May 10, 2017

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2017 (FY3/17)

[Japanese GAAP]

Company name: Sanyo Homes Corporation
Listing: Tokyo Stock Exchange, First Section
Securities code: 1420
URL: http://www.sanyohomes.co.jp/
Representative: Yasusuke Tanaka, Chairman & Chief Executive Officer
Contact: Fumio Matsumoto, Director, Senior Executive Officer and CFO
Tel: +81-(0) 6-6578-3403
Scheduled date of Annual General Meeting of Shareholders: June 28, 2017
Scheduled date of filing of Annual Securities Report: June 29, 2017
Scheduled date of payment of dividend: June 9, 2017
Preparation of supplementary materials for financial results: Yes
Holding of financial results meeting: Yes (for securities analysts)

(All amounts are rounded down to the nearest million yen)

1. Consolidated Financial Results for FY3/17 (April 1, 2016 – March 31, 2017)

(1) Consolidated results of operations (Percentages shown for net sales and profits represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY3/17	55,504	16.3	1,517	-	1,554	-	972	-
FY3/16	47,720	(9.6)	(55)	-	(76)	-	(297)	-

Note: Comprehensive income (million yen) FY3/17: 997 (-%) FY3/16: (257) (-%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit on net sales
	Yen	Yen	%	%	%
FY3/17	77.87	-	6.3	3.0	2.7
FY3/16	(23.61)	-	(1.9)	(0.2)	(0.1)

Reference: Equity in earnings of associates (million yen) FY3/17: (27) FY3/16: -

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2017	50,676	15,817	31.2	1,284.70
As of Mar. 31, 2016	51,753	15,183	29.3	1,203.13

Reference: Shareholders' equity (million yen) As of Mar. 31, 2017: 15,817 As of Mar. 31, 2016: 15,183

(3) Consolidated cash flow position

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at end of period
	Million yen	Million yen	Million yen	Million yen
FY3/17	604	456	(484)	5,067
FY3/16	(9,306)	(804)	9,903	4,491

2. Dividends

	Dividend per share					Total dividends	Dividend payout ratio (consolidated)	Dividend on equity (consolidated)
	1Q-end	2Q-end	3Q-end	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
FY3/16	-	0.00	-	15.00	15.00	189	-	1.2
FY3/17	-	0.00	-	15.00	15.00	189	19.5	1.2
FY3/18 (forecasts)	-	0.00	-	15.00	15.00		-	

3. Consolidated Forecast for FY3/18 (April 1, 2017 – March 31, 2018)

(Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
First half	28,200	1.8	10	(98.8)	(130)	-	(120)	-	(9.75)
Full year	68,600	23.6	2,010	32.4	1,720	10.6	1,100	13.0	89.35

*** Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in changes in the scope of consolidation): None

(2) Changes in accounting policies and accounting-based estimates, and restatements

1) Changes in accounting policies due to revisions in accounting standards, and others: Yes

2) Changes in accounting policies other than 1) above: None

3) Changes in accounting-based estimates: None

4) Restatements: None

(3) Number of outstanding shares (common shares)

1) Number of shares outstanding at the end of the period (including treasury shares)

As of Mar. 31, 2017:	12,620,000 shares	As of Mar. 31, 2016:	12,620,000 shares

2) Number of treasury shares at the end of the period

As of Mar. 31, 2017:	308,200 shares	As of Mar. 31, 2016:	- shares

3) Average number of shares outstanding during the period

FY3/17:	12,487,270 shares	FY3/16:	12,620,000 shares

Note: Number of treasury shares at the end of the period includes the Company shares held by the Management Board Incentive Plan Trust (FY3/17: 308,200 shares, FY3/16: - shares). The Company shares held by the Trust are also included to treasury shares that are exempted in a calculation of the average number of shares outstanding during the period (FY3/17: 132,730 shares, FY3/16: - shares).

Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for FY3/17 (April 1, 2016 – March 31, 2017)

(1) Non-consolidated results of operations (Percentages represent year-on-year changes)

	Net sales		Operating profit		Ordinary profit		Profit	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
FY3/17	51,561	15.9	1,363	-	1,435	-	872	-
FY3/16	44,502	(11.3)	(111)	-	(129)	-	(395)	-

	Net income per share	Diluted net income per share
	Yen	Yen
FY3/17	69.87	-
FY3/16	(31.30)	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2017	49,508	15,325	31.0	1,244.78
As of Mar. 31, 2016	50,837	14,817	29.1	1,174.10

Reference: Shareholders' equity (million yen) As of Mar. 31, 2017: 15,325 As of Mar. 31, 2016: 14,817

* The current financial report is not subject to audit procedures.

* Cautionary statement with respect to forward-looking statements and other special items

Note concerning forward-looking statements

Forecasts regarding future performance in this report are based on assumptions judged to be valid and information available to the Company at the time this report was prepared. Actual performance may differ significantly from these forecasts for a number of reasons. Please refer to "1. Overview of Results of Operations" on page 2 for forecast assumptions and notes of caution for usage.

How to view presentation materials

The Company plans to hold a financial results meeting for institutional investors and analysts on Wednesday, May 31, 2017. Materials to be distributed at this event will be available on the Company's website immediately thereafter.

Contents of Attachments

1. Overview of Results of Operations

(1) Analysis of Results of Operations

For the current fiscal year ended March 31, 2017, corporate earnings moderately improved and consumer spending remained firm in Japan despite lackluster capital investments in the corporate sector. Business outlook remained unclear due to uncertainty concerning overseas economies such as the UK's move to leave the EU, slower economic growth in Asian emerging countries, and the effect of monetary policies in every country.

In Japan's housing sector, housing demand is supported by the government's ongoing measures to facilitate housing acquisition and maintain low mortgage rate, together with improved employment and income environment. As a result, new house-building starts in all categories of owner-occupied housing, rental housing and housing built for sale for FY2016 (from April 2016 to March 2017) increased by 5.8% year-on-year.

Under such circumstances, with a tagline of "Housing with satisfaction to people and the earth," Sanyo Homes (the "Company") has formulated a management strategy based on our business portfolio which responds to changes in social environment and economic conditions, and then promoted initiatives to satisfy customers' wants of "housing" and "living." Moreover, as announced in the timely disclosure on November 29, 2016 titled "Acquisition of equity interests of NK Property LLC (to make it a subsidiary) and absorption-type merger (simple and short-form) (Japanese version only)," the Company acquired 530 thousand square meters (or 131 acres) of land and facilities in the rapidly developing north part of the City of Wakayama, where a new railway station and large-scale commercial facilities recently started their operations and the Second Hanwa National Road (National Route 26) began services (between Otani and Hirai Ramp). Together with the previously acquired 540 thousand square meters of land that is adjacent to the newly acquired land and facilities, for which we have already obtained the government approval and license for housing development, we have started to get involved in a large-scale, multi-purpose community development project.

Orders received in FY3/17 were 54,236 million yen, up 4.4% year on year, thanks to robust orders from the asset utilization sector in the Housing Business. Order backlog at the end of FY3/17, however, was 21,769 million yen, down 5.5% year on year. This is partly because completion of large-scale projects in the Condominium Business is expected to be concentrated in the second half of FY3/18.

The factors mentioned above led to results of operations for the current fiscal year as follows: net sales increased by 16.3% from one year earlier to 55,504 million yen; operating profit increased by 1,572 million yen to 1,517 million yen due mainly to increased sales and improved cost of goods sold ratio; ordinary profit increased by 1,631 million yen to 1,554 million yen; and profit attributable to owners of parent increased by 1,270 million yen to 972 million yen.

Overview by Segment

Performance by business segment is as follows.

