

Summary of Business Results for the Third Quarter Ended December 31, 2018 [Japan GAAP]

Company Akatsuki Corp.

February 14, 2019

Stock Code 8737 URL <http://www.akatsuki-fg.com/>

Listed on the TSE

Representative Hideaki Shimane, President and Representative Director

Contact Masahiro Kawanaka, Executive Officer, Head of President office

TEL 03-6821-0606

Expected date of filing of quarterly report February 14, 2019

Expected starting date of dividend payment: —

Preparation of quarterly supplementary financial document: None

Quarterly results briefing: None

(Rounded down to million yen)

1. Consolidated business results for the nine months ended December 2018(April 1, 2018 through December 31, 2018)

(1) Consolidated results of operations

(% change from the previous corresponding period)

	Operating revenues		Net operating revenues		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Nine months ended Dec. 2018	23,716	46.2	7,051	7.0	714	△49.3	408	△76.5	268	△83.2
Nine months ended Dec. 2017	16,219	399.3	6,590	157.9	1,408	—	1,738	302.0	1,594	602.9

(Note) Comprehensive income:

Nine months ended Dec. 2018 162 Million yen (△86.1%)

Nine months ended Dec. 2017 1,166 Million yen (17.1%)

	Net income per share		Diluted net income per share	
	Yen	Yen	Yen	Yen
Nine months ended Dec. 2018	10.90	10.37	10.37	81.72
Nine months ended Dec. 2017	90.44	81.72	81.72	81.72

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 2018	56,241	13,442	21.4	399.41
As of Mar. 2018	53,498	12,467	20.2	500.13

(Reference) Shareholders' equity:

As of Dec. 2018 12,019 Million yen

As of Mar. 2018 10,782 Million yen

2. Dividends

	Annual dividend				
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended Mar. 2018	—	10.00	—	10.00	20.00
Year ending Mar. 2019	—	10.00	—	—	—
Year ending Mar. 2019 (forecast)	—	—	—	—	—

(Note) Revisions to dividend forecast for the current quarter: None

Dividend forecasts for the fiscal year ending March 2019 have not yet been determined.

3. Forecast of consolidated business results for the fiscal year ending March 2019(April 1, 2018 through March 31, 2019)

(% change from the previous corresponding period)

	Operating revenues		Operating income		Ordinary income		Net income attributable to owners	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ending Mar. 2019	37,000	63.4	2,100	29.9	1,600	△10.4	1,000	△41.7

(Note) Revisions to business forecast for the current quarter: None

※ **Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of

(2) Applications of simplified accounting procedures and specific accounting procedure None

(3) Changes in accounting policies, accounting estimates and restatement

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|--|------|
| ① Changes in accounting policies associated with revision of accounting standard | Yes |
| ② Changes in accounting policies other than ①: | None |
| ③ Changes in accounting estimates: | None |
| ④ Restatement: | None |

(4) Shares outstanding (common stock)

① Number of shares outstanding at the end of period (treasury stock included)	
As of December 2018	32,274,144 shares
As of March 2018	22,973,937 shares
② Treasury stock at the end of period	
As of December 2018	2,181,373 shares
As of March 2018	1,413,716 shares
③ Average number of stock during period (quarterly cumulative period)	
Nine months ended December 2018	24,613,775 shares
Nine months ended December 2017	17,631,729 shares

(Note) The number of treasury stock which is deducted for calculating the number of treasury stock during period and the average number of shares during the period includes the shares of the Company owned by the ESOP Trust Account and the BBT Trust Account.

※ **Quarterly financial summary is not subject to the quarterly review procedures by certified public accountants or auditing firms.**

※ **Explanation regarding appropriate use of business forecasts and other special instructions**

Forecasts regarding future performance in this material are based on information currently available to the company and certain assumptions that the company deems to be reasonable at the time this report was prepared. Actual results may differ significantly from the forecasts due to various factors.

Quarterly consolidated balance sheet

(Thousands of yen)

	As of March 31, 2018	As of December 31, 2018
Assets		
Current assets		
Cash and deposits	7,908,050	12,255,512
Cash segregated as deposits	5,700,000	4,950,000
Trading products	1,449,274	861,094
Margin transaction assets	5,166,609	3,990,924
Loans on margin transactions	5,127,261	3,567,004
Cash collateral pledged for securities borrowing on margin transactions	39,347	423,919
Guarantee deposits	330,458	330,475
Real estate for sale	21,044,583	26,813,188
Other	735,600	976,855
Total current assets	42,334,578	50,178,051
Non-current assets		
Property, plant and equipment		
Buildings and structures	3,945,925	1,642,964
Land	2,512,914	831,948
Construction in progress	558,086	—
Other	193,286	121,351
Total property, plant and equipment	7,210,213	2,596,265
Intangible assets		
Goodwill	2,230,632	2,061,849
Other	263,017	172,955
Total intangible assets	2,493,649	2,234,805
Investments and other assets		
Investment securities	483,691	409,573
Other	1,182,970	1,029,356
Allowance for doubtful accounts	△206,689	△206,309
Total investments and other assets	1,459,972	1,232,619
Total non-current assets	11,163,834	6,063,690
Total assets	53,498,412	56,241,741

