

Translation

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## Summary of Consolidated Financial Results for the Year Ended August 31, 2019 (Based on Japanese GAAP)

October 11, 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 of ordinary general meeting of shareholders: November 27, 2019  
 Scheduled date to file Securities Report: November 28, 2019  
 Scheduled date to commence dividend payments: November 11, 2019  
 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, 2019 (from September 1, 2018 to August 31, 2019)

(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, 2019	38,462	0.0	1,493	(19.8)	1,725	(17.1)	1,250	61.7
Year ended August 31, 2018	38,450	3.4	1,862	9.1	2,081	8.8	773	(39.8)

	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, 2019	85.78	–	5.1	4.2	3.9
Year ended August 31, 2018	53.04	–	3.2	5.4	4.8

(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, 2019	41,746	24,694	59.2	1,693.62
As of August 31, 2018	39,526	24,038	60.8	1,648.67

(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, 2019	(5,956)	548	2,133	10,956
Year ended August 31, 2018	539	655	552	14,230

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, 2018	–	19.00	–	19.00	38.00	554	71.6	2.3
Year ended August 31, 2019	–	19.00	–	19.00	38.00	554	44.3	2.3
Year ending August 31, 2020 (Forecast)	–	19.00	–	19.00	38.00		43.9	

3. Forecast of consolidated financial results for the year ending August 31, 2020 (from September 1, 2019 to August 31, 2020)

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 29, 2020	17,442	7.4	379	29.3	490	24.1	308	1.6	21.18
Full year	41,789	8.6	1,675	12.2	1,884	9.2	1,263	1.0	86.64

4. Notes

(1) Changes in significant subsidiaries during the year ended August 31, 2019

(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, 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 August 31, 2019	303,555 shares	As of August 31, 2018	303,554 shares
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Average number of shares during the period

Year ended August 31, 2019	14,580,745 shares	Year ended August 31, 2018	14,580,746 shares
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**Consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of August 31, 2018	As of August 31, 2019
Assets		
Current assets		
Cash and deposits	14,878,417	10,987,115
Notes receivable, accounts receivable from completed construction contracts and other	1,744,343	1,351,164
Real estate for sale	2,245,172	2,978,962
Development projects in progress	13,669,854	19,393,856
Costs on uncompleted construction contracts	1,685,186	1,916,739
Raw materials and supplies	26,908	7,615
Other	514,009	883,420
Allowance for doubtful accounts	(700)	(898)
Total current assets	34,763,192	37,517,976
Non-current assets		
Property, plant and equipment		
Buildings and structures	2,244,114	2,242,174
Accumulated depreciation	(810,420)	(847,622)
Buildings and structures, net	1,433,693	1,394,552
Vehicles	116,423	117,657
Accumulated depreciation	(79,578)	(63,420)
Vehicles, net	36,845	54,237
Land	1,197,824	1,159,611
Other	402,865	412,047
Accumulated depreciation	(269,213)	(279,956)
Other, net	133,651	132,090
Total property, plant and equipment	2,802,015	2,740,490
Intangible assets		
Goodwill	45,492	28,596
Software	92,604	80,773
Other	27,871	26,501
Total intangible assets	165,968	135,871
Investments and other assets		
Investment securities	863,473	790,849
Deferred tax assets	613,200	195,325
Retirement benefit asset	58,639	13,851
Other	265,590	352,980
Allowance for doubtful accounts	(5,758)	(955)
Total investments and other assets	1,795,145	1,352,051
Total non-current assets	4,763,129	4,228,414
Total assets	39,526,321	41,746,391

(Thousands of yen)

