

Quarterly Report

Consolidated Financial Results in Q2 of FY2017

2nd Quarter : 3 months ended November 30, 2017
2nd Quarter aggregated : 6 months ended November 30, 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

(Millions of Yen)

	Consolidated cumulative Second quarter			
	November 30, 2016 (2Q)	November 30, 2017 (2Q)	Variance	
			Amount	(%)
Net sales	63,494	72,126	8,631	13.6
Operating income	△ 1,346	△ 55	1,290	—
Operating margin	—	—	—	—
Ordinary income	△ 1,494	△ 186	1,308	—
Ordinary margin	—	—	—	—
Income (loss) before income taxes and minority interests	△ 1,548	△ 433	1,114	—
Income rate before income taxes and minority interests	—	—	—	—
Income (loss) attributable to owners of parent	△ 1,547	△ 598	948	—
Income rate attributable to owners of parent	—	—	—	—
Net income (loss) per share(Yen)	△ 51.48	△ 19.93	31.55	—
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			
	May 31, 2017 (4Q)	November 30, 2017 (2Q)	Variance	
			Amount	(%)
Total assets	83,350	87,779	4,429	5.3
Net assets	14,088	12,971	△ 1,116	△ 7.9
Equity ratio	16.7%	14.6%	△ 2.1%	—
Total equity per share of common stock	463.12	425.15	△ 37.97	△ 8.2

(3) Conditions of Cash Flows

	Consolidated cumulative Second quarter			
	November 30, 2016 (2Q)	November 30, 2017 (2Q)	Variance	
			Amount	(%)
Net cash provided by (used in)operating activities	△ 327	2,047	2,374	
Net cash provided by (used in)investing activities	△ 197	△ 863	△ 666	
Free cash flow	△ 524	1,183	1,708	
Net cash provided by (used in)financing activities	△ 1,745	△ 2,610	△ 865	
Cash and cash equivalents at end of period	24,136	25,258	1,122	

<Consolidated financial forecasts for the fiscal year ending May 31, 2017>

	For the year ended/ending			
	May. 31, 2017	May. 31, 2018	Variance	
			Amount	(%)
Net sales	157,001	170,200	13,199	8.4
Operating 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	—
Year-end dividend(Yen)	15.0	26.0	11.0	—
Annual dividend(Yen)	15.0	26.0	11.0	—

3. Consolidated Financial Statements

(1) Consolidated Statement of Financial Position

(Millions of Yen)

	The end of period		The end of the 2nd quarter		Variance		The end of the 2nd quarter	
	May 31, 2017		November 30, 2017				November 30, 2016	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Assets								
Current assets								
Cash and deposits	26,706		25,258		△ 1,447		24,136	
Notes receivable, accounts receivable from completed construction	1,517		1,366		△ 151		1,211	
Operating loans	2,971		3,819		847		3,975	
Real estate for sale	4,682		5,436		753		6,309	
Cost on uncompleted construction contracts	5,905		11,179		5,273		10,767	
Real estate for sale in process	9,055		7,533		△ 1,521		9,129	
Other inventories	411		473		32		446	
Deferred tax assets	1,105		1,178		72		1,042	
Other	1,657		2,221		564		2,607	
Allowance for doubtful accounts	△ 6		△ 5		0		△ 12	
Total current assets	54,037	64.8	58,460	66.6	4,423	8.2	59,614	65.9
Noncurrent assets								
Property, plant and equipment	23,705		23,783		77		25,090	
Intangible assets	232		196		△ 36		396	
Investments and other assets	5,375		5,339		△ 35		5,297	
Total noncurrent assets	29,313	35.2	29,318	33.4	5	0.0	30,784	34.1
Total assets	83,350	100.0	87,779	100.0	4,429	5.3	90,398	100.0

(Millions of Yen)

