

# Annual Report

## Consolidated Financial Results in FY2016

12 months ended May 31, 2017

### TAMA HOME CO.,LTD.

This report is provided solely for the information of professional analysts who are expected to make their own evaluation of the company. This report contains forward-looking statements that are based on management's assumptions and beliefs in light of the information currently available to it and therefore you should not place undue reliance on them.

These forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to differ materially from that anticipated in these statements. These factors include changes in economic conditions, trends in our major markets, currency exchange rates, etc.

We accept no liability whatsoever for any direct or consequential loss arising from any use of this report.

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# 1. Consolidated Financial Highlights

## <Revenue and Profit>

(Millions of Yen)

	Full business year			
	prophase	current term	Variance	
			Amount	(%)
Net sales	138,379	157,001	18,622	13.5
Operating income	1,803	3,901	2,097	116.4
Operating margin	1.3%	2.5%	1.2%	90.7
Ordinary income	1,016	3,475	2,459	242.0
Ordinary margin	0.7%	2.2%	1.5%	201.5
Income (loss) before income taxes and minority interests	602	2,570	1,968	326.9
Income rate before income taxes and minority interests	0.4%	1.6%	1.2%	276.3
Income (loss) attributable to owners of parent	△ 446	901	1,347	—
Income rate attributable to owners of parent	—	—	—	—
Net income (loss) per share(Yen)	△ 14.84	30.00	44.84	—
Diluted net income per share	—	—	—	—
Return on equity	—	—	—	—
Ordinary income to total assets ratio	△3.3%	6.6%	—	—
Operating income to sales	1.2%	4.2%	3.0%	—

## <Financial Position>

	term end			
	prophase	Our term end	Variance	
			Amount	(%)
Total assets	83,866	83,350	△ 486	△ 0.6
Net assets	13,531	14,088	628	4.1
Equity ratio	15.9%	16.7%	0.8%	5.0
Total equity per share of common stock	442.96	463.12	20.16	4.6

## <Conditions of Cash Flows>

	Full business year			
	prophase	current term	Variance	
			Amount	(%)
Net cash provided by (used in)operating activities	36	△ 1,100	△ 1,137	
Net cash provided by (used in)investing activities	△ 2,220	△ 555	1,665	
Net cash provided by (used in)financing activities	1,681	1,750	68	
Cash and cash equivalents at end of period	26,566	26,706	139	

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

	Full business year			
	This term results	Next term expectation	Variance	
			Amount	(%)
Net sales	157,001	170,200	13,199	8.4
Total accumulated other comprehensive income (loss)	3,901	4,000	99	2.5
Ordinary income	3,475	3,600	125	3.6
Net income (loss)	901	1,600	699	77.6
Income (loss) per share of common stock (Yen)	30.00	53.23	23.23	77.4
Cash dividends per share of common stock applicable to the year	15.0	26.0	11.0	73.3
Interim dividend(Yen)	0.0	0.0	0.0	—
Year-end dividend(Yen)	15.0	26.0	11.0	—
Annual dividend(Yen)	15.0	26.0	11.0	—

## 2. Consolidated Financial Statements

### (1) Consolidated Statement of Financial Position

(Millions of Yen)

	The end of period		The end of period		Variance	
	May 31, 2016		May 31, 2017			
	Amount	(%)	Amount	(%)	Amount	(%)
<b>Assets</b>						
<b>Current assets</b>						
Cash and deposits	26,566		26,706		139	
Notes receivable, accounts receivable from completed construction	1,466		1,517		51	
Operating loans	2,142		2,971		828	
Real estate for sale	3,825		4,682		857	
Cost on uncompleted construction contracts	5,397		5,905		508	
Real estate for sale in process	9,377		9,055		△ 321	
Other inventories	453		441		△ 12	
Deferred tax assets	780		1,105		325	
Other	2,643		1,657		△ 985	
Allowance for doubtful accounts	△ 12		△ 6		5	
Total current assets	52,640	62.8	54,037	64.8	1,396	2.7
<b>Noncurrent assets</b>						
Property, plant and equipment	25,432		23,705		△ 1,727	
Intangible assets	418		232		△ 185	
Investments and other assets	5,373		5,375		1	
Total noncurrent assets	31,225	37.1	29,313	35.1	△ 1,912	△ 6.1
<b>Total assets</b>	83,866	100.0	83,350	100.0	△ 515	△ 0.6

