

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)
FY03/2020	56,351	412	415	359	29.78	25.00	1,537.65
FY03/2021	53,487	782	872	509	46.98	25.00	1,531.73
FY03/2022CoE	60,000	500	500	300	27.11	25.00	-
FY03/2021	YoY	(5.1%)	89.5%	110.2%	41.8%	-	-
FY03/2022CoE	YoY	12.2%	(36.1%)	(42.7%)	(41.1%)	-	-
Consolidated Q1 to Q3 (Million Yen)	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q3 FY03/2021	29,175	(1,511)	(1,491)	(1,051)	-	-	-
Q1 to Q3 FY03/2022	36,744	(99)	(112)	(93)	-	-	-
Q1 to Q3 FY03/2022	YoY	25.9%	-	-	-	-	-

Source: Company Data, WRJ Calculation

1.0 Results Update (15 February 2022)

Ensuring Stability for Dividend

On 4 February 2022, Sanyo Homes, running operations to build housings on a contract basis and develop condos for sale, released its Q1 to Q3 FY03/2022 results. It has been revealed that sales and earnings improved substantially over the same period of the previous year, having performed roughly in line with assumptions of Company forecasts (announced on 5 November 2021). Sales are running rather behind, but it is more than compensated for by the impacts of SG&A expenses control more progressed than assumed, resulting in earnings marginally larger, according to the Company. More importantly, however, it appears that sales and earnings are to inevitably decline over the same period of the previous year for Q4 (January to March), when sales are concentrated every year, as assumed in Company forecasts. For the period of Q4 FY03/2021, which is that of the same of the previous year, the Condos Business side saw sales concentrated to an unprecedented extent with an improved exposure to properties carrying gross profit margin relatively higher. Compared with this, sales are to inevitably decline as well as gross profit margin on the Condos Business side for Q4 FY03/2022. Thus, the Company is to see earnings as a whole to decline for FY03/2022, but it ensures stability for dividend, currently planning to pay dividend of ¥25.00 per share, implying payout ratio of 92.2%, also for FY03/2022, as advocated by its policy of proactively returning earnings to shareholders.


For your reference: (business model, etc.) [Sanyo Homes \(1420\) Passive to Proactive \(14 July 2021\)](#)

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2.0 Company Profile

Putting forward a Comprehensive Proposal for “Housing Life”