1) Housing Business

The Japanese government set a goal: majority of new houses meet a standard of ZEH (net zero energy house) by 2020. Conforming to it, we have standardly fed the ZEH to a series of life style KURASI'TE in the housing sector. As a result, the ratio of custom-built houses meeting criteria of ZEH reached 52% on an order-received basis in FY3/17, and we achieved the government target four years ahead of the schedule. Moreover, we have obtained high evaluation(*) from third-party institutions. For example, we are the only company among the steel-framed house manufacturers who won the Excellence Award in House of the Year in Energy 2016 sponsored by Japan Center for Area Development Research. We also received a prize at the Tenth Kids Design Award sponsored by Kids Design Association.

In the asset utilization sector, we aimed at expanding the scope of business proposal and organized an order receipt and construction system. We proactively conduct sales activities in the field of rental housing and nursing care and welfare facilities. To serve the growing interest in Japan concerning the effective use of assets because of revisions in the inheritance tax and the gift tax in January 2015, we bolstered and revitalized a nationwide Land Utilization Club for landowners. We intensified collaboration with financial institutions to facilitate matching of landowners with business operators. We successfully delivered the large-scale projects including a 66-unit private-pay nursing home. To explore more market opportunities, we focused on “San in Cube” business to develop, build and sell profit-making properties, such as rental housing. All of these efforts contributed to strong order growth.

In the residential remodeling sector, we actively promoted residential reforming to improve dwelling performance based on a building inspection report. One example is the “Home Dock.” It utilized subsidies through Promotion Projects for Remodeling to Long-term Conforming Housing in FY2016 and Circulatory Support Program for Remodeling, Purchasing and Rebuilding House under control of the Ministry of Land, Infrastructure, Transport and Tourism, and offers earthquake resistance diagnosis and deterioration inspection. Additionally, to expand orders through more contacts with our housing owners, we classified them by age of the property and location, provided events and periodical information tailored to each targeted owner’s needs. At the same time as part of the effort to expand orders, we have collaborated with the home appliance store network of Hitachi Consumer Marketing, Inc., our alliance partner, to develop a new market.

In the residential renewal and resale (distribution of existing houses) sector, we have developed a system for purchase and sales of existing houses since the establishment of the Residential Renewal and Resale Department. At the same time, instead of simply helping our customer sell an existing house, we have proposed a package of services consisting of remodeling to increase value-added and warranty and after sales support in order to promote sales. Furthermore, we promoted “San Sumai Ring,” by which a seller of an existing house is matched with a buyer in cooperation with a local broker, in order to create new customer domain. We have also introduced a new leaseback system named “Katsu, Wagaya” (meaning “Leveraging my home equity”) for senior customers, through which we support their relocation and retirement planning by taking full advantage of their high-quality housing property, and provided new proposals to boost the distribution market of existing houses.

As a result, sales in this segment for the current fiscal year were 25,421 million yen, up 10.1% from one year earlier, and operating profit was 232 million yen, an improvement of 479 million yen from the previous fiscal year.

*A regular member of Japan Prefabricated Construction Suppliers and Manufacturers Association

2) Condominium Business

In Condominium Business segment, we sold out “San Four-Leaf Town Sakuranomiya” (a 287-unit condominium in Miyakojima-ku, Osaka) upon completion and recorded sales in September 2016. The project embodies the smart wellness housing concept where people of multiple generations can live together. We also completed several condominiums and recorded sales. Such condominiums include “SANMAISON Kyobashi Eldo” (a 100-unit condominium in Joto-ku, Osaka), “SANMAISON Kyudai-Gakkentoshi Eldo” (a 116-unit condominium in Nishi-ku, Fukuoka), and “SANMAISON Kuhonji Eldo” (a 42-unit condominium in Chuo-ku, Kumamoto). Then we completed sale of all 84 condominium units at “SANMANSION Kyotanabe Ekimae Uniheim” (Kyotanabe-city, Kyoto) prior to its completion, and started sales of “THE Chiyoda Kojimachi TOWER” (an 83-unit condominium in Chiyoda-ku, Tokyo), “THE SANMAISON Kyoto Goshonishi” (an 18-unit condominium in Kamigyo-ku, Kyoto) and others, targeting upper-income earners in urban centers. Additionally, through examining earthquake resistance and degree of deterioration, getting involved in renovation projects in four major metropolitan areas of Japan, and selling existing condominiums with the added value of safety, we strived to expand the number of units available for sale in the market and enhance awareness of our brand name.

