

Quarterly Report

Consolidated Financial Results in Q1 of FY2017

1st Quarter : 3 months ended August 31, 2017

TAMA HOME CO.,LTD.

This report is provided solely for the information of professional analysts who are expected to make their own evaluation of the company. This report contains forward-looking statements that are based on management's assumptions and beliefs in light of the information currently available to it and therefore you should not place undue reliance on them.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to differ materially from that anticipated in these statements. These factors include changes in economic conditions, trends in our major markets, currency exchange rates, etc.

We accept no liability whatsoever for any direct or consequential loss arising from any use of this report.

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1. Quarterly Consolidated Financial Highlights

(1) Revenue and Profit before tax (Millions of Yen)

	For the three months ended			
	August 31, 2016 (1Q)	August 31 2017 (1Q)	Variance	
			Amount	(%)
Net sales	24,513	25,713	1,199	4.9
Operating income	△ 2,341	△ 2,179	162	—
Operating margin	—	—	—	—
Ordinary income	△ 2,580	△ 2,307	272	—
Ordinary margin	—	—	—	—
Income (loss) before income taxes and minority interests	△ 2,595	△ 2,341	254	—
Income rate before income taxes and minority interests	—	—	—	—
Income (loss) attributable to owners of parent	△ 2,074	△ 1,729	345	—
Income rate attributable to owners of parent	—	—	—	—
Net income (loss) per share(Yen)	△ 69.04	△ 57.53	11.51	—
Diluted net income per share	—	—	—	—
Return on equity	—	—	—	—
Ordinary income to total assets ratio	—	—	—	—
Operating income to sales	—	—	—	—

(2) Financial Position

	The end of the quarter			
	August 31 2016 (1Q)	August 31 2017 (1Q)	Variance	
			Amount	(%)
Total assets	83,350	86,237	2,887	3.5
Net assets	14,088	11,874	△ 2,214	△ 15.7
Equity ratio	16.7%	13.6%	-3.1%	—
Total equity per share of common stock	463.12	389.36	△ 73.76	△ 15.9

<Consolidated financial forecasts for the fiscal year ending May 31, 2018>

	For the year ended/ending			
	May. 31, 2017	May. 31, 2018	Variance	
			Amount	(%)
Net sales	157,001	170,200	13,199	8.4
Total accumulated other comprehensive income (loss)	3,901	4,000	99	2.5
Ordinary income	3,475	3,600	125	3.6
Net income (loss)	901	1,600	699	77.6
Income (loss) per share of common stock (Yen)	30.00	53.23	23.23	77.4
Cash dividends per share of common stock applicable to the year	15.0	26.0	11.0	73.3
Interim dividend(Yen)	0.0	0.0	0.0	—
Year-end dividend(Yen)	15.0	26.0	11.0	—
Annual dividend(Yen)	15.0	26.0	11.0	—

2. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Millions of Yen)

	The end of period		The end of the 1st quarter		Variance		The end of the 1st quarter	
	May 31, 2017		August 31, 2017				August 31, 2016	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Assets								
Current assets								
Cash and deposits	26,706		21,075		△ 5,630		22,906	
Notes receivable, accounts receivable from completed construction	1,517		1,243		△ 274		1,319	
Operating loans	2,971		4,068		1,096		3,334	
Real estate for sale	4,682		5,760		1,078		3,325	
Cost on uncompleted construction contracts	5,905		11,932		6,026		11,112	
Real estate for sale in process	9,055		8,766		△ 288		12,041	
Other inventories	411		470		29		466	
Deferred tax assets	1,105		1,799		694		1,477	
Other	1,657		1,804		146		2,460	
Allowance for doubtful accounts	△ 6		△ 5		0		△ 12	
Total current assets	54,037	64.8	56,915	66.0	2,878	5.3	58,432	65.3
Noncurrent assets								
Property, plant and equipment	23,705		23,667		△ 37		25,320	
Intangible assets	232		220		△ 12		402	
Investments and other assets	5,375		5,433		58		5,311	
Total noncurrent assets	29,313	35.2	29,321	34.0	8	0.0	31,034	34.7
Total assets	83,350	100.0	86,237	100.0	2,887	3.5	89,467	100.0

(Millions of Yen)

