

## Sanyo Homes (1420)

Consolidated Fiscal Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY03/2017		55,504	1,517	1,554	972	77.9	15.0	1,284.7
FY03/2018		54,117	1,894	1,911	1,243	100.9	15.0	1,374.3
FY03/2019CoE		62,650	2,110	2,010	1,350	109.6	25.0	-
FY03/2018	YoY	(2.5%)	24.8%	22.9%	27.8%	-	-	-
FY03/2019CoE	YoY	15.8%	11.4%	5.2%	8.6%	-	-	-
Consolidated Half Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY03/2018		21,437	361	327	215	-	-	-
Q3 to Q4 FY03/2018		32,680	1,533	1,583	1,027	-	-	-
Q1 to Q2 FY03/2019CoE		23,250	(369)	(500)	(380)	-	-	-
Q3 to Q4 FY03/2019CoE		39,400	2,479	2,510	1,730	-	-	-
Q1 to Q2 FY03/2019CoE	YoY	8.5%	-	-	-	-	-	-
Q3 to Q4 FY03/2019CoE	YoY	20.6%	61.6%	58.5%	68.4%	-	-	-

Source: Company Data, WRJ Calculation

### 1.0 Executive Summary (30 July 2018)

#### Creating Shared Value

Sanyo Homes, developing and selling houses as well as condos, is likely seeing favorable earnings going forward. Given order intake and order backlog both surging, sales are expected to rise favorably in FY03/2019 and in FY03/2020 as well as earnings over the same period in line with this. In FY03/2018, order intake came in at ¥63,745m (up 17.5% YoY) and order backlog stood at ¥31,397m (up 44.2%) as of the end of the fiscal year, both having renewed record highs. The bulk of sales as a whole for the Company are booked by digesting order backlog and thus sales are to remain buoyant in the foreseeable future. Now, going for consistent earnings growth, the Company has decided to drastically increase dividend, going for ¥25.0 per share (payout ratio of 22.8%) in FY03/2019 versus ¥15.0 (payout ratio of 14.9%) in FY03/2018, resulting in increases of payout ratio at the same time. Indeed, the Company is keen on sharing earnings with shareholders, targeting to achieve payout ratio of 30% in a midterm view. Meanwhile, the Company has disclosed that it goes for management based on an idea of Creating Shared Value (CSV) to materialize “Society 5.0 (human-centered society)” as the basic guidelines, starting up in FY03/2019. That is to say, the Company is trying to get at creating shared value between the Company and society over the long term by means of adopting own skills and other resources to solve problems of society, which is conducted as a part of own business operations to make money.

In FY03/2018, sales came in at ¥54,117m (down 2.5% YoY), operating profit ¥1,894m (up 24.8%) and operating profit margin 3.5% (up 0.8% points), which came from gross profit margin of 21.1% (up 0.6% points) and the ratio of SG&A expenses to sales of 17.6% (down 0.2% points). Meanwhile, order intake and order backlog have dramatically increased as mentioned earlier. When the ratio of SG&A expenses to order intake is computed, it is implied that the Company has enhanced efficiency to obtain order intake as the said ratio came in at 14.9% (down 3.3% points). Still, it takes a while to book sales after booking order intake and/or order backlog and thus sales as a whole for the Company have failed to favorably increase. In particular, sales on the Housing side came down sharply, albeit temporarily, which was the key negative factor, according to the Company. By business segment, Housing saw sales of ¥22,534m (down 11.4%), operating profit of negative ¥118m, (versus ¥232m in the previous year) and operating profit margin of negative 0.5% (down 1.4% points), while Condos sales of ¥28,777m (down 0.3%), operating profit of ¥2,293m (down 6.6%) and operating profit margin of 8.0% (down 0.5% points).

FY03/2019 Company forecasts are going for prospective sales of ¥62,650m (up 15.8% YoY), operating profit of ¥2,110m (up 11.4%) and operating profit margin of 3.4% (down 0.1% point). Prospective net increases of sales over the previous year are ¥8,532m versus net increases of ¥9,628m as of the beginning of the fiscal year for order backlog, implying that prospective sales are achievable more than sufficiently given the fact that the bulk of sales as a whole for the Company are booked by digesting order backlog, according to the Company. Company forecasts assume sales of ¥28,271m (up 25.5%), operating profit of ¥1,202m (versus negative ¥118m in the previous year) and operating profit margin of 4.3% (up 4.8% points) on the Housing side, while sales of ¥31,932m (up 11.0%), operating profit of ¥2,212m (down 3.6%) and operating profit margin of 6.9% (down 1.0% point) on the Condos side. The Company also suggests that sales on the Condos side could reach ¥32,300m in FY03/2019, when based on the current agenda of completion, while sales of ¥42,000m are additionally achievable after this. In other words, order backlog on the Condos side as of the beginning of the fiscal year includes that of projects whose sales are to be booked after the startup of FY03/2020 and thus the Company is convinced with prospects that sales are to remain buoyant in FY03/2020 to be preceded by FY03/2019.


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## 2.0 Company Profile

### Developing and Selling Houses as well as Condos

<b>Company Name</b>	Sanyo Homes Corporation <a href="#">Website</a> <a href="#">IR Information</a> <a href="#">Share Price (Japanese)</a>	
<b>Inauguration</b>	1 February 1969	
<b>Listing</b>	9 April 2014: Tokyo Stock Exchange 1st Section (ticker: 1420) 9 April 2013: Tokyo Stock Exchange 2nd Section	
<b>Capital</b>	¥5,945m (as of the end of March 2018)	
<b>No. of Shares</b>	12,620,000 shares, including 300,880 treasury shares (as of the end of March 2018)	
<b>Main Features</b>	<ul style="list-style-type: none"> <li>● Having roots in “Kubota House Co. Ltd.” or provider of custom-built houses (steel-framed prefabricated structure)</li> <li>● Running operations mainly in Kinki region as well as in capital region, Chubu region, Kyushu region, etc.</li> <li>● Condos Business to develop and sell condos, the earnings pillar</li> </ul>	
<b>Business Segments</b>	<ul style="list-style-type: none"> <li>. Housing Business</li> <li>. Condos Business</li> <li>. Other</li> </ul>	
<b>Top Management</b>	Representative Director / Chairman: Yasusuke Tanaka, Representative Director / Vice Chairman: Hisashi Matsuoka and Representative Director / President: Fumio Matsumoto	
<b>Shareholders</b>	LIXIL Corporation 24.56%, ORIX Corporation 16.64% (as of the end of March 2018)	
<b>Headquarters</b>	Nishi-ku, Osaka-prefecture, JAPAN	
<b>No. of Employees</b>	Consolidated: 697, Parent: 453 (as of the end of March 2018)	

Source: Company Data

## 3.0 Recent Trading and Prospects

### FY03/2018 Results

In FY03/2018, sales came in at ¥54,117m (down 2.5% YoY), operating profit ¥1,894m (up 24.8%), recurring profit ¥1,911m (up 22.9%) and profit attributable to owners of parent ¥1,243m (up 27.8%), while operating profit margin 3.5% (up 0.8% points). Sales and operating profit fell short of initial Company forecasts, but initial Company forecasts were rather exceeded in recurring profit and profit attributable to owners of parent.

