlier, and segment profit decreased 6.9% to 230 million yen.

(b) Sales to real estate companies

This segment consists of sales of the Genovia series of one-room and family condominiums to real estate sales companies. During the current fiscal year, 529 condominium units were sold, compared with 645 units one year earlier. Sales were 17,211 million yen, up 9.7% from one year earlier, and segment profit increased 80.8% to 2,123 million yen.

(c) Property management, etc.

This segment performed well as growth in the number of managed condominium buildings and tenant-occupied condominium units was strong and the occupancy rate exceeded 99% at the end of every month of the fiscal year.

Sales were 1,199 million yen, up 59.6% from one year earlier, and segment profit increased 52.5% to 551 million yen.

(d) Overseas sales

This segment consists of sales of the Genovia series of one-room condominiums to overseas individual investors. During the current fiscal year, one condominium unit was sold.

Sales were 29 million yen and segment loss was 18 million yen compared with a loss of 42 million yen one year earlier.

(e) Good Com Fund

This segment consists of sales of small amount investment units of a real estate fund in accordance with the Real Estate Specified Joint Enterprise Act. During the current fiscal year, one condominium unit was sold.

Sales were 47 million yen and segment loss was 75 million yen.

(2) Financial Position

Total assets increased 70.6% from the end of the previous fiscal year to 25,915 million yen at the end of the current fiscal year, total liabilities increased 114.3% to 17,518 million yen and total net assets increased 19.7% to 8,397 million yen. The equity ratio was 32.4%.

(a) Current assets

Current assets increased 10,036 million yen from the end of the previous fiscal year to 24,936 million yen at the end of the current fiscal year. This was mainly due to a 1,618 million yen increase in cash and deposits, and increases in real estate for sale of 7,024 million yen and real estate for sale in process of 1,693 million yen because of the large volume of property acquisitions.

(b) Non-current assets

Non-current assets increased 687 million yen from the end of the previous fiscal year to 979 million yen. This was mainly due to goodwill of 539 million yen resulting from the acquisition of Room Bank Insure on September 9, 2020, and a 75 million yen increase in deferred tax assets, which are included in investments and other assets.

(c) Current liabilities

Current liabilities increased 6,742 million yen from the end of the previous fiscal year to 12,925 million yen. This was mainly due to increases in short-term borrowings of 2,002 million yen and current portion of long-term borrowings of 4,127 million yen because of the large volume of property acquisitions.

(d) Non-current liabilities

Non-current liabilities increased 2,601 million yen from the end of the previous fiscal year to 4,592 million yen mainly due to a 2,348 million yen increase in long-term borrowings because of the large volume of property acquisitions.

(e) Net assets

Total net assets increased 1,380 million yen from the end of the previous fiscal year to 8,397 million yen. The main factors include a 1,826 million yen increase in retained earnings due to the booking of profit attributable to owners of parent, which was partially offset by a 338 million yen decrease in retained earnings due to dividend payments.

(3) Cash Flows

Cash and cash equivalents (hereinafter, “net cash”) at the end of the current fiscal year increased 1,618 million yen, or 32.6%, from the end of the previous fiscal year to 6,578 million yen.

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

Cash flows from operating activities

Net cash used in operating activities was 6,112 million yen (2,642 million yen used in the previous fiscal year). This was mainly due to a 8,825 million yen increase in inventories.

Cash flows from investing activities

Net cash used in investing activities was 582 million yen (56 million yen used in the previous fiscal year). The main factors include purchase of shares of subsidiaries resulting in change in scope of consolidation of 527 million yen and purchase of intangible assets of 29 million yen.

Cash flows from financing activities

Net cash provided by financing activities was 8,312 million yen (1,845 million yen provided in the previous fiscal year). The main factors include proceeds from long-term borrowings of 13,162 million yen and a net increase in short-term borrowings of 2,002 million yen, while there were repayments of long-term borrowings of 6,686 million yen.

(4) Outlook

The outlook for the Japanese economy is expected to remain uncertain because of the COVID-19 crisis. As a result, the market for newly constructed condominiums, which is the primary market of the Group, is likely to remain challenging.

