

Tama Home (1419)

Consolidated Fiscal Year (Million Yen)	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY05/2016	138,379	1,803	1,016	(446)	(14.8)	10.0	443
FY05/2017	157,001	3,901	3,475	901	30.0	15.0	463
FY05/2018CoE	170,200	4,000	3,600	1,600	53.2	26.0	-
FY05/2017	YoY	13.5%	116.3%	242.0%	-	-	-
FY05/2018CoE	YoY	8.4%	2.5%	3.6%	77.4%	-	-

Source: Company Data, WRJ Calculation

1.0 Executive Summary (21 August 2017)

Improving Profitability

Tama Home, running operations as building contractor of order-made home is to see profitability to further improve. FY05/2018 Company forecasts are going for ROE of 10.5% versus 6.6% in FY05/2017 results. Due mainly to aggressive hiring of new graduates to beef up own sales forces in a long-term view, the Company is to see short-term adjustments of earnings on the mainstay Housing Business side, but this is to be more than compensated for by ongoing increases of sales and earnings of Real Estate Business and by positive impacts stemming from reconsiderations on loss-making operations elsewhere. The Company is to see operating profit and recurring profit almost unchanged over the previous year as a result of short-term adjustments of earnings on the Housing Business side, but surging profit attributable to owners of parent as expenses associated with the reconsiderations on loss-making operations are not to reappear. Thus, improving profitability is to keep on going, when it is measured by ROE. The Company runs own sales network comprising collective 238 exhibition centers based in 47 prefectures across Japan in order to aggressively promote sales by means of efficient advertising, etc. Order intake on a value basis increased by 11.9% in FY05/2017 over FY05/2016, which was followed by increases of 11% over the previous year during June to July in 2017, implying strengths continuing most recently. The Company is heavily involved with low-priced order-made home with high quality, which is a market domain different from that of the major 8 contractors of order-made home represented by Daiwa House Industry, Sekisui House, etc. and thus effectively not competing with them head on at all. Meanwhile, small-sized local builders are mentioned as one of the peer domains for the Company to compete with head-on. Given that they are likely to be forced to get out of the market in line with inevitably upcoming market consolidation, the Company should see survivor's benefits over the long term. At the moment, it appears that the Company is seeing order intake firmer than the market, due to its superiority for own operations over the peers in terms of cost efficiency, etc.


In FY05/2017, sales came in at ¥157,001m (up 13.5% YoY), operating profit ¥3,901m (up 116.3%) and operating profit margin 2.5% (up 1.2% points). Housing Business to run operations as building contractor of order-made home while also offering refurbishment, etc. saw sales of ¥131,900m (up 12.9%) and operating profit of ¥2,437m (up 231.1%) and operating profit margin of 1.8% (up 1.2% points), while “Non-Housing Business” sales of ¥25,100m (up 16.4%), operating profit of ¥1,387m (up 34.4%) and operating profit margin of 5.5% (up 0.7% points). In Housing Business, order-made home or the key constituent saw sales of ¥126,423m (up 10.4%), volume of 7,252 (up 13.1%) and thus the average unit selling prices of ¥17.4m (down 2.4%). Sales of Existing-Line products (order-made home) have remained firm, while sales of Basic-Line products etc. took off on a full-fledged basis. Basic-Line products are so-called limited editions whose unit selling prices are even lower than the Existing-Line products, being sold at ¥10.0m per unit. Thus, the Company saw average unit selling price marginally coming down here as a whole, having resulted in gross profit margin marginally coming down too. Nevertheless, it appears that this was far more than compensated for by increasing sales. In regards to refurbishment, the Company saw sales of ¥4,548m (up 230.5%), driven by the success of the Company’s measure to beef up sales promotions associated with order-made home to have been provided by the Company itself. Meanwhile, increasing sales and earnings on the “Non-Housing Business” side are basically in line with those of Real Estate Business. On top of firm sales of ready-made detached home and of sublease operations, increasing sales of condos in line with increasing units to have been delivered were contributing to earnings here.

FY05/2018 Company forecasts are going for prospective sales of ¥170,200m (up 8.4% YoY), operating profit of ¥4,000m (up 2.5%) and operating profit margin of 2.4% (down 0.1% point). Company forecasts assume sales of ¥142,000m (up 7.7%), operating profit of ¥1,600m (down 34.3%) and operating profit margin of 1.1% (down 0.7% points) on the Housing Business side, while sales of ¥28,200m (up 12.3%), operating profit of ¥2,400m (up 73.0%) and operating profit margin of 8.5% (up 3.0% points) on the “Non-Housing Business” side. Sales are to rise but earnings to come down on the Housing Business side. Order intake is expected to rise by 5.2% on a volume basis up to 9,336 units and thus increasing sales volume to persist. At the same time, the Company is to continue seeing exposure to low-priced products increasing as well as average unit selling prices and gross profit margin marginally coming down, but all those factors are not crucial to earnings here coming down. The key negative factor comes from above-mentioned aggressive hiring of new graduates as far as we could gather. Meanwhile, on the “Non-Housing Business” side, further increases of sales and earnings for Real Estate Business are expected. In particular, the Company is looking to increasing sales of ready-made home located in metropolitan areas carrying high gross profit margin as a factor to improve sales mix. On top of this, the Company is to see recovery of short-term earnings here stemming from reconsiderations on loss-making operations.

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2.0 Company Profile

Providing Low-Priced and High-Quality Order-Made Home

Company Name	Tama Home Co., Ltd. Website IR Information Share Price	
Established	3 June 1998	
Listing	27 March 2013: Tokyo Stock Exchange 1st Section, Fukuoka Stock Exchange (Ticker: 1419)	
Capital	¥4,310m (As of the end of May 2017)	
No. of Shares	30,055,800 shares (As of the end of May 2017)	
Main Features	<ul style="list-style-type: none"> ● Corporate motto: Mastery for services to society by means of providing the highest quality products at the lowest prices ● Strengths in efficient sales promotions and efficient operations to build home ● Pursuing “Vertical expansion on top of horizontal expansion” 	
Business Segments	<ul style="list-style-type: none"> . Housing Business . “Non-Housing Business” (Real Estate Business, Financial Business, Energy Business and Other Business) 	
Top Management	Chairman, President and CEO: Yasuhiro Tamaki	
Shareholders	TAMAX Co., Ltd. 37.9%, Yasuhiro Tamaki 2.9% (As of the end of May 2017)	
Headquarters	Minato-ku, Tokyo, JAPAN	
No. of Employees	Consolidated: 3,196, Parent: 2,948 (As of the end of May 2017)	