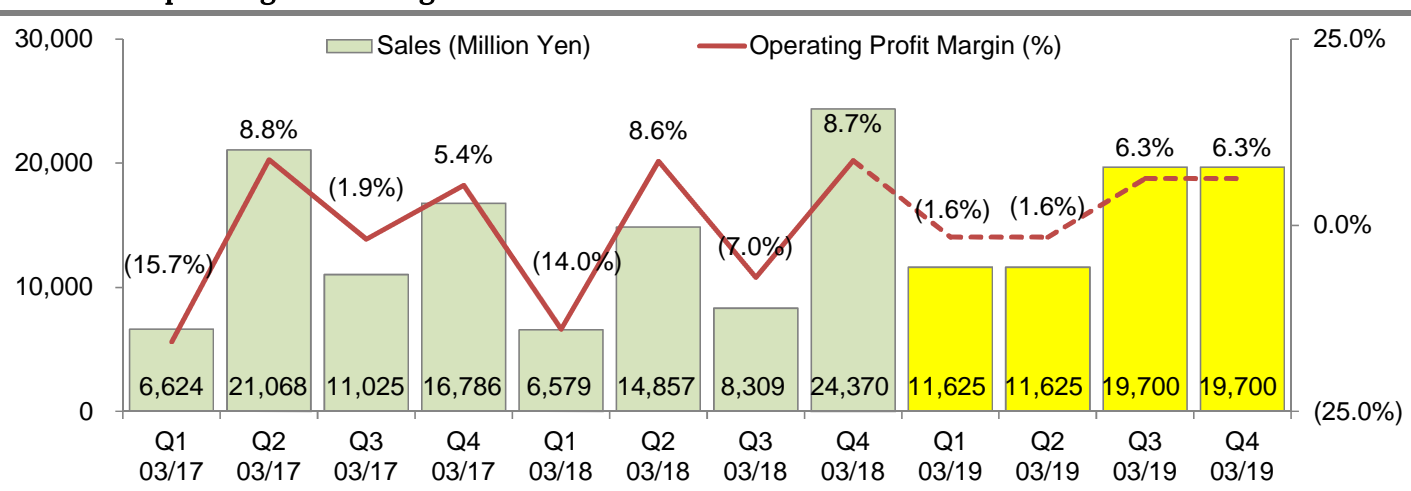
#### Company Forecasts and Results

Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
FY03/2018CoE	10-May-17	Q4 Results	68,600	2,010	1,720	1,100
FY03/2018CoE	4-Aug-17	Q1 Results	68,600	2,010	1,720	1,100
FY03/2018CoE	9-Nov-17	Q2 Results	57,800	2,010	1,820	1,200
		Amount of Gap	(10,800)	0	100	100
		Rate of Gap	(15.7%)	0.0%	5.8%	9.1%
FY03/2018CoE	5-Feb-18	Q3 Results	57,800	2,010	1,820	1,200
FY03/2018Act	9-May-18	Q4 Results	54,117	1,894	1,911	1,243
		Amount of Gap	(3,683)	(116)	91	43
		Rate of Gap	(6.4%)	(5.8%)	5.0%	3.6%
FY03/2018CoE	10-May-17	Q4 Results	68,600	2,010	1,720	1,100
FY03/2018Act	9-May-18	Q4 Results	54,117	1,894	1,911	1,243
		Amount of Gap	(14,483)	(116)	191	143
		Rate of Gap	(21.1%)	(5.8%)	11.1%	13.0%

Source: Company Data, WRJ Calculation

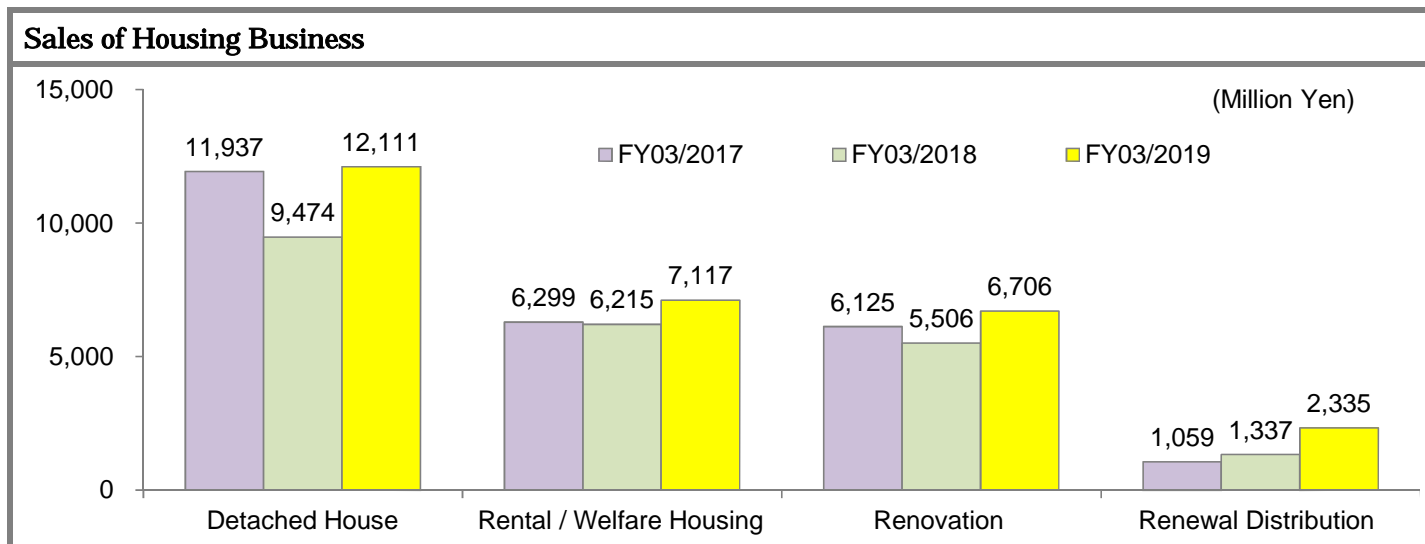
Order intake came in at ¥63,745m (up 17.5% YoY) and order backlog stood at ¥31,397m (up 44.2%) as of the end of the fiscal year. In other words, the Company saw strengths in its leading indicators for prospective business performance. It takes some six months for the Company to book sales after booking order intake and/or order backlog in regards to regular detached houses on the Housing side, while often more than 12 months on the Condos side (depending on timing of launch on each project to a large extent). Meanwhile, sales on a quarterly basis as a whole for the Company are inevitably volatile, depending on whether those of large-scale project on the Condos side are included or not, etc., while even more volatile in terms of earnings, given stability of fixed costs on a quarterly basis.

