

# Translation

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## Summary of Consolidated Financial Results for the Six Months Ended February 29, 2020 (Based on Japanese GAAP)

April 13, 2020

Company name: AVANTIA CO.,LTD.  
 Stock exchange listing: Tokyo, Nagoya  
 Stock code: 8904 URL <https://avantia-g.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 13, 2020  
 Scheduled date to commence dividend payments: May 20, 2020  
 Preparation of supplementary material on quarterly financial results: Yes  
 Holding of quarterly financial results meeting: No

(Amounts less than one million yen are rounded down)

### 1. Consolidated financial results for the six months ended February 29, 2020 (from September 1, 2019 to February 29, 2020)

#### (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 29, 2020 | 16,489          | 1.5   | 72               | (75.4) | 218             | (44.7) | 125                                     | (58.6) |
| Six months ended February 28, 2019 | 16,241          | (2.4) | 293              | (47.1) | 395             | (40.9) | 303                                     | (34.2) |

|                                    | Earnings per share | Diluted earnings per share |
|------------------------------------|--------------------|----------------------------|
|                                    | Yen                | Yen                        |
| Six months ended February 29, 2020 | 8.62               | —                          |
| Six months ended February 28, 2019 | 20.84              | —                          |

#### (2) Consolidated financial position

|                         | Total assets    | Net assets      | Equity ratio |
|-------------------------|-----------------|-----------------|--------------|
|                         | Millions of yen | Millions of yen | %            |
| As of February 29, 2020 | 44,542          | 24,553          | 55.1         |
| As of August 31, 2019   | 41,746          | 24,694          | 59.2         |

### 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, 2019             | —                          | 19.00           | —               | 19.00           | 38.00 |
| Year ending August 31, 2020            | —                          | 19.00           |                 |                 |       |
| Year ending August 31, 2020 (Forecast) |                            |                 | —               | 19.00           | 38.00 |

### 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                |
| Full year | 41,789          | 8.6 | 1,675            | 12.2 | 1,884           | 9.2 | 1,263                                   | 1.0 | 86.55              |

#### 4. Notes

- (1) Changes in significant subsidiaries during the six months ended February 29, 2020  
(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 29, 2020 | 14,884,300 shares | As of August 31, 2019 | 14,884,300 shares |
|-------------------------|-------------------|-----------------------|-------------------|

Number of treasury shares at the end of the period

|                         |                |                       |                |
|-------------------------|----------------|-----------------------|----------------|
| As of February 29, 2020 | 279,055 shares | As of August 31, 2019 | 303,555 shares |
|-------------------------|----------------|-----------------------|----------------|

Average number of shares during the period (cumulative from the beginning of the fiscal year)

|                                    |                   |                                    |                   |
|------------------------------------|-------------------|------------------------------------|-------------------|
| Six months ended February 29, 2020 | 14,586,668 shares | Six months ended February 28, 2019 | 14,580,745 shares |
|------------------------------------|-------------------|------------------------------------|-------------------|

## Quarterly consolidated financial statements

### Consolidated balance sheets

(Thousands of yen)

|   | As of August 31, 2019 | As of February 29, 2020 |
|---|-----------------------|-------------------------|
| Assets  |                       |                         |
| Current assets  |                       |                         |
| Cash and deposits   | 10,987,115            | 8,396,533               |
| Notes receivable, accounts receivable from completed construction contracts and other | 1,351,164             | 2,469,898               |
| Real estate for sale  | 2,978,962             | 6,055,762               |
| Development projects in progress  | 19,393,856            | 19,973,561              |
| Costs on construction contracts in progress   | 1,916,739             | 2,562,222               |
| Raw materials and supplies  | 7,615                 | 9,647                   |
| Other   | 883,420               | 576,458                 |
| Allowance for doubtful accounts   | (898)                 | (2,587)                 |
| Total current assets  | 37,517,976            | 40,041,496              |
| Non-current assets  |                       |                         |
| Property, plant and equipment   | 2,740,490             | 2,901,871               |
| Intangible assets   | 135,871               | 214,508                 |
| Investments and other assets  |                       |                         |
| Investment securities   | 790,849               | 772,554                 |
| Other   | 562,157               | 612,451                 |
| Allowance for doubtful accounts   | (955)                 | —                       |
| Total investments and other assets  | 1,352,051             | 1,385,006               |
| Total non-current assets  | 4,228,414             | 4,501,386               |
| Total assets  | 41,746,391            | 44,542,882              |
| Liabilities   |                       |                         |
| Current liabilities   |                       |                         |
| Notes payable, accounts payable for construction contracts and other                  | 3,391,595             | 3,516,886               |
| Short-term borrowings   | 6,148,200             | 8,680,500               |
| Current portion of long-term borrowings   | 584,508               | 721,808                 |
| Income taxes payable  | 118,418               | 168,539                 |
| Advances received on construction contracts in progress                               | 666,543               | 574,740                 |
| Provision for bonuses   | 119,973               | 87,013                  |
| Provision for warranties for completed construction                                   | 15,470                | 18,019                  |
| Other   | 1,012,371             | 832,854                 |
| Total current liabilities   | 12,057,081            | 14,600,362              |
| Non-current liabilities   |                       |                         |
| Long-term borrowings  | 4,270,573             | 4,646,569               |
| Provision for retirement benefits for directors (and other officers)                  | 114,576               | —                       |
| Retirement benefit liability  | 247,761               | 245,688                 |
| Other   | 362,112               | 497,063                 |
| Total non-current liabilities   | 4,995,023             | 5,389,320               |
| Total liabilities   | 17,052,105            | 19,989,682              |

