

Translation

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Summary of Consolidated Financial Results for the Six Months Ended February 28, 2019 (Based on Japanese GAAP)

April 12, 2019

Company name: SANYO HOUSING NAGOYA CO.,LTD.
 Stock exchange listing: Tokyo, Nagoya
 Stock code: 8904 URL <https://sanyo-hn.co.jp>
 Representative: Representative Director Yasunari Sawada
 President
 Inquiries: Senior Managing Director Takuya Miyazaki TEL 052-859-0034
 Scheduled date to file Quarterly Securities Report: April 12, 2019
 Scheduled date to commence dividend payments: May 20, 2019
 Preparation of supplementary material on quarterly financial results: Yes
 Holding of quarterly financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the six months ended February 28, 2019 (from September 1, 2018 to February 28, 2019)

(1) Consolidated operating results (cumulative)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Six months ended February 28, 2019	16,241	(2.4)	293	(47.1)	395	(40.9)	303	(34.2)
Six months ended February 28, 2018	16,644	7.8	554	30.6	668	28.2	462	33.6

	Earnings per share	Diluted earnings per share
	Yen	Yen
Six months ended February 28, 2019	20.84	—
Six months ended February 28, 2018	31.70	—

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio
	Millions of yen	Millions of yen	%
As of February 28, 2019	37,417	24,044	64.3
As of August 31, 2018	39,526	24,038	60.8

2. Cash dividends

	Annual dividends per share				
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended August 31, 2018	—	19.00	—	19.00	38.00
Year ending August 31, 2019	—	19.00			
Year ending August 31, 2019 (Forecast)			—	19.00	38.00

3. Forecast of consolidated financial results for the year ending August 31, 2019 (from September 1, 2018 to August 31, 2019)

Percentages indicate year-on-year changes

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Full year	40,669	5.8	1,457	(21.7)	1,685	(19.0)	1,157	49.7	79.39

4. Notes

- (1) Changes in significant subsidiaries during the six months ended February 28, 2019
(changes in specified subsidiaries resulting in the change in scope of consolidation): No
- (2) Application of special accounting methods for preparing quarterly consolidated financial statements: Yes
- (3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements
- Changes in accounting policies due to revisions to accounting standards and other regulations: No
- Changes in accounting policies due to other reasons: No
- Changes in accounting estimates: No
- Restatement of prior period financial statements: No

(4) Number of issued shares (common shares)

Total number of issued shares at the end of the period (including treasury shares)

As of February 28, 2019	14,884,300 shares	As of August 31, 2018	14,884,300 shares
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Number of treasury shares at the end of the period

As of February 28, 2019	303,555 shares	As of August 31, 2018	303,554 shares
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Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended February 28, 2019	14,580,745 shares	Six months ended February 28, 2018	14,580,746 shares
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Quarterly consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of August 31, 2018	As of February 28, 2019
Assets		
Current assets		
Cash and deposits	14,878,417	8,421,657
Notes receivable, accounts receivable from completed construction contracts and other	1,744,343	2,147,543
Real estate for sale	2,245,172	3,380,716
Development projects in progress	13,669,854	16,433,255
Costs on uncompleted construction contracts	1,685,186	1,854,713
Raw materials and supplies	26,908	8,220
Other	514,009	484,801
Allowance for doubtful accounts	(700)	(777)
Total current assets	34,763,192	32,730,130
Non-current assets		
Property, plant and equipment	2,802,015	2,790,211
Intangible assets	165,968	153,647
Investments and other assets		
Investment securities	863,473	813,236
Other	937,430	936,522
Allowance for doubtful accounts	(5,758)	(5,758)
Total investments and other assets	1,795,145	1,744,000
Total non-current assets	4,763,129	4,687,859
Total assets	39,526,321	37,417,990
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	2,849,435	2,717,557
Short-term loans payable	3,928,700	3,522,500
Current portion of long-term loans payable	154,308	877,308
Income taxes payable	367,639	106,074
Advances received on uncompleted construction contracts	726,341	805,792
Provision for bonuses	116,519	87,126
Provision for warranties for completed construction	19,416	19,247
Other	1,010,387	703,706
Total current liabilities	9,172,747	8,839,313
Non-current liabilities		
Long-term loans payable	4,232,251	3,852,097
Provision for directors' retirement benefits	1,492,775	104,534
Net defined benefit liability	212,563	208,823
Other	377,163	369,190
Total non-current liabilities	6,314,752	4,534,645
Total liabilities	15,487,499	13,373,958

(Thousands of yen)

	As of August 31, 2018	As of February 28, 2019
Net assets		
Shareholders' equity		
Capital stock	3,732,673	3,732,673
Capital surplus	2,984,589	2,984,589
Retained earnings	17,586,366	17,613,219
Treasury shares	(346,800)	(346,801)
Total shareholders' equity	23,956,828	23,983,680
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	81,993	60,351
Total accumulated other comprehensive income	81,993	60,351
Total net assets	24,038,822	24,044,031
Total liabilities and net assets	39,526,321	37,417,990