#### Sales and Operating Profit Margin



Source: Company Data, WRJ Calculation (quarters in FY03/2019: half-year Company forecasts pro rata)

By business segment, Housing saw sales of ¥22,534m (down 11.4%), operating profit of negative ¥118m, (versus ¥232m in the previous year) and operating profit margin of negative 0.5% (down 1.4% points). Condos saw sales of ¥28,777m (down 0.3%), operating profit of ¥2,293m (down 6.6%) and operating profit margin of 8.0% (down 0.5% points). Other saw sales of ¥2,805m (up 131.4%), operating profit of ¥642m (versus negative ¥190m in the previous year) and operating profit margin of 22.9% (up 38.6% points).



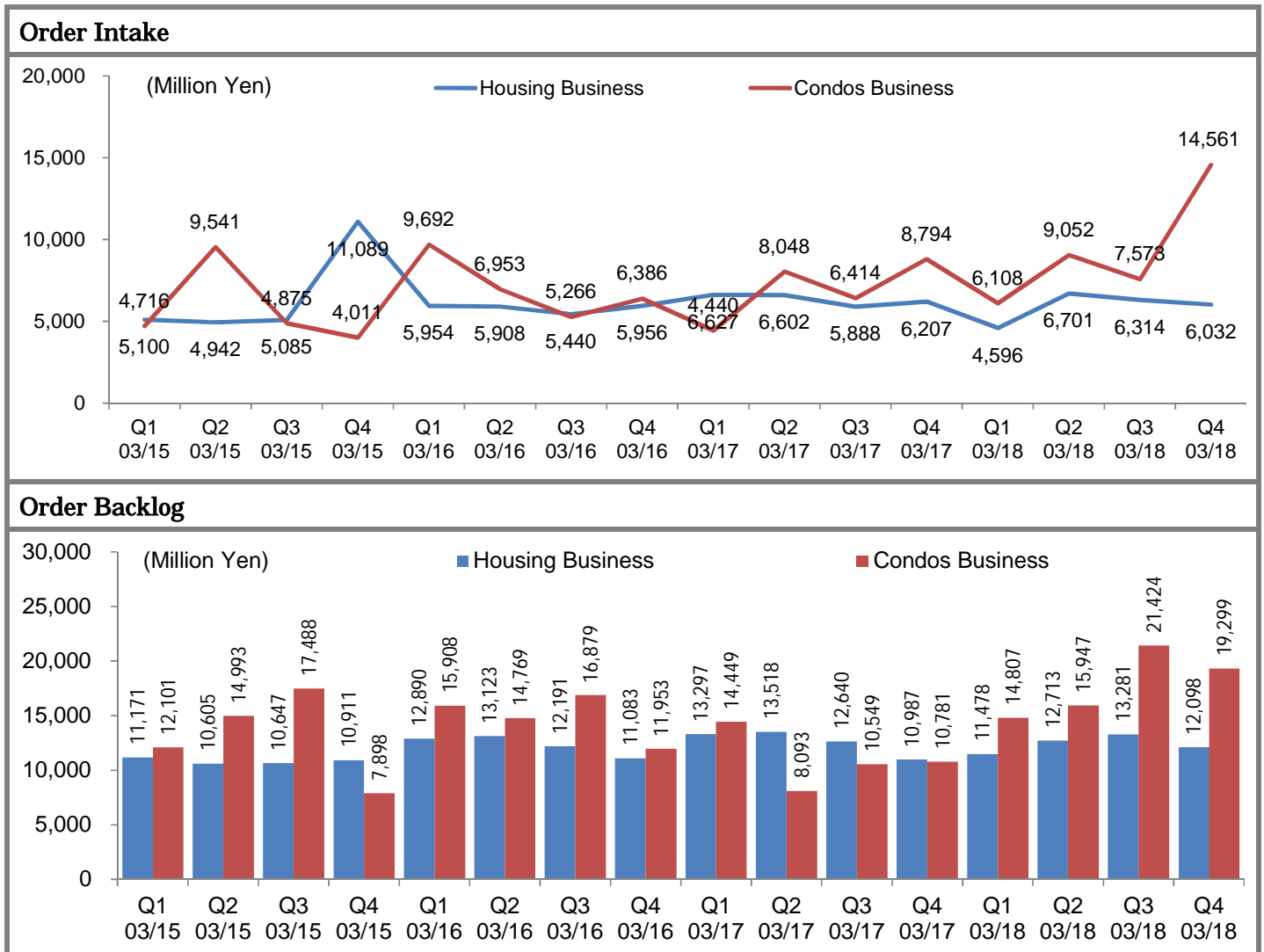
Source: Company Data, WRJ Calculation

On the Housing side, sales came down and the Company suffered from operating loss. Going forward, however, sales are to see a recovery across the board in FY03/2019, which is to drive operating balance moving into profit in this business segment. At the same time, this is to drive earnings as a whole for the Company to a large extent. In FY03/2018, the Company especially suffered from adjustments of sales in regards to Detached House. This has a lot to do with very low levels of order intake in Q1 to Q2 (H1), but the Company saw a recovery in H2 over H1 for order intake here, while FY03/2019 Company forecasts are going for a major recovery of sales over FY03/2018.

In regards to Rental / Welfare Housing, Company forecasts are going for a similar changeover, i.e., marginal adjustments to increases for sales. Here is the Company mainly involved with developing and selling of apartment-related (unit prices of some ¥50m) and facilities for nursing care public services / nursery (some ¥100m). The Company has been putting emphasis on the latter for some time, eventually driving sales of Rental / Welfare Housing in FY03/2019. At the same time, the Company is keen on sales promotions on concept-oriented rental housing with a theme of community (sharing common sense of values, e.g., pet animals, musical instruments, childcare, etc.)

In regards to Renovation, the Company is also going for a similar changeover to recovery from adjustments. Since the beginning of the fiscal year, the Company has been integrating operations between those on a parent basis and those of subsidiary. In FY03/2018, the Company was basically in a period of starting up new integrated operations and it was too early to benefit from this strategy. Still, the Company will do so in FY03/2019.

