

# Quarterly Report

## Consolidated Financial Results in Q3 of FY2016

3rd Quarter aggregated : 9 months ended February 28, 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.

## Contents

1. Consolidated Financial Highlights .....	2
3rd Quarter aggregated : 9 months ended February 28, 2017	
2. Consolidated Financial Statements	
(1) Consolidated Statement of Financial Position .....	3
(2) Consolidated Statement of Comprehensive Income .....	5
(3) Segment Information .....	6

# 1. Consolidated Financial Highlights

## (1) Revenue and Profit

(Millions of Yen)

	Consolidated cumulative Second quarter			
	February 28, 2016 (3Q)	February 28, 2017 (3Q)	Variance	
			Amount	(%)
Net sales	87,000	98,762	11,762	13.5
Operating income	△ 3,332	△ 1,328	—	—
Operating margin	—	—	—	—
Ordinary income	△ 3,952	△ 1,639	—	—
Ordinary margin	—	—	—	—
Income (loss) before income taxes and minority interests	△ 4,160	△ 1,794	—	—
Income rate before income taxes and minority interests	—	—	—	—
Income (loss) attributable to owners of parent	△ 3,341	△ 1,851	—	—
Income rate attributable to owners of parent	—	—	—	—
Net income (loss) per share(Yen)	△ 111.18	△ 61.59	—	—
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			
	February 28, 2016 (3Q)	February 28, 2017 (3Q)	Variance	
			Amount	(%)
Total assets	83,866	94,789	10,923	13.0
Net assets	13,531	11,306	△ 2,225	△ 16.4
Equity ratio	15.9%	11.8%	—	—
Total equity per share of common stock	442.96	370.84	△ 72.1	△ 16.3

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

	For the year ended/ending			
	May 31, 2016	May 31, 2017	Variance	
			Amount	(%)
Net sales	138,379	158,800	20,420	14.8
Total accumulated other comprehensive income (loss)	1,803	3,200	1,396	77.4
Ordinary income	1,016	2,400	1,383	136.1
Net income (loss)	△ 446	500	946	—
Income (loss) per share of common stock (Yen)	△ 14.84	16.64	31.48	—
Cash dividends per share of common stock applicable to the year	10.0	15.0	5.0	—
Interim dividend(Yen)	0	0.0	0	—
Year-end dividend(Yen)	10.0	15.0	5.0	—
Annual dividend(Yen)	10.0	15.0	5.0	—

## 2. Consolidated Financial Statements

### (1) Consolidated Statement of Financial Position

(Millions of Yen)

	The end of period		The end of the 3rd quarter		Variance		The end of the 3rd quarter	
	May 31, 2016		February28, 2017				February28,2016	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
<b>Assets</b>								
<b>Current assets</b>								
Cash and deposits	26,566		27,611		1,045		19,842	
Notes receivable, accounts receivable from completed construction	1,466		1,101		△ 365		613	
Operating loans	2,142		4,915		2,772		3,989	
Real estate for sale	3,825		5,851		2,025		5,744	
Cost on uncompleted construction contracts	5,397		12,740		7,343		11,077	
Real estate for sale in process	9,377		8,584		△ 792		10,664	
Other inventories	453		520		67		453	
Deferred tax assets	780		1,031		251		2,229	
Other	2,643		2,239		△ 404		3,022	
Allowance for doubtful accounts	△ 12		△ 12		△ 0		△ 12	
Total current assets	52,640	62.8	64,584	68.1	11,943	22.7	57,625	64.8
<b>Noncurrent assets</b>								
Property, plant and equipment	25,432		24,439		△ 993		25,272	
Intangible assets	418		382		△ 36		446	
Investments and other assets	5,373		5,383		9		5,560	
Total noncurrent assets	31,225	37.2	30,204	31.9	△ 1,020	△ 3.3	31,280	35.2
<b>Total assets</b>	83,866	100.0	94,789	100.0	10,922	13.0	88,905	100.0

(Millions of Yen)

