

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	77.87	15.00	1284.7
FY03/2018		54,117	1,894	1,911	1,243	100.93	15.00	1374.3
FY03/2019CoE		62,650	2,110	2,010	1,350	109.59	25.00	-
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 Results Update (17 May 2018)

Order Backlog Highest Ever

On 9 May 2018, Sanyo Homes, developing / selling condos and houses, released its FY03/2018 results. It has been revealed that sales in FY03/2019 are to increase favorably over FY03/2018 due to order backlog highest ever as of the end of FY03/2018. On top of this, given prospects that earnings are to see persistent increases going forward, the Company has decided to substantially increase annual dividend. FY03/2019 Company forecasts are going for prospective annual dividend of ¥25.00 per share, implying payout ratio of 22.8%, versus ¥15.00 per share, implying payout ratio of 14.9%, in FY03/2018. Thus, the payout ratio is to rise and the Company is going for payout ratio of 30% in a midterm view, based on its measure to proactively share earnings with shareholders.

Meanwhile, the Company has disclosed details on FY03/2018 results and prospects in [FY03/2018 Presentation](#) in Japanese and plans to discuss all those issues in the upcoming results meeting. We are to notify information on the meeting as soon as dates are fixed, while attending the meeting as well as interviewing with management afterwards in order to initiate coverage on the Company.