Source: Company Data

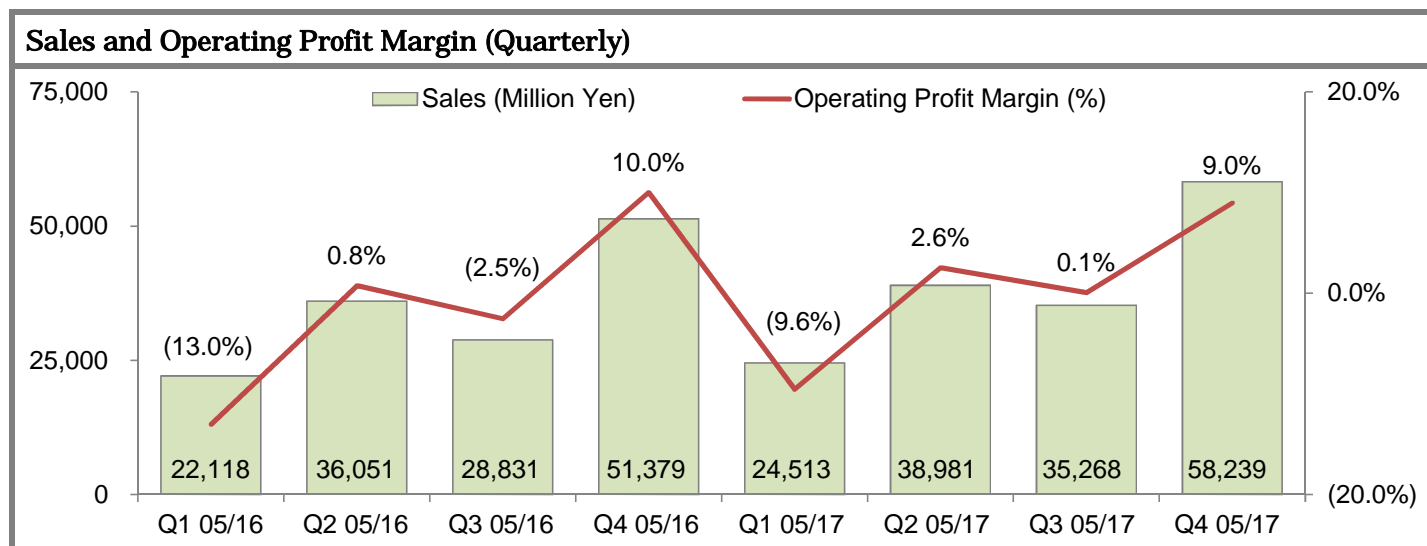
3.0 Recent Trading and Prospects

FY05/2017 Results

In FY05/2017, sales came in at ¥157,001m (up 13.5% YoY), operating profit ¥3,901m (up 116.3%), recurring profit ¥3,475m (up 242.0%) and profit attributable to owners of parent ¥901m (versus loss attributable to owners of parent of ¥446m in FY05/2016 results), while operating profit margin 2.5% (up 1.2% points).

The Company, running operations overseas too, saw improving balance of forex gains and losses by ¥340m to gains of ¥73m from losses of ¥267m in line with yen depreciated over the previous year, having seen improving non-operating balance by ¥361m to losses of ¥426m from losses of ¥787m. As a result, the Company saw recurring profit having increased far more than operating profit. The Company suggests that forex gains and losses are booked due to changes of evaluations on own assets held overseas in line with changes of forex rates.

Meanwhile, the Company saw extraordinary balance having gotten worse by ¥491m to losses of ¥905m from losses of ¥414m. This is the reason why profit attributable to owners of parent having failed to see high levels. This had a lot to do with increasing impairment losses by ¥331m to ¥564m from ¥233m. In a sense, the Company has been ordinarily seeing impairment losses due to the measures to always set up new exhibition centers while relocating and innovating existing ones at the same time as well as integrating them and/or closing them down for the sake of pursuing efficiency in the overall operations for the Company. Still, in FY05/2017, it appears that the Company saw some add-on impairment losses on top of those associated with ordinary issues stemming from impairment on fixed assets of some group companies. That is to say, the Company implemented reconsiderations on loss-making operations as far as we could see.



Source: Company Data, WRJ Calculation

Housing Business, having accounted for 84.0% of sales as a whole for the Company, sees sales being concentrated in Q4 (March to May) and thus sales as a whole for the Company too. Meanwhile, as changes of SG&A expenses among quarters in a year are limited, operating profit has a strong tendency to concentrate also in Q4. In Q4 (March to May), the Company finds a trigger for delivery to concentrate, i.e., the period includes a timing for changeover of fiscal year (1 April).

In FY05/2017, the Company started with increasing sales and improving operating profit margin over the same period of the previous year in Q1, which had been persisting by Q3. In Q4, however, improving operating profit margin suspended, although increasing sales further persisted. The key negative factor here came from the Company's strategy to aggressively increase own headcounts for the sake of further beefing up sales promotions on the Housing Business side.

The number of the Company's headcounts on a consolidated basis stood at 3,196 as of the end of Q4 versus 2,869 as of the end of Q2, having increased by no less than 11.4% and/or by 327. In line with this, the Company currently sees increasing personnel expenses, etc. Meanwhile, the increases of headcounts were mainly due to 300 new graduates having joined with the Company in April, while the bulk of them has been allocated on the Housing Business side. The Company suggests that it spends some ¥4.0m per new graduate on personnel expenses, etc. collectively during the first 12 months, implying increases of expenses by some ¥1,200m pa from here.

On a simple calculation basis, the Company saw net increases of expenses by ¥200m stemming from here for two months in FY05/2017 versus by ¥1,000m for 10 months in FY05/2018. As far as assuming all those increases of expenses taking place on the Housing Business side, prospective net decreases of operating profit on the Housing Business side, i.e., ¥837m, assumed in FY05/2018 Company forecasts, are all due to the hiring of new graduates.

