

Translation

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## Summary of Consolidated Financial Results for the Year Ended August 31, 2017 (Based on Japanese GAAP)

October 10, 2017

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 Souichi Miyazaki  
 President  
 Director and Executive Officer,  
 Inquiries: Department Manager of Administration Takaharu Omori TEL 052-859-0034  
 and Department Head of Personnel  
 Scheduled date of ordinary general meeting of shareholders: November 29, 2017  
 Scheduled date to file Securities Report: November 30, 2017  
 Scheduled date to commence dividend payments: November 13, 2017  
 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, 2017 (from September 1, 2016 to August 31, 2017)

(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, 2017	37,191	7.2	1,707	24.9	1,913	22.1	1,283	50.7
Year ended August 31, 2016	34,685	(0.2)	1,367	(10.6)	1,566	(10.1)	851	(21.3)

	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, 2017	88.05	–	5.5	5.3	4.6
Year ended August 31, 2016	58.30	–	3.7	4.4	3.9

(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, 2017	37,536	23,827	63.5	1,634.15
As of August 31, 2016	34,960	23,118	66.1	1,585.55

(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, 2017	1,479	(136)	369	12,482
Year ended August 31, 2016	(156)	(279)	(1,080)	10,770

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, 2016	–	19.00	–	19.00	38.00	554	65.2	2.4
Year ended August 31, 2017	–	19.00	–	19.00	38.00	554	43.2	2.4
Year ending August 31, 2018 (Forecast)	–	19.00	–	19.00	38.00		41.1	

3. Forecast of consolidated financial results for the year ending August 31, 2018 (from September 1, 2017 to August 31, 2018)

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, 2018	15,947	3.3	397	(6.3)	477	(8.3)	313	(9.3)	21.52
Full year	38,845	4.4	1,823	6.8	2,000	4.6	1,348	5.1	92.50

4. Notes

(1) Changes in significant subsidiaries during the year ended August 31, 2017

(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, 2017	14,884,300 shares	As of August 31, 2016	14,884,300 shares
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Number of treasury shares at the end of the period

As of August 31, 2017	303,554 shares	As of August 31, 2016	303,554 shares
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Average number of shares during the period

Year ended August 31, 2017	14,580,746 shares	Year ended August 31, 2016	14,613,226 shares
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**Consolidated financial statements**  
**Consolidated balance sheets**

(Thousands of yen)

	As of August 31, 2016	As of August 31, 2017
Assets		
Current assets		
Cash and deposits	12,432,074	14,152,411
Notes receivable, accounts receivable from completed construction contracts and other	1,213,699	1,689,576
Real estate for sale	1,590,346	2,052,479
Development projects in progress	14,112,250	13,503,591
Costs on uncompleted construction contracts	1,100,851	1,380,877
Raw materials and supplies	9,975	9,100
Deferred tax assets	132,608	146,056
Other	453,430	532,519
Allowance for doubtful accounts	(326)	(326)
Total current assets	31,044,910	33,466,287
Non-current assets		
Property, plant and equipment		
Buildings and structures	1,937,082	1,985,528
Accumulated depreciation	(638,568)	(743,016)
Buildings and structures, net	1,298,514	1,242,512
Vehicles	164,681	140,622
Accumulated depreciation	(140,419)	(112,338)
Vehicles, net	24,262	28,283
Land	1,103,504	1,262,115
Other	372,684	378,952
Accumulated depreciation	(239,993)	(247,071)
Other, net	132,690	131,881
Total property, plant and equipment	2,558,971	2,664,792
Intangible assets		
Goodwill	23,374	70,179
Software	115,635	95,842
Other	19,430	18,972
Total intangible assets	158,441	184,994
Investments and other assets		
Investment securities	889,997	866,978
Deferred tax assets	57,829	60,614
Net defined benefit asset	32,594	54,234
Other	221,006	238,696
Allowance for doubtful accounts	(3,000)	—
Total investments and other assets	1,198,428	1,220,522
Total non-current assets	3,915,841	4,070,309
Total assets	34,960,751	37,536,597

(Thousands of yen)

