

Translation

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Summary of Consolidated Financial Results for the Year Ended August 31, 2018 (Based on Japanese GAAP)

October 12, 2018

Company name: SANYO HOUSING NAGOYA CO.,LTD.
 Stock exchange listing: Tokyo, Nagoya
 Stock code: 8904 URL <http://www.sanyo-hn.co.jp>
 Representative: Representative Director Yasunari Sawada
 President
 Inquiries: Senior Managing Director Takuya Miyazaki TEL 052-859-0034
 Scheduled date of ordinary general meeting of shareholders: November 28, 2018
 Scheduled date to file Securities Report: November 29, 2018
 Scheduled date to commence dividend payments: November 12, 2018
 Preparation of supplementary material on financial results: Yes
 Holding of financial results meeting: Yes (for institutional investors and analysts)

(Amounts less than one million yen are rounded down)

1. Consolidated financial results for the year ended August 31, 2018 (from September 1, 2017 to August 31, 2018)

(1) Consolidated operating results

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	%
Year ended August 31, 2018	38,450	3.4	1,862	9.1	2,081	8.8	773	(39.8)
Year ended August 31, 2017	37,191	7.2	1,707	24.9	1,913	22.1	1,283	50.7

	Earnings per share	Diluted earnings per share	Profit attributable to owners of parent/equity	Ordinary profit/total assets	Operating profit/net sales
	Yen	Yen	%	%	%
Year ended August 31, 2018	53.04	—	3.2	5.4	4.8
Year ended August 31, 2017	88.05	—	5.5	5.3	4.6

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of August 31, 2018	39,541	24,038	60.8	1,648.67
As of August 31, 2017	37,536	23,827	63.5	1,634.15

(3) Consolidated cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended August 31, 2018	539	655	552	14,230
Year ended August 31, 2017	1,479	(136)	369	12,482

2. Cash dividends

	Annual dividends per share					Total cash dividends (Total)	Dividend payout ratio (Consolidated)	Ratio of dividends to net assets (Consolidated)
	1st quarter-end	2nd quarter-end	3rd quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended August 31, 2017	—	19.00	—	19.00	38.00	554	43.2	2.4
Year ended August 31, 2018	—	19.00	—	19.00	38.00	554	71.6	2.3
Year ending August 31, 2019 (Forecast)	—	19.00	—	19.00	38.00		47.9	

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
Six months ending February 28, 2019	16,546	(0.6)	216	(60.9)	338	(49.3)	223	(51.6)	15.36
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 year ended August 31, 2018

(changes in specified subsidiaries resulting in the change in scope of consolidation): No

(2) 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

(3) Number of issued shares (common shares)

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

As of August 31, 2018	14,884,300 shares	As of August 31, 2017	14,884,300 shares
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Number of treasury shares at the end of the period

As of August 31, 2018	303,554 shares	As of August 31, 2017	303,554 shares
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Average number of shares during the period

Year ended August 31, 2018	14,580,746 shares	Year ended August 31, 2017	14,580,746 shares
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Consolidated financial statements
Consolidated balance sheets

(Thousands of yen)

	As of August 31, 2017	As of August 31, 2018
Assets		
Current assets		
Cash and deposits	14,152,411	14,878,417
Notes receivable, accounts receivable from completed construction contracts and other	1,689,576	1,744,343
Real estate for sale	2,052,479	2,245,172
Development projects in progress	13,503,591	13,669,854
Costs on uncompleted construction contracts	1,380,877	1,685,186
Raw materials and supplies	9,100	26,908
Deferred tax assets	146,056	119,811
Other	532,519	514,009
Allowance for doubtful accounts	(326)	(700)
Total current assets	33,466,287	34,883,004
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,985,528	2,244,114
Accumulated depreciation	(743,016)	(810,420)
Buildings and structures, net	1,242,512	1,433,693
Vehicles	140,622	116,423
Accumulated depreciation	(112,338)	(79,578)
Vehicles, net	28,283	36,845
Land	1,262,115	1,197,824
Other	378,952	402,865
Accumulated depreciation	(247,071)	(269,213)
Other, net	131,881	133,651
Total property, plant and equipment	2,664,792	2,802,015
Intangible assets		
Goodwill	70,179	45,492
Software	95,842	92,604
Other	18,972	27,871
Total intangible assets	184,994	165,968
Investments and other assets		
Investment securities	866,978	863,473
Deferred tax assets	60,614	508,910
Net defined benefit asset	54,234	58,639
Other	238,696	265,590
Allowance for doubtful accounts	–	(5,758)
Total investments and other assets	1,220,522	1,690,856
Total non-current assets	4,070,309	4,658,840
Total assets	37,536,597	39,541,844

