

## 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%	-	-	-
Consolidated Half Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY05/2017		63,494	(1,346)	(1,494)	(1,547)	-	-	-
Q3 to Q4 FY05/2017		93,507	5,247	4,969	2,448	-	-	-
Q1 to Q2 FY05/2018		72,126	(55)	(186)	(598)	-	-	-
Q3 to Q4 FY05/2018CoE		98,074	4,055	3,786	2,198	-	-	-
Q1 to Q2 FY05/2018	YoY	13.6%	-	-	-	-	-	-
Q3 to Q4 FY05/2018CoE	YoY	4.9%	(22.7%)	(23.8%)	(10.2%)	-	-	-

Source: Company Data, WRJ Calculation

### 1.0 Executive Summary (8 March 2018)

#### Region Specific

Tama Home, mainly running operations as building contractor of low-priced but high-quality order house, is seeing buoyant sales and thus improving earnings. This is due to ongoing increases of demand for the Company's "order house designed specifically for the region", which saw head start in H2 FY05/2017 when it was launched, having accounted for some 6% of order house as a whole for the Company on a volume basis. Then, it accounted for 30% in Q1 to Q2 FY05/2018, which has been followed by 60% so far in H2, suggesting demand booming. The Company is heavily involved with sales-oriented promotions on own order house based on diverse activities in collective 238 exhibition halls based in all the 47 prefectures across Japan, while having had started to do so on "order house designed specifically for the region" in ones based in collective 37 prefectures by the end of December 2017. The Company used to be keen on selling the same order house nationwide, but having started to be keen on selling order house region specific to date. First, the Company thoroughly studies the beset-selling equivalents of peers in a specific region in order to incorporate their favorable features like external appearance, etc. in own order house to be developed region to region. Second, the Company launches "order house designed specifically for the region" to have been developed at prices marginally lower than those of the largest local peers in the region. Third, the Company sees successes as mentioned above. The Company is involved with low-priced (average unit selling prices of ¥17.0m in Q1 to Q2 FY05/2018 results) but high-quality order house, belonging to market different from that of the major 8 contractors of order house represented by Daiwa House Industry and Sekisui House (average unit selling prices: ¥40m to ¥50m), for example, while mainly competing with small-sized local builders head-on. The Company is trying to get a steady long-term growth by means of further beefing up own exposure to "order house designed specifically for the region".

In Q1 to Q2 FY05/2018, sales came in at ¥72,126m (up 13.6% YoY), operating loss ¥55m (versus operating loss of ¥1,346m during the same period in the previous year) and operating profit margin negative 0.1% (up 2.0% points). As far as we could gather, assumptions of initial full-year Company forecasts were rather exceeded in sales and thus operating balance. In fact, the Company is seeing improving earnings on the Housing Business side in charge of operations as building contractor of order house and on “Non-Housing Business” to comprise Real Estate Business, Financial Business, Energy Business and Other Business, due mainly to increasing sales. Meanwhile, gross profit margin as a whole for the Company came in at 25.2% (down 1.3% points) in line with changeover to “order house designed specifically for the region” on the Housing Business side, but this was more than compensated for by increasing sales, etc., having resulted in operating profit margin favorably improving from the same period in the previous year. Still, the Company saw some negative operating profit margin inevitably due to seasonable factors on the Housing Business side. The Company sees concentration of delivery for own order house to customers in Q4 (March to May) and thus sales and earnings, the latter in particular. Meanwhile, this busy period is inevitably followed by off period (June to August) when the Company suffers from major correction of sales and thus operating loss. So, it has been the case that the Company suffers from operating loss in Q1 to Q2, every year, due to loss in Q1. Still, in Q1 to Q2 FY05/2018, surging sales of “order house designed specifically for the region”, have massively cut back loss from the same period in the previous year.

FY05/2018 initial Company forecasts have remained unchanged, 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. One of the reasons why full-year Company forecasts have remained unchanged is that it is too early now to completely deny a case that delivery of house is delayed due to craftsman constraint, etc. in Q4 when sales and operating profit on the Housing Business side are to concentrate. Meanwhile, on the “Non-Housing Business” side, earnings are to substantially improve in regards to Real Estate Business and in Other Business. The Company is to see improving sales mix in the former due to increasing volume of house built for sale in metropolitan area, carrying high gross profit margin, while benefiting from the measures to have pulled out of loss-making operations on the latter.

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## 2.0 Company Profile

### Providing Low-priced but High-quality Order House

<b>Company Name</b>	Tama Home Co., Ltd. <a href="#">Website</a> <a href="#">IR Information</a> <a href="#">Share Price (Japanese)</a> 
<b>Established</b>	3 June 1998
<b>Listing</b>	27 March 2013: Tokyo Stock Exchange 1st Section, Fukuoka Stock Exchange (Ticker: 1419)
<b>Capital</b>	¥4,310m (As of the end of November 2017)
<b>No. of Shares</b>	30,055,800 shares (As of the end of November 2017)
<b>Main Features</b>	<ul style="list-style-type: none"> <li>● Corporate motto: Mastery for services to society by means of providing high quality order house at low prices</li> <li>● Strengths in efficient sales-oriented promotions and efficient operations to build house</li> <li>● Pursuing “vertical expansion on top of horizontal expansion”</li> </ul>
<b>Business Segments</b>	<ul style="list-style-type: none"> <li>. Housing Business</li> <li>. “Non-Housing Business” (Real Estate Business, Financial Business, Energy Business and Other Business)</li> </ul>
<b>Top Management</b>	Chairman, President and CEO: Yasuhiro Tamaki
<b>Shareholders</b>	TAMAX Co., Ltd. 37.9%, Yasuhiro Tamaki 2.9% (As of the end of November 2017)
<b>Headquarters</b>	Minato-ku, Tokyo, JAPAN
<b>No. of Employees</b>	Consolidated: 3,177, Parent: 2,931 (As of the end of November 2017)

Source: Company Data

## 3.0 Recent Trading and Prospects

### Q1 to Q2 FY05/2018 Results

In Q1 to Q2 FY05/2018, sales came in at ¥72,126m (up 13.6% YoY), operating loss ¥55m (versus operating loss of ¥1,346m during the same period in the previous year), recurring loss ¥186m (recurring loss of ¥1,494m) and loss attributable to owners of parent ¥598m (loss attributable to owners of parent of ¥1,547m), while operating profit margin negative 0.1% (up 2.0% points). Against FY05/2018 initial Company forecasts, the Company saw progress rate of 42.4% in sales versus 40.4% in Q1 to Q2 FY05/2017 out of full-year results, suggesting that sales are rather running ahead and thus earnings.