	The end of period		The end of the 3rd quarter		Variance		The end of the 3rd quarter	
	May 31, 2016		February 28, 2017				February 28, 2016	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
<b>Liabilities</b>								
<b>Current liabilities</b>								
Notes payable, accounts payable for construction contracts and other	19,149		15,746		△ 3,402		17,035	
Short-term loans payable	6,398		9,492		3,093		8,319	
Current portion of bonds	200		200		—		200	
Current portion of long-term loans payable	6,479		5,842		△ 636		5,922	
Income taxes payable	541		195		△ 345		128	
Advances received on uncompleted construction contracts	12,649		24,778		12,128		21,160	
Provision for warranties for completed construction	1,061		1,126		65		1,244	
Provision for bonuses	245		495		249		615	
Other	5,186		3,816		△ 1,370		3,918	
<b>Total current liabilities</b>	<b>51,912</b>	<b>61.9</b>	<b>61,694</b>	<b>65.1</b>	<b>9,782</b>	<b>18.8</b>	<b>58,545</b>	<b>65.9</b>
<b>Long-term liabilities</b>								
Bonds payable	300		200		△ 100		400	
Long-term loans payable	15,546		18,778		3,231		16,583	
Deferred tax liabilities	—		2		2		—	
Asset retirement obligations	1,287		1,556		269		1,294	
Other	1,288		1,250		△ 37		1,057	
<b>Total long-term liabilities</b>	<b>18,422</b>	<b>22.0</b>	<b>21,787</b>	<b>23.0</b>	<b>3,365</b>	<b>18.3</b>	<b>19,335</b>	<b>21.7</b>
<b>Total liabilities</b>	<b>70,334</b>	<b>83.9</b>	<b>83,482</b>	<b>88.1</b>	<b>13,147</b>	<b>18.7</b>	<b>77,880</b>	<b>87.6</b>
<b>Net assets</b>								
<b>Shareholders' equity</b>								
Capital stock	4,310		4,310		—		4,310	
Capital surplus	4,361		4,362		0		4,361	
Retained earnings	4,296		2,145		△ 2,151		1,401	
<b>Total shareholders' equity</b>	<b>12,968</b>	<b>15.4</b>	<b>10,817</b>	<b>11.4</b>	<b>△ 2,151</b>	<b>△ 16.6</b>	<b>10,073</b>	<b>11.3</b>
<b>Accumulated other comprehensive income(loss)</b>								
Unrealized gain(loss) on available-for-sale securities	6		9		3		△ 9	
Deferred gain(loss) on derivatives under hedge accounting	△ 7		△ 1		6		△ 9	
Foreign currency translation adjustments	345		319		△ 26		571	
<b>Total accumulated other comprehensive income (loss)</b>	<b>344</b>	<b>0.4</b>	<b>328</b>	<b>0.3</b>	<b>△ 16</b>	<b>△ 4.7</b>	<b>552</b>	<b>0.6</b>
<b>Non-controlling interests</b>	217	0.3	160	0.2	△ 56	△ 26.3	399	0.5
<b>Total net assets</b>	<b>13,531</b>	<b>16.1</b>	<b>11,306</b>	<b>11.9</b>	<b>△ 2,224</b>	<b>△ 16.4</b>	<b>11,024</b>	<b>12.4</b>
<b>Total liabilities and net assets</b>	<b>83,866</b>	<b>100.0</b>	<b>94,789</b>	<b>100.0</b>	<b>10,922</b>	<b>13.0</b>	<b>88,905</b>	<b>100.0</b>

(2) Consolidated Statement of Comprehensive Income

(Millions of Yen)