(Millions of Yen)

	The end of period		The end of period		Variance	
	May 31, 2016		May 31, 2017			
	Amount	(%)	Amount	(%)	Amount	(%)
<b>Liabilities</b>						
<b>Current liabilities</b>						
Notes payable, accounts payable for construction contracts and other	19,149		12,174		△ 6,975	
Short-term loans payable	6,398		7,309		911	
Current portion of bonds	200		200		—	
Current portion of long-term loans payable	6,479		4,999		△ 1,480	
Income taxes payable	541		1,972		1,431	
Advances received on uncompleted construction contracts	12,649		13,921		1,271	
Provision for warranties for completed construction	1,061		1,065		3	
Provision for bonuses	245		246		0	
Other	5,186		5,735		549	
<b>Total current liabilities</b>	<b>51,912</b>	<b>61.9</b>	<b>47,625</b>	<b>57.1</b>	<b>△ 4,287</b>	<b>△ 8.3</b>
<b>Long-term liabilities</b>						
Bonds payable	300		100		△ 200	
Long-term loans payable	15,546		18,709		3,163	
Asset retirement obligations	1,287		1,547		260	
Other	1,288		1,279		△ 9	
<b>Total long-term liabilities</b>	<b>18,422</b>	<b>22.0</b>	<b>21,636</b>	<b>26.0</b>	<b>3,214</b>	<b>17.4</b>
<b>Total liabilities</b>	<b>70,334</b>	<b>83.9</b>	<b>69,261</b>	<b>83.1</b>	<b>△ 1,073</b>	<b>△ 1.5</b>
<b>Net assets</b>						
<b>Shareholders' equity</b>						
Capital stock	4,310		4,310		—	
Capital surplus	4,361		4,362		0	
Retained earnings	4,296		4,898		601	
<b>Total shareholders' equity</b>	<b>12,968</b>	<b>15.5</b>	<b>13,570</b>	<b>16.3</b>	<b>601</b>	<b>4.6</b>
<b>Accumulated other comprehensive income(loss)</b>						
Unrealized gain(loss) on available-for-sale securities	6		11		4	
Deferred gain(loss) on derivatives under hedge accounting	△ 7		△ 1		6	
Foreign currency translation adjustments	345		338		△ 7	
<b>Total accumulated other comprehensive income (loss)</b>	<b>344</b>	<b>0.4</b>	<b>348</b>	<b>0.4</b>	<b>4</b>	<b>1.2</b>
<b>Non-controlling interests</b>	217	0.3	168	0.2	△ 48	△ 22.6
<b>Total net assets</b>	<b>13,531</b>	<b>16.1</b>	<b>14,088</b>	<b>16.9</b>	<b>557</b>	<b>4.1</b>
<b>Total liabilities and net assets</b>	<b>83,866</b>	<b>100.0</b>	<b>83,350</b>	<b>100.0</b>	<b>△ 515</b>	<b>△ 0.6</b>

(2)Consolidated Statement of Comprehensive Income

(Millions of Yen)