Income Statement (Cumulative, Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
(Million Yen)	05/2016	05/2016	05/2016	05/2016	05/2017	05/2017	05/2017	05/2017		
Sales	22,118	58,169	87,000	138,379	24,513	63,494	98,762	157,001		+18,622
CoGS	16,394	43,329	64,792	102,776	17,768	46,697	73,377	117,036		+14,260
Gross Profit	5,724	14,840	22,207	35,602	6,745	16,797	25,385	39,964		+4,362
SG&A	8,602	17,439	25,539	33,799	9,086	18,143	26,713	36,063		+2,264
Operating Profit	(2,878)	(2,599)	(3,332)	1,803	(2,341)	(1,346)	(1,328)	3,901		+2,098
Non Operating Balance	(187)	(215)	(620)	(787)	(239)	(148)	(311)	(426)		+361
Recurring Profit	(3,065)	(2,814)	(3,952)	1,016	(2,580)	(1,494)	(1,639)	3,475		+2,459
Extraordinary Balance	(49)	(155)	(208)	(414)	(15)	(54)	(155)	(905)		(491)
Profit before Income Taxes	(3,114)	(2,969)	(4,160)	602	(2,595)	(1,548)	(1,794)	2,570		+1,968
Total Income Taxes	(821)	(604)	(818)	994	(520)	0	58	1,671		+677
NP Belonging to Non-Controlling SHs	-	-	-	53	0	(1)	(2)	(2)		(55)
Profit Attributable to Owners of Parent	(2,292)	(2,365)	(3,341)	(446)	(2,074)	(1,547)	(1,851)	901		+1,347
Sales YoY	-	-	-	(7.5%)	+10.8%	+9.2%	+13.5%	+13.5%		-
Operating Profit YoY	-	-	-	(21.1%)	-	-	-	+116.3%		-
Recurring Profit YoY	-	-	-	(49.6%)	-	-	-	+242.0%		-
Profit Attributable to Owners of Parent YoY	-	-	-	-	-	-	-	-		-
Gross Profit Margin	25.9%	25.5%	25.5%	25.7%	27.5%	26.5%	25.7%	25.5%		(0.3%)
(SG&A / Sales)	38.9%	30.0%	29.4%	24.4%	37.1%	28.6%	27.0%	23.0%		(1.5%)
Operating Profit Margin	(13.0%)	(4.5%)	(3.8%)	1.3%	(9.6%)	(2.1%)	(1.3%)	2.5%		+1.2%
Recurring Profit Margin	(13.9%)	(4.8%)	(4.5%)	0.7%	(10.5%)	(2.4%)	(1.7%)	2.2%		+1.5%
Profit Attributable to Owners of Parent Margin	(10.4%)	(4.1%)	(3.8%)	(0.3%)	(8.5%)	(2.4%)	(1.9%)	0.6%		+0.9%
Total Income Taxes / Profit before Income Taxes	-	-	-	165.1%	-	-	-	65.0%		(100.1%)
Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
(Million Yen)	05/2016	05/2016	05/2016	05/2016	05/2017	05/2017	05/2017	05/2017		
Sales	22,118	36,051	28,831	51,379	24,513	38,981	35,268	58,239		+6,860
CoGS	16,394	26,935	21,463	37,984	17,768	28,929	26,680	43,659		+5,675
Gross Profit	5,724	9,116	7,367	13,395	6,745	10,052	8,588	14,579		+1,184
SG&A	8,602	8,837	8,100	8,260	9,086	9,057	8,570	9,350		+1,090
Operating Profit	(2,878)	279	(733)	5,135	(2,341)	995	18	5,229		+94
Non Operating Balance	(187)	(28)	(405)	(167)	(239)	91	(163)	(115)		+52
Recurring Profit	(3,065)	251	(1,138)	4,968	(2,580)	1,086	(145)	5,114		+146
Extraordinary Balance	(49)	(106)	(53)	(206)	(15)	(39)	(101)	(750)		(544)
Profit before Income Taxes	(3,114)	145	(1,191)	4,762	(2,595)	1,047	(246)	4,364		(398)
Total Income Taxes	(821)	217	(214)	1,812	(520)	520	58	1,613		(199)
NP Belonging to Non-Controlling SHs	-	-	-	53	0	(1)	(1)	0		(53)
Profit Attributable to Owners of Parent	(2,292)	(73)	(976)	2,895	(2,074)	527	(304)	2,752		(143)
Sales YoY	-	-	-	-	+10.8%	+8.1%	+22.3%	+13.4%		-
Operating Profit YoY	-	-	-	-	-	+256.6%	-	+1.8%		-
Recurring Profit YoY	-	-	-	-	-	+332.7%	-	+2.9%		-
Profit Attributable to Owners of Parent YoY	-	-	-	-	-	-	-	(4.9%)		-
Gross Profit Margin	25.9%	25.3%	25.6%	26.1%	27.5%	25.8%	24.4%	25.0%		(1.0%)
(SG&A / Sales)	38.9%	24.5%	28.1%	16.1%	37.1%	23.2%	24.3%	16.1%		(0.0%)
Operating Profit Margin	(13.0%)	0.8%	(2.5%)	10.0%	(9.6%)	2.6%	0.1%	9.0%		(1.0%)
Recurring Profit Margin	(13.9%)	0.7%	(3.9%)	9.7%	(10.5%)	2.8%	(0.4%)	8.8%		(0.9%)
Profit Attributable to Owners of Parent Margin	(10.4%)	(0.2%)	(3.4%)	5.6%	(8.5%)	1.4%	(0.9%)	4.7%		(0.9%)
Total Income Taxes / Profit before Income Taxes	-	149.7%	-	38.1%	-	49.7%	-	37.0%		(1.1%)

Source: Company Data, WRJ Calculation

Segmented Information (Cumulative, Quarterly)

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 05/2016	Q1 to Q2 05/2016	Q1 to Q3 05/2016	Q1 to Q4 05/2016	Q1 05/2017	Q1 to Q2 05/2017	Q1 to Q3 05/2017	Q1 to Q4 05/2017		
Housing Business	18,133	49,225	73,679	116,810	19,970	54,020	83,040	131,900		+15,090
"Non-Housing Business"	3,984	8,944	13,320	21,568	4,543	9,474	15,721	25,100		+3,532
Sales	22,118	58,169	87,000	138,379	24,513	63,494	98,762	157,001		+18,622
Housing Business	-	-	-	(10.6%)	+10.1%	+9.7%	+12.7%	+12.9%		-
"Non-Housing Business"	-	-	-	+14.4%	+14.0%	+5.9%	+18.0%	+16.4%		-
Sales (YoY)	-	-	-	(7.5%)	+10.8%	+9.2%	+13.5%	+13.5%		-
Housing Business	82.0%	84.6%	84.7%	84.4%	81.5%	85.1%	84.1%	84.0%		-
"Non-Housing Business"	18.0%	15.4%	15.3%	15.6%	18.5%	14.9%	15.9%	16.0%		-
Sales (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		-
Housing Business	(3,074)	(2,996)	(3,688)	736	(2,480)	(1,522)	(1,900)	2,437		+1,701
"Non-Housing Business"	186	381	348	1,032	135	161	546	1,387		+355
Segment profit	(2,887)	(2,614)	(3,338)	1,768	(2,345)	(1,360)	(1,352)	3,824		+2,056
Elimination	10	15	6	34	3	14	24	76		+42
Operating Profit	(2,878)	(2,599)	(3,332)	1,803	(2,341)	(1,346)	(1,328)	3,901		+2,098
Housing Business	-	-	-	(0.3%)	-	-	-	+231.1%		-
"Non-Housing Business"	-	-	-	(33.9%)	(27.4%)	(57.7%)	+56.9%	+34.4%		-
Segment profit (YoY)	-	-	-	(23.2%)	-	-	-	+116.3%		-
Housing Business	-	-	-	41.6%	-	-	-	63.7%		-
"Non-Housing Business"	-	-	-	58.4%	-	-	-	36.3%		-
Segment profit (Composition)	-	-	-	100.0%	-	-	-	100.0%		-
Housing Business	(17.0%)	(6.1%)	(5.0%)	0.6%	(12.4%)	(2.8%)	(2.3%)	1.8%		+1.2%
"Non-Housing Business"	4.7%	4.3%	2.6%	4.8%	3.0%	1.7%	3.5%	5.5%		+0.7%
Elimination	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%		+0.0%
Operating Profit Margin	(13.0%)	(4.5%)	(3.8%)	1.3%	(9.6%)	(2.1%)	(1.3%)	2.5%		+1.2%