As a result, sales in this segment for the current fiscal year were 28,870 million yen, up 22.5% from one year earlier and operating profit was 2,455 million yen, up 115.7% from one year earlier.

3) Other Businesses

The frontier business sector (engaged in overseas business, OEM sales of structural steel frameworks and sale of eco-energy facilities) has begun developing condominiums under a joint venture with a local company in Ho Chi Minh City, Vietnam, where economic growth is remarkable. We have also started operations of a condominium and building management company that is jointly established by three companies including a local partner. Following these initiatives, we continue to proactively develop our businesses to tap into the demand for condominiums and office buildings that are expected to increase in Vietnam by utilizing local partners' networks and providing a high level Japanese standard service that is focused on the particular needs of each individual customer.

In the life support business sector (engaged in management of condominiums and nursing/child care facilities), following "Takarazuka San Friends Preschool" opened in April 2016, we opened "Sakuranomiya San Friends Nursery School" within the premises of "San Four-Leaf Town Sakuranomiya" in October 2016, and "Health Salon Sanadvance Sakuranomiya" in November 2016. We plan to open "Dainichi 2nd San Friends Nursery School" in April 2017 and "Kachigawa San Friends Nursery School" which will be our first nursery school in Chubu area. As such, we aim to further expand our businesses in nursing/child care operations.

Also, to meet growing demands for supporting elderly people at home, we have developed a "companion robot" and a "chair-type robot" as the projects subsidized by the Ministry of Economy, Trade and Industry and the Ministry of Land, Infrastructure, Transport and Tourism. We are now reasonably confident that these projects can successfully be commercialized in the future.

Due to such efforts, net sales for the current fiscal year reached 1,212 million yen (up 13.0% from one year earlier) with operating loss of 190 million yen (further down by 172 million yen from one year earlier) due to upfront investments for the development of overseas business and nursing care robots.

Forecasts for the next fiscal year

For the next fiscal year, there are concerns caused by external factors such as uncertainty of overseas economies and instability of politics, and internal factors such as an increase in construction costs. However, amid the improvement of corporate earnings as well as employment and income environment, the Japanese government is undertaking all measures to ensure the growth of the housing sector such as expanding a housing stock market, supporting housing acquisition, and promoting energy-efficient houses to create demand, as well as expanding and extending the preferential tax treatments and maintaining low mortgage rate. We therefore expect the housing demand to grow steadily going forward.

Under the situation, we will further develop our business by reorganizing the current management structure to ensure that the right person is assigned to the right position. In the next fiscal year, we will deepen our management strategy based on the business portfolio in response to changes in social environment and economic situation and further improve our profitability to become a company which can provide our clients with distinctive and unrivaled "only one" proposal for housing and living with comprehensive ideas for high-quality residences.

In the fiscal year ending on March 31, 2018, we forecast net sales of 68,600 million yen (up 23.6% year on year), operating profit of 2,010 million yen (up 32.4% year on year), ordinary profit of 1,720 million yen (up 10.6% year on year), and profit attributable to owners of the parent of 1,100 million yen (up 13.0% year on year).

Note: Forecasts are based on information currently available to the Company. Actual performance may differ from these forecasts for a number of reasons.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

Total assets decreased 1,076 million yen from the end of the previous fiscal year to 50,676 million yen at the end of the current fiscal year on a consolidated basis. The main factor was a decrease of 1,968 million yen in real estate for sale, which was partially offset by an increase of 1,320 million yen in costs on real estate business.

Total liabilities decreased 1,709 million yen from the end of the previous fiscal year to 34,859 million yen. The main factor was a decrease of 2,093 million yen in notes payable, accounts payable for construction contracts and other, which was partially offset by an increase of 479 million yen in income taxes payable.