(Thousands of yen)

	As of August 31, 2017	As of August 31, 2018
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	3,130,388	2,849,435
Short-term loans payable	6,124,751	3,928,700
Current portion of long-term loans payable	283,228	154,308
Income taxes payable	416,821	367,639
Advances received on uncompleted construction contracts	790,965	726,341
Deferred tax liabilities	–	3,364
Provision for bonuses	121,329	116,519
Provision for warranties for completed construction	22,092	19,416
Other	928,545	1,010,387
Total current liabilities	11,818,122	9,176,111
Non-current liabilities		
Long-term loans payable	800,939	4,232,251
Deferred tax liabilities	36,271	41,246
Provision for directors' retirement benefits	507,399	1,492,775
Net defined benefit liability	224,136	212,563
Other	322,583	348,074
Total non-current liabilities	1,891,329	6,326,910
Total liabilities	13,709,451	15,503,021
Net assets		
Shareholders' equity		
Capital stock	3,732,673	3,732,673
Capital surplus	2,984,589	2,984,589
Retained earnings	17,367,052	17,586,366
Treasury shares	(346,800)	(346,800)
Total shareholders' equity	23,737,514	23,956,828
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	89,630	81,993
Total accumulated other comprehensive income	89,630	81,993
Total net assets	23,827,145	24,038,822
Total liabilities and net assets	37,536,597	39,541,844

Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income

(Thousands of yen)

	Fiscal year ended August 31, 2017	Fiscal year ended August 31, 2018
Net sales	37,191,819	38,450,926
Cost of sales	31,022,926	32,032,927
Gross profit	6,168,892	6,417,998
Selling, general and administrative expenses		
Directors' compensations	360,762	389,888
Employees' salaries and allowances	1,678,502	1,698,227
Provision for bonuses	66,939	66,921
Retirement benefit expenses	18,478	32,032
Provision for directors' retirement benefits	39,450	49,926
Advertising expenses	444,597	433,823
Taxes and dues	394,251	402,528
Provision of allowance for doubtful accounts	–	6,458
Other	1,458,857	1,476,154
Total selling, general and administrative expenses	4,461,839	4,555,962
Operating profit	1,707,053	1,862,036
Non-operating income		
Interest income	6,795	6,410
Dividend income	7,748	8,610
Office work fee	34,460	38,955
Refunded Real Estate Acquisition Tax	89,955	98,736
Income From Safety Cooperating Association	42,954	45,459
Miscellaneous income	91,598	81,450
Total non-operating income	273,513	279,621
Non-operating expenses		
Interest expenses	47,791	51,598
Miscellaneous loss	19,758	9,017
Total non-operating expenses	67,550	60,616
Ordinary profit	1,913,015	2,081,041
Extraordinary income		
Gain on sales of non-current assets	906	1,560
Reversal of provision for directors' retirement benefits	–	25,319
Total extraordinary income	906	26,879
Extraordinary losses		
Loss on sales of non-current assets	–	24,580
Loss on retirement of non-current assets	2,690	15,774
Impairment loss	–	7,480
Provision for directors' retirement benefits	–	1,072,583
Other	–	1,000
Total extraordinary losses	2,690	1,121,418
Profit before income taxes	1,911,231	986,502

(Thousands of yen)

	Fiscal year ended August 31, 2017	Fiscal year ended August 31, 2018
Income taxes - current	632,865	623,879
Income taxes - deferred	(5,510)	(410,758)
Total income taxes	627,355	213,120
Profit	1,283,876	773,382
Profit attributable to owners of parent	1,283,876	773,382

Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended August 31, 2017	Fiscal year ended August 31, 2018
Profit	1,283,876	773,382
Other comprehensive income		
Valuation difference on available-for-sale securities	(21,194)	(7,636)
Total other comprehensive income	(21,194)	(7,636)
Comprehensive income	1,262,681	765,745
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	1,262,681	765,745
Comprehensive income attributable to non-controlling interests	—	—