	The end of period		The end of the 2nd quarter		Variance		The end of the 2nd quarter	
	May 31, 2017		November 30, 2017				November 30, 2016	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Liabilities								
Current liabilities								
Notes payable, accounts payable for construction contracts and other	12,174		12,495		321		20,485	
Short-term loans payable	7,309		8,174		864		7,011	
Current portion of bonds	200		200		—		200	
Current portion of long-term loans payable	4,999		7,725		2,726		4,888	
Income taxes payable	1,972		322		△ 1,650		307	
Advances received on uncompleted construction contracts	13,921		23,178		9,256		21,904	
Provision for warranties for completed construction	1,065		1,112		47		1,103	
Provision for bonuses	246		241		△ 5		198	
Other	5,735		5,291		△ 444		4,732	
Total current liabilities	47,625	57.1	58,741	66.9	11,116	23.3	60,832	67.3
Long-term liabilities								
Bonds payable	100		—		△ 100		200	
Long-term loans payable	18,709		13,085		△ 5,624		15,254	
Asset retirement obligations	1,547		1,548		1		1,573	
Deferred tax liabilities	—		—		—		28	
Other	1,279		1,432		152		1,224	
Total long-term liabilities	21,636	26.0	16,066	18.3	△ 5,570	△ 25.7	18,280	20.2
Total liabilities	69,261	83.1	74,808	85.2	5,546	8.0	79,113	87.5
Net assets								
Shareholders' equity								
Capital stock	4,310		4,310		—		4,310	
Capital surplus	4,362		4,356		△ 5		4,361	
Retained earnings	4,898		3,848		△ 1,049		2,449	
Total shareholders' equity	13,570	16.3	12,514	14.3	△ 1,055	△ 7.8	11,121	12.3
Accumulated other comprehensive income(loss)								
Unrealized gain(loss) on available-for-sale securities	11		17		6		△ 3	
Deferred gain(loss) on derivatives under hedge accounting	△ 1		1		3		5	
Foreign currency translation adjustments	338		243		△ 94		△ 47	
Total accumulated other comprehensive income (loss)	348	0.4	263	0.3	△ 85	△ 24.5	△ 44	—
Non-controlling interests	168	0.2	193	0.2	24	14.4	208	0.2
Total net assets	14,088	16.9	12,971	14.8	△ 1,116	△ 7.9	11,285	12.5
Total liabilities and net assets	83,350	100.0	87,779	100.0	4,429	5.3	90,398	100.0

(2) Consolidated Statement of Comprehensive Income

(Millions of Yen)

	Consolidated cumulative quarter				Variance		For the year ended	
	November 30, 2016(2Q)		November 30, 2017(2Q)				May 31, 2017(4Q)	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Net sales	63,494	100.0	72,126	100.0	8,631	13.6	157,001	100.0
Cost of sales	46,697	73.5	53,983	74.8	7,285	15.6	117,036	74.5
Gross profit	16,797	26.5	18,143	25.2	1,346	8.0	39,964	25.5
Selling, general and administrative expenses	18,143	28.6	18,199	25.2	55	0.3	36,063	23.0
Operating income(loss)	△ 1,346	△ 2.1	△ 55	△ 0.0	1,290	△ 95.9	3,901	2.5
Other income								
Interest income	58		6		△ 52		62	
Dividends income	0		0		△ 0		0	
Foreign exchange gains	88		86		△ 1		73	
Penalty income	31		38		6		71	
Other	61		85		23		229	
Total other income	241	0.4	216	0.3	△ 25	△ 10.4	437	0.3
Other expenses								
Interest expenses	190		184		△ 6		380	
Syndicated loan fee	—		—		—		153	
Arrangement fees	36		—		△ 36		36	
Other	163		162		△ 0		293	
Total other expenses	389	0.6	347	0.5	△ 42	△ 11.0	863	0.6
Ordinary income(loss)	△ 1,494	△ 2.4	△ 186	△ 0.3	1,308	△ 87.5	3,475	2.2
Extraordinary income								
Gain on sales of noncurrent assets	—		52		52		17	
Total extraordinary income	—	—	52	0.0	52	—	17	0.0
Extraordinary loss								
Loss from sale of fixed assets	—		—		—		33	
Loss on retirement of noncurrent assets	44		10		△ 34		189	
Loss on cancellation of lease contracts	9		3		△ 6		9	
Impairment loss	—		24		24		564	
Lease contract cancellation of a contract loss	—		4		4		6	
Money paid to settle out of court	—		100		100		119	
Withdrawal from business loss	—		157		157		—	
Total extraordinary loss	53	0.1	299	0.4	245	457.2	922	0.6
Income (loss) before income taxes and minority interests	△ 1,548	△ 2.4	△ 433	△ 0.5	1,114	△ 72.0	2,570	1.6
Income taxes—current	210		215		4		2,005	
Income taxes—deferred	△ 209		△ 49		160		△ 333	
Total income taxes	0	—	165	—	164	—	1,671	1.1
Quarter net income (loss)								
Net income (loss) attributable to non-controlling interests	△ 1	—	△ 0	—	1	△ 79.4	△ 2	0.0
Net income (loss) attributable to owners of parent	△ 1,547	△ 2.4	△ 598	△ 0.8	948	△ 61.3	901	0.5