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 05/2016	Q2 05/2016	Q3 05/2016	Q4 05/2016	Q1 05/2017	Q2 05/2017	Q3 05/2017	Q4 05/2017		
Housing Business	18,133	31,092	24,454	43,131	19,970	34,050	29,020	48,860		+5,729
"Non-Housing Business"	3,984	4,960	4,376	8,248	4,543	4,931	6,247	9,379		+1,131
Sales	22,118	36,051	28,831	51,379	24,513	38,981	35,268	58,239		+6,860
Housing Business	-	-	-	-	+10.1%	+9.5%	+18.7%	+13.3%		-
"Non-Housing Business"	-	-	-	-	+14.0%	(0.6%)	+42.8%	+13.7%		-
Sales (YoY)	-	-	-	-	+10.8%	+8.1%	+22.3%	+13.4%		-
Housing Business	82.0%	86.2%	84.8%	83.9%	81.5%	87.4%	82.3%	83.9%		-
"Non-Housing Business"	18.0%	13.8%	15.2%	16.1%	18.5%	12.6%	17.7%	16.1%		-
Sales (Composition)	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%		-
Housing Business	(3,074)	78	(692)	4,424	(2,480)	958	(378)	4,337		(87)
"Non-Housing Business"	186	195	(33)	684	135	26	385	841		+157
Segment profit	(2,887)	273	(724)	5,106	(2,345)	985	8	5,176		+70
Elimination	10	5	(9)	28	3	11	10	52		+24
Operating Profit	(2,878)	279	(733)	5,135	(2,341)	995	18	5,229		+94
Housing Business	-	-	-	-	-	-	-	(2.0%)		-
"Non-Housing Business"	-	-	-	-	(27.4%)	(86.7%)	-	+23.0%		-
Segment profit (YoY)	-	-	-	-	-	+260.8%	-	+1.4%		-
Housing Business	-	28.6%	-	86.6%	-	97.3%	-	83.8%		-
"Non-Housing Business"	-	71.4%	-	13.4%	-	2.6%	-	16.2%		-
Segment profit (Composition)	-	100.0%	-	100.0%	-	100.0%	100.0%	100.0%		-
Housing Business	(17.0%)	0.3%	(2.8%)	10.3%	(12.4%)	2.8%	(1.3%)	8.9%		(1.4%)
"Non-Housing Business"	4.7%	3.9%	(0.8%)	8.3%	3.0%	0.5%	6.2%	9.0%		+0.7%
Elimination	0.0%	0.0%	(0.0%)	0.1%	0.0%	0.0%	0.0%	0.1%		+0.0%
Operating Profit Margin	(13.0%)	0.8%	(2.5%)	10.0%	(9.6%)	2.6%	0.1%	9.0%		(1.0%)

Source: Company Data, WRJ Calculation

Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 05/2016	Q2 05/2016	Q3 05/2016	Q4 05/2016	Q1 05/2017	Q2 05/2017	Q3 05/2017	Q4 05/2017		
Cash and Deposit	16,317	15,543	19,842	26,566	22,906	24,136	27,611	26,706	+140	
Accounts Receivables	886	901	613	1,466	1,319	1,211	1,101	1,517	+51	
Loans Receivables	3,312	3,372	3,989	2,142	3,334	3,975	4,915	2,971	+829	
Real Estate for Sale	6,081	6,637	5,744	3,825	3,325	6,309	5,851	4,682	+857	
Cost of Uncompleted Constructs	10,249	9,208	11,077	5,397	11,112	10,767	12,740	5,905	+508	
Real Estate for Sale In-process	9,637	9,591	10,664	9,377	12,041	9,129	8,584	9,055	(322)	
Other inventory	402	432	453	453	466	446	520	441	(12)	
Other	4,831	4,673	5,243	3,414	3,929	3,641	3,262	2,760	(654)	
Current Assets	51,715	50,357	57,625	52,640	58,432	59,614	64,584	54,037	+1,397	
Tangible Assets	25,525	25,565	25,272	25,432	25,320	25,090	24,439	23,705	(1,727)	
Intangible Assets	504	472	446	418	402	396	382	232	(186)	
Investments and Other Assets	5,788	5,497	5,560	5,373	5,311	5,297	5,383	5,375	+2	
Fixed Assets	31,818	31,535	31,280	31,225	31,034	30,784	30,204	29,313	(1,912)	
Total Assets	83,534	81,892	88,905	83,866	89,467	90,398	94,789	83,350	(516)	
Accounts Payables	17,104	16,728	17,035	19,149	18,316	20,485	15,746	12,174	(6,975)	
Short Term Debt	12,256	11,945	14,241	12,877	13,675	11,899	15,334	12,308	(569)	
Corporate Bond (Less than 1 Year)	200	200	200	200	200	200	200	200	-	
Advances Received on Uncompleted Contracts	18,504	17,733	21,160	12,649	21,301	21,904	24,778	13,921	+1,272	
Other	5,972	6,634	5,909	7,037	5,471	6,344	5,636	9,022	+1,985	
Current Liabilities	54,036	53,240	58,545	51,912	58,963	60,832	61,694	47,625	(4,287)	
Corporate Bond	500	400	400	300	300	200	200	100	(200)	
Long Term Debt	14,594	14,023	16,583	15,546	16,190	15,254	18,778	18,709	+3,163	
Other	2,804	2,777	2,752	2,876	3,161	3,026	3,009	2,927	+51	
Fixed Liabilities	17,398	16,800	19,335	18,422	19,351	18,280	21,787	21,636	+3,214	
Total Liabilities	71,435	70,041	77,880	70,334	78,314	79,113	83,482	69,261	(1,073)	
Shareholders' Equity	11,129	11,049	10,073	12,968	10,593	11,121	10,817	13,570	+602	
Other	969	802	951	563	560	164	489	518	(45)	
Net Assets	12,098	11,851	11,024	13,531	11,153	11,285	11,306	14,088	+557	
Total Liabilities and Net Assets	83,534	81,892	88,905	83,866	89,467	90,398	94,789	83,350	(516)	
Equity Capital	11,725	11,466	10,625	13,313	10,938	11,076	11,145	13,919	+606	
Interest Bearing Debt	27,550	26,568	31,424	28,923	30,365	27,553	34,512	31,317	+2,394	
Net Debt	11,233	11,025	11,582	2,357	7,459	3,417	6,901	4,611	+2,254	
Equity Ratio	14.0%	14.0%	12.0%	15.9%	12.2%	12.3%	11.8%	16.7%	-	
Net Debt Equity Ratio	95.8%	96.2%	109.0%	17.7%	68.2%	30.9%	61.9%	33.1%	-	
ROE (12 months)	-	-	-	(3.3%)	(2.0%)	3.3%	9.6%	6.6%	-	
ROA (12 months)	-	-	-	1.2%	1.7%	2.7%	3.6%	4.2%	-	
Days for Inventory Turnover	90	56	72	33	81	50	51	30	-	
Quick Ratio	32%	31%	35%	54%	41%	42%	47%	59%	-	
Current Ratio	96%	95%	98%	101%	99%	98%	105%	113%	-	