	As of August 31, 2018	As of August 31, 2019
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable, accounts payable for construction contracts and other	2,849,435	3,391,595
Short-term loans payable	3,928,700	6,148,200
Current portion of long-term loans payable	154,308	584,508
Income taxes payable	367,639	118,418
Advances received on uncompleted construction contracts	726,341	666,543
Provision for bonuses	116,519	119,973
Provision for warranties for completed construction	19,416	15,470
Other	1,010,387	1,012,371
<b>Total current liabilities</b>	<b>9,172,747</b>	<b>12,057,081</b>
<b>Non-current liabilities</b>		
Long-term loans payable	4,232,251	4,270,573
Deferred tax liabilities	29,088	24,420
Provision for retirement benefits for directors (and other officers)	1,492,775	114,576
Retirement benefit liability	212,563	247,761
Other	348,074	337,692
<b>Total non-current liabilities</b>	<b>6,314,752</b>	<b>4,995,023</b>
<b>Total liabilities</b>	<b>15,487,499</b>	<b>17,052,105</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	3,732,673	3,732,673
Capital surplus	2,984,589	2,984,589
Retained earnings	17,586,366	18,283,089
Treasury shares	(346,800)	(346,801)
<b>Total shareholders' equity</b>	<b>23,956,828</b>	<b>24,653,550</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	81,993	40,734
<b>Total accumulated other comprehensive income</b>	<b>81,993</b>	<b>40,734</b>
<b>Total net assets</b>	<b>24,038,822</b>	<b>24,694,285</b>
<b>Total liabilities and net assets</b>	<b>39,526,321</b>	<b>41,746,391</b>

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

(Thousands of yen)

	Fiscal year ended August 31, 2018	Fiscal year ended August 31, 2019
Net sales	38,450,926	38,462,600
Cost of sales	32,032,927	32,301,837
Gross profit	6,417,998	6,160,763
Selling, general and administrative expenses		
Remuneration for directors (and other officers)	389,888	275,470
Employees' salaries and allowances	1,698,227	1,660,212
Provision for bonuses	66,921	65,070
Retirement benefit expenses	32,032	80,233
Provision for retirement benefits for directors (and other officers)	49,926	20,549
Advertising expenses	433,823	603,987
Taxes and dues	402,528	449,665
Provision of allowance for doubtful accounts	6,458	1,154
Other	1,476,154	1,511,089
Total selling, general and administrative expenses	4,555,962	4,667,433
Operating profit	1,862,036	1,493,329
Non-operating income		
Interest income	6,410	4,389
Dividend income	8,610	7,755
Office work fee	38,955	37,393
RefundedRealEstateAcquisitionTax	98,736	93,434
IncomeFromSafetyCooperatingAssociation	45,459	33,445
Miscellaneous income	81,450	131,839
Total non-operating income	279,621	308,257
Non-operating expenses		
Interest expenses	51,598	52,853
Miscellaneous loss	9,017	22,935
Total non-operating expenses	60,616	75,788
Ordinary profit	2,081,041	1,725,798
Extraordinary income		
Gain on sales of non-current assets	1,560	29,786
Reversal of provision for retirement benefits for directors (and other officers)	25,319	–
Gain on sales of investment securities	–	67,291
Insurance income	–	44,423
Total extraordinary income	26,879	141,501
Extraordinary losses		
Loss on sales of non-current assets	24,580	–
Loss on retirement of non-current assets	15,774	4,177
Impairment loss	7,480	–
Provision for retirement benefits for directors (and other officers)	1,072,583	–
Loss on valuation of investment securities	–	16,021
Other	1,000	–
Total extraordinary losses	1,121,418	20,198
Profit before income taxes	986,502	1,847,101

(Thousands of yen)

	Fiscal year ended August 31, 2018	Fiscal year ended August 31, 2019
Income taxes - current	623,879	163,376
Income taxes - deferred	(410,758)	432,933
Total income taxes	213,120	596,310
Profit	773,382	1,250,791
Profit attributable to owners of parent	773,382	1,250,791

## Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended August 31, 2018	Fiscal year ended August 31, 2019
Profit	773,382	1,250,791
Other comprehensive income		
Valuation difference on available-for-sale securities	(7,636)	(41,258)
Total other comprehensive income	(7,636)	(41,258)
Comprehensive income	765,745	1,209,532
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	765,745	1,209,532
Comprehensive income attributable to non-controlling interests	—	—