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2.0 Company Profile

Developing / Selling Condos and Houses

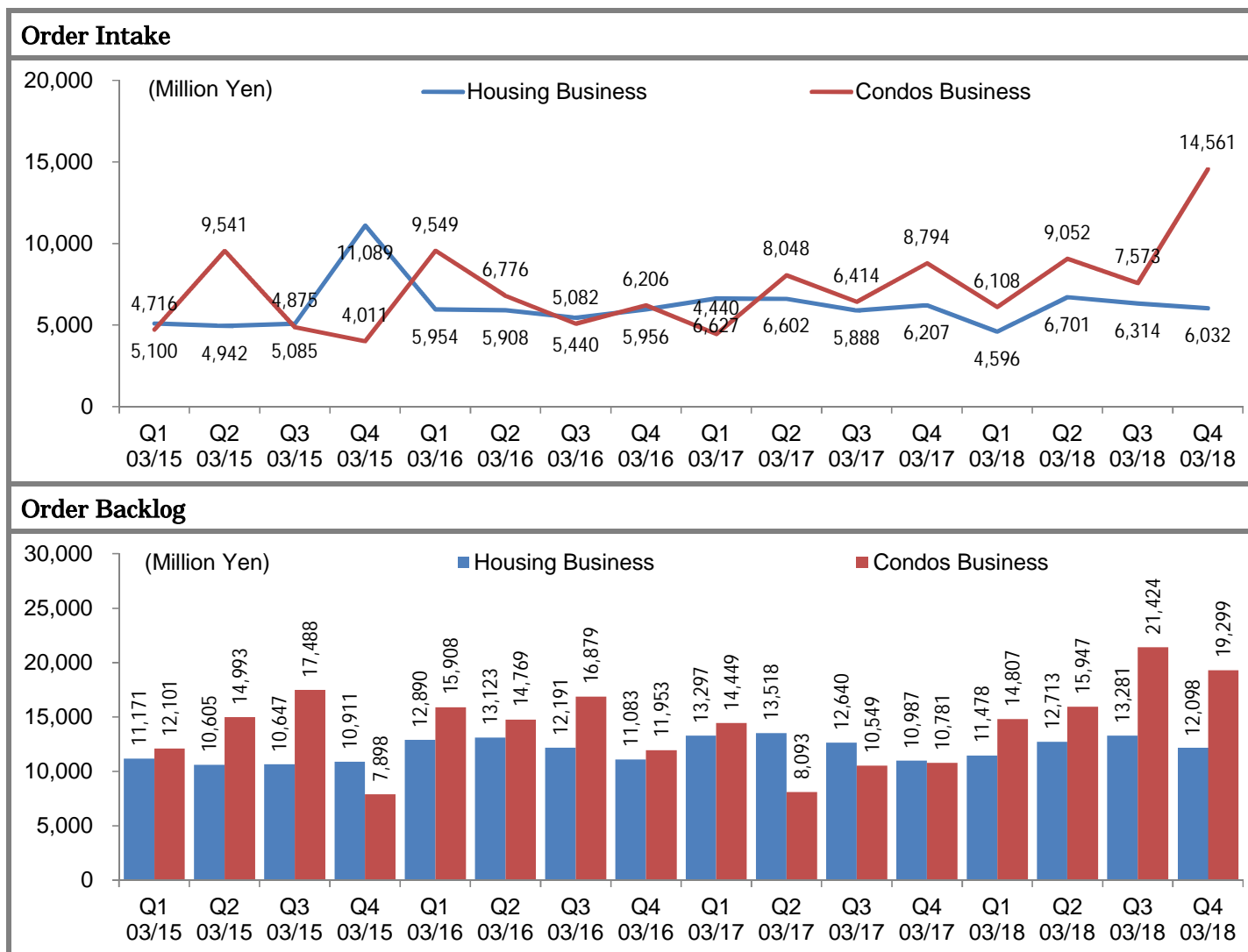
Company Name	<p>Sanyo Homes Corporation</p> <p>Website</p> <p>IR Information</p> <p>Share Price (Japanese)</p>	
Inauguration	1 February 1969	
Listing	<p>9 April 2014: Tokyo Stock Exchange 1st Section (ticker: 1420)</p> <p>9 April 2013: Tokyo Stock Exchange 2nd Section</p>	
Capital	¥5,945m (as of the end of March 2018)	
No. of Shares	12,620,000 shares, including 300,880 treasury shares (as of the end of March 2018)	
Main Features	<ul style="list-style-type: none"> ● Having roots in “Kubota House Co. Ltd.” or provider of custom-built houses (steel-framed prefabricated structure) ● Running operations mainly in Kinki region as well as in metropolitan areas, Chubu region, etc. ● Condos Business to develop and sell condos, the earnings pillar 	
Business Segments	<ul style="list-style-type: none"> . Housing Business . Condos Business . Other 	
Top Management	<p>Chairman & CEO: Yasusuke Tanaka, President & COO : Hisashi Matsuoka (to change as follows, after 27 June 2018)</p> <p>Chairman: Yasusuke Tanaka, Representative director & vice chairman / corporate officer: Hisashi Matsuoka, President & representative director / corporate officer: Fumio Matsumoto</p>	
Shareholders	LIXIL Corporation 24.5%, ORIX Corporation 16.6% (as of the end of March 2018)	
Headquarters	Nishi-ku, Osaka-prefecture, JAPAN	
No. of Employees	Consolidated: 697, Parent: 453 (as of the end of March 2018)	