Most of our business operations are in Tokyo’s 23 wards and government employees are our primary customer segment. Due to the very minor effect of COVID-19 on results of operations because of the stability of condominium demand in Tokyo, we achieved record-high sales and earnings in the fiscal year that ended in October 2020.

In the fiscal year ending in October 2021, we plan to strengthen capabilities for sales to individuals by hiring more salespeople and giving these people sound training. For sales to real estate companies, we plan to supply highly appealing properties that are located within a 10-minute walk of a train station in Tokyo’s 23 wards. We forecast fiscal year sales to individuals, real estate companies and overseas buyers and by using Good Com Fund of 1,384 condominium units, which is 54.2% more than in the previous fiscal year. In addition, we forecast a strong performance of condominium building and tenant-occupied condominium management operations because of growth in the number of units managed as the number of condominiums sold continues to climb.

On September 9, 2020, Good Com Asset acquired all of the stock of Room Bank Insure, an apartment rent guarantee company. This company guarantees rent payments of a tenant when a real estate leasing agreement is signed. An amendment to Japan’s Civil Code is likely to result in more real estate rental companies starting to use rent guarantee companies. As a result, we believe that there are good prospects for more growth in the demand for rent guarantees.

The Group forecasts big increases in sales and earnings to all-time highs in the fiscal year ending in October 2021, with net sales of 41,876 million yen, (up 59.1% year on year), operating profit of 3,070 million yen (up 8.5%), ordinary profit of 2,903 million yen (up 9.8%), and profit attributable to owners of parent of 1,962 million yen (up 7.5%).

The sales forecast is based on progress with property acquisitions as of the beginning of the fiscal year ending in October 2021 and other factors. The earnings forecasts use the average profit margin during the past several years.

The Group will continue to take actions for the growth of current business activities while using M&A and other measures for the diversification of business operations. Our goal is to use these actions for the growth of corporate value in order to raise market capitalization to 100 billion yen in the fiscal year ending in October 2026.

(5) Important Information about Going Concern Assumption

Not applicable.

2. Basic Approach for the Selection of Accounting Standards

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

We will consider the use of International Financial Reporting Standards (IFRS) while monitoring upcoming changes in our foreign investor ownership ratio and the use of IFRS by other real estate companies in Japan.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

	(Thousands of yen)	
	FY10/19 (As of Oct. 31, 2019)	FY10/20 (As of Oct. 31, 2020)
Assets		
Current assets		
Cash and deposits	4,979,582	6,598,347
Real estate for sale	8,528,080	15,552,624
Real estate for sale in process	49,406	1,743,114
Advance payments-trade	1,106,278	807,310
Other	236,769	265,800
Allowance for doubtful accounts	-	(30,652)
Total current assets	14,900,117	24,936,544
Non-current assets		
Property, plant and equipment		
Buildings and structures	54,710	57,772
Accumulated depreciation	(16,532)	(20,089)
Buildings and structures, net	38,177	37,683
Other	14,244	27,083
Accumulated depreciation	(9,119)	(11,856)
Other, net	5,125	15,226
Total property, plant and equipment	43,303	52,909
Intangible assets		
Goodwill	-	539,942
Software	1,013	39,916
Total intangible assets	1,013	579,859
Investments and other assets		
Investment securities	15,419	13,534
Deferred tax assets	81,460	156,866
Other	150,468	175,969
Total investments and other assets	247,348	346,370
Total non-current assets	291,665	979,139
Total assets	15,191,783	25,915,684

	(Thousands of yen)	
	FY10/19 (As of Oct. 31, 2019)	FY10/20 (As of Oct. 31, 2020)
Liabilities		
Current liabilities		
Accounts payable for construction contracts	78,363	111,118
Short-term borrowings	1,487,886	3,490,330
Current portion of bonds payable	-	42,000
Current portion of long-term borrowings	3,877,851	8,005,312
Income taxes payable	390,956	740,316
Provision for bonuses	16,538	18,021
Provision for vacancy warranties	25,684	34,808
Provision for loss on guarantees	-	25,187
Reserve for sublease losses	-	28,222
Other	305,644	430,232
Total current liabilities	6,182,924	12,925,549
Non-current liabilities		
Bonds payable	-	237,000
Long-term borrowings	1,944,201	4,292,475
Provision for shareholder benefit program	25,139	25,814
Other	22,007	37,195
Total non-current liabilities	1,991,347	4,592,485
Total liabilities	8,174,271	17,518,034
Net assets		
Shareholders' equity		
Share capital	1,589,516	1,593,771
Capital surplus	1,498,016	1,502,271
Retained earnings	4,145,550	5,633,805
Treasury shares	(214,924)	(329,689)
Total shareholders' equity	7,018,158	8,400,159
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	1,890	(74)
Foreign currency translation adjustment	(2,536)	(2,434)
Total accumulated other comprehensive income	(646)	(2,508)
Total net assets	7,017,512	8,397,650
Total liabilities and net assets	15,191,783	25,915,684

