

# Quarterly Report

## Consolidated Financial Results in Q2 of FY2018

2nd Quarter : 3 months ended November 30, 2018  
2nd Quarter aggregated : 6 months ended November 30, 2018

### 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

## <Revenue and Profit>

(Millions of Yen)

	Full business year			
	August 31, 2017 (2Q)	August 31, 2018 (2Q)	Variance	
			Amount	(%)
Net sales	72,126	82,856	10,730	14.9
Operating income	△ 55	3,012	3,068	-
Operating margin	-	3.6%	-	-
Ordinary income	△ 186	3,058	3,244	-
Ordinary margin	-	3.7%	-	-
Income (loss) before income taxes and minority interests	△ 433	2,835	3,269	-
Income rate before income taxes and minority interests	-	3.4%	-	-
Income (loss) attributable to owners of parent	△ 598	2,048	2,646	-
Income rate attributable to owners of parent	-	2.5%	-	-
Net income (loss) per share(Yen)	△ 19.93	68.14	88.07	-
Diluted net income per share	-	-	-	-
Return on equity	-	12.8%	-	-
Ordinary income to total assets ratio	-	3.3%	-	-

## <Financial Position>

	The end of the quarter			
	August 31, 2017 (2Q)	August 31, 2018 (2Q)	Variance	
			Amount	(%)
Total assets	90,767	96,553	5,786	6.4
Net assets	15,513	16,605	1,091	7.0
Equity ratio	17.1%	17.2%	0.1%	-
Total equity per share of common stock	515.30	551.07	35.77	6.9

## <Conditions of Cash Flows>

	Consolidated cumulative Second quarter		
	November 30, 2017 (2Q)	November 30, 2018 (2Q)	Variance
			Amount
Net cash provided by (used in)operating activities	2,047	8,591	6,543
Net cash provided by (used in)investing activities	△ 863	△ 742	121
Free cash flow	1,183	7,848	6,664
Net cash provided by (used in)financing activities	△ 2,610	△ 4,934	△ 2,323
Cash and cash equivalents at end of period	25,258	34,539	9,281

## <Consolidated financial forecasts for the fiscal year ending May 31, 2019>

	For the year ended/ending			
	May 31, 2018	May 31, 2019	Variance	
			Amount	(%)
Net sales	167,915	187,000	19,084	11.4%
Total accumulated other comprehensive income (loss)	4,653	7,500	2,846	61.2%
Ordinary income	4,029	7,200	3,170	78.7%
Net income (loss)	2,047	3,700	1,652	80.7%
Income (loss) per share of common stock (Yen)	68.12	123.10	54.98	80.7%
Cash dividends per share of common stock applicable to the year	30.0	50.0	20.0	66.7%
Interim dividend(Yen)	0.0	15.0	15.0	-
Year-end dividend(Yen)	30.0	35.0	0.0	0.0%
Annual dividend(Yen)	30.0	50.0	20.0	66.7%

## 2. Consolidated Financial Statements

### (1) Consolidated Statement of Financial Position

(Millions of Yen)

	The end of period		The end of the 2st quarter		Variance	
	May 31, 2018		November 30, 2018		Amount	(%)
	Amount	(%)	Amount	(%)		
<b>Assets</b>						
<b>Current assets</b>						
Cash and deposits	31,627		34,539		2,912	
Notes receivable, accounts receivable from completed construction	1,284		1,154		△ 129	
Operating loans	3,124		4,129		1,004	
Real estate for sale	7,717		5,288		△ 2,429	
Cost on uncompleted construction contracts	7,692		13,250		5,558	
Real estate for sale in process	7,672		7,577		△ 94	
Other inventories	573		634		60	
Other	1,325		1,070		△ 255	
Allowance for doubtful accounts	△ 3		△ 3		0	
Total current assets	61,012	67.2	67,640	70.1	6,628	10.9
<b>Noncurrent assets</b>						
Property, plant and equipment	23,377		22,651		△ 725	
Intangible assets	160		144		△ 16	
Investments and other assets	6,216		6,117		△ 99	
Total noncurrent assets	29,754	32.8	28,912	29.9	△ 841	△ 2.8
<b>Total assets</b>	90,767	100.0	96,553	100.0	5,786	6.4

(Millions of Yen)