Source: Company Data, WRJ Calculation

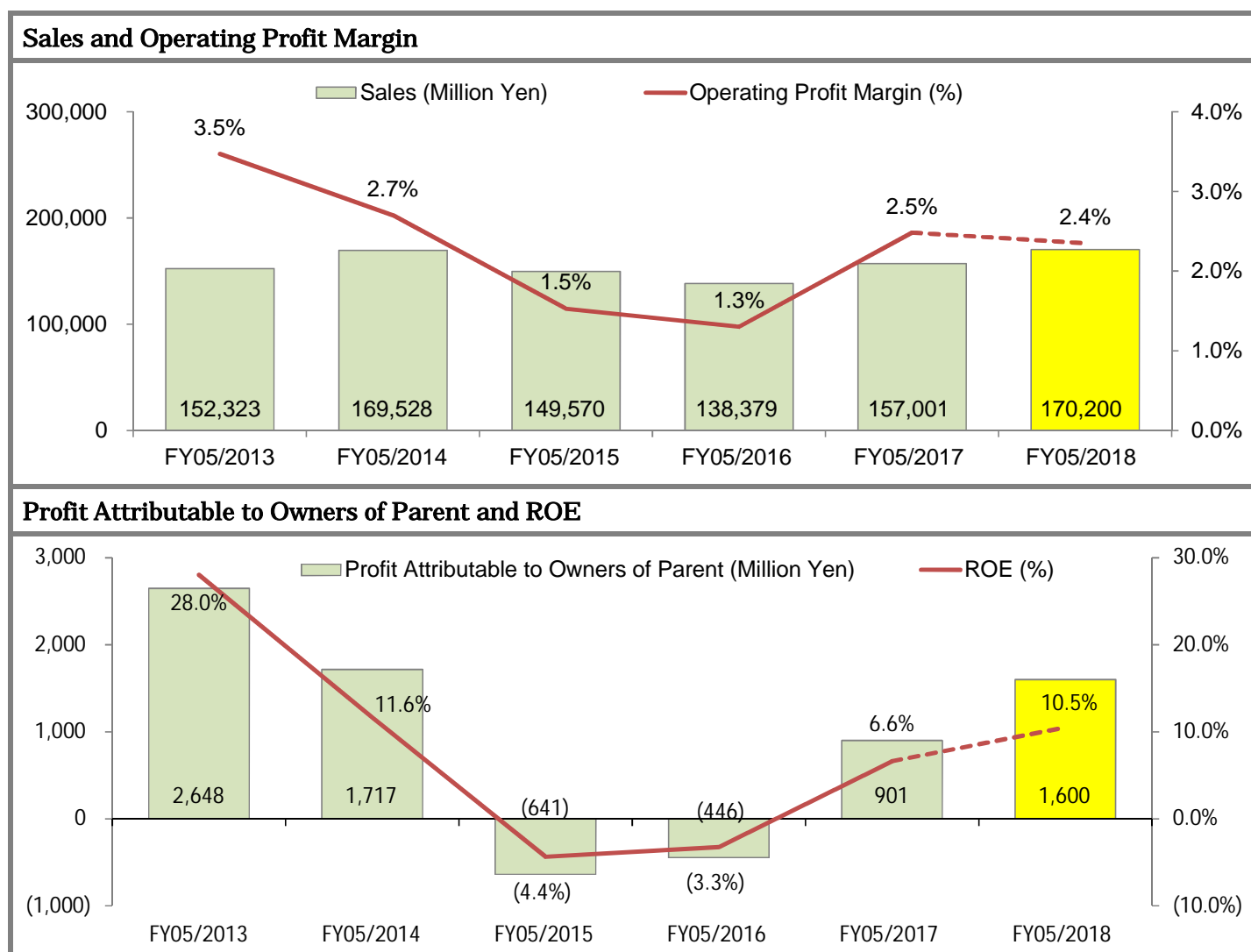
Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 05/2016	Q1 to Q2 05/2016	Q1 to Q3 05/2016	Q1 to Q4 05/2016	Q1 05/2017	Q1 to Q2 05/2017	Q1 to Q3 05/2017	Q1 to Q4 05/2017		
Operating Cash Flow	-	(9,982)	-	36	-	(327)	-	(1,100)	(1,136)	
Investing Cash Flow	-	(1,247)	-	(2,220)	-	(197)	-	(555)	+1,665	
Operating CF & Investing CF	-	(11,229)	-	(2,184)	-	(524)	-	(1,655)	+529	
Financing Cash Flow	-	(339)	-	1,681	-	(1,745)	-	1,750	+69	

Source: Company Data, WRJ Calculation

FY05/2018 Company Forecasts

FY05/2018 Company forecasts are going for prospective sales of ¥170,200m (up 13.5% YoY), operating profit of ¥4,000m (up 2.5%), recurring profit of ¥3,600m (up 3.6%) and profit attributable to owners of parent of ¥1,600m (up 77.4%), while operating profit margin of 2.0% (down 0.1% point).