(3) Consolidated Statement of Cash Flows

(Millions of Yen)

	Consolidated cumulative Second quarter		Variance	For the year ended
	November 30, 2016	November 30, 2017		May 31, 2017
	Amount	Amount	Amount	Amount
Operating activities				
Income before income taxes and minority interests	△ 1,548	△ 433	1,114	2,570
Depreciation and amortization	1,144	972	△ 172	2,209
Impairment loss	—	24	24	564
Loss on cancellation of leasehold contracts	—	4	4	6
Amortization of goodwill	11	11	0	23
Increase (decrease) in allowance for doubtful accounts	△ 0	△ 100	△ 100	△ 10
Interest and dividends income	△ 59	△ 6	53	△ 63
Interest expenses	190	184	△ 6	380
Decrease (increase) in trade accounts receivable	△ 1,568	△ 589	979	△ 870
Decrease (increase) in inventories	△ 7,601	△ 4,537	3,063	△ 1,032
Increase (decrease) in trade accounts payable	1,336	321	△ 1,015	△ 6,975
Loss on retirement of noncurrent assets	44	10	△ 34	189
Loss on cancellation of lease contracts	9	3	△ 6	9
Withdrawal from business loss	—	157	157	—
Increase (decrease) in provision for warranties for completed constructions	42	47	4	3
Increase (decrease) in advances received on uncompleted construction contract	9,255	9,256	1	1,271
Other	△ 932	△ 1,369	△ 436	1,596
Sub total	323	3,955	3,631	△ 126
Interest and dividends received	59	5	△ 54	63
Interest expenses paid	△ 220	△ 135	85	△ 364
Income taxes—paid	△ 483	△ 1,776	△ 1,292	△ 672
Payments for loss on cancellation of lease contracts	△ 9	△ 3	6	△ 9
Other	3	2	△ 1	8
Net cash provided by (used in) operating activities	△ 327	2,047	2,374	△ 1,100
Investing activities				
Purchase of property, plant and equipment	△ 368	△ 918	△ 549	△ 896
Proceeds from sales of property, plant and equipment	0	8	8	281
Purchase of investment securities	△ 195	△ 4	190	△ 270
Proceeds from sales of investment securities	20	—	△ 20	20
Payments of loans receivable	—	△ 2	△ 2	△ 2
Collection of loans receivable	486	2	△ 483	495
Other	△ 141	49	191	△ 182
Net cash provided by (used in) investing activities	△ 197	△ 863	△ 666	△ 555
Financing activities				
Increase (decrease) in short-term loans payable	612	864	252	911
Proceeds from long-term loans payable	2,538	320	△ 2,218	10,033
Repayment of long-term loans payable	△ 4,421	△ 3,217	1,203	△ 8,350
Redemption of bonds	△ 100	△ 100	0	△ 200
Dividends paid	△ 299	△ 449	0	△ 299
Proceeds from non-controlling interests for additional shares	13	41	27	31
Cash dividends paid to non-controlling interests	—	△ 13	△ 13	△ 78
Repayments of installment payables	△ 31	△ 34	△ 2	△ 58
Other	△ 57	△ 22	34	△ 238
Net cash provided by (used in) financing activities	△ 1,745	△ 2,610	△ 865	1,750
Effect of exchange rate change on cash and cash equivalents	△ 160	△ 20	139	45
Net increase (decrease) in cash and cash equivalents	△ 2,430	△ 1,447	982	139
Cash and cash equivalents, at the beginning of the term	26,566	26,706	139	26,566
Cash and cash equivalents, at the end of the term	24,136	25,258	1,122	26,706