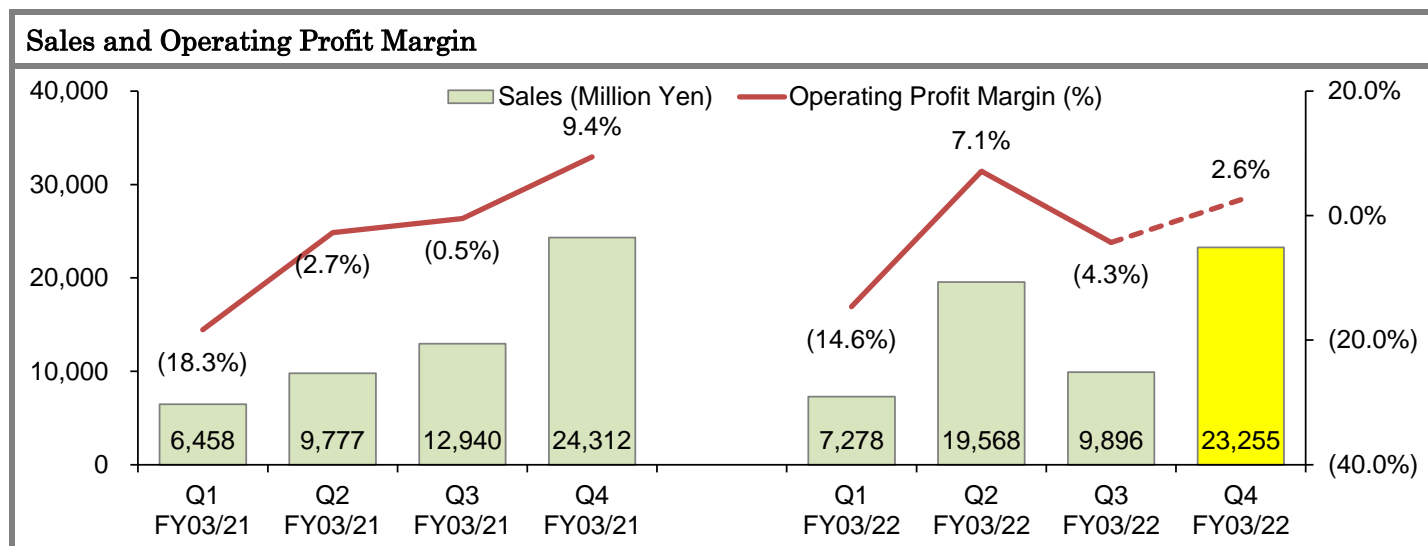
Company Name	Sanyo Homes Corporation Company Website IR Information Share price (Japanese)	
Founded	1 February 1969	
Listing	(agenda) 4 April 2022: Tokyo Stock Exchange "standard market" 9 April 2014: Tokyo Stock Exchange 1st section (ticker: 1420) 9 April 2013: Tokyo Stock Exchange 2nd section	
Capital	¥5,945m (as of the end of December 2021)	
No. of Shares	12,620,000 shares, including 1,543,988 treasury shares (as of the end of Dec. 2021)	
Main Features	<ul style="list-style-type: none"> ● Rooted in erstwhile Kubota House Co. Ltd. or provider of custom-built housings (steel frame prefabricated) ● Operations mainly in Kinki region (Kansai) and Kanto region (the Tokyo metropolitan area, etc.) ● Condos Business to develop condos for sale, the key earnings pillar 	
Business Segments	I . Housing Business (detached housings, rental/welfare housings, renovations, renewal distribution, frontier) II . Condos Business (condominiums) III. Other (life support)	
Representative	President & Representative Director: Hisashi Matsuoka	
Shareholders	LIXIL Corp. 26.59%, ORIX Corp. 18.01%, Kansai Electric Power 13.12%, SECOM Co. 11.15% (as of the end September 2021, but for treasury shares)	
Head Office	Nishi-ku, Osaka-city, JAPAN	
No. of Personnel	Consolidated: 881, Parent: 434 (as of the end of December 2021)	

Source: Company Data

3.0 Recent Trading and Prospects

Q1 to Q3 FY03/2022

In Q1 to Q3 FY03/2022, sales came in at ¥36,744m (up 25.9% YoY), operating profit minus ¥99m (versus minus ¥1,511m during the same period of the previous year), recurring profit minus ¥112m (minus ¥1,491m) and profit attributable to owners of parent minus ¥93m (minus ¥1,051m), while operating profit margin minus 0.3% (up 4.9% points).