Consolidated statements of income (cumulative) and consolidated statements of comprehensive income (cumulative)

Consolidated statements of income (cumulative)

(Thousands of yen)

	Six months ended February 28, 2018	Six months ended February 28, 2019
Net sales	16,644,321	16,241,106
Cost of sales	13,924,521	13,661,685
Gross profit	2,719,800	2,579,421
Selling, general and administrative expenses	2,165,091	2,285,959
Operating profit	554,709	293,461
Non-operating income		
Interest income	3,222	2,261
Dividend income	2,664	2,964
Office work fee	19,642	19,349
Refunded real-estate acquisition tax	50,284	46,581
IncomeFromSafetyCooperatingAssociation	22,892	22,538
Other	42,351	40,997
Total non-operating income	141,057	134,693
Non-operating expenses		
Interest expenses	23,631	24,021
Other	4,100	9,038
Total non-operating expenses	27,731	33,059
Ordinary profit	668,035	395,095
Extraordinary income		
Gain on sales of non-current assets	1,560	–
Reversal of provision for directors' retirement benefits	25,319	–
Gain on sales of investment securities	–	31,011
Insurance income	–	44,423
Total extraordinary income	26,879	75,434
Extraordinary losses		
Loss on retirement of non-current assets	15,717	2,821
Loss on valuation of investment securities	–	6,208
Other	1,000	–
Total extraordinary losses	16,717	9,030
Profit before income taxes	678,197	461,499
Income taxes	216,021	157,612
Profit	462,176	303,886
Profit attributable to owners of parent	462,176	303,886

Consolidated statements of comprehensive income (cumulative)

(Thousands of yen)

	Six months ended February 28, 2018	Six months ended February 28, 2019
Profit	462,176	303,886
Other comprehensive income		
Valuation difference on available-for-sale securities	(27,621)	(21,641)
Total other comprehensive income	(27,621)	(21,641)
Comprehensive income	434,554	282,244
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	434,554	282,244
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of cash flows

(Thousands of yen)

	Six months ended February 28, 2018	Six months ended February 28, 2019
Cash flows from operating activities		
Profit before income taxes	678,197	461,499
Depreciation	83,636	88,816
Amortization of goodwill	12,343	9,746
Increase (decrease) in allowance for doubtful accounts	1,984	77
Increase (decrease) in provision for bonuses	(32,804)	(29,392)
Increase (decrease) in provision for warranties for completed construction	515	(169)
Increase (decrease) in net defined benefit liability	1,392	(3,739)
Increase (decrease) in provision for directors' retirement benefits	(22,225)	(1,388,240)
Interest and dividend income	(5,886)	(5,226)
Interest expenses	23,631	24,021
Loss (gain) on sales of property, plant and equipment	(1,560)	–
Loss on retirement of non-current assets	15,717	2,821
Loss (gain) on sales of investment securities	–	(31,011)
Loss (gain) on valuation of investment securities	–	6,208
Insurance income	–	(44,423)
Decrease (increase) in notes and accounts receivable - trade	(414,278)	(403,200)
Decrease (increase) in inventories	(2,725,145)	(4,049,783)
Increase (decrease) in notes and accounts payable - trade	(174,873)	(131,877)
Increase (decrease) in advances received on uncompleted construction contracts	258,426	79,451
Other, net	(173,437)	(239,865)
Subtotal	(2,474,366)	(5,654,287)
Interest and dividend income received	3,277	3,431
Interest expenses paid	(23,537)	(24,308)
Proceeds from insurance income	–	60,820
Income taxes paid	(358,997)	(458,707)
Net cash provided by (used in) operating activities	(2,853,625)	(6,073,051)
Cash flows from investing activities		
Payments into time deposits	(666,169)	(53,427)
Proceeds from withdrawal of time deposits	662,992	650,626
Purchase of property, plant and equipment	(75,388)	(56,593)
Proceeds from sales of property, plant and equipment	4,994	–
Purchase of intangible assets	(19,966)	(16,800)
Purchase of investment securities	(1,200)	(1,200)
Proceeds from sales of investment securities	–	45,916
Other, net	(4,890)	(14,626)
Net cash provided by (used in) investing activities	(99,627)	553,894
Cash flows from financing activities		
Increase in short-term loans payable	5,264,000	6,223,500
Decrease in short-term loans payable	(4,691,051)	(6,629,700)
Proceeds from long-term loans payable	2,745,000	420,000
Repayments of long-term loans payable	(35,454)	(77,154)
Purchase of treasury shares	–	(1)
Cash dividends paid	(276,959)	(277,048)
Net cash provided by (used in) financing activities	3,005,534	(340,403)
Net increase (decrease) in cash and cash equivalents	52,281	(5,859,560)
Cash and cash equivalents at beginning of period	12,482,670	14,230,579
Cash and cash equivalents at end of period	12,534,951	8,371,019