	As of August 31, 2016	As of August 31, 2017
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable, accounts payable for construction contracts and other	2,841,637	3,130,388
Short-term loans payable	5,146,000	6,124,751
Current portion of long-term loans payable	427,000	283,228
Income taxes payable	277,933	416,821
Advances received on uncompleted construction contracts	999,834	790,965
Provision for bonuses	112,893	121,329
Provision for warranties for completed construction	19,736	22,092
Other	864,937	928,545
<b>Total current liabilities</b>	<b>10,689,972</b>	<b>11,818,122</b>
<b>Non-current liabilities</b>		
Long-term loans payable	180,000	800,939
Deferred tax liabilities	34,403	36,271
Provision for directors' retirement benefits	434,387	507,399
Net defined benefit liability	185,463	224,136
Other	317,992	322,583
<b>Total non-current liabilities</b>	<b>1,152,246</b>	<b>1,891,329</b>
<b>Total liabilities</b>	<b>11,842,219</b>	<b>13,709,451</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	16,637,245	17,367,052
Treasury shares	(346,800)	(346,800)
<b>Total shareholders' equity</b>	<b>23,007,707</b>	<b>23,737,514</b>
<b>Accumulated other comprehensive income</b>		
Valuation difference on available-for-sale securities	110,824	89,630
<b>Total accumulated other comprehensive income</b>	<b>110,824</b>	<b>89,630</b>
<b>Total net assets</b>	<b>23,118,531</b>	<b>23,827,145</b>
<b>Total liabilities and net assets</b>	<b>34,960,751</b>	<b>37,536,597</b>

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

(Thousands of yen)

	Fiscal year ended August 31, 2016	Fiscal year ended August 31, 2017
Net sales	34,685,137	37,191,819
Cost of sales	29,025,946	31,022,926
Gross profit	5,659,191	6,168,892
Selling, general and administrative expenses		
Directors' compensations	346,786	360,762
Employees' salaries and allowances	1,577,035	1,678,502
Provision for bonuses	63,333	66,939
Retirement benefit expenses	66,432	18,478
Provision for directors' retirement benefits	50,750	39,450
Advertising expenses	412,986	444,597
Taxes and dues	340,314	394,251
Provision of allowance for doubtful accounts	326	–
Other	1,434,166	1,458,857
Total selling, general and administrative expenses	4,292,130	4,461,839
Operating profit	1,367,060	1,707,053
Non-operating income		
Interest income	10,099	6,795
Dividend income	6,681	7,748
Office work fee	35,633	34,460
Refunded Real Estate Acquisition Tax	83,479	89,955
Income From Safety Cooperating Association	43,020	42,954
Miscellaneous income	83,142	91,598
Total non-operating income	262,056	273,513
Non-operating expenses		
Interest expenses	44,617	47,791
Provision of allowance for doubtful accounts	200	–
Miscellaneous loss	17,513	19,758
Total non-operating expenses	62,331	67,550
Ordinary profit	1,566,785	1,913,015
Extraordinary income		
Gain on sales of non-current assets	1,731	906
Other	262	–
Total extraordinary income	1,994	906
Extraordinary losses		
Loss on retirement of non-current assets	2,662	2,690
Impairment loss	1,656	–
Repayment of Cancellation Penalty Income	36,900	–
Other	44	–
Total extraordinary losses	41,263	2,690
Profit before income taxes	1,527,516	1,911,231

(Thousands of yen)

	Fiscal year ended August 31, 2016	Fiscal year ended August 31, 2017
Income taxes - current	552,827	632,865
Income taxes - deferred	122,761	(5,510)
Total income taxes	675,588	627,355
Profit	851,927	1,283,876
Profit attributable to owners of parent	851,927	1,283,876

## Consolidated statements of comprehensive income

(Thousands of yen)

	Fiscal year ended August 31, 2016	Fiscal year ended August 31, 2017
Profit	851,927	1,283,876
Other comprehensive income		
Valuation difference on available-for-sale securities	66,088	(21,194)
Total other comprehensive income	66,088	(21,194)
Comprehensive income	918,016	1,262,681
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	918,016	1,262,681
Comprehensive income attributable to non-controlling interests	—	—