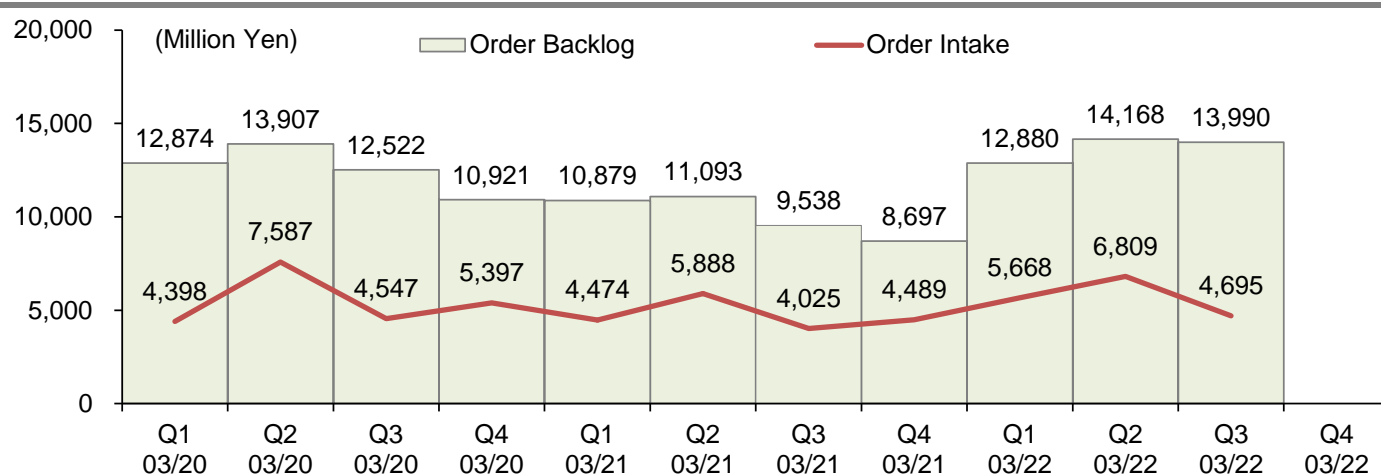
Source: Company Data, WRJ Calculation

By the way, having adopted Accounting Standard for Revenue Recognition from the beginning of the year, the Company saw net decrease of ¥162m (equating 0.4% of sales for the Company as a whole) for sales and net increase of ¥42m (0.1%) for operating profit. At the same time, this has also resulted in net increase of ¥2,082m for advances received on construction contracts in progress, having increased order backlog on the Housing Business side by almost this amount, according to the Company. Meanwhile, our analysis for year-on-year change in this report is based on a simple comparison with the actual results during the same period of the previous year for the sake of reference.

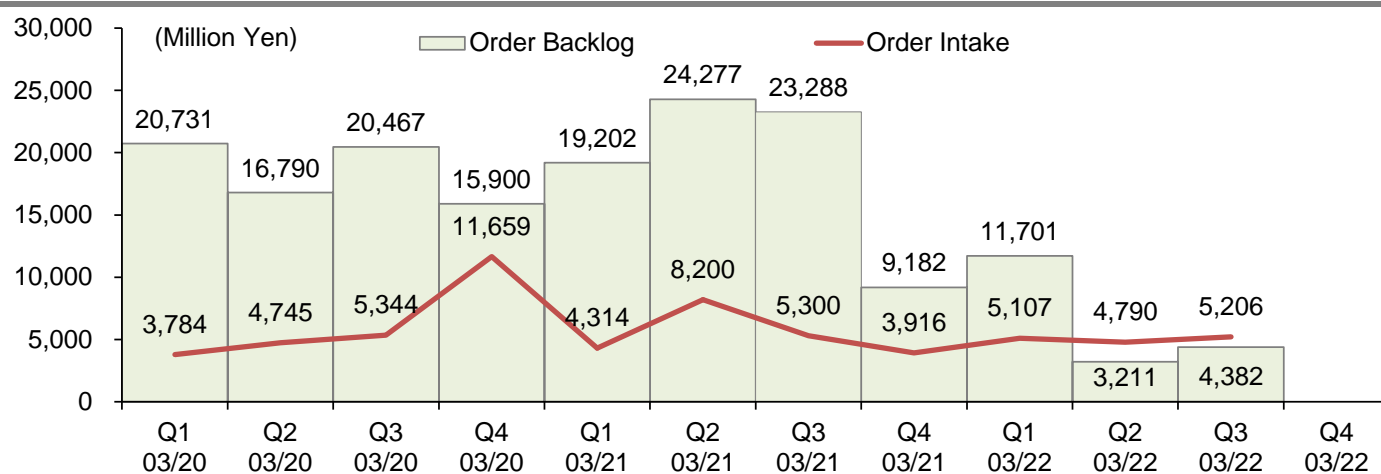
On the Housing Business side, sales came in at ¥13,958m (down 13.7%), operating profit minus ¥751m (minus ¥391m) and operating profit margin minus 5.4% (down 3.0% points), while order intake ¥17,172m (up 19.3%) and order backlog stood at ¥13,990m (up 46.7%). Sales of this segment declined due mainly to temporary adjustment in sales of rental/welfare housings, according to the Company. In fact, order intake has been on the rise for a while, resulting in an increase for order intake of this segment. Meanwhile, order backlog of this segment has surged, which has a lot to do with the above-mentioned change in accounting. Still, even when the impacts being excluded, it appears that the rate of increases here was as high as some 25% or more.