Source: Company Data, WRJ Calculation

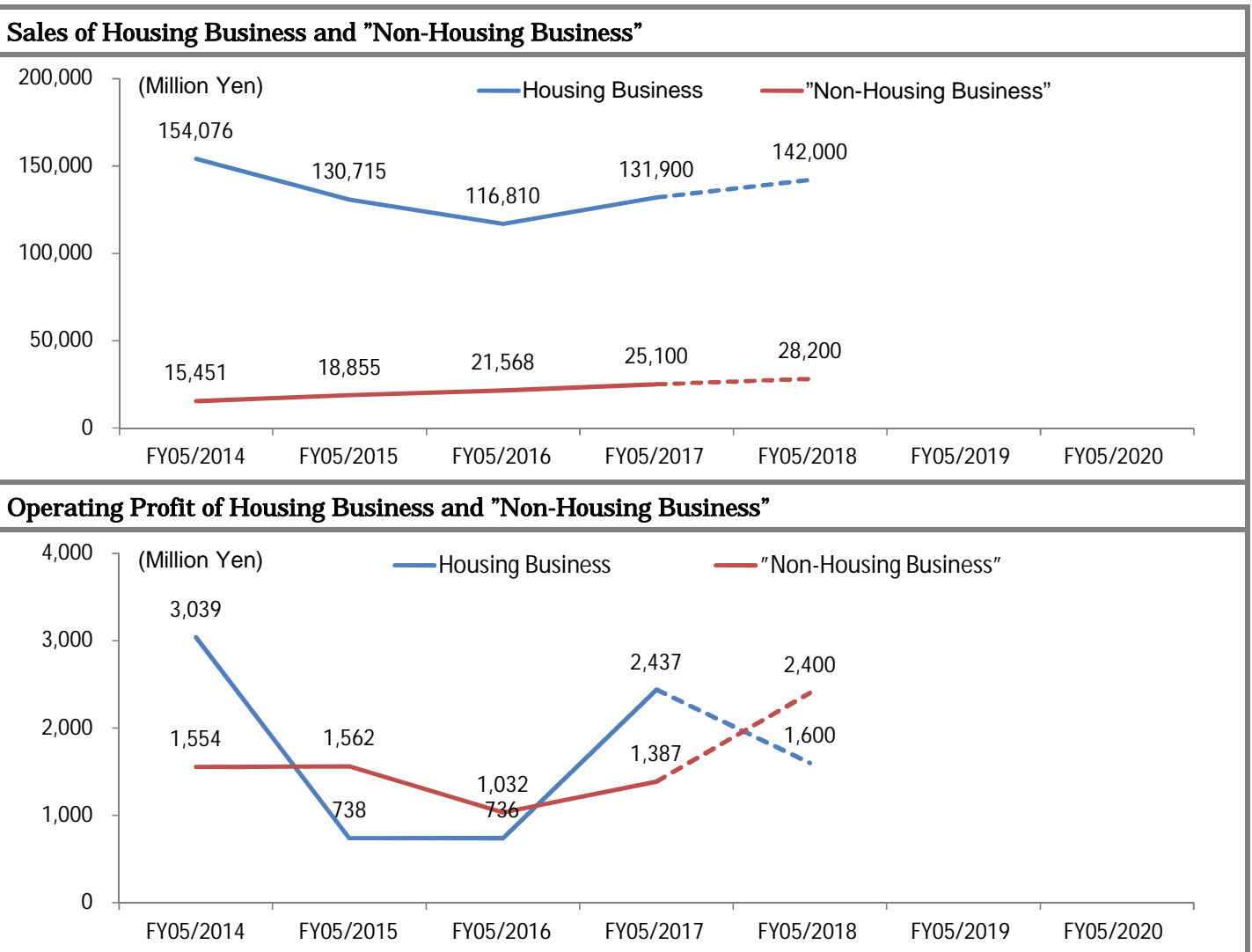
Operating profit and recurring profit are to fail to see major increases over the previous year, but profit attributable to owners of parent is to surge due to normalization of extraordinary balance. As discussed earlier, the Company is to ordinarily see impairment losses on exhibition centers in a sense, while those associated with reconsiderations on loss-making operations are not to reappear. As a result of this, the Company is to see ROE of 10.5% versus 6.4% in FY05/2017. On top of this, Company forecasts are going for prospective annual dividend of ¥26.0 per share, implying payout ratio of 48.8%. When compared with annual dividend of ¥15.0 per share to be paid in FY05/2017, implying payout ratio of 50.0%, the Company is to increase dividend a lot.

The Company is keen on sharing earnings with shareholders, advocating target payout ratio of 30% while paying dividend implying payout ratio far above 30% in FY05/2017 when the Company has seen a turnaround into profit over the previous year in regards to profit attributable to owners of parent or financial funds for dividend. Going forward, in FY05/2018, Company forecasts are going for a recovery of funds for dividend on a full-fledged basis and thus for increasing dividend, resulting in payout ratio far above 30% to persist. Nevertheless, this is not to persist even further as Company does set the target payout ratio of 30% in a long-term view.

Long-Term Prospects

In the results meeting to have been held on 19 July 2017, Yasuhiro Tamaki, the founder and currently being chairman, president and CEO, suggested that the Company was seeing its market shares increasing, judging from the most recent situations. While new startup of building for detached home in the market having been remained almost unchanged over the previous year, the Company is seeing favorable order intake as discussed earlier. That is to say, it could be the case that the Company has already started to see survivor's benefits. Meanwhile, the Company is well getting ready for future growth in a long-term view, as far as we could see as follows:

In FY05/2018, the Company is to inevitably see correcting earnings short-term on the Housing Business side, due to aggressive hiring of new graduates or frontloaded investment to drive prospective sales. Thus, longer term, prospective sales, for example, in FY05/2019 and FY05/2020 should be driven by the spending here, driving earnings in a long-term view at the same time. As far as we could see, this is to be one of the key factors for the Company to see recovery of profitability in the foreseeable future up to as suggested by ROE of 28.0% to have seen in FY05/2013.