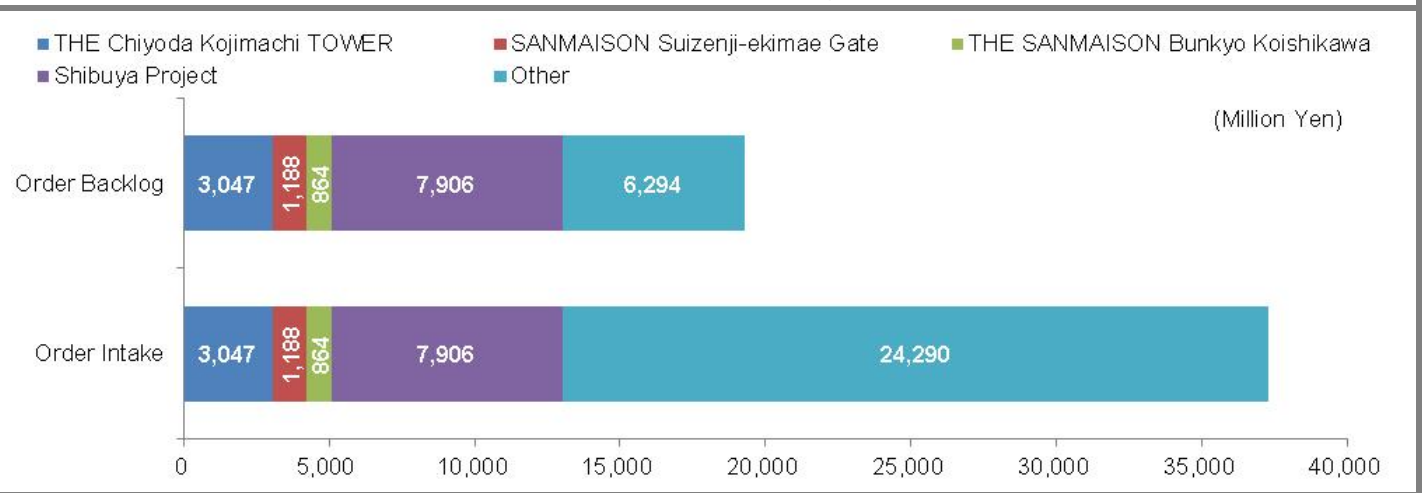
In regards to Renewal Distribution taken off on a full-fledged basis in FY03/2017, sales are to remain buoyant. On 1 April 2018, the Ministry of Land, Infrastructure and Transport started up a labeling scheme of “Security R House”, while Building Lots and Building Transaction Business Law has been revised. Now, both of them are expected to drive demand for “Residential Doctor”, representing residential inspection services offered by the Company.



Source: Company Data, WRJ Calculation

Meanwhile, on the Condos side, sales were sluggish, but order intake and order backlog expanded favorably. The latter has a lot to do with booking of order intake as much as ¥7,906m associated with “Shibuya Project” or large-scale project in capital region in Q4. Sales of the said project are to be booked in H2 FY03/2019 and in Q1 to Q2 (H1) FY03/2020. In the first place, “Shibuya Project” comprises two condo buildings and sales associated with each are to be booked one by one.

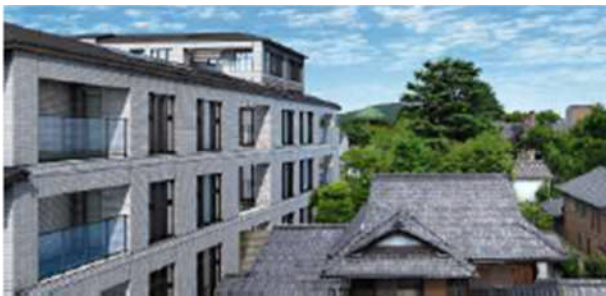
### Condos Business : Order Intake (FY03/2018) and Order Backlog (as of the end of FY03/2018)



Source: Company Data, WRJ Calculation

In FY03/2018, the Company consistently saw completion and sales of condos based in the twenty-three wards of Tokyo in capital region and those of close-to-the-station in other regions. Going forward, the Company is to make progress in the same way, while it is increasingly difficult to newly procure land for condos in the twenty-three wards of Tokyo. Given this, the Company has started up a new scheme of so-called SANRENO series for condos as far as the said region is concerned, where it buys in company-housing condos and/or condos for rent on a building basis and sells unit by unit as “renovated condos” after termination of contract period for rent unity by unit.

### New Condos (completed in FY03/2018)



**THE SANMAISON Kyoto Goshonishi**



**SANMAISON Ryokuchikoen Avenue**



**SANMAISON Himeji Nishikimachi**



**SANMAISON Kasuga**

Source: Company Data

Housing and Condos collectively accounted for 94.8% of sales as a whole for the Company, while the remaining 5.2% of sales were of Other, mainly comprising those of Life Support and Frontier. Sales of Life Support were of operations to run nursery schools and of those of nursing-care-related services, while sales of Frontier comprised proceeds from selling of large-scale photovoltaic power generation facilities and those of housing materials. On top of this, the Company is also involved with operations to build condo in Vietnam to be completed in April 2019, which are of joint business with local general contractor. Thus, the Company sees impacts from the said operations at equity in earnings of affiliates in income statement.

Meanwhile, inventory stood at ¥34,536m as of the end of FY03/2018, down ¥3,195m from the end of FY03/2017, comprising condos completed of ¥8,177m (down ¥974m), condos in process for completion of ¥21,997m (down ¥1,645m) and other of ¥4,362m (down ¥576m). Condos completed equates to sales value of condos having not been sold yet after launch being on the balance sheet as inventory on a short-term basis. Therefore, the figures suggest that the Company has successfully cut back levels of inventory here. Meanwhile, condos in process for completion equates to collective value of land procurement, construction fees and related expenses in regards to condos to be completed in the future. Therefore, the figures suggest that the Company is to suffer from decreases of sales going forward, when simply thinking. However, the story is not so simple and the Company argues that sales on the Condos side are to effectively increase, going forward. The levels of condos in process for completion have a lot to do with the timing of land procurement, etc., according to the Company.

For example, FY03/2019 Company forecasts assume sales of ¥31,932m (up 11.0%) on the Condos side. At the same time, the Company also suggests that sales could reach ¥32,300m in FY03/2019, when based on the current agenda of completion, while sales of ¥42,000m are additionally achievable after this. Thus, the Company is now going for collective sales of ¥74,400m versus ¥68,100m for the said levels as of the end of FY03/2017. Thus, the Company suggests sales on the Condos side are to go on increasing in FY03/2019 and in FY03/2020.

On the other hand, the Company saw major net increases of free cash flow in FY03/2018, i.e., ¥7,435m versus ¥1,061m in FY03/2017. On top of booking profit before income taxes of ¥1,847m, the Company saw net decreases of ¥3,195m in inventory as mentioned above, which were the two main reasons, according to the Company. As a result, net debt equity ratio stood at 50.6% (down 49.5% points) as of the end of the fiscal year, implying a major improvement on the financial side.