On the Condos Business side, sales came in at ¥19,905m (up 90.9%), operating profit ¥1,329m (minus ¥428m) and operating profit margin 6.7% (up 10.8% points), while order intake ¥15,104m (down 15.2%) and order backlog stood at ¥4,382m (down 81.2%). The Company says that it had to focus on completed properties (equating some ¥19,700m in terms of sales as of the end of Q2) for sales during the period of Q3 (October to December) as it saw no completion of new properties during the same period, while having dedicated itself to reinforcement of order entry for upcoming new properties to be completed. For example, the Company suggests that it will see new properties (collective three buildings) equating some ¥10,900m in terms of sales to be completed for Q4 (January to March), which is expected to be followed by a series of deliveries and thus sales for all those properties.

Order Intake and Order Backlog on the Housing Business side



Order Intake and Order Backlog on the Condos Business side



Source: Company Data, WRJ Calculation

FY03/2022 Company Forecasts

FY03/2022 Company forecasts (announced on 5 November 2021) have remained unchanged, going for prospective sales of ¥60,000m (up 12.2% YoY), operating profit of ¥500m (down 36.1%), recurring profit of ¥500m (down 42.7%) and profit attributable to owners of parent of ¥300m (down 41.1%), while operating profit margin of 0.8% (down 0.6% points). At the same time, Company forecasts have also remained unchanged for prospective annual dividend, going for ¥25.00 per share, implying payout ratio of 92.2%.