	The end of period		The end of the 2st quarter		Variance	
	May 31, 2018		November 30, 2018			
	Amount	(%)	Amount	(%)	Amount	(%)
<b>Liabilities</b>						
<b>Current liabilities</b>						
Notes payable, accounts payable for construction contracts and other	12,793		12,919		126	
Short-term loans payable	8,475		8,893		417	
Current portion of bonds	100		-		△ 100	
Current portion of long-term loans payable	6,264		7,587		1,323	
Income taxes payable	863		813		△ 50	
Advances received on uncompleted construction contracts	17,255		26,231		8,976	
Provision for warranties for completed construction	1,037		1,113		75	
Provision for bonuses	243		285		41	
Other	6,071		5,444		△ 626	
<b>Total current liabilities</b>	<b>53,103</b>	<b>58.5</b>	<b>63,288</b>	<b>65.5</b>	<b>10,184</b>	<b>19.2</b>
<b>Long-term liabilities</b>						
Long-term loans payable	19,087		13,453		△ 5,633	
Asset retirement obligations	1,562		1,552		△ 9	
Other	1,501		1,654		152	
<b>Total long-term liabilities</b>	<b>22,151</b>	<b>24.4</b>	<b>16,660</b>	<b>17.3</b>	<b>△ 5,490</b>	<b>△ 24.8</b>
<b>Total liabilities</b>	<b>75,254</b>	<b>82.9</b>	<b>79,948</b>	<b>82.8</b>	<b>4,694</b>	<b>6.2</b>
<b>Net assets</b>						
<b>Shareholders' equity</b>						
Capital stock	4,310		4,310		-	
Capital surplus	4,356		4,355		△ 1	
Retained earnings	6,494		7,641		1,146	
<b>Total shareholders' equity</b>	<b>15,161</b>	<b>16.7</b>	<b>16,307</b>	<b>16.9</b>	<b>1,145</b>	<b>7.6</b>
<b>Accumulated other comprehensive income(loss)</b>						
Unrealized gain(loss) on available-for-sale securities	13		13		0	
Deferred gain(loss) on derivatives under hedge accounting	△ 0		2		3	
Foreign currency translation adjustments	313		239		△ 74	
<b>Total accumulated other comprehensive income (loss)</b>	<b>325</b>	<b>0.4</b>	<b>255</b>	<b>0.3</b>	<b>△ 70</b>	<b>△ 21.5</b>
<b>Non-controlling interests</b>	25	0.0	42	0.0	16	64.8
<b>Total net assets</b>	<b>15,513</b>	<b>17.1</b>	<b>16,605</b>	<b>17.2</b>	<b>1,091</b>	<b>7.0</b>
<b>Total liabilities and net assets</b>	<b>90,767</b>	<b>100.0</b>	<b>96,553</b>	<b>100.0</b>	<b>5,786</b>	<b>6.4</b>

(2)Consolidated Statement of Comprehensive Income

(Millions of Yen)

	Consolidated cumulative quarter					
	November 30, 2017(2Q)		November 30, 2018(2Q)		Variance	
	Amount	(%)	Amount	(%)	Amount	(%)
Net sales	72,126	100.0	82,856	100.0	10,730	14.9
Cost of sales	53,983	74.8	60,768	73.3	6,785	12.6
Gross profit	18,143	25.2	22,088	26.7	3,944	21.7
Selling, general and administrative expenses	18,199	25.2	19,076	23.0	876	4.8
Operating income(loss)	△ 55	-	3,012	3.6	3,068	-
Other income						
Interest income	6		3		△ 2	
Dividends income	0		0		0	
Foreign exchange gains	86		179		92	
Penalty income	38		32		△ 5	
Other	85		115		30	
Total other income	216	0.3	330	0.4	114	52.9
Other expenses						
Interest expenses	184		180		△ 3	
Other	162		104		△ 58	
Total other expenses	347	0.5	284	0.3	△ 62	△ 17.9
Ordinary income(loss)	△ 186	-	3,058	3.7	3,244	-
Extraordinary income	52	0.0	-	0.0	△ 52	0.0
Extraordinary loss						
Loss on retirement of noncurrent assets	10		26		15	
Loss on cancellation of lease contracts	3		14		11	
Impairment loss	24		181		157	
Lease contract cancellation of a contract loss	4		-		△ 4	
Money paid to settle out of court	100		-		△ 100	
Loss on business withdrawal	157		-		△ 157	
Total extraordinary loss	299	0.4	222	0.3	△ 77	△ 25.7
Income (loss) before income taxes	△ 433	-	2,835	3.4	3,269	-
Income taxes—current	215		716		501	
Income taxes—deferred	△ 49		62		112	
Total income taxes	165	0.2	779	0.9	614	371.0
Net income (loss) attributable to non-controlling interests	△ 0	-	8	0.0	8	-
Net income (loss) attributable to owners of parent	△ 598	-	2,048	2.5	2,646	-

(3)Consolidated Statement of Cash Flows

(Millions of Yen)