## Consolidated statements of changes in equity

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
Purchase of treasury shares					–
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
Purchase of treasury shares		–
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



Fiscal year ended August 31, 2019

(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	17,586,366	(346,800)	23,956,828
Changes of items during period					
Dividends of surplus			(554,068)		(554,068)
Profit attributable to owners of parent			1,250,791		1,250,791
Purchase of treasury shares				(1)	(1)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	696,722	(1)	696,721
Balance at end of current period	3,732,673	2,984,589	18,283,089	(346,801)	24,653,550

	Accumulated other comprehensive income	Total net assets
	Valuation difference on available-for-sale securities	
Balance at beginning of current period	81,993	24,038,822
Changes of items during period		
Dividends of surplus		(554,068)
Profit attributable to owners of parent		1,250,791
Purchase of treasury shares		(1)
Net changes of items other than shareholders' equity	(41,258)	(41,258)
Total changes of items during period	(41,258)	655,463
Balance at end of current period	40,734	24,694,285

## Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended August 31, 2018	Fiscal year ended August 31, 2019
Cash flows from operating activities		
Profit before income taxes	986,502	1,847,101
Depreciation	169,533	181,772
Amortization of goodwill	24,687	16,895
Impairment loss	7,480	–
Increase (decrease) in allowance for doubtful accounts	6,132	(4,604)
Increase (decrease) in provision for bonuses	(4,809)	3,454
Increase (decrease) in provision for warranties for completed construction	(2,675)	(3,945)
Increase (decrease) in retirement benefit liability	(11,572)	35,197
Increase (decrease) in provision for retirement benefits for directors (and other officers)	985,375	(1,378,198)
Interest and dividend income	(15,020)	(12,145)
Interest expenses	51,598	52,853
Loss (gain) on sales of non-current assets	23,020	(29,786)
Loss on retirement of non-current assets	15,774	4,177
Loss (gain) on sales of investment securities	–	(67,291)
Loss (gain) on valuation of investment securities	–	16,021
Insurance income	–	(44,423)
Decrease (increase) in notes and accounts receivable - trade	(54,766)	393,179
Decrease (increase) in inventories	(681,072)	(6,670,051)
Increase (decrease) in notes and accounts payable - trade	(280,953)	542,160
Increase (decrease) in advances received on uncompleted construction contracts	(64,624)	(59,797)
Other, net	101,944	(13,160)
Subtotal	1,256,554	(5,190,592)
Interest and dividend income received	10,366	7,968
Interest expenses paid	(51,342)	(52,760)
Proceeds from insurance income	–	60,820
Income taxes paid	(675,835)	(781,702)
Net cash provided by (used in) operating activities	539,742	(5,956,266)

(Thousands of yen)

	Fiscal year ended August 31, 2018	Fiscal year ended August 31, 2019
Cash flows from investing activities		
Payments into time deposits	(743,355)	(106,056)
Proceeds from withdrawal of time deposits	1,765,259	723,075
Purchase of property, plant and equipment	(357,586)	(118,461)
Proceeds from sales of property, plant and equipment	41,381	68,000
Purchase of intangible assets	(26,191)	(25,041)
Purchase of investment securities	(2,400)	(20,540)
Proceeds from sales of investment securities	–	88,196
Other, net	(21,304)	(61,116)
Net cash provided by (used in) investing activities	655,803	548,057
Cash flows from financing activities		
Increase in short-term loans payable	7,038,000	15,253,700
Decrease in short-term loans payable	(9,234,051)	(13,034,200)
Proceeds from long-term loans payable	4,073,000	1,040,000
Repayments of long-term loans payable	(770,608)	(571,478)
Purchase of treasury shares	–	(1)
Cash dividends paid	(553,976)	(554,093)
Net cash provided by (used in) financing activities	552,363	2,133,927
Net increase (decrease) in cash and cash equivalents	1,747,909	(3,274,282)
Cash and cash equivalents at beginning of period	12,482,670	14,230,579
Cash and cash equivalents at end of period	14,230,579	10,956,297