Source: Company Data

3.0 Recent Trading and Prospects

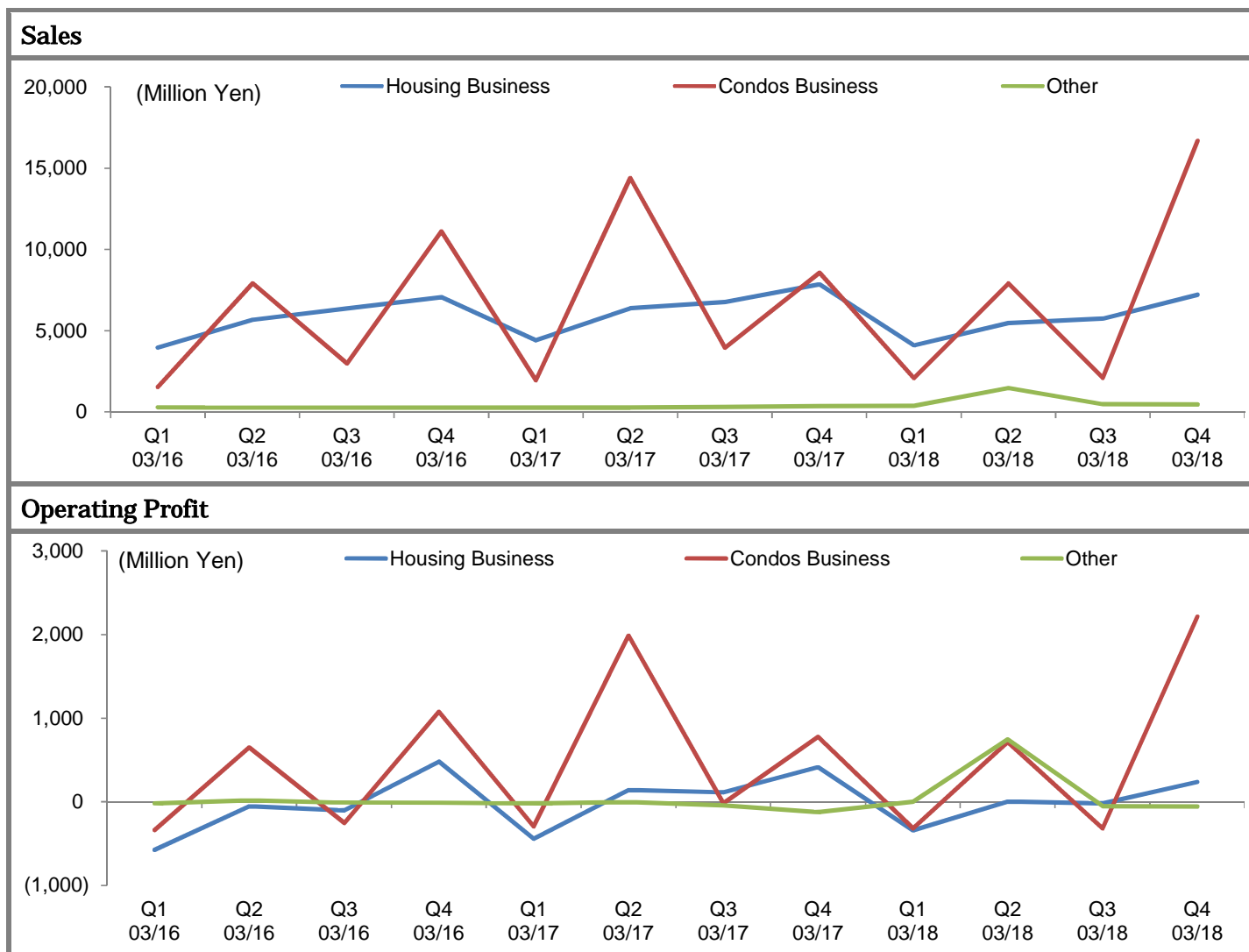
FY03/2018 Results

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). At the same time, the Company saw order intake of ¥63,745m (up 17.5%) and order backlog stood at ¥31,397m (up 44.2%) as of the end of fiscal year.



Source: Company Data, WRJ Calculation

Surging order backlog as of the end of fiscal year was basically attributable to that of Condos Business to develop and sell condos, i.e., ¥19,299m (up 79.0%), which was driven by order intake of ¥7,906m on “Shibuya Project” or large-scale metropolitan redevelopment project to have been booked in Q4 FY03/2018. Sales of said project are to be booked in H2 FY03/2019 and in Q1 to Q2 (H1) FY03/2020, according to the Company. Meanwhile, order backlog stood at ¥12,098m (up 10.1%), having steadily increased, for Housing Business. This was in line with increases on the mainstay detached houses and rental / welfare houses, ¥5,545m (up 5.0%) and ¥5,229m (up 29.5%), respectively.