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

(Thousands of yen)

	FY10/19 (Nov. 1, 2018 - Oct. 31, 2019)	FY10/20 (Nov. 1, 2019 - Oct. 31, 2020)
Net sales	23,376,633	26,323,011
Cost of sales	19,883,818	21,532,545
Gross profit	3,492,814	4,790,465
Selling, general and administrative expenses	1,737,285	1,961,256
Operating profit	1,755,529	2,829,209
Non-operating income		
Interest income	58	81
Dividend income	316	414
Commission income	2,846	2,500
Penalty income	27,593	27,726
Other	1,103	5,147
Total non-operating income	31,918	35,870
Non-operating expenses		
Interest expenses	107,241	158,617
Commission expenses	29,136	49,296
Other	712	12,899
Total non-operating expenses	137,091	220,813
Ordinary profit	1,650,357	2,644,265
Profit before income taxes	1,650,357	2,644,265
Income taxes-current	549,151	868,598
Income taxes-deferred	(26,032)	(50,741)
Total income taxes	523,119	817,857
Profit	1,127,238	1,826,407
Profit attributable to owners of parent	1,127,238	1,826,407

(Consolidated Statement of Comprehensive Income)

(Thousands of yen)

	FY10/19 (Nov. 1, 2018 - Oct. 31, 2019)	FY10/20 (Nov. 1, 2019 - Oct. 31, 2020)
Profit	1,127,238	1,826,407
Other comprehensive income		
Valuation difference on available-for-sale securities	1,021	(1,964)
Foreign currency translation adjustment	(455)	102
Total other comprehensive income	566	(1,862)
Comprehensive income	1,127,804	1,824,545
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,127,804	1,824,545
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity

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

(Thousands of yen)

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

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	869	(2,081)	(1,212)	6,356,697
Changes during period				
Issuance of new shares-exercise of share acquisition rights			-	2,786
Dividends of surplus			-	(254,981)
Profit attributable to owners of parent			-	1,127,238
Purchase of treasury shares			-	(214,794)
Net changes in items other than shareholders' equity	1,021	(455)	566	566
Total changes during period	1,021	(455)	566	660,814
Balance at end of period	1,890	(2,536)	(646)	7,017,512

FY10/20 (Nov. 1, 2019 – Oct. 31, 2020)

(Thousands of yen)

	Shareholders' equity				
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of period	1,589,516	1,498,016	4,145,550	(214,924)	7,018,158
Changes during period					
Issuance of new shares-exercise of share acquisition rights	4,255	4,255			8,510
Dividends of surplus			(338,152)		(338,152)
Profit attributable to owners of parent			1,826,407		1,826,407
Purchase of treasury shares				(114,764)	(114,764)
Net changes in items other than shareholders' equity					-
Total changes during period	4,255	4,255	1,488,254	(114,764)	1,382,000
Balance at end of period	1,593,771	1,502,271	5,633,805	(329,689)	8,400,159

	Accumulated other comprehensive income			Total net assets
	Valuation difference on available-for-sale securities	Foreign currency translation adjustment	Total accumulated other comprehensive income	
Balance at beginning of period	1,890	(2,536)	(646)	7,017,512
Changes during period				
Issuance of new shares-exercise of share acquisition rights			-	8,510
Dividends of surplus			-	(338,152)
Profit attributable to owners of parent			-	1,826,407
Purchase of treasury shares			-	(114,764)
Net changes in items other than shareholders' equity	(1,964)	102	(1,862)	(1,862)
Total changes during period	(1,964)	102	(1,862)	1,380,138
Balance at end of period	(74)	(2,434)	(2,508)	8,397,650