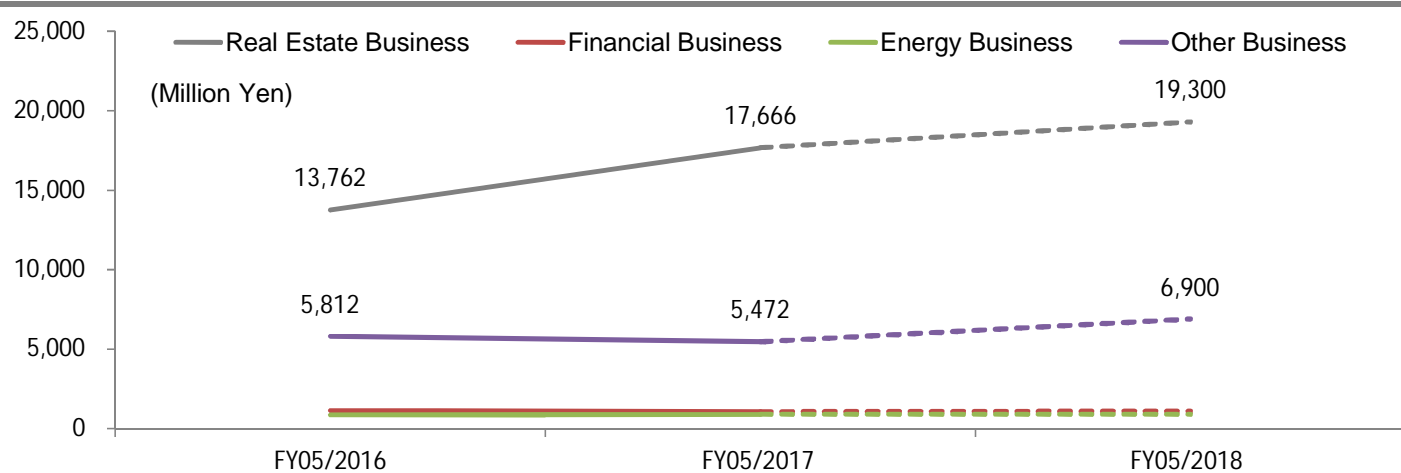
Source: Company Data, WRJ Calculation

The above-mentioned recent situations on the Housing Business side are totally different from those in FY05/2015 and FY05/2016 in that sales were coming down and thus earnings adjusting. In those days, there was an advent of the peers, i.e., building contractor of order-made home at prices of current Basic-Line products with the Company on a commercial basis, having negatively affected to sales of the Company. However, the Company saw meaningful successes by the launch of Basic-Line products in FY05/2017, having started to clear the land of the peers whose products inferior to those of the Company in terms of cost efficiency, as far as we could see. At the same time, this appears to be the key reason why the Company has implemented aggressive hiring of new graduates to beef up own sales forces in a long-term view.

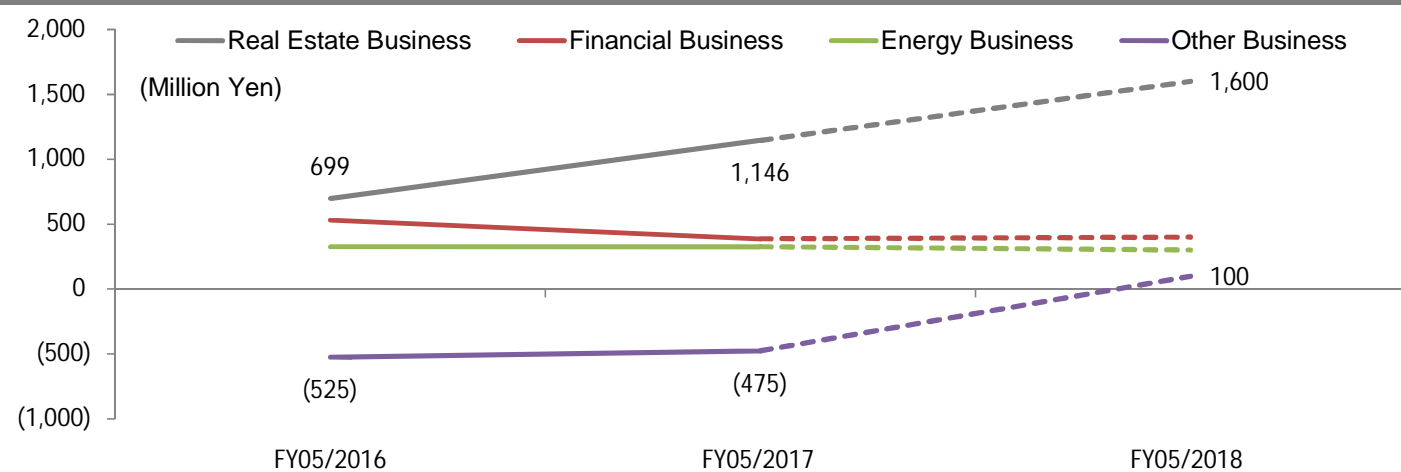
In the first place, the Company's mainstay Existing-Line products are of a market domain different from that of the major 8 contractors of order-made home represented by Daiwa House Industry, Sekisui House, etc. Average unit selling prices are meaningfully lower than those of the major 8 contractors. Meanwhile, the size of the business of order-made home with the Company is almost as large as those of each of the major 8 contractors, including all the domains in terms of the price range.

Meanwhile, small-sized local builders are mentioned as one of the peer domains for the Company to compete with head-on. Given that they are likely to be forced to get out of the market in line with inevitably upcoming market consolidation, the Company should see survivor's benefits over the long term.

Sales of "Non-Housing Business"



Operating Profit of "Non-Housing Business"



Source: Company Data, WRJ Calculation

Meanwhile, the Company is also involved with Real Estate Business, Financial Business, Energy Business and Other Business at the same time, collectively, “Non-Housing Business”, simply putting all of them together.

Real Estate Business, accounting for the largest sales out of total of “Non-Housing Business”, is to see ongoing increases of sales and earnings, giving almost exclusive impacts to earnings of “Non-Housing Business” as a whole. More than half of sales here are of those of ready-made home. The Company, having been running operations as building contractor of order-made home low-priced with high quality for many years, appears to efficiently take advantage of accumulated knowhow, etc. acquired from here. In FY05/2018, the Company is to see increasing sales of ready-made home highly-priced and thus carrying high gross profit margin in metropolitan areas, leading to improving sales mix.

On top of this, the Company is also involved with planning, development and sales of condos as well as with subleasing operations of office buildings in Real Estate Business. In regards to real estate brokerage, sales have remained insignificant to date due to delayed take off. Meanwhile, in FY05/2018, the Company is to see increasing earnings from subleasing operations for office building in line with the increases of the projects to be involved with, driving earnings of Real Estate Business together with the key contribution from ready-made home.

In regards to Financial Business and Energy Business, sales of both are small and their earnings are both insignificant as constituents of “Non-Housing Business”. Operations of Financial Business represent those of agency for fire insurance, life insurance etc., of bridging loans for purchases of order-made home and of reinsurance, while of photovoltaic power generation for operations of Energy Business.