	Consolidated cumulative quarter				Variance		For the year ended	
	February28, ,2016(3Q)		February28, 2017(3Q)				May 31, 2016	
	Amount	(%)	Amount	(%)	Amount	(%)	Amount	(%)
Net sales	87,000	100.0	98,762	100.0	11,762	13.5	138,379	100.0
Cost of sales	64,792	74.5	73,377	74.3	8,584	13.3	102,776	74.3
Gross profit	22,207	25.5	25,385	25.7	3,177	14.3	35,602	25.7
Selling, general and administrative expenses	25,539	29.4	26,713	27.0	1,173	4.6	33,799	24.4
Operating income(loss)	△ 3,332	—	△ 1,328	—	2,003	—	1,803	1.3
Other income								
Interest income	66		59		△ 7		69	
Dividends income	1		0		△ 1		2	
Foreign exchange gains	—		134		134		—	
Penalty income	44		53		8		59	
Consumption tax difference	—		—		—		43	
Other	160		102		△ 58		158	
Total other income	273	0.3	349	0.4	75	27.8	333	0.2
Other expenses								
Interest expenses	267		285		17		375	
Commission for syndicate loan	127		153		26		127	
Arrangement fees	66		36		△ 30		66	
Foreign exchange losses	230		—		△ 230		267	
Other	203		186		△ 17		284	
Total other expenses	894	1.0	660	0.7	△ 233	△ 26.2	1,120	0.8
Ordinary income(loss)	△ 3,952	—	△ 1,639	—	2,313	—	1,016	0.7
Extraordinary income								
Gain on sales of noncurrent assets	28		17		△ 11		28	
Total extraordinary income	28	—	17	—	△ 11	—	28	0.0
Extraordinary loss								
Loss from sale of fixed assets	—		30		30		—	
Loss on retirement of noncurrent assets	176		82		△ 93		179	
Loss on valuation of investment securities	—		—		—		16	
Loss on cancellation of lease contracts	12		9		△ 3		12	
Impairment loss	47		43		△ 3		233	
Lease contract cancellation of a contract loss	—		6		6		—	
Total extraordinary loss	236	0.3	172	0.2	△ 63	△ 27.1	443	0.3
Income (loss) before income taxes	△ 4,160	—	△ 1,794	—	2,366	—	602	0.4
Income taxes—current	260		284		23		626	
Income taxes—deferred	△ 1,078		△ 225		853		368	
Total income taxes	△ 818	—	58	0.1	877	—	994	0.7
Net income (loss) attributable to non-controlling interests	△ 0	—	△ 2	—	△ 1	—	53	0.0
Net income (loss) attributable to owners of parent	△ 3,341	—	△ 1,851	—	1,490	—	△ 446	—

### (3) Segment Information

#### <Overview of major products and services of reportable segments>

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

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

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

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

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

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

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

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

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

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 third quarter : February28, 2016								
	Segment					Other	Total	Adjustments	All operations
	Housing	Real estate	Financial	Energy	Sub total				
Revenue									
Revenue from external customers	73,679	8,833	891	601	84,005	2,995	87,000	—	87,000
Inter-segment	130	—	—	—	130	4,895	5,026	△ 5,026	—
Total	73,810	8,833	891	601	84,136	7,890	92,026	△ 5,026	87,000
Segment profit before tax	△ 3,688	306	398	213	△ 2,770	△ 568	△ 3,338	6	△ 3,332
Segment profit before tax ratio	—	3.5%	44.7%	35.4%	—	—	—	—	—

	Consolidated cumulative third quarter : February28, 2017								
	Segment					Other	Total	Adjustments	All operations
	Housing	Real estate	Financial	Energy	Sub total				
Revenue									
Revenue from external customers	83,040	10,648	720	631	95,039	3,722	98,762	—	98,762
Inter-segment	149	98	—	—	248	5,078	5,327	△ 5,327	—
Total	83,190	10,746	720	631	95,288	8,801	104,089	△ 5,327	98,762
Segment profit before tax	△ 1,900	525	216	219	△ 939	△ 413	△ 1,352	24	△ 1,328
Segment profit before tax ratio	—	4.8%	30.0%	34.7%	—	—	—	—	—

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	9,361	1,815	△ 171	30	11,034	727	11,762	—	11,762
Inter-segment	19	98	—	—	118	183	301	△ 301	—
Total	9,380	1,913	△ 171	30	11,152	911	12,063	△ 301	11,762
Segment profit or loss	1,788	219	△ 182	6	1,831	155	1,986	18	2,004
Variance of segment profit before tax ratio	—	1.3%	-14.7%	-0.7%	—	—	—	—	—

## 2. Revenue from major products and services

(Millions of Yen)

	Consolidated cumulative quarter				Variance	For the year ended		
	February28, 2016(3Q)		February28, 2017(3Q)			May. 31, 2016		
	Amount	(%)	Amount	(%)		Amount	(%)	
Revenue from all operations								
Housing	73,810	84.8	83,190	84.2	9,379	12.7	117,005	84.6
Custom-built homes	72,555		79,098		6,543		114,484	
Rental homes	34		—		△ 34		34	
Home renovation	378		3,279		2,900		1,376	
Other	841		812		△ 29		1,109	
non housing	18,216	20.9	20,899	21.2	2,683	14.7	27,759	20.1
Real estate	8,833		10,746		1,913		13,789	
Financial	891		720		△ 171		1,143	
Energy	601		631		30		850	
Other	7,890		8,801		910		11,976	
Adjustments	△ 5,026	△ 5.8	△ 5,327	—	△ 300	—	△ 6,385	—
Total revenue from all operations	87,000	100.0	98,762	100.0	11,762	13.5	138,379	100.0