Source: Company Data, WRJ Calculation

By business segment, Housing Business saw sales of ¥60,733m (up 12.4%), operating loss of ¥822m (versus operating loss of ¥1,522m during the same period in the previous year) and operating profit margin negative 1.4% (up 1.5% points). Meanwhile, the Company is also involved with Real Estate Business, Financial Business, Energy Business and Other Business. When operations of all those business segments are put together and called "Non-Housing Business", collectively, this business segment saw sales of ¥11,392m (up 20.2%), operating profit of ¥751m (up 364.5%) and operating profit margin of 6.6% (up 4.9% points).

That is to say, given steadily increasing sales, the Company is seeing improving earnings both on the Housing Business side and on “Non-Housing Business” side, as far as we could see. Operating profit (before elimination) as a whole for the Company saw net increases by ¥1,289m over the same period in the previous year, while net increases by ¥700m on the Housing Business side and net increases by ¥590m on the “Non-Housing Business” side.

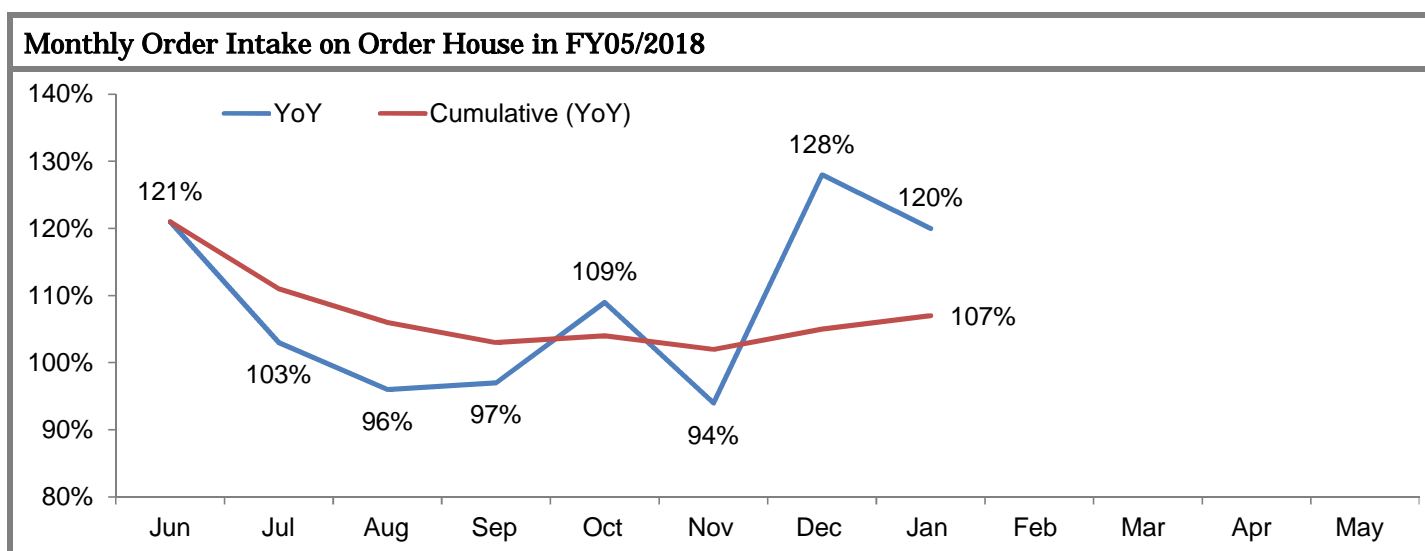
On a full-year basis, earnings as whole for the Company reasonably hinge on those of Housing Business to run operations as building contractor of low-priced but high-quality order house. In FY05/2017 results, operating profit of ¥3,824m (before elimination) as a whole for the Company comprised operating profit of ¥2,437m (63.7% of total) on the Housing Business side and operating profit of ¥1,387m (36.3%) on the “Non-Housing Business” side. Meanwhile, sales of Housing Business have a strong tendency to concentrate in Q4 (March to May) due to seasonal factors, etc., and thus sales and earnings as a whole for the Company, earnings inevitably in particular. For example, as far as above mentioned FY05/2017 results are concerned, sales came in at ¥157,001m and operating profit ¥3,901m on a full-year basis versus sales of ¥58,239m (37.1% of total) and operating profit of ¥3,901m (134.0%) in Q4.

Sales and earnings on the “Non-Housing Business” side are rather stable even on a quarterly basis. Meanwhile, earnings here are rather trending up over the same period in the previous year most recently. On the contrary, Housing Business sees operating profit concentrating a lot in busy period of Q4 (March to May), which is followed by off period of Q1 (June to August) when sales adjust quite sharply and substantial operating loss inevitably being booked. As a result, operating profit in Q4 exceeds operating profit on a full-year basis as mentioned above.

Being not happy with this, the Company has been trying to level sales and earnings on a quarterly basis in regards to Housing Business, while having made progress in figures most recently. The Company saw operating loss of ¥2,878m in Q1 FY05/2016, operating loss of ¥2,341m in Q1 FY05/2017 and operating loss of ¥2,179m in Q1 FY05/2018, suggesting operating loss in Q1 consistently being cut back as years go by. It could not be avoided that sales and operating profit are to concentrate in Q4 also in regards to FY05/2018 as in past years, but the extent of concentration will be smaller than past years, according to the Company.

Meanwhile, on the Housing Business side, sales of order house came in at ¥57,130m (up 11.6%) in Q1 to Q2, while sales of refurbishment ¥3,078m (up 27.1%) and sales of other ¥524m (up 23.1%). In regards to order house, the Company saw sales volume of 3,369 (up 15.6%) and average unit selling prices of ¥17.0m (down 3.4%). More importantly, order intake on order house in H2 is accelerating, driven by increasing exposure to “order house designed specifically for the region”. Average unit selling prices are under pressure due to the Company’s strategy to offer prices marginally lower than those of the largest local peers in the region, but this is more than compensated for by increasing volume, resulting in accelerating order intake most recently, as far as we could gather.

The Company is heavily involved with sales-oriented promotions on own order house based on diverse activities in collective 238 exhibition halls based in all the 47 prefectures across Japan, while having had started to do so on “order house designed specifically for the region” in ones based in collective 37 prefectures by the end of December 2017. In other words, the Company has not yet launched “order house designed specifically for the region” in collective 10 prefectures at this point, giving a further upside potential in the future. Still, accelerating order intake most recently does not have a lot to do with pursuit of this potential but rather with successful launch of “order house designed specifically for the region” to cope with local needs even better than before with emphasis on development of ones even more suitable than before.



Source: Company Data, WRJ Calculation

In regards to the operations as building contractor of low-priced but high-quality order house, the Company is currently working so hard on its measure to gain the number one position across all the regions in Japan. Now, launch of “order house designed specifically for the region” is propelling this measure and the Company’s market share is on the rise, as far as we could see. However, it has to be also mentioned that gross profit margin is under pressure, given a key strategy to offer prices marginally lower than those of the largest local peers across all the regions, in regards to operations as building contractor of order house. In a long-term view, it should be the case that the environment gets better in line with enforced exist of small-sized local builders to compete head-on with the Company, but excess price-oriented competition may prevail in a short-term view. On the other hand, the Company is looking to consistent growth potential for refurbishment to carry high gross profit margin in the first place as operations to compensate for this probable excess competition.