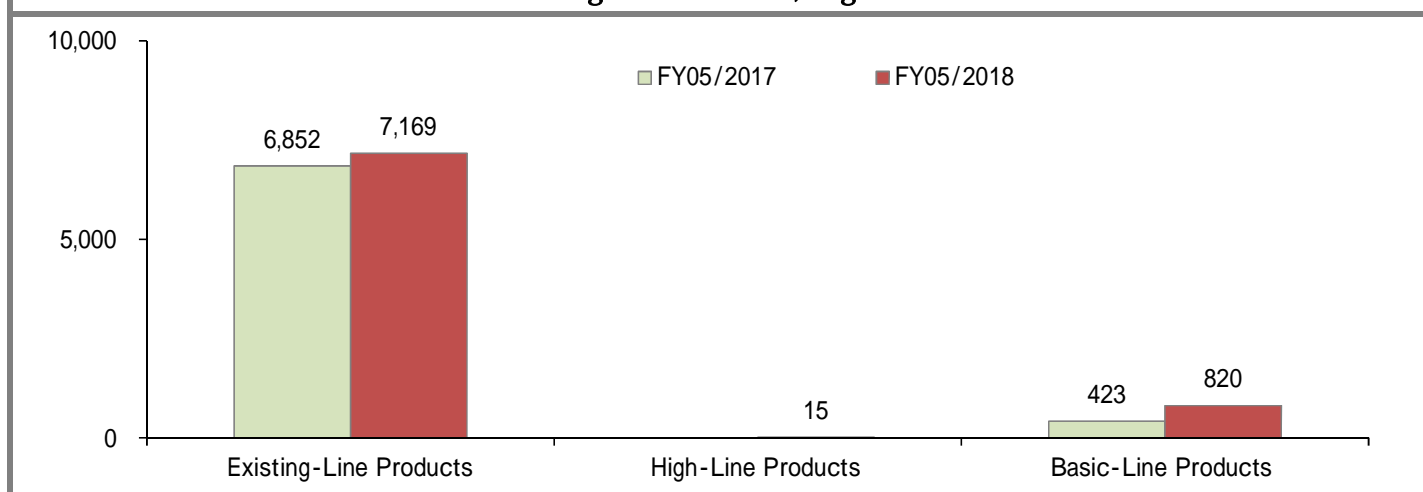
Meanwhile, the Company is to see a turnaround into profit in FY05/2018 over FY05/2017 in regards to Other Business. When just roughly estimating, 80% of sales here are of those of furniture and interior goods, while those of operations to run hotels are also included here. However, the key driver for the turnaround comes from disappearing losses associated with strategy of business diversification to have been seen until recently. In other words, the turnaround here comes from reconsiderations on loss-making operations. Meanwhile, the Company sells furniture and interior goods to general consumers who use the Company as building contractor for their order-made home and thus sales here have tendency to change directly in line with sales volume of the Company’s order-made home to a large extent. On the operations to run hotels, the Company currently runs only one hotel owned by the Company in Haneda, but the Company is planning to enhance the operations to run hotels by means of taking advantage of under-utilized real estate owned by the Company in Osaka, Fukuoka, etc., going forward.

4.0 Business Model

Providing Low-Priced and High-Quality Order-Made Home

Since the setup on 3 June 1998, the Company has been providing low-price and high-quality order-made home with general consumers through own operations as building contractor of order-made home. In November 2016, the Company saw accumulated sales volume of own order-made home having had exceeded 100,000, while having seen sales volume of 7,275 (up 13.1% YoY) in FY05/2017, comprising 6,582 of the mainstay Existing-Line products and 423 of Basic-Line products to have taken off on a full-fledged basis in FY05/2017.

Sales Volume of Order-Made Home: Existing-Line Products, High-Line Products and Basic-Line Products



Source: Company Data, WRJ Calculation

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Meanwhile, average unit selling prices came in at ¥17.4m (down 2.4%). As suggested by the absolute level of the average unit selling prices, the Company is heavily involved with low-priced ones, but keeping high quality for order-made home to be provided. As far as we could see, the Company does fulfill own corporate motto of mastery for services to society by means of providing the highest quality products at the lowest prices. The key characteristics to materialize this are strengths in efficient sales promotions and efficient operations to build home, according to the Company.

Presumably, as a result of further pursuit of said strengths, Basic-Line products or *Shifukunoie* with average unit prices of ¥10.0m having taken off on a full-fledged basis and gives the Company as a whole the average unit selling prices marginally coming down. In regards to Existing-Line products, almost 30% of total is now accounted for by Region-Wise Limited Editions whose prices are rather lower to have been introduced in the market around August in 2016. They are products customized in line with regional characteristics based on *Daianshinnoie* or exiting ones of Existing-Line products. Meanwhile, the Company suggests that Region-Wise Limited Editions are starting to gain market shares for the Company on the expenses of small-sized local builders and from so-called local power builders.

In FY05/2018, the Company is to newly launch High-Line products or highly-priced ones with some specific features in niche domains, but sales and earnings from here will remain insignificant for the time being. Meanwhile, specifically speaking, the Company adopts proprietary concepts here, including emphasis on environmental issues and on wood as raw materials, for example, as the features. Elsewhere, given floor space getting larger, the Company is to focus on sales promotions in suburban areas rather than in metropolitan areas. When compared with equivalents of the major 8 contractors of order-made home represented by Daiwa House Industry, Sekisui House, etc., unit selling prices are rather lower and head-on competition shall not occur a lot, according to the Company.

Meanwhile, the Company, having been providing low-price and high-quality order-made home with general consumers for more than 19 years so far, is starting see increasing demand for refurbishment. In FY05/2017, sales of refurbishment came in at ¥4,548m (up 230.5%). The Company is planning to further beef up sales here by means of enhancing sales promotions associated with order-made home to have been provided by the Company so far.

To add to above-mentioned active management strategy on the mainstay Housing Business side, the Company is trying to get at “Vertical expansion on top of horizontal expansion” together with strategy to increase exposure to peripheral business domains, as discussed earlier.

Existing-Line Products: Exterior of Region-Wise Limited Edition (Average Unit Selling Prices of ¥15.7m)



High-Line Products: *KURA NINE*, External Appearance and Interior (Average Unit Selling prices of ¥30.0m to ¥40.0m)



Basic-Line Products: An Example (Average Unit Selling Prices of ¥10.0m)

2~3LDK
間口 5.46m 奥行 6.37m

プラン番号S-003

延床面積 (21.04坪)
69.56m²

- ◆1F床面積: 34.78m² (10.52坪)
- ◆2F床面積: 34.78m² (10.52坪)
- ◆建築面積: 34.78m² (10.52坪)



Source: Company Data, WRJ Calculation

Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

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