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY10/19 (Nov. 1, 2018 - Oct. 31, 2019)	FY10/20 (Nov. 1, 2019 - Oct. 31, 2020)
Cash flows from operating activities		
Profit before income taxes	1,650,357	2,644,265
Depreciation	56,696	96,349
Increase (decrease) in provision for bonuses	(99)	(1,175)
Increase (decrease) in provision for vacancy warranties	5,075	9,124
Increase (decrease) in provision for shareholder benefit program	25,139	675
Increase (decrease) in provision for reserve for sublease losses	-	28,222
Interest and dividend income	(374)	(496)
Interest expenses	107,241	158,617
Decrease (increase) in advance payments-trade	(376,563)	298,967
Decrease (increase) in inventories	(2,996,593)	(8,825,250)
Increase (decrease) in trade payables	36,341	32,755
Increase (decrease) in accrued consumption taxes	(286,736)	-
Other, net	(116,627)	148,908
Subtotal	<u>(1,896,144)</u>	<u>(5,409,035)</u>
Interest and dividends received	110	148
Interest paid	(107,922)	(169,738)
Income taxes paid	(638,653)	(533,478)
Net cash provided by (used in) operating activities	<u>(2,642,610)</u>	<u>(6,112,104)</u>
Cash flows from investing activities		
Purchase of property, plant and equipment	(40,050)	(4,656)
Purchase of investment securities	(599)	(599)
Purchase of intangible assets	-	(29,444)
Payments into time deposits	(20,019)	(20,021)
Proceeds from withdrawal of time deposits	20,018	20,019
Purchase of shares of subsidiaries and associates	-	(20,000)
Payments of leasehold deposits	(21,545)	-
Purchase of shares of subsidiaries resulting in change in scope of consolidation	-	(527,234)
Other, net	5,368	(130)
Net cash provided by (used in) investing activities	<u>(56,829)</u>	<u>(582,067)</u>
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	1,195,656	2,002,444
Proceeds from long-term borrowings	9,876,970	13,162,020
Repayments of long-term borrowings	(8,749,991)	(6,686,285)
Proceeds from issuance of bonds	-	300,000
Redemption of bonds	(10,000)	(21,000)
Proceeds from issuance of shares	2,377	8,071
Purchase of treasury shares	(214,794)	(114,764)
Dividends paid	(254,981)	(338,152)
Other, net	-	536
Net cash provided by (used in) financing activities	<u>1,845,236</u>	<u>8,312,870</u>
Effect of exchange rate change on cash and cash equivalents	(410)	64
Net increase (decrease) in cash and cash equivalents	<u>(854,613)</u>	<u>1,618,763</u>
Cash and cash equivalents at beginning of period	5,814,176	4,959,562
Cash and cash equivalents at end of period	<u>4,959,562</u>	<u>6,578,325</u>

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

Not applicable.

Business Combinations

Business combination through acquisition

The Company acquired shares of Room Bank Insure Co., Ltd. on September 9, 2020 and made this company a subsidiary.

1. Overview of business combination

(1) Acquired company and its business activities

Acquired company: Room Bank Insure Co., Ltd.
Business activities: Guarantee of rent payments

(2) Primary reasons for acquisition

Room Bank Insure specializes in the guarantee of rent by becoming the guarantor of the tenant when a real estate leasing agreement is signed. The Company believes that synergies with the property management business will make it possible to efficiently and effectively attract rent guarantee customers, which will contribute to earnings growth.

(3) Acquisition date

September 9, 2020 (assumed acquisition date: September 30, 2020)

(4) Legal form of acquisition

Acquisition of shares with cash

(5) Company's name after acquisition

Room Bank Insure Co., Ltd.

(6) Percentage of voting rights acquired

100%

(7) Basis for choosing the company to acquire

The Company acquired 100% of the voting rights of Room Bank Insure by purchasing the stock of this company with a cash payment.