In regards to refurbishment, order intake came in at ¥3,297m (up 34.5%) versus sales of ¥3,078m (up 27.1%), suggesting favorable growth to persist going forward. This is basically in line with increasing volume of order house whose initial 10-year warranty period has passed since delivery to customers after the Company’s operations as building contractor. The Company suggests the number of said order house will reach 9,558 (up 25.4% YoY) in FY05/2018. On top of this, the Company is keen on sales-oriented promotions here in order to solve above-mentioned problem, resulting in consistent and steady increases of contracts concluded to extend warranty period for refurbishment with owners of all those order house whose initial 10-year warranty period has passed.

## 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)	05/2017	05/2017	05/2017	05/2017	05/2018	05/2018	05/2018	05/2018		
<b>Sales</b>	<b>24,513</b>	<b>63,494</b>	<b>98,762</b>	<b>157,001</b>	<b>25,713</b>	<b>72,126</b>	-	-		<b>+8,632</b>
CoGS	17,768	46,697	73,377	117,036	19,083	53,983	-	-		+7,286
Gross Profit	6,745	16,797	25,385	39,964	6,630	18,143	-	-		+1,346
SG&A	9,086	18,143	26,713	36,063	8,809	18,199	-	-		+56
<b>Operating Profit</b>	<b>(2,341)</b>	<b>(1,346)</b>	<b>(1,328)</b>	<b>3,901</b>	<b>(2,179)</b>	<b>(55)</b>	-	-		<b>+1,291</b>
Non Operating Balance	(239)	(148)	(311)	(426)	(128)	(131)	-	-		+17
<b>Recurring Profit</b>	<b>(2,580)</b>	<b>(1,494)</b>	<b>(1,639)</b>	<b>3,475</b>	<b>(2,307)</b>	<b>(186)</b>	-	-		<b>+1,308</b>
Extraordinary Balance	(15)	(54)	(155)	(905)	(34)	(247)	-	-		(193)
Profit before Income Taxes	(2,595)	(1,548)	(1,794)	2,570	(2,341)	(433)	-	-		+1,115
Total Income Taxes	(520)	0	58	1,671	(612)	165	-	-		+165
NP Belonging to Non-Controlling SHs	-	(1)	(2)	(2)	0	0	-	-		+1
<b>Profit Attributable to Owners of Parent</b>	<b>(2,074)</b>	<b>(1,547)</b>	<b>(1,851)</b>	<b>901</b>	<b>(1,729)</b>	<b>(598)</b>	-	-		<b>+949</b>
Sales YoY	+10.8%	+9.2%	+13.5%	+13.5%	+4.9%	+13.6%	-	-		-
Operating Profit YoY	-	-	-	+116.3%	-	-	-	-		-
Recurring Profit YoY	-	-	-	+242.0%	-	-	-	-		-
Profit Attributable to Owners of Parent YoY	-	-	-	-	-	-	-	-		-
Gross Profit Margin	27.5%	26.5%	25.7%	25.5%	25.8%	25.2%	-	-		(1.3%)
(SG&A / Sales)	37.1%	28.6%	27.0%	23.0%	34.3%	25.2%	-	-		(3.3%)
Operating Profit Margin	(9.6%)	(2.1%)	(1.3%)	2.5%	(8.5%)	(0.1%)	-	-		+2.0%
Recurring Profit Margin	(10.5%)	(2.4%)	(1.7%)	2.2%	(9.0%)	(0.3%)	-	-		+2.1%
Profit Attributable to Owners of Parent Margin	(8.5%)	(2.4%)	(1.9%)	0.6%	(6.7%)	(0.8%)	-	-		+1.6%
Total Income Taxes / Profit before Income Taxes	-	-	-	65.0%	-	-	-	-		-

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)	05/2017	05/2017	05/2017	05/2017	05/2018	05/2018	05/2018	05/2018		
<b>Sales</b>	<b>24,513</b>	<b>38,981</b>	<b>35,268</b>	<b>58,239</b>	<b>25,713</b>	<b>46,413</b>	-	-		<b>+7,432</b>
CoGS	17,768	28,929	26,680	43,659	19,083	34,900	-	-		+5,971
Gross Profit	6,745	10,052	8,588	14,579	6,630	11,513	-	-		+1,461
SG&A	9,086	9,057	8,570	9,350	8,809	9,390	-	-		+333
<b>Operating Profit</b>	<b>(2,341)</b>	<b>995</b>	<b>18</b>	<b>5,229</b>	<b>(2,179)</b>	<b>2,124</b>	-	-		<b>+1,129</b>
Non Operating Balance	(239)	91	(163)	(115)	(128)	(3)	-	-		(94)
<b>Recurring Profit</b>	<b>(2,580)</b>	<b>1,086</b>	<b>(145)</b>	<b>5,114</b>	<b>(2,307)</b>	<b>2,121</b>	-	-		<b>+1,035</b>
Extraordinary Balance	(15)	(39)	(101)	(750)	(34)	(213)	-	-		(174)
Profit before Income Taxes	(2,595)	1,047	(246)	4,364	(2,341)	1,908	-	-		+861
Total Income Taxes	(520)	520	58	1,613	(612)	777	-	-		+257
NP Belonging to Non-Controlling SHs	-	(1)	(1)	-	0	0	-	-		+1
<b>Profit Attributable to Owners of Parent</b>	<b>(2,074)</b>	<b>527</b>	<b>(304)</b>	<b>2,752</b>	<b>(1,729)</b>	<b>1,131</b>	-	-		<b>+604</b>
Sales YoY	+10.8%	+8.1%	+22.3%	+13.4%	+4.9%	+19.1%	-	-		-
Operating Profit YoY	-	+256.6%	-	+1.8%	-	+113.5%	-	-		-
Recurring Profit YoY	-	+332.7%	-	+2.9%	-	+95.3%	-	-		-
Profit Attributable to Owners of Parent YoY	-	-	-	(4.9%)	-	+114.6%	-	-		-
Gross Profit Margin	27.5%	25.8%	24.4%	25.0%	25.8%	24.8%	-	-		(1.0%)
(SG&A / Sales)	37.1%	23.2%	24.3%	16.1%	34.3%	20.2%	-	-		(3.0%)
Operating Profit Margin	(9.6%)	2.6%	0.1%	9.0%	(8.5%)	4.6%	-	-		+2.0%
Recurring Profit Margin	(10.5%)	2.8%	(0.4%)	8.8%	(9.0%)	4.6%	-	-		+1.8%
Profit Attributable to Owners of Parent Margin	(8.5%)	1.4%	(0.9%)	4.7%	(6.7%)	2.4%	-	-		+1.1%
Total Income Taxes / Profit before Income Taxes	-	49.7%	-	37.0%	-	40.7%	-	-		(8.9%)