## Income Statement (Cumulative, Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		
(Million Yen)	03/2017	03/2017	03/2017	03/2017	03/2018	03/2018	03/2018	03/2018		Net Chg.
<b>Sales</b>	<b>6,624</b>	<b>27,692</b>	<b>38,717</b>	<b>55,504</b>	<b>6,579</b>	<b>21,437</b>	<b>29,747</b>	<b>54,117</b>		<b>(1,387)</b>
CoGS	5,377	21,910	30,694	44,115	5,209	16,504	23,262	42,699		(1,416)
Gross Profit	1,247	5,781	8,022	11,388	1,369	4,932	6,484	11,417		+28
SG&A	2,284	4,962	7,408	9,871	2,289	4,570	6,705	9,522		(348)
<b>Operating Profit</b>	<b>(1,037)</b>	<b>818</b>	<b>614</b>	<b>1,517</b>	<b>(919)</b>	<b>361</b>	<b>(220)</b>	<b>1,894</b>		<b>+377</b>
Non Operating Balance	(3)	44	33	37	(4)	(33)	(52)	16		(20)
<b>Recurring Profit</b>	<b>(1,041)</b>	<b>863</b>	<b>648</b>	<b>1,554</b>	<b>(924)</b>	<b>327</b>	<b>(272)</b>	<b>1,911</b>		<b>+356</b>
Extraordinary Balance	-	-	(29)	(106)	-	-	-	(37)		+69
Profit before Income Taxes	(1,041)	863	618	1,447	(924)	327	(272)	1,874		+426
Total Income Taxes	(336)	264	203	475	(274)	112	(61)	631		+155
NP Belonging to Non-Controlling SHs	-	-	-	-	-	-	-	-		-
<b>Profit Attributable to Owners of Parent</b>	<b>(704)</b>	<b>599</b>	<b>415</b>	<b>972</b>	<b>(649)</b>	<b>215</b>	<b>(211)</b>	<b>1,243</b>		<b>+270</b>
Sales YoY	+14.1%	+40.9%	+32.3%	+16.3%	(0.7%)	(22.6%)	(23.2%)	(2.5%)		-
Operating Profit YoY	-	-	-	-	-	(55.9%)	-	+24.8%		-
Recurring Profit YoY	-	-	-	-	-	(62.0%)	-	+22.9%		-
Profit Attributable to Owners of Parent YoY	-	-	-	-	-	(64.0%)	-	+27.8%		-
Gross Profit Margin	18.8%	20.9%	20.7%	20.5%	20.8%	23.0%	21.8%	21.1%		+0.6%
(SG&A / Sales)	34.5%	17.9%	19.1%	17.8%	34.8%	21.3%	22.5%	17.6%		(0.2%)
Operating Profit Margin	(15.7%)	3.0%	1.6%	2.7%	(14.0%)	1.7%	(0.7%)	3.5%		+0.8%
Recurring Profit Margin	(15.7%)	3.1%	1.7%	2.8%	(14.0%)	1.5%	(0.9%)	3.5%		+0.7%
Profit Attributable to Owners of Parent Margin	(10.6%)	2.2%	1.1%	1.8%	(9.9%)	1.0%	(0.7%)	2.3%		+0.5%
Total Income Taxes / Profit before Income Taxes	-	30.6%	32.9%	32.8%	-	34.2%	-	33.7%		+0.8%
Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		
(Million Yen)	03/2017	03/2017	03/2017	03/2017	03/2018	03/2018	03/2018	03/2018		Net Chg.
<b>Sales</b>	<b>6,624</b>	<b>21,068</b>	<b>11,025</b>	<b>16,786</b>	<b>6,579</b>	<b>14,857</b>	<b>8,309</b>	<b>24,370</b>		<b>+7,583</b>
CoGS	5,377	16,533	8,783	13,421	5,209	11,295	6,757	19,437		+6,016
Gross Profit	1,247	4,534	2,241	3,365	1,369	3,562	1,552	4,932		+1,566
SG&A	2,284	2,677	2,446	2,462	2,289	2,281	2,134	2,817		+355
<b>Operating Profit</b>	<b>(1,037)</b>	<b>1,856</b>	<b>(204)</b>	<b>903</b>	<b>(919)</b>	<b>1,280</b>	<b>(581)</b>	<b>2,115</b>		<b>+1,211</b>
Non Operating Balance	(3)	48	(10)	3	(4)	(28)	(19)	69		+66
<b>Recurring Profit</b>	<b>(1,041)</b>	<b>1,904</b>	<b>(215)</b>	<b>906</b>	<b>(924)</b>	<b>1,252</b>	<b>(600)</b>	<b>2,184</b>		<b>+1,277</b>
Extraordinary Balance	-	-	(29)	(77)	-	-	-	(37)		+40
Profit before Income Taxes	(1,041)	1,904	(245)	829	(924)	1,252	(600)	2,147		+1,317
Total Income Taxes	(336)	600	(60)	272	(274)	386	(173)	692		+420
NP Belonging to Non-Controlling SHs	-	-	-	-	-	-	-	-		-
<b>Profit Attributable to Owners of Parent</b>	<b>(704)</b>	<b>1,304</b>	<b>(184)</b>	<b>557</b>	<b>(649)</b>	<b>865</b>	<b>(426)</b>	<b>1,454</b>		<b>+896</b>
Sales YoY	+14.1%	+52.1%	+14.7%	(9.0%)	(0.7%)	(29.5%)	(24.6%)	+45.2%		-
Operating Profit YoY	-	+367.5%	-	(31.5%)	-	(31.0%)	-	+134.1%		-
Recurring Profit YoY	-	+405.5%	-	(32.7%)	-	(34.3%)	-	+140.9%		-
Profit Attributable to Owners of Parent YoY	-	+430.1%	-	(19.8%)	-	(33.6%)	-	+160.9%		-
Gross Profit Margin	18.8%	21.5%	20.3%	20.1%	20.8%	24.0%	18.7%	20.2%		+0.2%
(SG&A / Sales)	34.5%	12.7%	22.2%	14.7%	34.8%	15.4%	25.7%	11.6%		(3.1%)
Operating Profit Margin	(15.7%)	8.8%	(1.9%)	5.4%	(14.0%)	8.6%	(7.0%)	8.7%		+3.3%
Recurring Profit Margin	(15.7%)	9.0%	(2.0%)	5.4%	(14.0%)	8.4%	(7.2%)	9.0%		+3.6%
Profit Attributable to Owners of Parent Margin	(10.6%)	6.2%	(1.7%)	3.3%	(9.9%)	5.8%	(5.1%)	6.0%		+2.6%
Total Income Taxes / Profit before Income Taxes	-	31.5%	-	32.8%	-	30.9%	-	32.3%		(0.5%)