4.0 Financial Statements

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
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1 to Q4	Net Chg.
	03/2021	03/2021	03/2021	03/2021	03/2022	03/2022	03/2022	03/2022	03/2022	
Sales	6,458	16,235	29,175	53,487	7,278	26,847	36,744	-	-	+7,568
Cost of Sales	5,499	13,603	24,239	43,362	6,148	21,942	30,125	-	-	+5,886
Gross Profit	958	2,631	4,936	10,125	1,130	4,905	6,618	-	-	+1,681
SG&A Expenses	2,142	4,083	6,447	9,343	2,196	4,576	6,717	-	-	+270
Operating Profit	(1,183)	(1,451)	(1,511)	782	(1,065)	328	(99)	-	-	+1,411
Non Operating Balance	11	(15)	19	90	(1)	11	(12)	-	-	(32)
Recurring Profit	(1,172)	(1,467)	(1,491)	872	(1,067)	339	(112)	-	-	+1,379
Extraordinary Balance	-	-	-	(64)	-	-	(1)	-	-	(1)
Profit before Income Taxes	(1,172)	(1,467)	(1,491)	807	(1,067)	339	(113)	-	-	+1,378
Total Income Taxes	(352)	(438)	(439)	298	(312)	120	(20)	-	-	+419
Profit Attributable to Owners of Parent	(819)	(1,029)	(1,051)	509	(754)	219	(93)	-	-	+958
Sales YoY	(16.5%)	(31.7%)	(9.5%)	(5.1%)	+12.7%	+65.4%	+25.9%	-	-	-
Operating Profit YoY	-	-	-	+89.5%	-	-	-	-	-	-
Recurring Profit YoY	-	-	-	+110.2%	-	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	-	-	-	+41.8%	-	-	-	-	-	-
Gross Profit Margin	14.8%	16.2%	16.9%	18.9%	15.5%	18.3%	18.0%	-	-	+1.1%
Sales to SG&A Expenses Ratio	33.2%	25.2%	22.1%	17.5%	30.2%	17.0%	18.3%	-	-	(3.8%)
Operating Profit Margin	(18.3%)	(8.9%)	(5.2%)	1.5%	(14.6%)	1.2%	(0.3%)	-	-	+4.9%
Recurring Profit Margin	(18.2%)	(9.0%)	0.1%	1.6%	(14.7%)	1.3%	(0.0%)	-	-	(0.1%)
Profit Attributable to Owners of Parent Margin	(12.7%)	(6.3%)	(3.6%)	1.0%	(10.4%)	0.8%	(0.3%)	-	-	+3.4%
Total Income Taxes/Profit before Income Taxes	-	-	-	36.9%	-	35.5%	-	-	-	-
Income Statement	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	Q4	Net Chg.
	03/2021	03/2021	03/2021	03/2021	03/2022	03/2022	03/2022	03/2022	03/2022	
Sales	6,458	9,777	12,940	24,312	7,278	19,568	9,896	-	-	(3,043)
Cost of Sales	5,499	8,104	10,635	19,123	6,148	15,793	8,183	-	-	(2,451)
Gross Profit	958	1,673	2,304	5,188	1,130	3,774	1,712	-	-	(591)
SG&A Expenses	2,142	1,941	2,364	2,895	2,196	2,380	2,141	-	-	(223)
Operating Profit	(1,183)	(268)	(59)	2,293	(1,065)	1,394	(428)	-	-	(368)
Non Operating Balance	11	(27)	35	70	(1)	12	(23)	-	-	(59)
Recurring Profit	(1,172)	(295)	(23)	2,364	(1,067)	1,407	(451)	-	-	(427)
Extraordinary Balance	-	-	-	(64)	-	-	(1)	-	-	(1)
Profit before Income Taxes	(1,172)	(295)	(23)	2,299	(1,067)	1,407	(452)	-	-	(429)
Total Income Taxes	(352)	(85)	(1)	738	(312)	433	(140)	-	-	(138)
Profit Attributable to Owners of Parent	(819)	(209)	(22)	1,561	(754)	974	(312)	-	-	(290)
Sales YoY	(16.5%)	(39.1%)	+53.0%	+0.8%	+12.7%	+100.1%	(23.5%)	-	-	-
Operating Profit YoY	-	-	-	+107.7%	-	-	-	-	-	-
Recurring Profit YoY	-	-	-	+101.4%	-	-	-	-	-	-
Profit Attributable to Owners of Parent YoY	-	-	-	+65.8%	-	-	-	-	-	-
Gross Profit Margin	14.8%	17.1%	17.8%	21.3%	15.5%	19.3%	17.3%	-	-	(0.5%)
Sales to SG&A Expenses Ratio	33.2%	19.9%	18.3%	11.9%	30.2%	12.2%	21.6%	-	-	+3.4%
Operating Profit Margin	(18.3%)	(2.7%)	(0.5%)	9.4%	(14.6%)	7.1%	(4.3%)	-	-	(3.9%)
Recurring Profit Margin	(18.2%)	(3.0%)	(0.2%)	9.7%	(14.7%)	7.2%	(4.6%)	-	-	(4.4%)
Profit Attributable to Owners of Parent Margin	(12.7%)	(2.1%)	(0.2%)	6.4%	(10.4%)	5.0%	(3.2%)	-	-	(3.0%)
Total Income Taxes/Profit before Income Taxes	-	-	-	32.1%	-	30.8%	-	-	-	-

Source: Company Data, WRJ Calculation

Segmented Information (Cumulative / Quarterly)