2. Period of the acquired company's performance included in the consolidated financial statements

Room Bank Insure is not included in the consolidated statement of income for the fiscal year that ended in October 2020 because an acquisition date of September 30, 2020, is used for accounting purposes.

3. Acquisition cost and other information

Payment for the acquisition	Cash	780,000 thousand yen
<hr/>		<hr/>
Acquisition cost		780,000 thousand yen

4. Major acquisition-related costs

Advisory fees, etc.: 14,000 thousand yen

5. Goodwill resulting from the acquisition

(1) Value of goodwill: 539,942 thousand yen

(2) Source of goodwill: The source is primarily the expectation of excess earnings power resulting from business growth.

(3) Amortization method and period: Goodwill is amortized over five years by the straight-line method.

6. Breakdown of assets acquired and liabilities assumed on the acquisition date

Current assets	296,660 thousand yen
Non-current assets	<u>47,084 thousand yen</u>
Total assets	<u>343,744 thousand yen</u>

Current liabilities	103,687 thousand yen
Total liabilities	103,687 thousand yen

Segment and Other Information

Segment Information

1. Overview of reportable segment

The Group's segments used for financial reporting are the constituent units for which separate financial information is available and for which the Board of Directors performs periodic studies for the purposes of determining the allocation of resources and evaluating performance.

The operations of the Group are divided into the following five reportable business segments: sales to individuals, sales to real estate companies, property management, etc., overseas sales, and Good Com Fund.

The sale of newly constructed condominiums using the Company's own brand is the primary activity of the sales to individuals, sales to real estate companies and overseas sales segments. Activities of property management, etc. include the management of tenant-occupied condominium units as well as entire condominium buildings sold by the Company, the rental of these units until ownership is transferred to buyers, and provision of apartment rent guarantee services. The primary activity of Good Com Fund is sales of small amount investment units of a real estate fund in accordance with the Real Estate Specified Joint Enterprise Act.

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

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

Profits for reportable segments are operating profit figures.

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

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

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

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

(Thousands of yen)

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

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

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

FY10/20 (Nov. 1, 2019 – Oct. 31, 2020)

(Thousands of yen)

	Reportable segment					Total
	Sales to individuals	Sales to real estate companies	Property management, etc.	Overseas sales	Good Com Fund	
Net sales						
External sales	7,870,006	17,211,117	1,165,551	29,269	47,066	26,323,011
Inter-segment sales and transfers	-	-	34,149	-	-	34,149
Total	7,870,006	17,211,117	1,199,701	29,269	47,066	26,357,161
Segment profit (loss)	230,081	2,123,096	551,776	(18,070)	(75,098)	2,811,785
Other items						
Depreciation	5,015	904	-	82	4,814	10,816

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

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

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

(Thousands of yen)

Net sales	FY10/19	FY10/20
Total for reportable segments	23,397,637	26,357,161
Elimination of inter-segment transactions	(21,003)	(34,149)
Net sales in consolidated financial statements	23,376,633	26,323,011

(Thousands of yen)

Profit	FY10/19	FY10/20
Total for reportable segments	1,740,565	2,811,785
Elimination of inter-segment transactions	14,964	17,423
Operating profit in consolidated financial statements	1,755,529	2,829,209

Related Information

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

1. Information by product and service

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

2. Information by region

(1) Net sales

Omitted since there are no external sales outside Japan.

(2) Property, plant and equipment

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

3. Information by major customer

(Thousands of yen)

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

FY10/20 (Nov. 1, 2019 – Oct. 31, 2020)

1. Information by product and service

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

2. Information by region

(1) Net sales

(Thousands of yen)

Japan	Taiwan	Total
26,293,742	29,269	26,323,011

(2) Property, plant and equipment

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

3. Information by major customer

(Thousands of yen)

Customer name	Net sales	Relevant segment
PPFA Japan III TMK	9,706,800	Sales to real estate companies

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

Not applicable.

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

Room Bank Insure Co., Ltd. became a consolidated subsidiary in the fiscal year ended in October 2020 following the acquisition of this company on September 9, 2020, and was added to the property management, etc. segment. This acquisition resulted in goodwill of 539,942 thousand yen.