Source: Company Data, WRJ Calculation

### Segmented Information (Cumulative, Quarterly)

Segmented Information	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4		Net Chg.
(Million Yen)	03/2017	03/2017	03/2017	03/2017	03/2018	03/2018	03/2018	03/2018	03/2018	
Housing Business	4,414	10,795	17,561	25,421	4,106	9,573	15,318	22,534		(2,886)
Condos Business	1,944	16,349	20,307	28,870	2,081	9,994	12,090	28,777		(93)
Other	265	547	848	1,212	391	1,869	2,337	2,805		+1,592
<b>Sales</b>	<b>6,624</b>	<b>27,692</b>	<b>38,717</b>	<b>55,504</b>	<b>6,579</b>	<b>21,437</b>	<b>29,747</b>	<b>54,117</b>		<b>(1,387)</b>
Housing Business	(441)	(297)	(184)	232	(342)	(336)	(354)	(118)		(350)
Condos Business	(294)	1,695	1,678	2,455	(318)	397	80	2,293		(161)
Other	(20)	(24)	(68)	(190)	-	748	696	642		+832
<b>Total</b>	<b>(757)</b>	<b>1,373</b>	<b>1,425</b>	<b>2,497</b>	<b>(661)</b>	<b>809</b>	<b>422</b>	<b>2,817</b>		<b>+320</b>
Elimination	(280)	(554)	(811)	(979)	(258)	(448)	(642)	(922)		+56
<b>Operating Profit</b>	<b>(1,037)</b>	<b>818</b>	<b>614</b>	<b>1,517</b>	<b>(919)</b>	<b>361</b>	<b>(220)</b>	<b>1,894</b>		<b>+377</b>
Housing Business	(10.0%)	(2.8%)	(1.0%)	0.9%	(8.3%)	(3.5%)	(2.3%)	(0.5%)		(1.4%)
Condos Business	(15.1%)	10.4%	8.3%	8.5%	(15.3%)	4.0%	0.7%	8.0%		(0.5%)
Other	(7.9%)	(4.5%)	(8.1%)	(15.7%)	0.0%	40.0%	29.8%	22.9%		+38.6%
Elimination	(4.2%)	(2.0%)	(2.1%)	(1.8%)	(3.9%)	(2.1%)	(2.2%)	(1.7%)		+0.1%
<b>Operating Profit Margin</b>	<b>(15.7%)</b>	<b>3.0%</b>	<b>1.6%</b>	<b>2.7%</b>	<b>(14.0%)</b>	<b>1.7%</b>	<b>(0.7%)</b>	<b>3.5%</b>		<b>+0.8%</b>
Segmented Information	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4		Net Chg.
(Million Yen)	03/2017	03/2017	03/2017	03/2017	03/2018	03/2018	03/2018	03/2018	03/2018	
Housing Business	4,414	6,381	6,766	7,859	4,106	5,466	5,745	7,216		(643)
Condos Business	1,944	14,405	3,957	8,563	2,081	7,913	2,096	16,686		+8,123
Other	265	281	301	363	391	1,477	468	467		+103
<b>Sales</b>	<b>6,624</b>	<b>21,068</b>	<b>11,025</b>	<b>16,786</b>	<b>6,579</b>	<b>14,857</b>	<b>8,309</b>	<b>24,370</b>		<b>+7,583</b>
Housing Business	(441)	144	113	416	(342)	5	(18)	236		(180)
Condos Business	(294)	1,989	(16)	777	(318)	716	(317)	2,213		+1,436
Other	(20)	(3)	(43)	(122)	-	747	(51)	(54)		+67
<b>Total</b>	<b>(757)</b>	<b>2,130</b>	<b>52</b>	<b>1,071</b>	<b>(661)</b>	<b>1,470</b>	<b>(387)</b>	<b>2,395</b>		<b>+1,324</b>
Elimination	(280)	(274)	(257)	(167)	(258)	(189)	(194)	(280)		(112)
<b>Operating Profit</b>	<b>(1,037)</b>	<b>1,856</b>	<b>(204)</b>	<b>903</b>	<b>(919)</b>	<b>1,280</b>	<b>(581)</b>	<b>2,115</b>		<b>+1,211</b>
Housing Business	(10.0%)	2.3%	1.7%	5.3%	(8.3%)	0.1%	(0.3%)	3.3%		(2.0%)
Condos Business	(15.1%)	13.8%	(0.4%)	9.1%	(15.3%)	9.1%	(15.2%)	13.3%		+4.2%
Other	(7.9%)	(1.3%)	(14.6%)	(33.6%)	0.0%	50.6%	(11.0%)	(11.6%)		+22.0%
Elimination	(4.2%)	(1.3%)	(2.3%)	(1.0%)	(3.9%)	(1.3%)	(2.3%)	(1.2%)		(0.2%)
<b>Operating Profit Margin</b>	<b>(15.7%)</b>	<b>8.8%</b>	<b>(1.9%)</b>	<b>5.4%</b>	<b>(14.0%)</b>	<b>8.6%</b>	<b>(7.0%)</b>	<b>8.7%</b>		<b>+3.3%</b>

Source: Company Data, WRJ Calculation

## Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2017	Q2 03/2017	Q3 03/2017	Q4 03/2017	Q1 03/2018	Q2 03/2018	Q3 03/2018	Q4 03/2018		
Cash and Deposit	8,260	8,806	8,148	7,767	7,262	8,476	7,777	7,836	+68	
Inventory	44,807	39,433	41,870	37,731	38,999	36,135	38,730	34,536	(3,195)	
Other	3,476	2,485	3,513	2,096	2,973	2,229	3,421	2,583	+487	
<b>Current Assets</b>	<b>56,544</b>	<b>50,725</b>	<b>53,532</b>	<b>47,595</b>	<b>49,236</b>	<b>46,841</b>	<b>49,929</b>	<b>44,956</b>	<b>(2,639)</b>	
Tangible Assets	976	720	676	675	664	654	703	758	+83	
Intangible Assets	22	23	27	26	28	30	28	26	-	
Investments and Other Assets	2,381	2,357	2,361	2,379	2,367	2,360	2,355	2,315	(63)	
<b>Fixed Assets</b>	<b>3,380</b>	<b>3,101</b>	<b>3,064</b>	<b>3,081</b>	<b>3,060</b>	<b>3,046</b>	<b>3,087</b>	<b>3,100</b>	<b>+19</b>	
<b>Total Assets</b>	<b>59,925</b>	<b>53,826</b>	<b>56,597</b>	<b>50,676</b>	<b>52,296</b>	<b>49,887</b>	<b>53,017</b>	<b>48,056</b>	<b>(2,619)</b>	
Accounts Payables	3,670	4,492	5,866	5,430	2,997	4,053	4,060	7,375	+1,945	
Short Term Debt	22,320	14,050	16,570	12,420	19,920	15,040	18,415	10,640	(1,780)	
Advances Received on Uncompleted Contracts	1,212	1,127	1,137	774	890	1,764	1,506	1,046	+271	
Advances Received	1,267	415	698	660	820	933	1,465	2,201	+1,541	
Other	1,541	2,760	1,834	2,706	1,588	2,059	1,397	2,492	(214)	
<b>Current Liabilities</b>	<b>30,012</b>	<b>22,845</b>	<b>26,106</b>	<b>21,992</b>	<b>26,216</b>	<b>23,850</b>	<b>26,845</b>	<b>23,756</b>	<b>+1,763</b>	
Long Term Debt	13,920	13,755	13,615	11,170	9,430	8,530	9,080	5,760	(5,410)	
Other	1,706	1,707	1,691	1,697	1,693	1,684	1,692	1,597	(100)	
<b>Fixed Liabilities</b>	<b>15,626</b>	<b>15,462</b>	<b>15,306</b>	<b>12,867</b>	<b>11,123</b>	<b>10,214</b>	<b>10,772</b>	<b>7,357</b>	<b>(5,510)</b>	
<b>Total Liabilities</b>	<b>45,638</b>	<b>38,308</b>	<b>41,413</b>	<b>34,859</b>	<b>37,340</b>	<b>34,065</b>	<b>37,617</b>	<b>31,113</b>	<b>(3,746)</b>	
<b>Shareholders' Equity</b>	<b>14,249</b>	<b>15,516</b>	<b>15,194</b>	<b>15,751</b>	<b>14,912</b>	<b>15,782</b>	<b>15,355</b>	<b>16,809</b>	<b>+1,057</b>	
Other	37	1	(10)	65	43	39	44	133	+68	
<b>Net Assets</b>	<b>14,286</b>	<b>15,518</b>	<b>15,183</b>	<b>15,817</b>	<b>14,956</b>	<b>15,821</b>	<b>15,399</b>	<b>16,943</b>	<b>+1,126</b>	
<b>Total Liabilities and Net Assets</b>	<b>59,925</b>	<b>53,826</b>	<b>56,597</b>	<b>50,676</b>	<b>52,296</b>	<b>49,887</b>	<b>53,017</b>	<b>48,056</b>	<b>(2,619)</b>	
Equity Capital	14,286	15,518	15,183	15,817	14,956	15,821	15,399	16,930	+1,113	
Interest Bearing Debt	36,240	27,805	30,185	23,590	29,350	23,570	27,495	16,400	(7,190)	
Net Debt	27,979	18,998	22,036	15,822	22,087	15,093	19,717	8,563	(7,258)	
Equity Ratio	23.8%	28.8%	26.8%	31.2%	28.6%	31.7%	29.0%	35.2%	-	
Net Debt Equity Ratio	195.9%	122.4%	145.1%	100.0%	147.7%	95.4%	128.0%	50.6%	-	
ROE (12 months)	(1.3%)	5.7%	7.5%	6.3%	7.0%	3.8%	2.3%	7.6%	-	
ROA (12 months)	0.1%	3.0%	3.7%	3.0%	3.0%	2.0%	1.2%	3.9%	-	
Days for Inventory Turnover	760	218	435	257	683	292	523	162	-	
Quick Ratio	33%	44%	40%	40%	33%	40%	36%	39%	-	
Current Ratio	188%	222%	205%	216%	188%	196%	186%	189%	-	