	For the year ended				Variance	
	May 31, 2016		May 31, 2017		Amount	(%)
	Amount	(%)	Amount	(%)		
Net sales	138,379	100.0	157,001	100.0	18,622	13.5
Cost of sales	102,776	74.3	117,036	74.5	14,260	13.9
Gross profit	35,602	25.7	39,964	25.5	4,361	12.2
Selling, general and administrative expenses	33,799	24.4	36,063	23.0	2,263	6.7
Operating income(loss)	1,803	1.3	3,901	2.5	2,097	116.3
Other income						
Interest income	69		62		△ 6	
Dividends income	2		0		△ 1	
Foreign exchange gains	—		73		73	
Penalty income	59		71		12	
Consumption tax difference	43		—		△ 43	
Other	158		229		71	
Total other income	333	0.2	437	0.3	104	31.4
Other expenses						
Interest expenses	375		380		5	
Commission for syndicate loan	127		153		26	
Arrangement fees	66		36		△ 30	
Foreign exchange losses	267		—		△ 267	
Other	284		293		9	
Total other expenses	1,120	0.8	863	0.6	△ 256	△ 22.9
Ordinary income(loss)	1,016	0.7	3,475	2.2	2,459	242.0
Extraordinary income						
Gain on sales of noncurrent assets	28		17		△ 11	
Total extraordinary income	28	0.0	17	0.0	△ 11	△ 39.1
Extraordinary loss						
Loss from sale of fixed assets	—		33		33	
Loss on retirement of noncurrent assets	179		189		9	
Loss on valuation of investment securities	16		—		△ 16	
Loss on cancellation of lease contracts	12		9		△ 3	
Impairment loss	233		564		331	
Lease contract cancellation of a contract loss	—		6		6	
Money paid to settle out of court	—		119		119	
Total extraordinary loss	443	0.3	922	0.6	479	108.2
Income (loss) before income taxes	602	0.4	2,570	1.6	1,968	327.0
Income taxes—current	626		2,005		1,378	
Income taxes—deferred	368		△ 333		△ 702	
Total income taxes	994	0.7	1,671	1.1	676	68.1
Net income (loss) attributable to non-controlling interests	53	0.0	△ 2	0.0	△ 55	△ 104.3
Net income (loss) attributable to owners of parent	△ 446	△ 0.3	901	0.5	1,347	△ 302.0

(3)Consolidated Statement of Cash Flows

(Millions of Yen)

	For the year ended		Variance
	May 31, 2016	May 31, 2017	
	Amount	Amount	Amount
<b>Operating activities</b>			
Income before income taxes and minority interests	602	2,570	1,968
Depreciation and amortization	2,059	2,209	149
Impairment loss	233	564	331
Lease contract cancellation of a contract loss	—	6	6
Amortization of goodwill	23	23	—
Increase (decrease) in allowance for doubtful accounts	29	△ 10	△ 40
Interest and dividends income	△ 71	△ 63	8
Interest expenses	375	380	5
Decrease (increase) in trade accounts receivable	△ 316	△ 870	△ 553
Decrease (increase) in inventories	1,340	△ 1,032	△ 2,372
Increase (decrease) in trade accounts payable	△ 2,657	△ 6,975	△ 4,317
Loss on retirement of noncurrent assets	179	189	9
Loss on cancellation of lease contracts	12	9	△ 3
Increase (decrease) in provision for warranties for completed constructions	△ 79	3	82
Increase (decrease) in advances received on uncompleted construction contract	261	1,271	1,010
Other	△ 211	1,596	1,807
<b>Sub total</b>	<b>1,781</b>	<b>△ 126</b>	<b>△ 1,907</b>
Interest and dividends received	71	63	△ 8
Interest expenses paid	△ 385	△ 364	20
Income taxes—paid	△ 1,424	△ 672	751
Payments for loss on cancellation of lease contracts	△ 12	△ 9	3
Other	6	8	1
<b>Net cash provided by (used in) operating activities</b>	<b>36</b>	<b>△ 1,100</b>	<b>△ 1,137</b>
<b>Investing activities</b>			
Purchase of property, plant and equipment	△ 2,132	△ 896	1,235
Proceeds from sales of property, plant and equipment	115	281	166
Purchase of investment securities	△ 85	△ 270	△ 184
Proceeds from sales of investment securities	20	20	0
Payments of loans receivable	△ 19	△ 2	16
Collection of loans receivable	43	495	452
Other	△ 161	△ 182	△ 21
<b>Net cash provided by (used in) investing activities</b>	<b>△ 2,220</b>	<b>△ 555</b>	<b>1,665</b>
<b>Financing activities</b>			
Increase (decrease) in short-term loans payable	△ 872	911	1,784
Proceeds from long-term loans payable	8,002	10,033	2,031
Repayment of long-term loans payable	△ 4,464	△ 8,350	△ 3,886
Redemption of bonds	△ 200	△ 200	—
Dividends paid	△ 300	△ 299	0
Proceeds from non-controlling interests for additional shares	141	31	△ 110
Cash dividends paid to non-controlling interests	△ 209	△ 78	131
Repayments of installment payables	△ 61	△ 58	3
Other	△ 353	△ 238	115
<b>Net cash provided by (used in) financing activities</b>	<b>1,681</b>	<b>1,750</b>	<b>68</b>
Effect of exchange rate change on cash and cash equivalents	△ 50	45	96
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>△ 552</b>	<b>139</b>	<b>692</b>
Cash and cash equivalents, at the beginning of the term	27,119	26,566	△ 552
Cash and cash equivalents, at the end of the term	26,566	26,706	139