Segmented Information (Million Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	YoY Net Chg.
	Q1 03/2021	Q1 to Q2 03/2021	Q1 to Q3 03/2021	Q1 to Q4 03/2021	Q1 03/2022	Q1 to Q2 03/2022	Q1 to Q3 03/2022	Q1 to Q4 03/2022		
Housing Business	4,517	10,435	16,169	21,101	3,511	9,085	13,958	-	(2,210)	
Condos Business	1,012	4,137	10,427	28,449	2,570	15,869	19,905	-	+9,478	
Other	928	1,662	2,578	3,936	1,121	1,892	2,879	-	+300	
Sales	6,458	16,235	29,175	53,487	7,204	26,847	36,744	-	+7,568	
Housing Business	(412)	(242)	(391)	(511)	(409)	(494)	(751)	-	(359)	
Condos Business	(463)	(723)	(428)	2,288	(252)	1,334	1,329	-	+1,757	
Other	(59)	(77)	(65)	(134)	(168)	(57)	(41)	-	+24	
Total	(934)	(1,042)	(885)	1,642	(830)	781	536	-	+1,422	
Elimination	(248)	(409)	(625)	(860)	(235)	(453)	(635)	-	(10)	
Operating Profit	(1,183)	(1,451)	(1,511)	782	(1,065)	328	(99)	-	+1,411	
Housing Business	(9.1%)	(2.3%)	(2.4%)	(2.4%)	(11.7%)	(5.4%)	(5.4%)	-	(3.0%)	
Condos Business	(45.7%)	(17.5%)	(4.1%)	8.0%	(9.8%)	8.4%	6.7%	-	+10.8%	
Other	(6.4%)	(4.6%)	(2.5%)	(3.4%)	(15.1%)	(3.1%)	(1.4%)	-	+1.1%	
Elimination	(3.9%)	(2.5%)	(2.1%)	(1.6%)	(3.3%)	(1.7%)	(1.7%)	-	+0.4%	
Operating Profit Margin	(18.3%)	(8.9%)	(5.2%)	1.5%	(14.8%)	1.2%	(0.3%)	-	+4.9%	

Segmented Information (Million Yen)	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	Cons. Act	YoY Net Chg.
	Q1 03/2021	Q2 03/2021	Q3 03/2021	Q4 03/2021	Q1 03/2022	Q2 03/2022	Q3 03/2022	Q4 03/2022		
Housing Business	4,517	5,917	5,733	4,932	3,511	5,573	4,872	-	(860)	
Condos Business	1,012	3,125	6,290	18,022	2,570	13,299	4,036	-	(2,254)	
Other	928	734	916	1,357	1,121	770	987	-	+71	
Sales	6,458	9,777	12,940	24,312	7,204	19,643	9,896	-	(3,043)	
Housing Business	(412)	169	(149)	(119)	(409)	(85)	(256)	-	(107)	
Condos Business	(463)	(260)	294	2,717	(252)	1,586	(5)	-	(299)	
Other	(59)	(17)	11	(69)	(168)	110	16	-	+5	
Total	(934)	(107)	156	2,528	(830)	1,612	(245)	-	(402)	
Elimination	(248)	(160)	(216)	(234)	(235)	(217)	(182)	-	+33	
Operating Profit	(1,183)	(268)	(59)	2,293	(1,065)	1,394	(428)	-	(368)	
Housing Business	(9.1%)	2.9%	(2.6%)	(2.4%)	(11.7%)	(1.5%)	(5.3%)	-	(2.7%)	
Condos Business	(45.7%)	(8.3%)	4.7%	15.1%	(9.8%)	11.9%	(0.1%)	-	(4.8%)	
Other	(6.4%)	(2.4%)	1.3%	(5.1%)	(15.1%)	14.4%	1.7%	-	+0.4%	
Elimination	(3.9%)	(1.6%)	(1.7%)	(1.0%)	(3.3%)	(1.1%)	(1.8%)	-	(0.2%)	
Operating Profit Margin	(18.3%)	(2.7%)	(0.5%)	9.4%	(14.8%)	7.1%	(4.3%)	-	(3.9%)	