Source: Company Data, WRJ Calculation

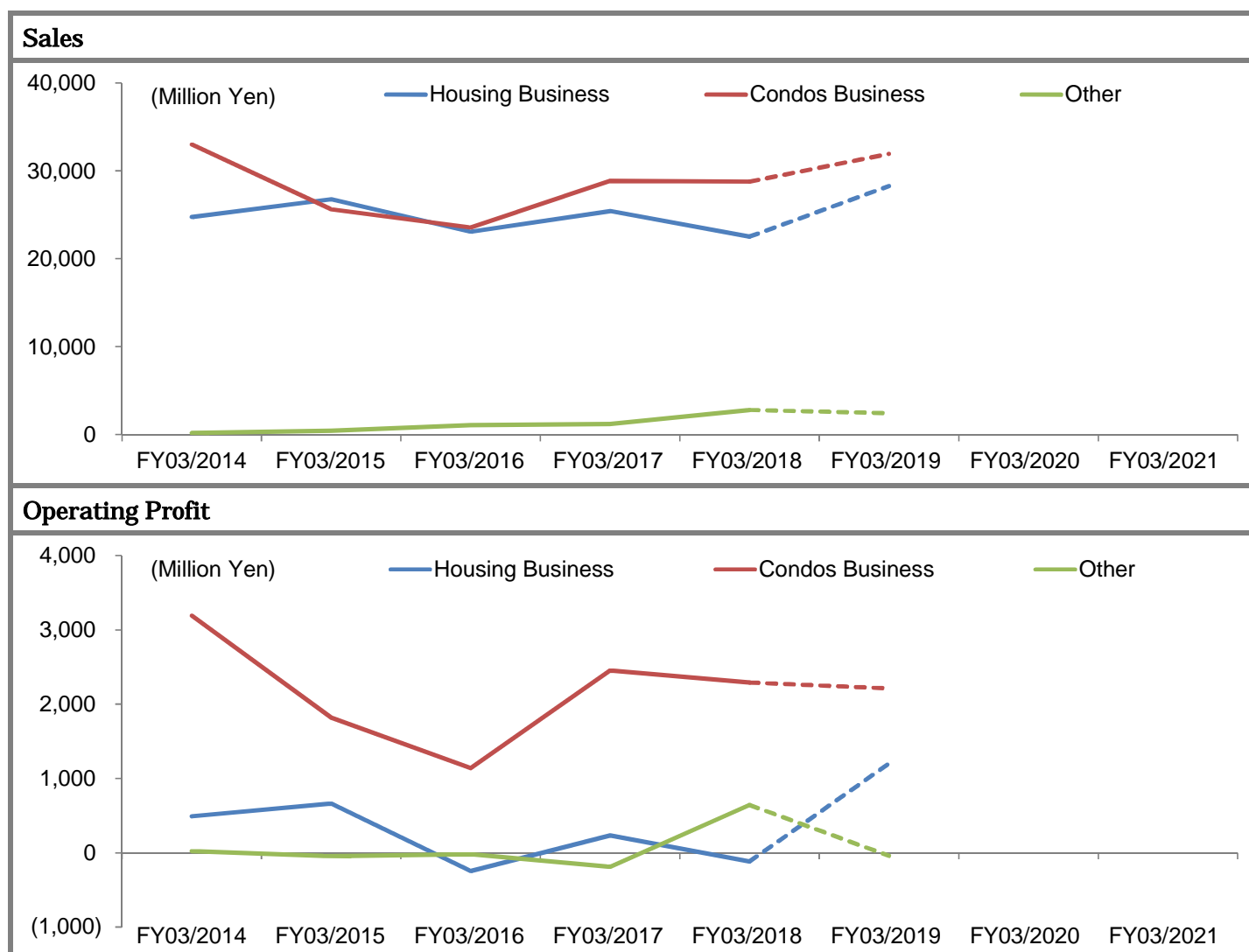
## Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 03/2017	Q1 to Q2 03/2017	Q1 to Q3 03/2017	Q1 to Q4 03/2017	Q1 03/2018	Q1 to Q2 03/2018	Q1 to Q3 03/2018	Q1 to Q4 03/2018		
Operating Cash Flow	-	(2,850)	-	604	-	961	-	7,671	+7,067	
Investing Cash Flow	-	(302)	-	456	-	(43)	-	(236)	(693)	
<b>Operating CF &amp; Investing CF</b>	<b>-</b>	<b>(3,153)</b>	<b>-</b>	<b>1,061</b>	<b>-</b>	<b>918</b>	<b>-</b>	<b>7,435</b>	<b>+6,374</b>	
Financing Cash Flow	-	3,868	-	(484)	-	(209)	-	(7,366)	(6,881)	

Source: Company Data, WRJ Calculation

### FY03/2019 Company Forecasts

FY03/2019 Company forecasts are going for prospective sales of ¥62,650m (up 15.8% YoY), operating profit of ¥2,110m (up 11.4%), recurring profit of ¥2,010m (up 5.2%) and profit attributable to owners of parent of ¥1,350m (up 8.6%), while operating profit margin of 3.4% (down 0.1% point).