(4) 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.

The main products and services for each “reportable segment” described above are as follows:

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 of condominiums ●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)

	Consolidated cumulative third quarter : November 30, 2016								
	Segment					Other	Total	Adjustments	All operations
	Housing	Real estate	Financial	Energy	Sub total				
Revenue									
Revenue from external customers	54,020	6,149	448	460	61,079	2,415	63,494	—	63,494
Inter-segment	97	65	—	—	163	3,316	3,479	△ 3,479	—
Total	54,117	6,215	448	460	61,242	5,732	66,974	△ 3,479	63,494
Operating income	△ 1,522	139	133	195	△ 1,054	△ 306	△ 1,360	14	△ 1,346
Operating margin	—	2.2%	29.7%	42.4%	—	—	—	—	—

	Consolidated cumulative third quarter : November 30, 2017								
	Segment					Other	Total	Adjustments	All operations
	Housing	Real estate	Financial	Energy	Sub total				
Revenue									
Revenue from external customers	60,733	7,694	535	454	69,418	2,708	72,126	—	72,126
Inter-segment	113	65	—	—	179	3,887	4,066	△ 4,066	—
Total	60,847	7,760	535	454	69,597	6,595	76,193	△ 4,066	72,126
Operating income	△ 822	449	193	193	13	△ 84	△ 71	15	△ 55
Operating margin	—	5.8%	36.1%	42.4%	—	—	—	—	—

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	6,713	1,545	87	△ 6	8,339	293	8,632	—	8,632
Inter-segment	16	—	—	—	16	571	587	△ 587	—
Total	6,730	1,545	87	△ 6	8,355	863	9,219	△ 587	8,632
Segment profit or loss	700	310	60	△ 2	1,067	222	1,289	0	1,291
Variance of segment profit before tax ratio	—	3.6%	6.4%	0.0%	—	—	—	—	—

2. Revenue from major products and services

(Millions of Yen)

	Consolidated cumulative quarter				Variance	For the year ended		
	November 30, 2016(2Q)		November 30, 2017(2Q)			May 31, 2016		
	Amount	(%)	Amount	(%)		Amount	(%)	
Revenue from all operations								
Housing	54,117	85.2	60,847	84.4	6,729	78.0	132,126	84.2
Custom-built homes	51,171		57,130		5,959		126,423	
Home renovation	2,423		3,078		655		4,548	
Other	523		638		114		1,154	
non housing	12,857	20.2	15,346	21.3	2,488	28.8	31,996	20.4
Real estate	6,215		7,760		1,545		17,797	
Financial	448		535		86		1,060	
Energy	460		454		△ 6		901	
Other	5,732		6,595		863		12,237	
Adjustments	△ 3,479	—	△ 4,066	—	△ 586	—	△ 7,122	△ 4.5
Total revenue from all operations	63,494	100.0	72,126	100.0	8,631	100.0	157,001	100.0