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 05/2017	Q1 to Q2 05/2017	Q1 to Q3 05/2017	Q1 to Q4 05/2017	Q1 05/2018	Q1 to Q2 05/2018	Q1 to Q3 05/2018	Q1 to Q4 05/2018		
Housing Business	19,970	54,020	83,040	131,900	21,182	60,733	-	-	+6,713	
"Non-Housing Business"	4,543	9,474	15,721	25,100	4,529	11,392	-	-	+1,918	
<b>Sales</b>	<b>24,513</b>	<b>63,494</b>	<b>98,762</b>	<b>157,001</b>	<b>25,713</b>	<b>72,125</b>	-	-	<b>+8,631</b>	
Housing Business	+10.1%	+9.7%	+12.7%	+12.9%	+6.1%	+12.4%	-	-	-	
"Non-Housing Business"	+14.0%	+5.9%	+18.0%	+16.4%	(0.3%)	+20.2%	-	-	-	
<b>Sales (YoY)</b>	<b>+10.8%</b>	<b>+9.2%</b>	<b>+13.5%</b>	<b>+13.5%</b>	<b>+4.9%</b>	<b>+13.6%</b>	-	-	-	
Housing Business	81.5%	85.1%	84.1%	84.0%	82.4%	84.2%	-	-	-	
"Non-Housing Business"	18.5%	14.9%	15.9%	16.0%	17.6%	15.8%	-	-	-	
<b>Sales (Composition)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-	-	-	
Housing Business	(2,480)	(1,522)	(1,900)	2,437	(2,424)	(822)	-	-	+700	
"Non-Housing Business"	135	161	546	1,387	241	751	-	-	+590	
<b>Segment profit</b>	<b>(2,345)</b>	<b>(1,360)</b>	<b>(1,352)</b>	<b>3,824</b>	<b>(2,183)</b>	<b>(71)</b>	-	-	<b>+1,289</b>	
Elimination	3	14	24	76	4	15	-	-	+1	
<b>Operating Profit</b>	<b>(2,341)</b>	<b>(1,346)</b>	<b>(1,328)</b>	<b>3,901</b>	<b>(2,179)</b>	<b>(55)</b>	-	-	<b>+1,291</b>	
Housing Business	-	-	-	+231.1%	-	-	-	-	-	
"Non-Housing Business"	(27.4%)	(57.7%)	+56.9%	+34.4%	+78.5%	+364.5%	-	-	-	
<b>Segment profit (YoY)</b>	-	-	-	<b>+116.3%</b>	-	-	-	-	-	
Housing Business	-	-	-	63.7%	-	-	-	-	-	
"Non-Housing Business"	-	-	-	36.3%	-	-	-	-	-	
<b>Segment profit (Composition)</b>	-	-	-	<b>100.0%</b>	-	-	-	-	-	
Housing Business	(12.4%)	(2.8%)	(2.3%)	1.8%	(11.4%)	(1.4%)	-	-	+1.5%	
"Non-Housing Business"	3.0%	1.7%	3.5%	5.5%	5.3%	6.6%	-	-	+4.9%	
Elimination	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	-	-	(0.0%)	
<b>Operating Profit Margin</b>	<b>(9.6%)</b>	<b>(2.1%)</b>	<b>(1.3%)</b>	<b>2.5%</b>	<b>(8.5%)</b>	<b>(0.1%)</b>	-	-	<b>+2.0%</b>	

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 05/2017	Q2 05/2017	Q3 05/2017	Q4 05/2017	Q1 05/2018	Q2 05/2018	Q3 05/2018	Q4 05/2018		
Housing Business	19,970	34,050	29,020	48,860	21,182	39,551	-	-	+5,501	
"Non-Housing Business"	4,543	4,931	6,247	9,379	4,529	6,863	-	-	+1,932	
<b>Sales</b>	<b>24,513</b>	<b>38,981</b>	<b>35,268</b>	<b>58,239</b>	<b>25,713</b>	<b>46,412</b>	-	-	<b>+7,431</b>	
Housing Business	+10.1%	+9.5%	+18.7%	+13.3%	+6.1%	+16.2%	-	-	-	
"Non-Housing Business"	+14.0%	(0.6%)	+42.8%	+13.7%	(0.3%)	+39.2%	-	-	-	
<b>Sales (YoY)</b>	<b>+10.8%</b>	<b>+8.1%</b>	<b>+22.3%</b>	<b>+13.4%</b>	<b>+4.9%</b>	<b>+19.1%</b>	-	-	-	
Housing Business	81.5%	87.4%	82.3%	83.9%	82.4%	85.2%	-	-	-	
"Non-Housing Business"	18.5%	12.6%	17.7%	16.1%	17.6%	14.8%	-	-	-	
<b>Sales (Composition)</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-	-	-	
Housing Business	(2,480)	958	(378)	4,337	(2,424)	1,602	-	-	+644	
"Non-Housing Business"	135	26	385	841	241	510	-	-	+484	
<b>Segment profit</b>	<b>(2,345)</b>	<b>985</b>	<b>8</b>	<b>5,176</b>	<b>(2,183)</b>	<b>2,112</b>	-	-	<b>+1,127</b>	
Elimination	3	11	10	52	4	11	-	-	0	
<b>Operating Profit</b>	<b>(2,341)</b>	<b>995</b>	<b>18</b>	<b>5,229</b>	<b>(2,179)</b>	<b>2,124</b>	-	-	<b>+1,129</b>	
Housing Business	-	-	-	(2.0%)	-	+67.2%	-	-	-	
"Non-Housing Business"	(27.4%)	(86.7%)	-	+23.0%	+78.5%	-	-	-	-	
<b>Segment profit (YoY)</b>	-	<b>+260.8%</b>	-	<b>+1.4%</b>	-	<b>+114.4%</b>	-	-	-	
Housing Business	-	97.3%	-	83.8%	-	75.9%	-	-	-	
"Non-Housing Business"	-	2.6%	-	16.2%	-	24.1%	-	-	-	
<b>Segment profit (Composition)</b>	-	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>	-	<b>100.0%</b>	-	-	-	
Housing Business	(12.4%)	2.8%	(1.3%)	8.9%	(11.4%)	4.1%	-	-	+1.2%	
"Non-Housing Business"	3.0%	0.5%	6.2%	9.0%	5.3%	7.4%	-	-	+6.9%	
Elimination	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	-	-	(0.0%)	
<b>Operating Profit Margin</b>	<b>(9.6%)</b>	<b>2.6%</b>	<b>0.1%</b>	<b>9.0%</b>	<b>(8.5%)</b>	<b>4.6%</b>	-	-	<b>+2.0%</b>	