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 03/2021	Q2 03/2021	Q3 03/2021	Q4 03/2021	Q1 03/2022	Q2 03/2022	Q3 03/2022	Q4 03/2022		
Cash and Deposit	8,085	10,665	7,198	8,884	7,212	8,114	8,562	-	-	+1,363
Accounts Receivables	1,920	1,912	2,809	1,888	1,705	2,049	2,425	-	-	(384)
Inventory	42,351	42,443	42,205	35,969	36,626	29,156	30,072	-	-	(12,132)
Other	2,245	2,402	2,471	1,358	1,605	984	1,006	-	-	(1,464)
Current Assets	54,602	57,423	54,685	48,100	47,149	40,305	42,067	-	-	(12,618)
Tangible Assets	2,162	2,168	2,212	2,249	2,301	2,283	2,255	-	-	+42
Intangible Assets	97	93	94	81	77	74	94	-	-	(0)
Investments and Other Assets	2,651	2,779	2,721	2,180	2,638	2,210	2,442	-	-	(278)
Fixed Assets	4,910	5,041	5,029	4,510	5,016	4,568	4,792	-	-	(236)
Total Assets	59,513	62,464	59,714	52,611	52,165	44,874	46,860	-	-	(12,854)
Accounts Payables	3,874	3,417	3,929	6,445	2,322	3,112	3,536	-	-	(393)
Short Term Debt	27,286	30,624	27,243	17,410	22,822	15,122	11,582	-	-	(15,661)
Advances Re. on Uncompleted Contracts	1,353	1,236	1,266	883	3,277	3,498	3,720	-	-	+2,454
Advances Received	1,205	1,606	1,429	631	975	186	249	-	-	(1,179)
Other	1,391	1,388	1,402	2,375	1,476	2,016	1,765	-	-	+363
Current Liabilities	35,112	38,272	35,270	27,745	30,873	23,935	20,853	-	-	(14,416)
Long Term Debt	7,078	7,090	7,167	5,989	5,436	4,098	9,461	-	-	+2,294
Other	1,918	1,889	1,889	1,954	1,904	1,900	1,913	-	-	+23
Fixed Liabilities	8,996	8,979	9,056	7,943	7,340	5,998	11,374	-	-	+2,317
Total Liabilities	44,108	47,252	44,327	35,689	38,213	29,934	32,228	-	-	(12,099)
Shareholders' Equity	15,396	15,201	15,375	16,936	13,964	14,951	14,642	-	-	(732)
Other	8	10	12	(14)	(12)	(11)	(10)	-	-	(22)
Net Assets	15,405	15,212	15,387	16,922	13,952	14,940	14,632	-	-	(755)
Total Liabilities and Net Assets	59,513	62,464	59,714	52,611	52,165	44,874	46,860	-	-	(12,854)
Equity Capital	15,392	15,199	15,374	16,922	13,952	14,940	14,632	-	-	(742)
Interest Bearing Debt	34,364	37,714	34,410	23,399	28,258	19,220	21,043	-	-	(13,367)
Net Debt	26,278	27,048	27,211	14,514	21,045	11,105	12,480	-	-	(14,730)
Equity Ratio	25.9%	24.3%	25.7%	32.2%	26.7%	33.3%	31.2%	-	-	-
Net Debt Equity Ratio	170.7%	178.0%	177.0%	85.8%	150.8%	74.3%	85.3%	-	-	-
ROE (12 months)	1.1%	(4.3%)	(0.7%)	3.0%	3.9%	11.7%	9.8%	-	-	-
ROA (12 months)	0.2%	(1.9%)	(0.5%)	1.6%	1.8%	5.0%	4.2%	-	-	-
Days for Inventory Turnover	703	478	362	172	544	168	335	-	-	-
Quick Ratio	28%	33%	28%	39%	29%	42%	53%	-	-	-
Current Ratio	156%	150%	155%	173%	153%	168%	202%	-	-	-

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 03/2021	Q1 to Q2 03/2021	Q1 to Q3 03/2021	Q1 to Q4 03/2021	Q1 03/2022	Q1 to Q2 03/2022	Q1 to Q3 03/2022	Q1 to Q4 03/2022		
Operating Cash Flow	-	(6,478)	-	6,107	-	3,654	-	-	-	-
Investing Cash Flow	-	(72)	-	(106)	-	417	-	-	-	-
Operating CF and Investing CF	-	(6,550)	-	6,001	-	4,072	-	-	-	-
Financing Cash Flow	-	8,994	-	(5,137)	-	(4,442)	-	-	-	-

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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