#### (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)

	For the year ended : May 31, 2016								
	Segment					Other	Total	Adjustments	All operations
	Housing	Real estate	Financial	Energy	Sub total				
Revenue									
Revenue from external customers	116,810	13,762	1,143	850	132,566	5,812	138,379	—	138,379
Inter-segment	194	27	—	—	221	6,163	6,385	△ 6,385	—
Total	117,005	13,789	1,143	850	132,788	11,976	144,764	△ 6,385	138,379
Segment profit before tax	736	699	532	326	2,294	△ 525	1,768	34	1,803
Segment profit before tax ratio	0.6%	5.1%	46.5%	38.4%	1.7%	—	1.2%	—	1.3%

	For the year ended : May 31, 2017								
	Segment					Other	Total	Adjustments	All operations
	Housing	Real estate	Financial	Energy	Sub total				
Revenue									
Revenue from external customers	131,900	17,666	1,060	901	151,528	5,472	157,001	—	157,001
Inter-segment	225	131	—	—	357	6,765	7,122	△ 7,122	—
Total	132,126	17,797	1,060	901	151,885	12,237	164,123	△ 7,122	157,001
Segment profit before tax	2,437	1,146	387	328	4,300	△ 475	3,824	76	3,901
Segment profit before tax ratio	1.8%	6.5%	36.5%	36.4%	2.8%	—	2.4%	—	2.5%

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	15,090	3,903	△ 83	50	18,961	△ 340	18,622	—	18,622
Inter-segment	31	104	—	—	136	601	737	△ 737	—
Total	15,121	4,008	△ 83	50	19,097	261	19,359	△ 737	18,622
Segment profit or loss	1,700	447	△ 145	2	2,005	50	2,055	42	2,097
Variance of segment profit before tax ratio	1.2%	1.4%	—	—	1.1%	—	1.2%	—	1.2%

② Revenue from major products and services

(Millions of Yen)

	For the year ended				Variance	
	May 31, 2016		May 31, 2017			
	Amount	(%)	Amount	(%)		
Revenue from all operations						
Housing	117,005	84.6	132,126	84.2	15,121	12.9
Custom-built homes	114,484		126,423		11,939	
Rental homes	34		—		△ 34	
Home renovation	1,376		4,548		3,171	
Other	1,109		1,154		44	
non housing	27,759	20.1	31,994	20.4	4,235	15.3
Real estate	13,789		17,797		4,008	
Financial	1,143		1,058		△ 85	
Energy	850		901		50	
Other	11,975		12,237		261	
Adjustments	△ 6,385	△ 4.6	△ 7,122	△ 4.5	△ 737	11.5
Total revenue from all operations	138,379	100.0	156,998	100.0	18,622	13.5