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 05/2017	Q2 05/2017	Q3 05/2017	Q4 05/2017	Q1 05/2018	Q2 05/2018	Q3 05/2018	Q4 05/2018		
Cash and Deposit	22,906	24,136	27,611	26,706	21,075	25,258	-	-	+1,122	
Accounts Receivables	1,319	1,211	1,101	1,517	1,243	1,366	-	-	+155	
Loans Receivables	3,334	3,975	4,915	2,971	4,068	3,819	-	-	(156)	
Real Estate for Sale	3,325	6,309	5,851	4,682	5,760	5,436	-	-	(873)	
Cost of Uncompleted Constructs	11,112	10,767	12,740	5,905	11,932	11,179	-	-	+412	
Real Estate for Sale In-process	12,041	9,129	8,584	9,055	8,766	7,533	-	-	(1,596)	
Other inventory	466	446	520	441	470	473	-	-	+27	
Other	3,929	3,641	3,262	2,760	3,601	3,396	-	-	(245)	
<b>Current Assets</b>	<b>58,432</b>	<b>59,614</b>	<b>64,584</b>	<b>54,037</b>	<b>56,915</b>	<b>58,460</b>	-	-	<b>(1,154)</b>	
Tangible Assets	25,320	25,090	24,439	23,705	23,667	23,783	-	-	(1,307)	
Intangible Assets	402	396	382	232	220	196	-	-	(200)	
Investments and Other Assets	5,311	5,297	5,383	5,375	5,433	5,339	-	-	+42	
<b>Fixed Assets</b>	<b>31,034</b>	<b>30,784</b>	<b>30,204</b>	<b>29,313</b>	<b>29,321</b>	<b>29,318</b>	-	-	<b>(1,466)</b>	
<b>Total Assets</b>	<b>89,467</b>	<b>90,398</b>	<b>94,789</b>	<b>83,350</b>	<b>86,237</b>	<b>87,779</b>	-	-	<b>(2,619)</b>	
Accounts Payables	18,316	20,485	15,746	12,174	10,396	12,495	-	-	(7,990)	
Short Term Debt	13,675	11,899	15,334	12,308	15,759	15,899	-	-	+4,000	
Corporate Bond (Less than 1 Year)	200	200	200	200	200	200	-	-	-	
Advances Received on Uncompleted Contracts	21,301	21,904	24,778	13,921	23,346	23,178	-	-	+1,274	
Other	5,471	6,344	5,636	9,022	5,561	6,969	-	-	+625	
<b>Current Liabilities</b>	<b>58,963</b>	<b>60,832</b>	<b>61,694</b>	<b>47,625</b>	<b>55,262</b>	<b>58,741</b>	-	-	<b>(2,091)</b>	
Corporate Bond	300	200	200	100	100	-	-	-	(200)	
Long Term Debt	16,190	15,254	18,778	18,709	16,064	13,085	-	-	(2,169)	
Other	3,161	3,026	3,009	2,927	3,036	2,981	-	-	(45)	
<b>Fixed Liabilities</b>	<b>19,351</b>	<b>18,280</b>	<b>21,787</b>	<b>21,636</b>	<b>19,100</b>	<b>16,066</b>	-	-	<b>(2,214)</b>	
<b>Total Liabilities</b>	<b>78,314</b>	<b>79,113</b>	<b>83,482</b>	<b>69,261</b>	<b>74,363</b>	<b>74,808</b>	-	-	<b>(4,305)</b>	
<b>Shareholders' Equity</b>	<b>10,593</b>	<b>11,121</b>	<b>10,817</b>	<b>13,570</b>	<b>11,389</b>	<b>12,514</b>	-	-	<b>+1,393</b>	
Other	560	164	489	518	485	457	-	-	+293	
<b>Net Assets</b>	<b>11,153</b>	<b>11,285</b>	<b>11,306</b>	<b>14,088</b>	<b>11,874</b>	<b>12,971</b>	-	-	<b>+1,686</b>	
<b>Total Liabilities and Net Assets</b>	<b>89,467</b>	<b>90,398</b>	<b>94,789</b>	<b>83,350</b>	<b>86,237</b>	<b>87,779</b>	-	-	<b>(2,619)</b>	
Equity Capital	10,938	11,076	11,145	13,919	11,702	12,778	-	-	+1,702	
Interest Bearing Debt	30,365	27,553	34,512	31,317	32,123	29,184	-	-	+1,631	
Net Debt	7,459	3,417	6,901	4,611	11,048	3,926	-	-	+509	
Equity Ratio	12.2%	12.3%	11.8%	16.7%	13.6%	14.6%	-	-	-	
Net Debt Equity Ratio	68.2%	30.9%	61.9%	33.1%	94.4%	30.7%	-	-	-	
ROE (12 months)	(2.0%)	3.3%	9.6%	6.6%	11.0%	15.5%	-	-	-	
ROA (12 months)	1.7%	2.7%	3.6%	4.2%	4.3%	5.4%	-	-	-	
Days for Inventory Turnover	81	50	51	30	72	35	-	-	-	
Quick Ratio	41%	42%	47%	59%	40%	45%	-	-	-	
Current Ratio	99%	98%	105%	113%	103%	100%	-	-	-	