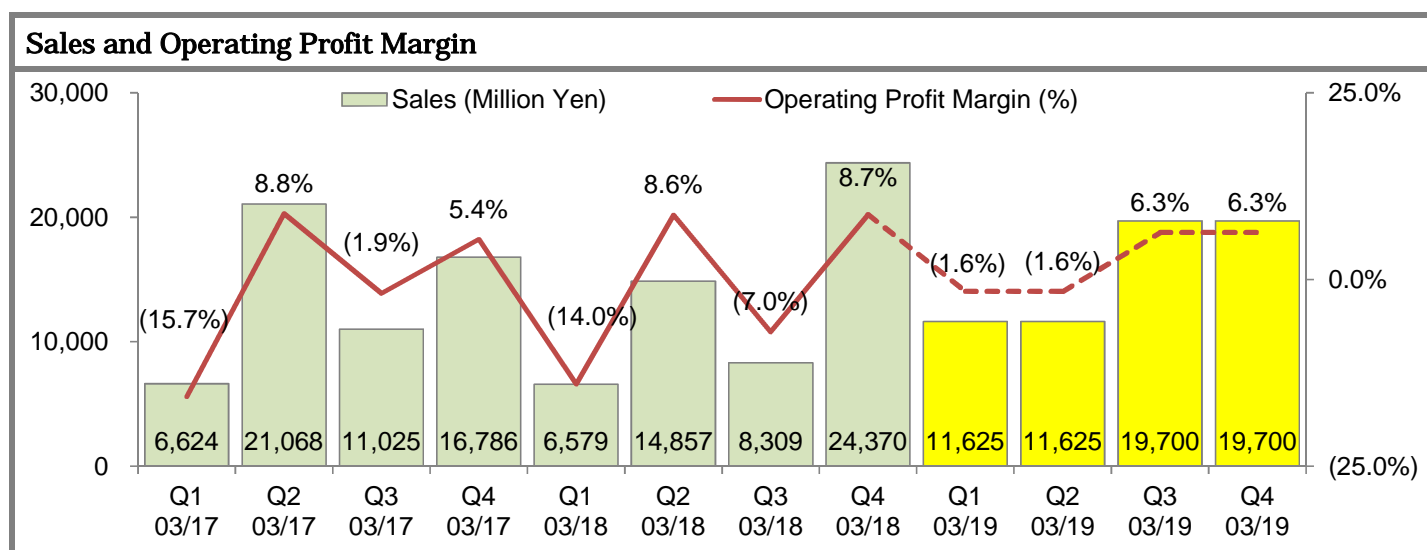


Source: Company Data, WRJ Calculation

In Condos Business to have accounted for 81.4% of operating profit (before elimination) as a whole for the Company in FY03/2018, the Company is intermittently involved with a large-scale project like aforementioned “Shibuya Project”, while lead time for order intake on each project to book sales depends. Thus, sales and earnings on a quarterly basis are inevitably volatile. For example, the Company saw surging sales and earnings in Q2 FY03/2017 due to booking of sales more than ¥10,000m on “San Four-Leaf Town Sakuranomiya (Miyakojima-ku, Osaka-city)” or large-scale condo comprising 287 units in line with its delivery. Meanwhile, the Company saw substantial concentration for booking of sales in Q4 FY03/2018.

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 (quarterly forecasts in FY03/2019: half-year Company forecasts pro rata)

In Q1 to Q2 FY03/2019, Company forecasts are going for prospective sales of ¥23,250m (up 8.5% YoY), operating profit of negative ¥369m (versus ¥361m during the same period in the previous year) and operating profit margin of negative 1.6% (down 3.3% points). Sales increases over the same period in the previous year are rather small, while aggressive sales promotions to drive sales on a full-year basis are to start up from the beginning of fiscal year, which is to lead to operating loss. On top of this, sale of large-scale solar power generation equipment is not to reappear, which is another negative factor.

Meanwhile, by business segment, Company forecasts assume sales and earnings as follows: Housing Business 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), Condos Business 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) and Other sales of ¥2,447m (down 12.8%), operating profit of negative ¥40m (versus ¥642m in the previous year) and operating profit margin of negative 1.6% (down 24.5% points).