|   | (Thousands of yen)    |                         |
|---|-----------------------|-------------------------|
|   | As of August 31, 2019 | As of February 29, 2020 |
| Net assets  |                       |                         |
| Shareholders' equity                                  |                       |                         |
| Share capital   | 3,732,673             | 3,732,673               |
| Capital surplus                                       | 2,984,589             | 2,982,029               |
| Retained earnings                                     | 18,283,089            | 18,131,764              |
| Treasury shares                                       | (346,801)             | (318,811)               |
| Total shareholders' equity                            | 24,653,550            | 24,527,656              |
| Accumulated other comprehensive income                |                       |                         |
| Valuation difference on available-for-sale securities | 40,734                | 25,543                  |
| Total accumulated other comprehensive income          | 40,734                | 25,543                  |
| Total net assets                                      | 24,694,285            | 24,553,199              |
| Total liabilities and net assets                      | 41,746,391            | 44,542,882              |

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

## Consolidated statements of income (cumulative)

(Thousands of yen)

|  | Six months ended<br>February 28, 2019 | Six months ended<br>February 29, 2020 |
|--|---------------------------------------|---------------------------------------|
| Net sales                                    | 16,241,106                            | 16,489,459                            |
| Cost of sales                                | 13,661,685                            | 14,148,339                            |
| Gross profit                                 | 2,579,421                             | 2,341,120                             |
| Selling, general and administrative expenses | 2,285,959                             | 2,268,892                             |
| Operating profit                             | 293,461                               | 72,228                                |
| Non-operating income                         |                                       |                                       |
| Interest income                              | 2,261                                 | 2,121                                 |
| Dividend income                              | 2,964                                 | 2,895                                 |
| Administrative service fee income            | 19,349                                | 20,184                                |
| Refunded real-estate acquisition tax         | 46,581                                | 51,652                                |
| IncomeFromSafetyCooperatingAssociation       | 22,538                                | 6,067                                 |
| Other  | 40,997                                | 111,736                               |
| Total non-operating income                   | 134,693                               | 194,659                               |
| Non-operating expenses                       |                                       |                                       |
| Interest expenses                            | 24,021                                | 37,873                                |
| Other  | 9,038                                 | 10,570                                |
| Total non-operating expenses                 | 33,059                                | 48,443                                |
| Ordinary profit                              | 395,095                               | 218,444                               |
| Extraordinary income                         |                                       |                                       |
| Gain on sales of non-current assets          | —                                     | 1,388                                 |
| Gain on sales of investment securities       | 31,011                                | —                                     |
| Insurance claim income                       | 44,423                                | —                                     |
| Total extraordinary income                   | 75,434                                | 1,388                                 |
| Extraordinary losses                         |                                       |                                       |
| Loss on sales of non-current assets          | —                                     | 10                                    |
| Loss on retirement of non-current assets     | 2,821                                 | 6,278                                 |
| Loss on valuation of investment securities   | 6,208                                 | —                                     |
| Total extraordinary losses                   | 9,030                                 | 6,288                                 |
| Profit before income taxes                   | 461,499                               | 213,544                               |
| Income taxes                                 | 157,612                               | 87,835                                |
| Profit                                       | 303,886                               | 125,709                               |
| Profit attributable to owners of parent      | 303,886                               | 125,709                               |

**Consolidated statements of comprehensive income (cumulative)**

(Thousands of yen)

|  | Six months ended<br>February 28, 2019 | Six months ended<br>February 29, 2020 |
|--|---------------------------------------|---------------------------------------|
| Profit   | 303,886                               | 125,709                               |
| Other comprehensive income                                     |                                       |                                       |
| Valuation difference on available-for-sale securities          | (21,641)                              | (15,191)                              |
| Total other comprehensive income                               | (21,641)                              | (15,191)                              |
| Comprehensive income   | 282,244                               | 110,517                               |
| Comprehensive income attributable to                           |                                       |                                       |
| Comprehensive income attributable to owners of parent          | 282,244                               | 110,517                               |
| Comprehensive income attributable to non-controlling interests | —                                     | —                                     |