Source: Company Data, WRJ Calculation

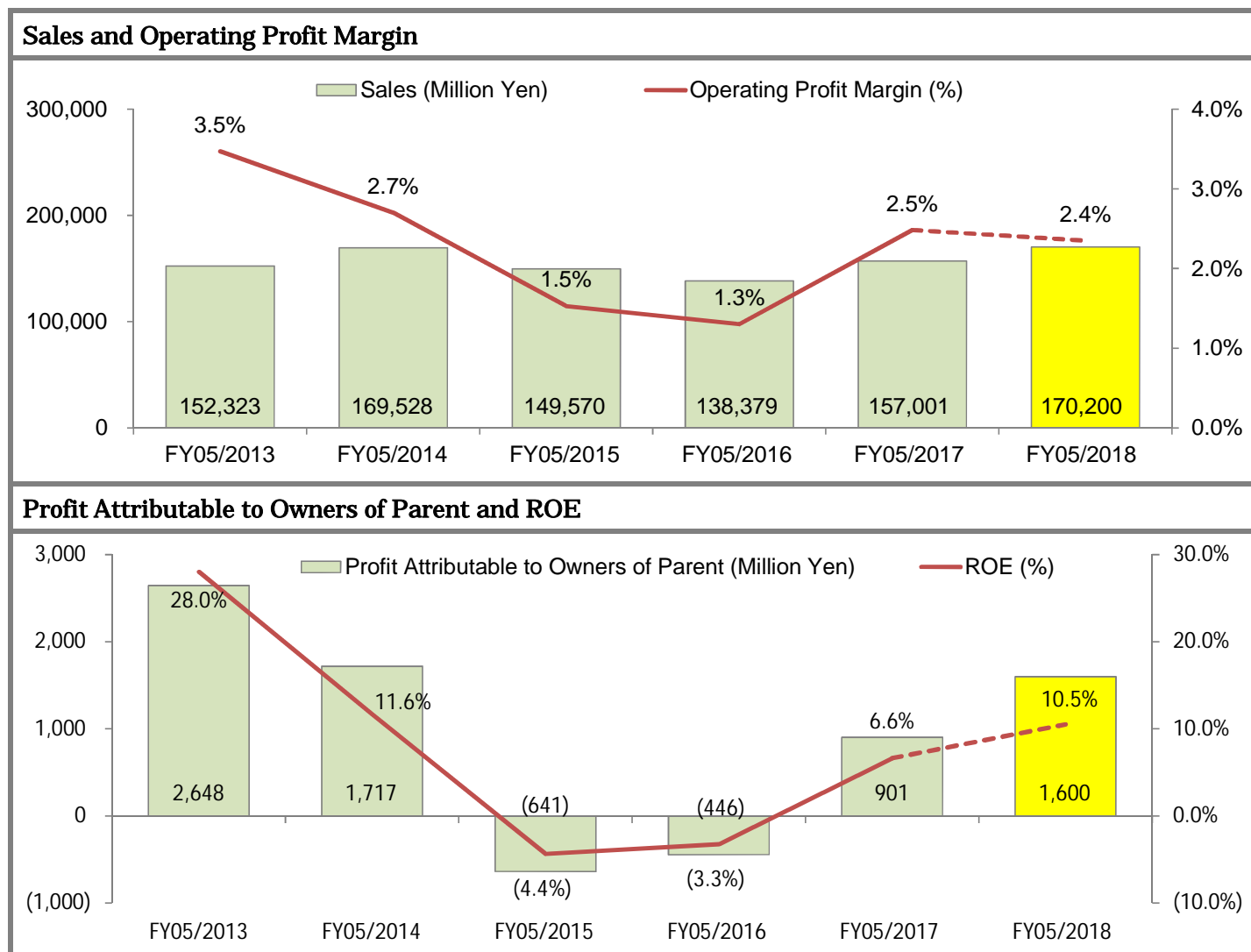
## Cash Flow Statement (Cumulative)

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 05/2017	Q1 to Q2 05/2017	Q1 to Q3 05/2017	Q1 to Q4 05/2017	Q1 05/2018	Q1 to Q2 05/2018	Q1 to Q3 05/2018	Q1 to Q4 05/2018		
Operating Cash Flow	-	(327)	-	(1,100)	-	2,047	-	-	+2,374	
Investing Cash Flow	-	(197)	-	(555)	-	(863)	-	-	(666)	
<b>Operating CF &amp; Investing CF</b>	-	<b>(524)</b>	-	<b>(1,655)</b>	-	<b>1,184</b>	-	-	<b>+1,708</b>	
Financing Cash Flow	-	(1,745)	-	1,750	-	(2,610)	-	-	(865)	

Source: Company Data, WRJ Calculation

### FY05/2018 Company Forecasts

FY05/2018 initial Company forecasts have remained unchanged, 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 2.4% (down 0.1% point). Meanwhile, Company forecasts are going for prospective annual dividend of ¥26.0 per share, implying payout ratio of 48.8%. When compared with ¥15.0 per share in FY05/2017, implying payout ratio of 50.0%, the Company is to increase dividend a lot.



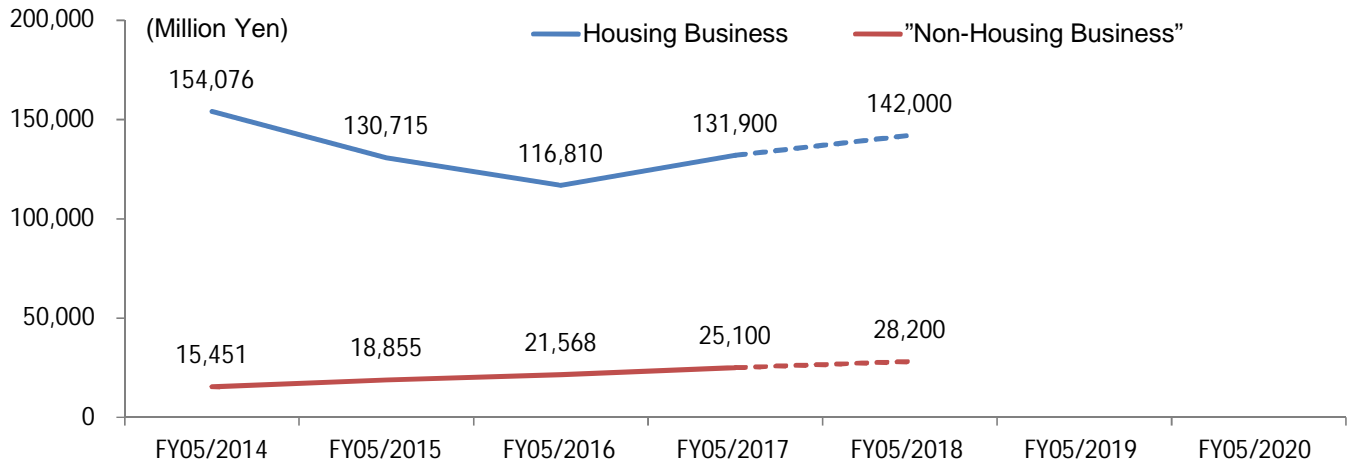
Source: Company Data, WRJ Calculation

As far as initial Company forecasts are concerned, operating profit and recurring profit are to fail to see major increases over the previous year, while profit attributable to owners of parent is to surge due to normalization of extraordinary balance, etc. The Company, heavily involved with operations as building contractor of low-priced but high-quality order house, always pursues efficiency associated with construction as well as with sales-oriented promotions at the same time. Due to the latter, the Company consistently suffers from impairment loss stemming from measures to cope with obsolescence and consolidation in regards to collective 238 exhibition halls based in all the 47 prefectures across Japan. Meanwhile, in FY05/2018 over FY05/2017, given impairment loss on the “Non-Housing Business” side stemming from suspension of loss-making operations not reappearing, profit attributable to owners of parent is to surge and thus ROE to 10.5% from 6.4%, according to the Company.