On the Housing Business side, sales are to surge and the Company is to see a turnaround in earnings, driven by launch of houses equipped with functionality of “Vehicle to Home” to supply power from electric vehicles, etc., on top of order backlog to have steadily risen. On the Condos Business side, sales are to be buoyant in line with progressing booking of accumulated order backlog as sales, but earnings are to marginally adjust with gross profit margin under pressure due to hikes of building costs and to frontloaded expenses to be spent. Elsewhere, in Q1 to Q2 FY03/2019, the Company is to suffer from a factor for sale of large-scale solar power generation equipment to have appeared in Other during the same period in the previous year not to reappear, which is to give substantial negative impacts to sales and earnings.

4.0 Financial Statements

Income Statement (Cumulative, Quarterly)

Income Statement	Cons.Act Q1	Cons.Act Q1 to Q2	Cons.Act Q1 to Q3	Cons.Act Q1 to Q4	Cons.Act Q1	Cons.Act Q1 to Q2	Cons.Act Q1 to Q3	Cons.Act Q1 to Q4	YoY Net Chg.
(Million Yen)	03/2017	03/2017	03/2017	03/2017	03/2018	03/2018	03/2018	03/2018	
Sales	6,624	27,692	38,717	55,504	6,579	21,437	29,747	54,117	(1,387)
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)
Operating Profit	(1,037)	818	614	1,517	(919)	361	(220)	1,894	+377
Non Operating Balance	(3)	44	33	37	(4)	(33)	(52)	16	(20)
Recurring Profit	(1,041)	863	648	1,554	(924)	327	(272)	1,911	+356
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	-	-	-	-	-	-	-	-	-
Profit Attributable to Owners of Parent	(704)	599	415	972	(649)	215	(211)	1,243	+270
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 Q1	Cons.Act Q2	Cons.Act Q3	Cons.Act Q4	Cons.Act Q1	Cons.Act Q2	Cons.Act Q3	Cons.Act Q4	YoY Net Chg.
(Million Yen)	03/2017	03/2017	03/2017	03/2017	03/2018	03/2018	03/2018	03/2018	
Sales	6,624	21,068	11,025	16,786	6,579	14,857	8,309	24,370	+7,583
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
Operating Profit	(1,037)	1,856	(204)	903	(919)	1,280	(581)	2,115	+1,211
Non Operating Balance	(3)	48	(10)	3	(4)	(28)	(19)	69	+66
Recurring Profit	(1,041)	1,904	(215)	906	(924)	1,252	(600)	2,184	+1,277
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	-	-	-	-	-	-	-	-	-
Profit Attributable to Owners of Parent	(704)	1,304	(184)	557	(649)	865	(426)	1,454	+896
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
	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	Net Chg.
Housing Business	4,414	10,795	17,561	25,421	4,106	9,573	15,318	22,534	22,534	(2,886)
Condos Business	1,944	16,349	20,307	28,870	2,081	9,994	12,090	28,777	28,777	(93)
Other	265	547	848	1,212	391	1,869	2,337	2,805	2,805	+1,592
Sales	6,624	27,692	38,717	55,504	6,579	21,437	29,747	54,117	54,117	(1,387)
Housing Business	(441)	(297)	(184)	232	(342)	(336)	(354)	(118)	(118)	(350)
Condos Business	(294)	1,695	1,678	2,455	(318)	397	80	2,293	2,293	(161)
Other	(20)	(24)	(68)	(190)	-	748	696	642	642	+832
Total	(757)	1,373	1,425	2,497	(661)	809	422	2,817	2,817	+320
Elimination	(280)	(554)	(811)	(979)	(258)	(448)	(642)	(922)	(922)	+56
Operating Profit	(1,037)	818	614	1,517	(919)	361	(220)	1,894	1,894	+377
Housing Business	(10.0%)	(2.8%)	(1.0%)	0.9%	(8.3%)	(3.5%)	(2.3%)	(0.5%)	(0.5%)	(1.4%)
Condos Business	(15.1%)	10.4%	8.3%	8.5%	(15.3%)	4.0%	0.7%	8.0%	8.0%	(0.5%)
Other	(7.9%)	(4.5%)	(8.1%)	(15.7%)	0.0%	40.0%	29.8%	22.9%	22.9%	+38.6%
Elimination	(4.2%)	(2.0%)	(2.1%)	(1.8%)	(3.9%)	(2.1%)	(2.2%)	(1.7%)	(1.7%)	+0.1%
Operating Profit Margin	(15.7%)	3.0%	1.6%	2.7%	(14.0%)	1.7%	(0.7%)	3.5%	3.5%	+0.8%