(Thousands of yen)

	As of March 31, 2018	As of December 31, 2018
Liabilities		
Current liabilities		
Trade date accrual	970,292	695,787
Margin transaction liabilities	2,052,195	972,442
Borrowings on margin transactions	1,977,525	832,487
Cash received for securities lending on margin transactions	74,670	139,954
Deposits received	5,180,429	5,684,430
Guarantee deposits received	470,482	405,793
Short-term bonds payable	4,000,000	3,000,000
Short-term loans payable	13,670,917	12,671,741
Current portion of long-term loans payable	465,632	910,690
Current portion of long-term non-recourse loans payable	101,720	109,220
Income taxes payable	421,429	81,659
Other	1,631,863	1,341,814
Total current liabilities	28,964,963	25,873,578
Non-current liabilities		
Bonds payable	1,000,000	3,000,000
Non-recourse Bond	100,000	99,000
Long-term loans payable	6,451,040	8,609,404
Non-recourse Long-term loans payable	3,354,035	3,809,120
Net defined benefit liability	219,201	223,085
Executive Share benefit reserve	429,832	615,619
Other	492,464	550,400
Total non-current liabilities	12,046,573	16,906,630
Reserves under special laws		
Reserve for financial products transaction liabilities	19,288	19,288
Total reserves under special laws	19,288	19,288
Total liabilities	41,030,825	42,799,497
Net assets		
Shareholders' equity		
Capital stock	4,560,012	5,492,516
Capital surplus	2,775,515	3,614,800
Retained earnings	4,052,873	3,790,709
Treasury shares	△674,389	△837,745
Total shareholders' equity	10,714,011	12,060,280
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	62,593	△46,860
Foreign currency translation adjustment	6,227	5,804
Total accumulated other comprehensive income	68,821	△41,055
Share acquisition rights	21,647	20,833
Non-controlling interests	1,663,106	1,402,185
Total net assets	12,467,587	13,442,244
Total liabilities and net assets	53,498,412	56,241,741

Quarterly consolidated statement of income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Operating revenue		
Commission received	1,610,482	1,209,230
Net trading income	1,156,484	1,173,528
Financial revenue	78,339	69,005
Sales on real estate business	13,373,354	21,236,484
Other	1,161	28,428
Total operating revenue	16,219,822	23,716,677
Financial expenses	48,420	13,802
Cost of sales		
Cost of sales on real estate business	9,581,334	16,651,542
Total cost of sales	9,581,334	16,651,542
Net operating revenue	6,590,067	7,051,333
Selling, general and administrative expenses		
Trading related expenses	19,119	17,780
Personnel expenses	2,440,352	2,582,906
Real estate expenses	262,407	292,551
Office cost	377,271	359,178
Depreciation	98,993	174,460
Taxes and dues	293,488	506,154
Sales commission	440,364	690,600
Other	1,249,321	1,713,051
Total selling, general and administrative expenses	5,181,318	6,336,683
Operating profit	1,408,748	714,649
Non-operating income		
Penalty income	—	45,754
Gain on sales of investment securities	390,512	—
Other	252,815	90,367
Total non-operating income	643,327	136,122
Non-operating expenses		
Interest expenses	235,086	360,871
Commission fee	56,946	54,401
Other	21,676	26,556
Total non-operating expenses	313,709	441,830
Ordinary profit	1,738,366	408,941
Extraordinary income		
Gain on sales of non-current assets	258,622	176,408
Other	—	7,269
Total extraordinary income	258,622	183,678
Extraordinary losses		
Other	1,037	7
Total extraordinary losses	1,037	7

(Thousands of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit before income taxes	1,995,951	592,612
Income taxes - current	423,005	267,699
Income taxes - deferred	19,567	52,728
Total income taxes	442,573	320,428
Profit	1,553,378	272,184
Profit (loss) attributable to non- controlling interests	△41,183	3,931
Profit attributable to owners of parent	1,594,561	268,252

Quarterly consolidated statement of comprehensive income (cumulative)

(Thousands of yen)

	Nine months ended December 31, 2017	Nine months ended December 31, 2018
Profit	1,553,378	272,184
Other comprehensive income		
Valuation difference on available-for-sale securities	△388,265	△109,449
Share of other comprehensive income of entities accounted for using equity method	1,056	△423
Total other comprehensive income	△387,209	△109,873
Comprehensive income	1,166,168	162,311
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,207,348	158,379
Comprehensive income attributable to non-controlling interests	△41,179	3,931