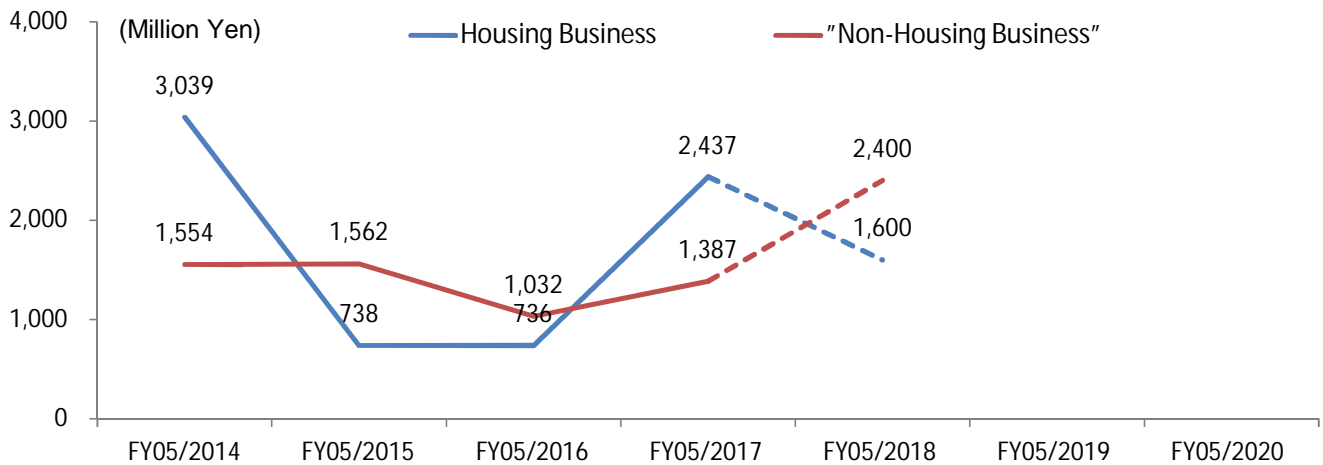
### Long-Term Prospects

At the moment, the Company is in the middle of formulating new midterm management plan to start in FY05/2019. Meanwhile, the current management strategy suggested is to gain the number one position across all the regions in regards to operations as building contractor of low-priced but high-quality order house in Japan, as mentioned earlier. Another strategy suggested is to thoroughly focus all the own resources on business domains associated with the mainstay Housing Business.

#### Sales of Housing Business and "Non-Housing Business"



#### Operating Profit of Housing Business and "Non-Housing Business"

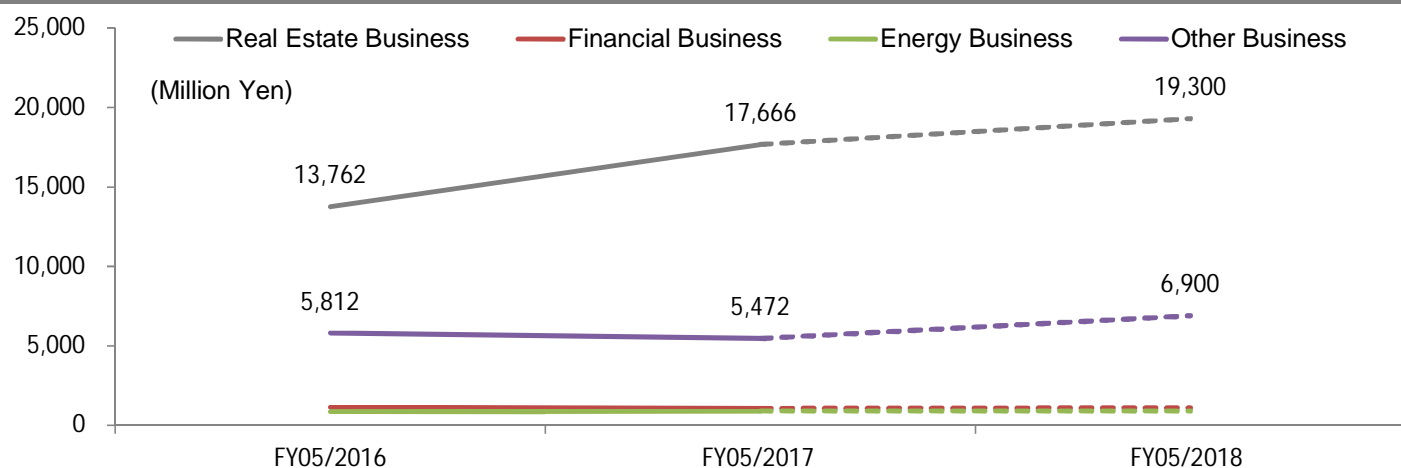


Source: Company Data, WRJ Calculation

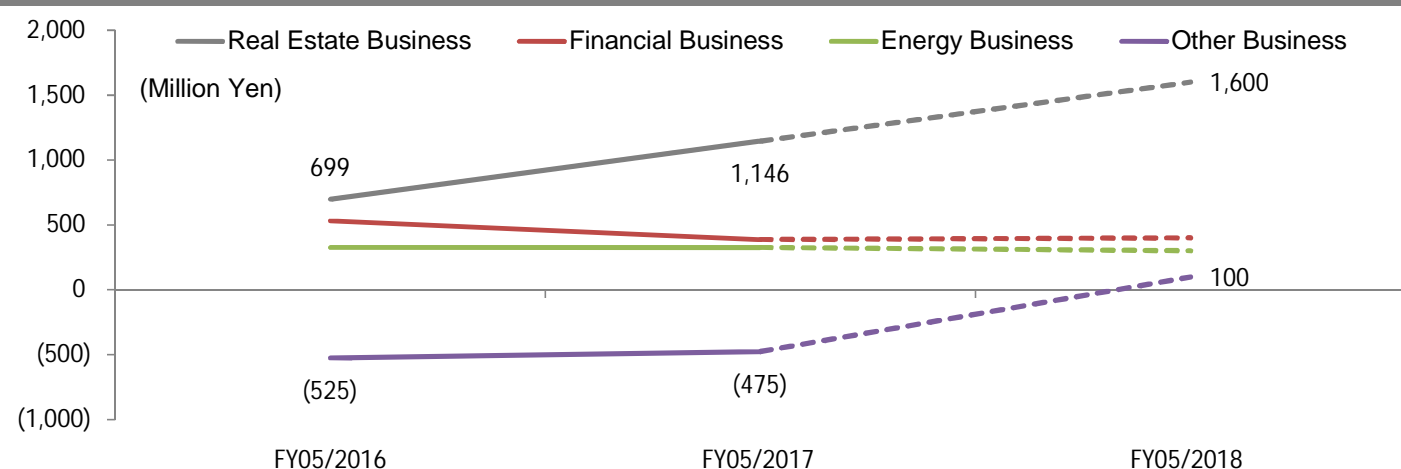
Real Estate Business, accounting for the largest sales out of "Non-Housing Business" as a whole, is to see ongoing increases of sales and earnings. More than half of sales here are of house built for sale, where the Company is able to efficiently take advantage of accumulated knowhow, etc. acquired from operations as building contractor of low-priced but high-quality order house. In FY05/2018, the Company is to see increasing sales of house built for sale high-priced and thus carrying high gross margin in metropolitan areas, improving sales mix of this business.