## Consolidated statements of changes in equity

Fiscal year ended August 31, 2016

(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	16,343,892	(46,844)	23,014,310
Changes of items during period					
Dividends of surplus			(558,575)		(558,575)
Profit attributable to owners of parent			851,927		851,927
Purchase of treasury shares				(299,956)	(299,956)
Net changes of items other than shareholders' equity					
Total changes of items during period	–	–	293,352	(299,956)	(6,603)
Balance at end of current period	3,732,673	2,984,589	16,637,245	(346,800)	23,007,707

	Accumulated other comprehensive income	Total net assets
	Valuation difference on available-for-sale securities	
Balance at beginning of current period	44,736	23,059,046
Changes of items during period		
Dividends of surplus		(558,575)
Profit attributable to owners of parent		851,927
Purchase of treasury shares		(299,956)
Net changes of items other than shareholders' equity	66,088	66,088
Total changes of items during period	66,088	59,485
Balance at end of current period	110,824	23,118,531



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
Purchase of treasury shares					
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
Purchase of treasury shares		
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

## Consolidated statements of cash flows

(Thousands of yen)

	Fiscal year ended August 31, 2016	Fiscal year ended August 31, 2017
Cash flows from operating activities		
Profit before income taxes	1,527,516	1,911,231
Depreciation	175,065	175,014
Amortization of goodwill	10,388	24,687
Impairment loss	1,656	–
Increase (decrease) in allowance for doubtful accounts	526	(3,000)
Increase (decrease) in provision for bonuses	(4,047)	6,311
Increase (decrease) in provision for warranties for completed construction	1,160	335
Increase (decrease) in net defined benefit liability	32,215	12,694
Increase (decrease) in provision for directors' retirement benefits	48,487	38,050
Interest and dividend income	(16,781)	(14,543)
Interest expenses	44,617	47,791
Loss (gain) on sales of property, plant and equipment	(1,731)	(906)
Loss on retirement of property, plant and equipment	2,662	2,690
Decrease (increase) in notes and accounts receivable - trade	357,821	(475,877)
Decrease (increase) in inventories	(1,028,106)	377,910
Increase (decrease) in notes and accounts payable - trade	(295,607)	242,327
Increase (decrease) in advances received on uncompleted construction contracts	(370,633)	(321,128)
Other, net	(89,348)	18,795
Subtotal	395,862	2,042,383
Interest and dividend income received	12,034	10,910
Interest expenses paid	(44,237)	(47,934)
Income taxes paid	(520,512)	(526,174)
Net cash provided by (used in) operating activities	(156,852)	1,479,185

(Thousands of yen)

	Fiscal year ended August 31, 2016	Fiscal year ended August 31, 2017
Cash flows from investing activities		
Payments into time deposits	(1,740,136)	(1,740,405)
Proceeds from withdrawal of time deposits	1,735,182	1,769,615
Purchase of property, plant and equipment	(228,005)	(64,745)
Proceeds from sales of property, plant and equipment	2,011	31,527
Purchase of intangible assets	(61,130)	(21,737)
Purchase of investment securities	(21,080)	(2,400)
Proceeds from redemption of investment securities	15,000	–
Purchase of shares of subsidiaries	–	(73,686)
Other, net	18,486	(34,498)
Net cash provided by (used in) investing activities	(279,673)	(136,331)
Cash flows from financing activities		
Increase in short-term loans payable	8,876,000	9,819,500
Decrease in short-term loans payable	(8,587,000)	(9,027,948)
Proceeds from long-term loans payable	261,000	858,000
Repayments of long-term loans payable	(772,000)	(724,976)
Purchase of treasury shares	(299,956)	–
Cash dividends paid	(558,575)	(554,846)
Net cash provided by (used in) financing activities	(1,080,531)	369,729
Net increase (decrease) in cash and cash equivalents	(1,517,057)	1,712,583
Cash and cash equivalents at beginning of period	12,287,144	10,770,086
Cash and cash equivalents at end of period	10,770,086	12,482,670