Segmented Information	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	Net Chg.	
(Million Yen)	03/2017	03/2017	03/2017	03/2017	03/2018	03/2018	03/2018	03/2018	03/2018	Net Chg.
Housing Business	4,414	6,381	6,766	7,859	4,106	5,466	5,745	7,216	7,216	(643)
Condos Business	1,944	14,405	3,957	8,563	2,081	7,913	2,096	16,686	16,686	+8,123
Other	265	281	301	363	391	1,477	468	467	467	+103
Sales	6,624	21,068	11,025	16,786	6,579	14,857	8,309	24,370	24,370	+7,583
Housing Business	(441)	144	113	416	(342)	5	(18)	236	236	(180)
Condos Business	(294)	1,989	(16)	777	(318)	716	(317)	2,213	2,213	+1,436
Other	(20)	(3)	(43)	(122)	-	747	(51)	(54)	(54)	+67
Total	(757)	2,130	52	1,071	(661)	1,470	(387)	2,395	2,395	+1,324
Elimination	(280)	(274)	(257)	(167)	(258)	(189)	(194)	(280)	(280)	(112)
Operating Profit	(1,037)	1,856	(204)	903	(919)	1,280	(581)	2,115	2,115	+1,211
Housing Business	(10.0%)	2.3%	1.7%	5.3%	(8.3%)	0.1%	(0.3%)	3.3%	3.3%	(2.0%)
Condos Business	(15.1%)	13.8%	(0.4%)	9.1%	(15.3%)	9.1%	(15.2%)	13.3%	13.3%	+4.2%
Other	(7.9%)	(1.3%)	(14.6%)	(33.6%)	0.0%	50.6%	(11.0%)	(11.6%)	(11.6%)	+22.0%
Elimination	(4.2%)	(1.3%)	(2.3%)	(1.0%)	(3.9%)	(1.3%)	(2.3%)	(1.2%)	(1.2%)	(0.2%)
Operating Profit Margin	(15.7%)	8.8%	(1.9%)	5.4%	(14.0%)	8.6%	(7.0%)	8.7%	8.7%	+3.3%

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	
Current Assets	56,544	50,725	53,532	47,595	49,236	46,841	49,929	44,956	(2,639)	
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)	
Fixed Assets	3,380	3,101	3,064	3,081	3,060	3,046	3,087	3,100	+19	
Total Assets	59,925	53,826	56,597	50,676	52,296	49,887	53,017	48,056	(2,619)	
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)	
Current Liabilities	30,012	22,845	26,106	21,992	26,216	23,850	26,845	23,756	+1,763	
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)	
Fixed Liabilities	15,626	15,462	15,306	12,867	11,123	10,214	10,772	7,357	(5,510)	
Total Liabilities	45,638	38,308	41,413	34,859	37,340	34,065	37,617	31,113	(3,746)	
Shareholders' Equity	14,249	15,516	15,194	15,751	14,912	15,782	15,355	16,809	+1,057	
Other	37	1	(10)	65	43	39	44	133	+68	
Net Assets	14,286	15,518	15,183	15,817	14,956	15,821	15,399	16,943	+1,126	
Total Liabilities and Net Assets	59,925	53,826	56,597	50,676	52,296	49,887	53,017	48,056	(2,619)	
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)	
Operating CF & Investing CF	-	(3,153)	-	1,061	-	918	-	7,435	+6,374	
Financing Cash Flow	-	3,868	-	(484)	-	(209)	-	(7,366)	(6,881)	

Source: Company Data, WRJ Calculation

Disclaimer

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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