## Consolidated statements of cash flows

(Thousands of yen)

|  | Six months ended<br>February 28, 2019 | Six months ended<br>February 29, 2020 |
|--|---------------------------------------|---------------------------------------|
| Cash flows from operating activities   |                                       |                                       |
| Profit before income taxes   | 461,499                               | 213,544                               |
| Depreciation   | 88,816                                | 103,634                               |
| Amortization of goodwill   | 9,746                                 | 7,149                                 |
| Increase (decrease) in allowance for doubtful accounts   | 77                                    | 14                                    |
| Increase (decrease) in provision for bonuses   | (29,392)                              | (32,959)                              |
| Increase (decrease) in provision for warranties for completed construction                     | (169)                                 | (414)                                 |
| Increase (decrease) in retirement benefit liability  | (3,739)                               | (2,073)                               |
| Increase (decrease) in provision for retirement benefits for directors (and other officers)    | (1,388,240)                           | (114,576)                             |
| Interest and dividend income   | (5,226)                               | (5,017)                               |
| Interest expenses  | 24,021                                | 37,873                                |
| Loss (gain) on sales of property, plant and equipment  | –                                     | (1,378)                               |
| Loss on retirement of non-current assets   | 2,821                                 | 6,278                                 |
| Loss (gain) on sales of investment securities  | (31,011)                              | –                                     |
| Loss (gain) on valuation of investment securities  | 6,208                                 | –                                     |
| Insurance claim income   | (44,423)                              | –                                     |
| Decrease (increase) in trade receivables   | (403,200)                             | (1,098,797)                           |
| Decrease (increase) in inventories   | (4,049,783)                           | (4,233,799)                           |
| Increase (decrease) in trade payables  | (131,877)                             | 45,122                                |
| Increase (decrease) in advances received on construction contracts in progress                 | 79,451                                | (132,968)                             |
| Other, net   | (239,865)                             | (128,675)                             |
| Subtotal   | (5,654,287)                           | (5,337,043)                           |
| Interest and dividends received  | 3,431                                 | 2,923                                 |
| Interest paid  | (24,308)                              | (37,835)                              |
| Proceeds from insurance income   | 60,820                                | –                                     |
| Income taxes (paid) refund   | (458,707)                             | 312,431                               |
| Net cash provided by (used in) operating activities  | (6,073,051)                           | (5,059,523)                           |
| Cash flows from investing activities   |                                       |                                       |
| Payments into time deposits  | (53,427)                              | (51,131)                              |
| Proceeds from withdrawal of time deposits  | 650,626                               | 51,230                                |
| Purchase of property, plant and equipment  | (56,593)                              | (64,991)                              |
| Proceeds from sales of property, plant and equipment   | –                                     | 8,074                                 |
| Purchase of intangible assets  | (16,800)                              | (5,794)                               |
| Purchase of investment securities  | (1,200)                               | (1,511)                               |
| Proceeds from sales of investment securities   | 45,916                                | –                                     |
| Proceeds from purchase of shares of subsidiaries resulting in change in scope of consolidation | –                                     | 108,215                               |
| Other, net   | (14,626)                              | (22,738)                              |
| Net cash provided by (used in) investing activities  | 553,894                               | 21,352                                |

|  | (Thousands of yen)                    |                                       |
|--|---------------------------------------|---------------------------------------|
|  | Six months ended<br>February 28, 2019 | Six months ended<br>February 29, 2020 |
| Cash flows from financing activities                 |                                       |                                       |
| Proceeds from short-term borrowings                  | 6,223,500                             | 11,633,300                            |
| Repayments of short-term borrowings                  | (6,629,700)                           | (9,101,000)                           |
| Proceeds from long-term borrowings                   | 420,000                               | 500,000                               |
| Repayments of long-term borrowings                   | (77,154)                              | (326,704)                             |
| Purchase of treasury shares                          | (1)                                   | —                                     |
| Dividends paid                                       | (277,048)                             | (277,020)                             |
| Net cash provided by (used in) financing activities  | (340,403)                             | 2,428,575                             |
| Net increase (decrease) in cash and cash equivalents | (5,859,560)                           | (2,609,594)                           |
| Cash and cash equivalents at beginning of period     | 14,230,579                            | 10,956,297                            |
| Cash and cash equivalents at end of period           | 8,371,019                             | 8,346,702                             |