(Thousands of yen)

	Sales to individuals	Sales to real estate companies	Property management, etc.	Overseas sales	Good Com Fund	Total
Amortization for the period	-	-	-	-	-	-
Balance at end of period	-	-	539,942	-	-	539,942

Information Related to Gain on Bargain Purchase for Each Reportable Segment

Not applicable.

Per-share Information

(Yen)

Item	FY10/19 (Nov. 1, 2018 – Oct. 31, 2019)	FY10/20 (Nov. 1, 2019 – Oct. 31, 2020)
Net assets per share	487.68	569.19
Net income per share	78.51	124.48
Diluted net income per share	75.17	122.40

Notes: 1. The Company conducted a 2-for-1 common stock split effective on November 1, 2020. Net assets per share, net income per share and diluted net income per share are calculated as if this stock split had taken place at the beginning of FY10/19.

2. Basis for calculation of net income per share and diluted net income per share is as follows.

(Thousands of yen)

Item	FY10/19 (Nov. 1, 2018 – Oct. 31, 2019)	FY10/20 (Nov. 1, 2019 – Oct. 31, 2020)
Net income per share		
Profit attributable to owners of parent	1,127,238	1,826,407
Amounts not available to common shareholders	-	-
Profit attributable to owners of parent applicable to common shares	1,127,238	1,826,407
Average number of common shares outstanding during the period (shares)	14,358,424	14,672,178
Diluted net income per share		
Adjusted profit attributable to owners of parent	-	-
Increase in the number of common shares (shares)	637,616	249,383
[of which share acquisition rights (shares)]	[637,616]	[249,383]

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

(Thousands of yen)

Item	FY10/19 (As of Oct. 31, 2019)	FY10/20 (As of Oct. 31, 2020)
Total net assets	7,017,512	8,397,650
Deduction on total net assets	-	-
Net assets applicable to common shares at end of period	7,017,512	8,397,650
Number of common shares at end of period used in calculation of net assets per share (shares)	14,389,488	14,753,574

Material Subsequent Events

Stock split and associated revisions to the Articles of Incorporation

In accordance with the resolution approved by the Board of Directors on September 29, 2020, the Company implemented a stock split on November 1, 2020 and has made an associated revision to the Articles of Incorporation.

1. Purpose of stock split

This split lowered the cost of an investment unit of Good Com Asset stock, which makes this stock accessible to a broader range of investors. This is expected to increase the stock's liquidity and expand stock ownership to more investor segments.

2. Overview of stock split

(1) Method

Shareholders listed in the final shareholder register on the record date of Saturday, October 31, 2020 (effectively Friday, October 30, 2020) will receive one additional share of common stock for each share held on the record date.

(2) Increase in number of shares due to the stock split

1) Total number of shares outstanding prior to the stock split:	7,599,000 shares
2) Increase in number of shares due to the stock split:	7,599,000 shares
3) Total number of shares outstanding following the stock split:	15,198,000 shares
4) Total number of authorized shares following the stock split:	45,600,000 shares

(3) Schedule of stock split

1) Public notice of record date:	Friday, October 16, 2020
2) Record date:	Saturday, October 31, 2020 (effectively Friday, October 30, 2020)
3) Effective date:	Sunday, November 1, 2020

3. Partial revision to the Articles of Incorporation

(1) Reason for the revision

In association with this stock split, Article 6 of the Good Com Asset Articles of Incorporation was revised on November 1, 2020 to increase the total number of shares authorized in accordance with Article 184, Paragraph 2 of the Companies Act.

(2) Details of the revision (Underlined parts are revised)

Before revision	After revision
Total Number of Shares Authorized Article 6: The total number of shares authorized to be issued by the Company shall be <u>22,800,000</u> shares.	Total Number of Shares Authorized Article 6: The total number of shares authorized to be issued by the Company shall be <u>45,600,000</u> shares.

(3) Schedule

Effective date: Sunday, November 1, 2020

4. Share acquisition right exercise price adjustments

The exercise prices of share acquisition rights were adjusted as follows on November 1, 2020 because of the stock split.

	Exercise price before adjustment	Exercise price after adjustment
Share acquisition rights No. 2	25	13
Share acquisition rights No. 3	385	193

(Yen)

This financial report is solely a translation of "Kessan Tanshin" (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.