	The end of period		The end of the 1st quarter		Variance		The end of the 1st quarter	
	May 31, 2017		August 31, 2017				August 31, 2016	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Liabilities								
Current liabilities								
Notes payable, accounts payable for construction contracts and other	12,174		10,396		△ 1,777		18,316	
Short-term loans payable	7,309		9,692		2,382		7,238	
Current portion of bonds	200		200		—		200	
Current portion of long-term loans payable	4,999		6,067		1,068		6,437	
Income taxes payable	1,972		114		△ 1,858		120	
Advances received on uncompleted construction contracts	13,921		23,346		9,424		21,301	
Provision for warranties for completed construction	1,065		1,081		16		1,076	
Provision for bonuses	246		603		356		611	
Other	5,735		3,760		△ 1,975		3,658	
Total current liabilities	47,625	57.1	55,262	64.1	7,637	16.0	58,963	65.9
Long-term liabilities								
Bonds	100		100		—		300	
Long-term loans payable	18,709		16,064		△ 2,645		16,190	
Asset retirement obligations	1,547		1,544		△ 3		1,574	
Deferred tax liabilities	—		—		—		25	
Other	1,279		1,391		111		1,260	
Total long-term liabilities	21,636	26.0	19,100	22.1	△ 2,536	△ 11.7	19,351	21.6
Total liabilities	69,261	83.1	74,363	86.2	5,101	7.4	78,314	87.5
Net assets								
Shareholders' equity								
Capital stock	4,310		4,310		—		4,310	
Capital surplus	4,362		4,361		0		4,361	
Retained earnings	4,898		2,718		△ 2,179		1,921	
Total shareholders' equity	13,570	16.3	11,389	13.2	△ 2,180	△ 16.1	10,593	11.9
Accumulated other comprehensive income(loss)								
Unrealized gain(loss) on available-for-sale securities	11		13		2		0	
Deferred gain(loss) on derivatives under hedge accounting	△ 1		△ 0		0		△ 8	
Foreign currency translation adjustments	338		299		△ 38		353	
Total accumulated other comprehensive income (loss)	348	0.4	312	0.4	△ 36	△ 10.3	344	0.4
Non-controlling interests	168	0.2	171	0.2	2	1.8	214	0.2
Total net assets	14,088	16.9	11,874	13.8	△ 2,214	△ 15.7	11,153	12.5
Total liabilities and net assets	83,350	100.0	86,237	100.0	2,887	3.5	89,467	100.0

(2) Consolidated Statement of Cash Flows

(Millions of Yen)

	For the three months ended							
	August 31, 2016(1Q)		August 31, 2017(1Q)		Variance		May 31, 2017(4Q)	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Net sales	24,513	100.0	25,713	100.0	1,199	4.9	157,001	100.0
Cost of sales	17,768	72.5	19,083	74.2	1,314	7.4	117,036	74.5
Gross profit	6,745	27.5	6,630	25.8	△ 115	△ 1.7	39,964	25.5
Selling, general and administrative expenses	9,086	37.1	8,809	34.3	△ 227	△ 3.1	36,063	23.0
Operating income(loss)	△ 2,341	—	△ 2,179	—	162	—	3,901	2.5
Other income								
Interest income	42		2		△ 40		62	
Dividends income	0		0		△ 0		0	
Foreign exchange gains	—		12		12		73	
Penalty income	13		17		4		71	
Other	32		47		14		229	
Total other income	88	0.4	78	0.3	△ 9	△ 11.0	437	0.3
Other expenses								
Interest expenses	96		95		△ 1		380	
Syndicated loan fee	—		—		—		153	
Arrangement fees	—		—		—		36	
Foreign exchange losses	164		—		△ 164		—	
Settlement money	—		57		57		—	
Other	66		54		△ 12		293	
Total other expenses	328	1.3	207	0.8	△ 120	△ 36.7	863	0.6
Ordinary income(loss)	△ 2,580	—	△ 2,307	—	272	△ 10.6	3,475	2.2
Extraordinary income								
Gain on sales of noncurrent assets	—		—		—		17	
Total extraordinary income	—	—	—	0.0	—	—	17	0.0
Extraordinary loss								
Loss from sale of fixed assets	—		—		—		33	
Loss on retirement of noncurrent assets	11		1		△ 9		189	
Loss on cancellation of lease contracts	3		3		△ 0		9	
Impairment loss	—		24		24		564	
Lease contract cancellation of a contract loss	—		4		4		6	
Money paid to settle out of court	—		—		—		119	
Total extraordinary loss	15	0.1	33	0.1	18	121.8	922	0.6
Income (loss) before income taxes and minority interests	△ 2,595	—	△ 2,341	—	254	△ 9.8	2,570	1.6
Income taxes—current	107		100		△ 6		2,005	
Income taxes—deferred	△ 627		△ 712		△ 85		△ 333	
Total income taxes	△ 520	—	△ 612	—	△ 92	17.7	1,671	1.1
Net income (loss) attributable to non-controlling interests	△ 0	—	△ 0	—	0	△ 72.6	△ 2	0.0
Net income (loss) attributable to owners of parent	△ 2,074	—	△ 1,729	△ 6.7	345	△ 16.7	901	0.5

(3) Segment Information

<Overview of major products and services of reportable segments>

The reportable segments are constituent units of the Group for which separate financial information is obtained and examined on a regular basis by the Board of Directors, the chief operation decision maker, to determine the allocation of management resources and evaluate the business performance.