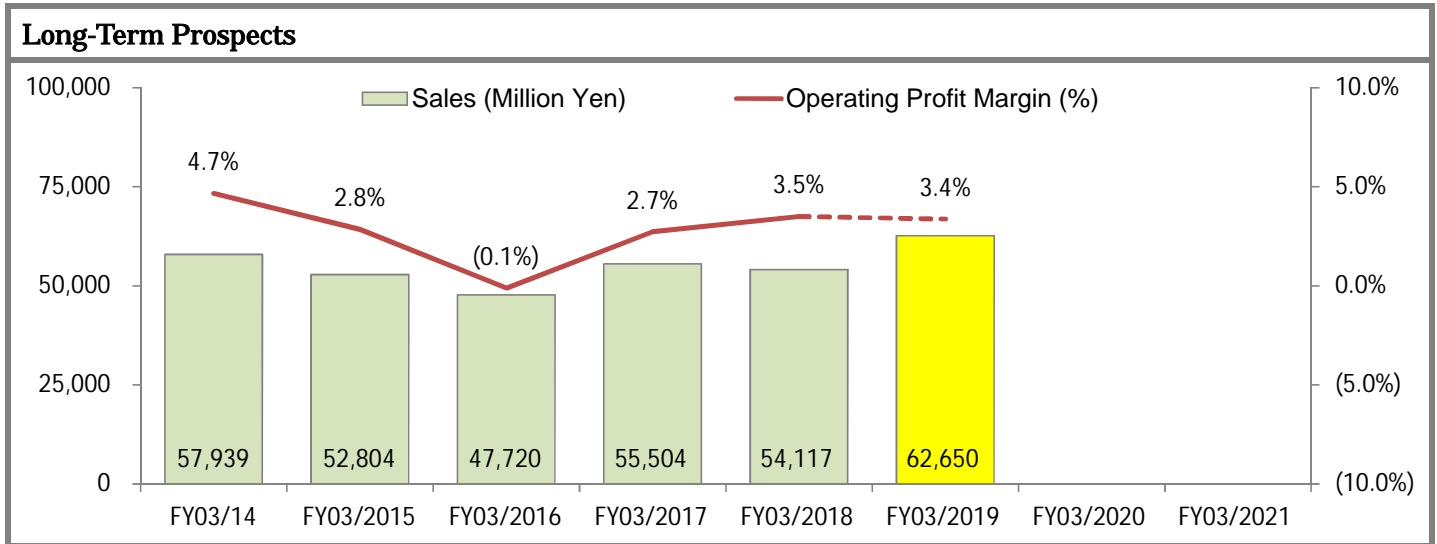
Source: Company Data, WRJ Calculation

On a full-year basis, Company forecasts are going for increases of sales and earnings over the previous year, as above-mentioned, while going for concentration of sales and operating profit in H2 on a half-year basis at the same time, i.e., sales of ¥23,250m, operating profit of negative ¥369m and operating profit margin of negative 1.6% in Q1 to Q2 (H1) versus sales of ¥39,400m, operating profit of ¥2,479m and operating profit margin of 6.3% in H2.

Sales as a whole for the Company are basically booked by digesting order backlog, while the Company is not to digest very much in Q1 to Q2 (H1) and a lot in H2. In particular, this has a lot to do with whether digestion of large-scale project on the Condos side being included or not. Meanwhile, Company forecasts are going for SG&A expenses of ¥10,610m (up 11.4%) in FY03/2019 due mainly to management strategy to further beef up own activities to obtain order, starting up the increases of spending from the beginning of the fiscal year. Eventually, the Company is to inevitably suffer from adjustments of earnings, albeit temporarily, in Q1 to Q2 (H1) with sales to be concentrated in H2.

## Long-Term Prospects

On 29 June 2018, the Company held FY03/2018 results meeting and Fumio Matsumoto, having been appointed as Representative Director / President on 27 June 2018, disclosed that the Company go for management based on an idea of Creating Shared Value (CSV) to materialize “Society 5.0” as the basic guidelines, starting up in FY03/2019.



Source: Company Data, WRJ Calculation

That is to say, the Company is trying to get at creating shared value between the Company and society over the long term by means of adopting own skills and other resources to solve problems of society, which is conducted as a part of own business operations to make money. In other words, the Company is trying to set up business model to make money just consequently by means of solving problems of society. Meanwhile, the Company argues “Society 5.0” represents human-centered society where economy being developed is compatible with problems of society being solved through system to harmonize cyber space (virtual space) and physical space (real space) to a high degree.

As an example for problems of society, the Company raises “promotions of active social participation by women, actions to counteract rapid aging (liberation from age and gender)”, while arguing to cope with this by “challenging expansion of small-sized corporate-driven nursery schools and authorized ones (more than 60 children)” and by “developing elderly-oriented condos nation-wide as well as making nursing care robot commercially viable at an early stage”.

As of April 2018, the number of nursery schools run by subsidiary stood at collective 12, while the Company is going for consistent increases in the number, targeting to reach collective 40 as of April 2021. Meanwhile, on top of development so far in Kinki region, the Company is to develop high-added-value elderly-oriented condos in Kanto region too, which are regular condos equipped with capability to take advantage of services, facilities, etc. just like elderly nursing home. Meanwhile, assuming application for example here in own elderly-oriented condos, the Company is keen on developing robot to snuggle against people to prevent a fall down by means of beefing up partnership with Hitachi, Ltd.

## 4.0 Business Model

### Developing and Selling Houses as well as Condos

Sanyo Homes, developing and selling houses as well as condos in capital region, Chubu region, Kyushu region, etc. on top of the mainstay Kinki region, has abolished official positions of CEO and COO, while having set up management structure led by three representative directors. As found in the [release \(Japanese\) on 9 May 2018](#), this aims at “further enhancement of management scheme to create enterprise value more than before”.

It is indispensable to beef up governance to create enterprise value more than before. Meanwhile, the Company is surrounded by fast-changing market environment and the Company is convinced with an idea that it is the best way of management that three different representative directors are in charge of a) offense, b) defense and c) balance between the two, respectively, with responsibility.

Meanwhile, [JAPAN ASIA GROUP LIMITED](#), with AIZAWA SECURITIES as the leading shareholders (holding 12.89% of the shares outstanding as of the end of March 2018), implemented tender off on the Company's shares, as found in [the release \(Japanese\) on 26 April 2018](#), where it was argued that this tender offer did not intend to “acquire supremacy and/or take part in management (not intending delisting)”, while having intended to “smoothly accomplish cooperation” with the Company. This tender off was targeting at holding 33.34% of the shares outstanding of the Company with an argument that “it was necessary to imply the magnitude of commitment”.

On the other hand, the Company expressed “an opinion of the objection” against this tender off as found in [the release \(Japanese\) on 28 May](#), where the Company spotted “our business and nature of our enterprise value were misunderstood”, while having spotted “attitude for our stakeholders lacking in consideration” was made at the same time. At the end of the day, the Company concluded by mentioning that “a possibility cannot be denied for this tender offer to damage our enterprise value as well as common interests among our shareholders”.

As found in [the release \(Japanese\) on 13 June](#), JAPAN ASIA GROUP LIMITED had acquired 12.67% of the Company's shares outstanding as of 12 June, i.e., the last day of the period for this tender offer. After LIXIL Corporation 24.56% (as of the end of March 2018) and ORIX Corporation 16.64%, JAPAN ASIA GROUP LIMITED is now the third largest shareholder, according to the Company. In FY03/2018 results meeting held on 29 June 2018, the Company argued that no further proposals had been made since then.

**Disclaimer**

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Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage etc.

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