Consolidated statements of changes in equity

Fiscal year ended August 31, 2017

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,732,673	2,984,589	16,637,245	(346,800)	23,007,707
Changes of items during period					
Dividends of surplus			(554,068)		(554,068)
Profit attributable to owners of parent			1,283,876		1,283,876
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	729,807	–	729,807
Balance at end of current period	3,732,673	2,984,589	17,367,052	(346,800)	23,737,514

	Accumulated other comprehensive income	Total net assets
	Valuation difference on available-for-sale securities	
Balance at beginning of current period	110,824	23,118,531
Changes of items during period		
Dividends of surplus		(554,068)
Profit attributable to owners of parent		1,283,876
Net changes of items other than shareholders' equity	(21,194)	(21,194)
Total changes of items during period	(21,194)	708,613
Balance at end of current period	89,630	23,827,145

Fiscal year ended August 31, 2018

(Thousands of yen)

	Shareholders' equity				
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity
Balance at beginning of current period	3,732,673	2,984,589	17,367,052	(346,800)	23,737,514
Changes of items during period					
Dividends of surplus			(554,068)		(554,068)
Profit attributable to owners of parent			773,382		773,382
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	219,313	–	219,313
Balance at end of current period	3,732,673	2,984,589	17,586,366	(346,800)	23,956,828

	Accumulated other comprehensive income	Total net assets
	Valuation difference on available-for-sale securities	
Balance at beginning of current period	89,630	23,827,145
Changes of items during period		
Dividends of surplus		(554,068)
Profit attributable to owners of parent		773,382
Net changes of items other than shareholders' equity	(7,636)	(7,636)
Total changes of items during period	(7,636)	211,676
Balance at end of current period	81,993	24,038,822

Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended August 31, 2017	Fiscal year ended August 31, 2018
Cash flows from operating activities		
Profit before income taxes	1,911,231	986,502
Depreciation	175,014	169,533
Amortization of goodwill	24,687	24,687
Impairment loss	–	7,480
Increase (decrease) in allowance for doubtful accounts	(3,000)	6,132
Increase (decrease) in provision for bonuses	6,311	(4,809)
Increase (decrease) in provision for warranties for completed construction	335	(2,675)
Increase (decrease) in net defined benefit liability	12,694	(11,572)
Increase (decrease) in provision for directors' retirement benefits	38,050	985,375
Interest and dividend income	(14,543)	(15,020)
Interest expenses	47,791	51,598
Loss (gain) on sales of property, plant and equipment	(906)	23,020
Loss on retirement of property, plant and equipment	2,690	15,774
Decrease (increase) in notes and accounts receivable - trade	(475,877)	(54,766)
Decrease (increase) in inventories	377,910	(681,072)
Increase (decrease) in notes and accounts payable - trade	242,327	(280,953)
Increase (decrease) in advances received on uncompleted construction contracts	(321,128)	(64,624)
Other, net	18,795	101,944
Subtotal	2,042,383	1,256,554
Interest and dividend income received	10,910	10,366
Interest expenses paid	(47,934)	(51,342)
Income taxes paid	(526,174)	(675,835)
Net cash provided by (used in) operating activities	1,479,185	539,742

(Thousands of yen)

	Fiscal year ended August 31, 2017	Fiscal year ended August 31, 2018
Cash flows from investing activities		
Payments into time deposits	(1,740,405)	(743,355)
Proceeds from withdrawal of time deposits	1,769,615	1,765,259
Purchase of property, plant and equipment	(64,745)	(357,586)
Proceeds from sales of property, plant and equipment	31,527	41,381
Purchase of intangible assets	(21,737)	(26,191)
Purchase of investment securities	(2,400)	(2,400)
Purchase of shares of subsidiaries	(73,686)	–
Other, net	(34,498)	(21,304)
Net cash provided by (used in) investing activities	(136,331)	655,803
Cash flows from financing activities		
Increase in short-term loans payable	9,819,500	7,038,000
Decrease in short-term loans payable	(9,027,948)	(9,234,051)
Proceeds from long-term loans payable	858,000	4,073,000
Repayments of long-term loans payable	(724,976)	(770,608)
Cash dividends paid	(554,846)	(553,976)
Net cash provided by (used in) financing activities	369,729	552,363
Net increase (decrease) in cash and cash equivalents	1,712,583	1,747,909
Cash and cash equivalents at beginning of period	10,770,086	12,482,670
Cash and cash equivalents at end of period	12,482,670	14,230,579