The TamaHome Group develops and provides products and services that enrich the daily lives of our customers based on the core theme of housing construction.

In accordance with the medium-term management plan, the Group has categorized “Housing” and “Non-housing” as its business domains.

To achieve sustainable growth in corporate value in these business domains, the Group has been making decisions on the allocation of management resources and monitoring the operating results.

As a result, the Group consists of three reportable business segments : the Housing business, the Real estate business and the Financial business, which are consistent with the above business domains.

Major products and services of the housing business is the construction contractor for “custom-built homes”, “multi-unit homes”, and contractor for “home renovation and other work”.

Major products and services of the real estate business is the development and sale of “residential lots and detached homes” and “condominiums”, “Subleasing of office buildings”, and “real estate investment”.

Major products and services of the financial business is “the Insurance agency services for fire , life , earthquake , as well as additional policies and agency services” ,and “the bridge loans for customers purchasing custombuilt homes”.

Major products and services of “the energy business” is the administration of mega solar generation facilities, management.

Reportable Segment	Major Products and Services
Housing	<ul style="list-style-type: none"> ●Construction contractor for custom-built homes ●Construction contractor for multi-unit homes ●Contractor for home renovation and other work ●Referrals for ancillary services and construction such as landscaping work
Real estate	<ul style="list-style-type: none"> ●Sale of residential lots and detached homes ●Planning, development and sale ofcondominiums ●Subleasing of office buildings
Financial	<ul style="list-style-type: none"> ●Insurance agency services for fire, earthquake, as well as additional policies and agency services ●Bridge loans for customers purchasing custombuilt homes
Energy	<ul style="list-style-type: none"> ●Administration of mega solar generation facilities, management

1. Segment revenues and results

(Millions of Yen)

	For the three months ended August 31, 2016								
	Segment					Other	Total	Adjustments	All operations
	Housing	Real estate	Financial	Energy	Sub total				
Revenue									
Revenue from external customers	19,970	3,010	202	277	23,461	1,052	24,513	—	24,513
Inter-segment	42	32	—	—	75	1,641	1,716	△ 1,716	—
Total	20,012	3,043	202	277	23,536	2,693	26,230	△ 1,716	24,513
Operating income	△ 2,480	123	48	141	△ 2,167	△ 176	△ 2,344	3	△ 2,341
Operating margin	—	4.0%	23.8%	50.9%	—	—	—	—	—

	For the three months ended August 31, 2017								
	Segment					Other	Total	Adjustments	All operations
	Housing	Real estate	Financial	Energy	Sub total				
Revenue									
Revenue from external customers	21,182	2,825	235	281	24,524	1,188	25,713	—	25,713
Inter-segment	47	32	—	—	80	1,883	1,964	△ 1,964	—
Total	21,229	2,858	235	281	24,605	3,072	27,678	△ 1,964	25,713
Operating income	△ 2,424	87	80	147	△ 2,109	△ 73	△ 2,183	4	△ 2,179
Operating margin	—	3.1%	34.1%	52.3%	—	—	—	—	—

Ref : Difference between the results of the quarter under review and the same period the previous year is as follows:

	Variance								
	Segment					Other	Total	Adjustments	All operations
	Housing	Real estate	Financial	Energy	Sub total				
Variance									
Revenue from external customers	1,211	△ 185	33	4	1,063	135	1,199	—	1,199
Inter-segment	5	—	—	—	5	242	248	△ 248	—
Total	1,217	△ 185	33	4	1,069	378	1,447	△ 248	1,199
Operating income or loss	55	△ 35	32	6	58	103	161	0	162
Operating margin	—	-0.9%	10.3%	1.4%	—	—	—	—	—

2. Revenue from major products and services

(Millions of Yen)

	For the three months ended				Variance		For the three months ended	
	August 31, 2016		August 31, 2017		Amount	(%)	May 31, 2016	
	Amount	(%)	Amount	(%)			Amount	(%)
Revenue from all operations								
Housing	20,012	81.6	21,229	82.6	1,217	101.5	132,126	84.2
Custom-built homes	18,475		19,657		1,181		126,423	
Home renovation	1,278		1,234		△ 43		4,548	
Other	258		337		79		1,154	
non housing	6,217	25.4	6,448	25.1	230	19.2	31,996	20.4
Real estate	3,043		2,858		△ 185		17,797	
Financial	202		235		33		1,060	
Energy	277		281		4		901	
Other	2,693		3,072		378		12,237	
Adjustments	△ 1,716	—	△ 1,964	—	△ 248	—	△ 7,122	—
Total revenue from all operations	24,513	100.0	25,713	100.0	1,199	100.0	157,001	100.0