	Consolidated cumulative Second quarter		Variance
	November 30, 2017	November 30, 2018	
	Amount	Amount	Amount
<b>Operating activities</b>			
Income before income taxes and minority interests	△ 433	2,835	3,269
Depreciation and amortization	972	917	△ 54
Impairment loss	24	181	157
Loss on cancellation of lease contracts	4	-	△ 4
Loss on retirement of noncurrent assets	10	26	15
Lease contract cancellation of a contract loss	3	14	11
Loss on withdrawal business	157	-	△ 157
Amortization of goodwill	11	9	△ 1
Increase (decrease) in allowance for doubtful accounts	△ 100	0	101
Increase (decrease) in provision for warranties for completed constructions	47	75	28
Interest and dividends income	△ 6	△ 3	2
Interest expenses	184	180	△ 3
Decrease (increase) in trade accounts receivable	△ 589	△ 876	△ 287
Decrease (increase) in inventories	△ 4,537	△ 2,593	1,943
Increase (decrease) in trade accounts payable	321	126	△ 194
Increase (decrease) in advances received on uncompleted construction contract	9,256	8,976	△ 280
Other	△ 1,369	△ 379	989
<b>Sub total</b>	<b>3,955</b>	<b>9,491</b>	<b>5,536</b>
Interest and dividends received	5	3	△ 1
Interest expenses paid	△ 135	△ 177	△ 41
Payments for loss on cancellation of lease contracts	△ 3	△ 14	△ 11
Income taxes—paid	△ 1,776	△ 713	1,063
Other	2	1	0
<b>Net cash provided by (used in) operating activities</b>	<b>2,047</b>	<b>8,591</b>	<b>6,543</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	△ 918	△ 654	263
Proceeds from sales of property, plant and equipment	8	0	△ 8
Purchase of investment securities	△ 4	△ 2	2
Payments of loans receivable	△ 2	-	2
Collection of loans receivable	2	2	0
Other	49	△ 89	△ 138
<b>Net cash provided by (used in) investing activities</b>	<b>△ 863</b>	<b>△ 742</b>	<b>121</b>
<b>Financing activities</b>			
Increase (decrease) in short-term loans payable	864	417	△ 447
Proceeds from long-term loans payable	320	185	△ 135
Repayment of long-term loans payable	△ 3,217	△ 4,495	△ 1,277
Redemption of bonds	△ 100	△ 100	0
Dividends paid	△ 449	△ 898	△ 449
Proceeds from non-controlling interests for additional shares	41	5	△ 35
Cash dividends paid to non-controlling interests	△ 13	△ 0	12
Repayments of installment payables	△ 34	△ 25	8
Other	△ 22	△ 21	0
<b>Net cash provided by (used in) financing activities</b>	<b>△ 2,610</b>	<b>△ 4,934</b>	<b>△ 2,323</b>
Effect of exchange rate change on cash and cash equivalents	△ 20	△ 1	19
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>△ 1,447</b>	<b>2,912</b>	<b>4,360</b>
Cash and cash equivalents, at the beginning of the term	26,706	31,627	4,921
Cash and cash equivalents, at the end of the term	25,258	34,539	9,281

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



① Segment revenues and results

(Millions of Yen)

	Consolidated cumulative second 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
Segment profit before tax	△ 822	449	193	193	13	△ 84	△ 71	15	△ 55
Segment profit before tax ratio	-	5.8%	36.1%	42.5%	0.0%	-	-	-	-

	Consolidated cumulative second quarter : November 30, 2018								
	Segment					Other	Total	Adjustments	All operations
	Housing	Real estate	Financial	Energy	Sub total				
Revenue									
Revenue from external customers	63,898	15,087	511	489	79,987	2,869	82,856	-	82,856
Inter-segment	123	101	-	-	224	4,218	4,443	△ 4,443	-
Total	64,022	15,188	511	489	80,212	7,088	87,300	△ 4,443	82,856
Segment profit before tax	△ 1,795	4,372	163	227	2,968	16	2,985	27	3,012
Segment profit before tax ratio	-	29.0%	32.0%	46.4%	3.7%	0.6%	3.6%	-	3.6%

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	3,164	7,392	△ 24	35	10,568	161	10,730	-	10,730
Inter-segment	10	35	-	-	45	331	377	△ 377	-
Total	3,174	7,428	△ 24	35	10,614	492	11,107	△ 377	10,730
Segment profit or loss	△ 972	3,923	△ 29	34	2,954	101	3,056	12	3,068
Variance of segment profit before tax ratio	-	23.1%	△ 0	0	-	-	-	-	-

② Revenue from major products and services

	Consolidated cumulative quarter				Variance	For the year ended May 31, 2018		
	November 30, 2017(2Q)		November 30, 2018(2Q)			Amount	%	
	Amount	(%)	Amount	(%)				
Revenue from all operations								
Housing	60,847	84.4	64,022	77.3	3,174	5.2	142,109	84.6
Custom-built homes	57,130		60,822		3,691		135,410	
Home renovation	3,078		2,454		△ 623		5,312	
Other	638		745		107		1,385	
non housing	15,346	21.3	23,278	28.1	7,932	51.7	33,975	20.2
Real estate	7,760		15,188		7,428		18,174	
Financial	535		511		△ 24		1,163	
Energy	454		489		35		880	
Other	6,595		7,088		492		13,756	
Adjustments	△ 4,066	-	△ 4,443	-	△ 377	-	△ 8,168	-
Total revenue from all operations	72,126	100.0	82,856	100.0	10,730	14.9	167,915	100.0