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 FY05/2018, the Company is looking to new office buildings upcoming for its subleasing operations, driving earnings on the Real Estate Business side most significantly second only to above-mentioned house built for sale.

### Sales of "Non-Housing Business"



### Operating Profit of "Non-Housing Business"



Source: Company Data, WRJ Calculation

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 refer to services mainly for purchasers of the Company's order house, comprising those as agency for fire insurance, life insurance etc., of bridging loans and of reinsurance, while photovoltaic power generation for operations of Energy Business.

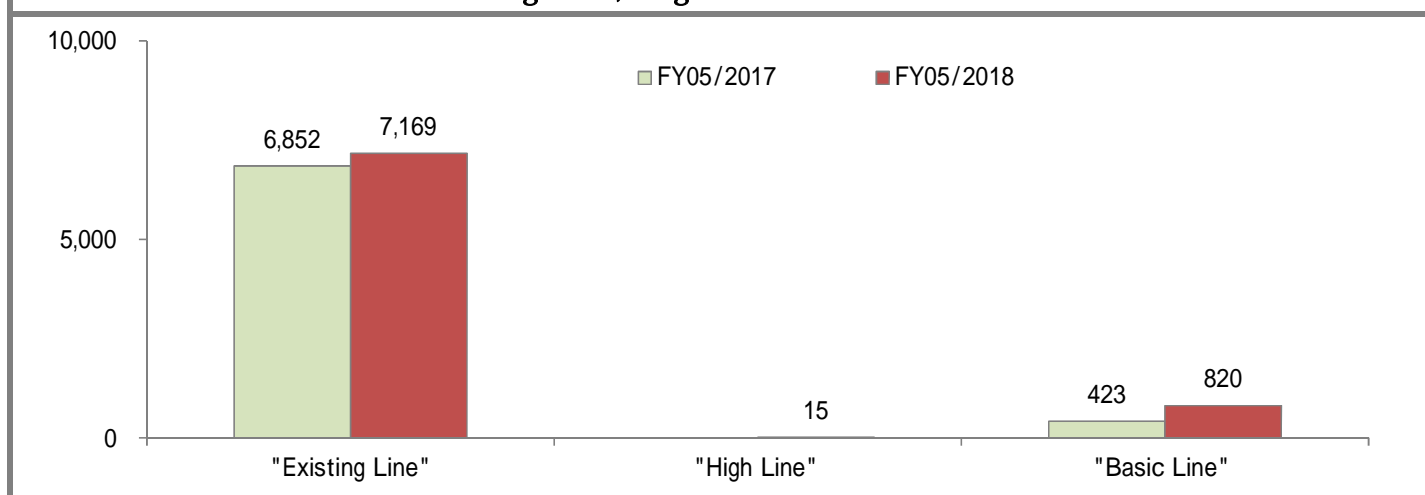
Meanwhile, the Company is to see a turnaround into profit in FY05/2018 over FY05/2017 in regards to Other Business. Some 80% of sales here are of furniture and interior goods mainly for purchasers of the Company's order house. At the same time, the Company is also involved with operations of running hotel here, well taking advantage of own idle land. On top of existing one in Haneda, the Company is starting operations of hotel in Osaka and Fukuoka, suggesting favorable performance for this business. Still, the key driver for the turnaround in Other Business comes from the Company's measures to suspend loss-making operations to have started in line with the past management strategy to diversify business domains. As mentioned earlier, the Company saw impairment loss on all those loss-making operations in FY05/2017, having had resulted in negative heritage write-offs.

## 4.0 Business Model

### Providing Low-priced but High-quality Order House

Since the setup on 3 June 1998, the Company has been providing general consumers with low-priced but high-quality order house by means of own operations as building contractor, while accumulated volume of order house to have been delivered exceeded 100,000 in November 2016. Meanwhile, sales volume in FY05/2017 came in at 7,275 (up 13.1% YoY, 2,914 in H1 and 4,361 in H2), having comprised 6,582 of conventional “Existing Line” and 423 of “Basic Line” to have taken off on a full-fledged basis in FY05/2017. More importantly, the Company launched “order house designed specifically for the region” as a part of conventional “Existing Line” in H2. Meanwhile, the number of prefectures for the Company to have had started up sales-oriented promotions for “order house designed specifically for the region” stood at no less than 37 as of the end of December 2017.

Sales Volume of Order House: “Existing Line”, “High Line” and “Basic Line”



Source: Company Data, WRJ Calculation

Average unit selling prices came in at ¥17.4m (down 2.4%) in FY05/2017. As suggested by the absolute level of the average unit selling prices, the Company is heavily involved with low-priced order house, while it is a distinguished feature that its order house still offers high quality at the same time. As far as we could see, the Company does materialize own corporate motto of “mastery for services to society by means of providing the highest quality products at the lowest prices”. The Company mentions that this is achievable with its strengths on efficient sales-oriented promotions and on efficient construction skills to build order house.

Taking advantage of the strengths, the Company launched “Basic Line”, representing limited-edition order house priced even lower than conventional “Existing Line” and average unit selling prices as a whole marginally came down in line with its takeoff on a full-fledged basis. For example, average unit selling prices are ¥12.0m for *Shifukunoie* order house versus ¥18.0m for *Daianshinnoie*, belonging to “Existing Line”. In regards to “order house designed specifically for the region” to comprise a part of “Existing Line”, average unit selling prices are ¥16.0m. Meanwhile, all those average unit selling prices are of rounded figures but for above-mentioned average unit selling prices of ¥17.4m (down 2.4%) as a whole, while unit selling prices of each order house could differ more than a certain extent in reality.

On the other hand, in FY05/2018, the Company is launching “High Line”, i.e., high-priced order house with some specific features in niche domains, but sales and earnings from here will remain insignificant for the time being. 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-oriented promotions in suburban areas rather than in metropolitan areas. When compared to equivalents of the major 8 contractors of order house represented by Daiwa House Industry, Sekisui House, etc. (average unit selling prices: ¥40m to ¥50m), it has rather lower average unit selling prices (¥30.0m to ¥40.0m) and thus the Company hardly competes with them head-on, as far as we could gather.

“Order House Designed Specifically for the Region”: External Appearance



“High Line” (KURA NINE): External Appearance and Interiors



“Basic Line”

**2~3LDK**  
間口 5.46m 奥行 6.37m

プラン番号S-003

延床面積 (21.04坪)  
**69.56m<sup>2</sup>**

- ◆1F床面積: 34.78m<sup>2</sup> (10.52坪)
- ◆2F床面積: 34.78m<sup>2</sup> (10.52坪)
- ◆建築面積: 34.78m<sup>2</sup> (10.52坪)

間仕切り壁の“有無”を設定できます。

水まわりはLIXIL製、対面式キッチンで会話もはずみます。

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複層ガラスを標準装備。

※2階トイレ対応プランもあります。

**Disclaimer**

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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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