Total net assets increased 633 million yen from the end of the previous fiscal year to 15,817 million yen. The main factor was an increase of 783 million yen in retained earnings, which was partially offset by a decrease of 174 million yen in treasury shares. As a result, the equity ratio was 31.2%.

2) Cash Flows

Cash and cash equivalents (hereafter “net cash”) increased 576 million yen from the end of the previous fiscal year to 5,067 million yen at the end of the current fiscal year on a consolidated basis. This net increase of 576 million yen can be explained by cash inflows of 604 million yen and 456 million yen from operating activities and investing activities, respectively, which are partially offset by a cash outflow of 484 million yen from financing activities.

A summary of cash flows and major components are as follows.

Cash flows from operating activities

For the fiscal year ended March 31, 2017, net cash provided by operating activities totaled 604 million yen (compared with net cash used of 9,306 million yen in the previous fiscal year). The main factors were profit before income taxes of 1,447 million yen, a 631 decrease in inventories, and a 497 million increase in accrued consumption taxes, which were partially offset by a 2,093 million yen decrease in notes and accounts payable-trade and a 517 million yen decrease in advances received.

Cash flows from investing activities

For the fiscal year ended March 31, 2017, net cash provided by investing activities totaled 456 million yen (compared with net cash used of 804 million yen in the previous fiscal year). The main factor was net proceeds of 900 million yen from withdrawal of time deposits, which were partially offset by purchase of investment securities of 483 million yen.

Cash flows from financing activities

For the fiscal year ended March 31, 2017, net cash used in financing activities totaled 484 million yen (compared with net cash provided of 9,903 million yen in the previous fiscal year). The main factors were a net decrease of 120 million yen in long- and short-term loans payable, purchase of treasury shares of 174 million yen, and cash dividends paid of 189 million yen.

(3) Basic Policy for Profit Distribution, and Dividends in the Current and Next Fiscal Years

The distribution of earnings to shareholders is one of our highest priorities. The basic policy is to pay a consistent dividend to shareholders while retaining sufficient earnings for sustaining growth and building a sound infrastructure for our operations.

Regarding the profit distribution for the current fiscal year, we will follow the above policy and pay the dividend of 15 yen per share in light of the past record and earnings forecast for the next fiscal year. We have made this decision because we are keen on ensuring the shareholder return on a long-term basis while improving the financial soundness through increasing shareholders’ equity. As for the dividend for the next fiscal year, we plan to maintain the same level as the current fiscal year, i.e., 15 yen per share.

2. Basic Approach to the Selection of Accounting Standards

The Sanyo Homes Group will continue to prepare consolidated financial statements based on generally accepted accounting principles in Japan for the time being to permit comparisons with prior years and with the financial data of other companies.

We will take suitable actions with regard to the application of International Financial Reporting Standards (IFRS) by taking into account associated factors in Japan and other countries.

3. Consolidated Financial Statements and Notes

(1) Consolidated Balance Sheet

(Thousands of yen)

	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
Assets		
Current assets		
Cash and deposits	8,291,031	7,767,378
Notes receivable, accounts receivable from completed construction contracts and other	1,025,176	1,130,850
Real estate for sale	14,342,046	12,373,455
Costs on uncompleted construction contracts	146,292	179,985
Costs on real estate business	23,738,951	25,059,303
Other inventories	135,347	118,529
Prepaid expenses	481,484	403,890
Deferred tax assets	320,810	175,247
Other	516,654	393,080
Allowance for doubtful accounts	(11,738)	(6,547)
Total current assets	48,986,057	47,595,173
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	578,358	391,038
Land	194,006	229,233
Other, net	69,555	54,772
Total property, plant and equipment	841,920	675,044
Intangible assets		
Software	14,375	22,921
Other	3,932	3,932
Total intangible assets	18,308	26,853
Investments and other assets		
Investment securities	501,088	945,610
Deferred tax assets	463,075	453,689
Other	965,858	996,455
Allowance for doubtful accounts	(23,203)	(15,975)
Total investments and other assets	1,906,819	2,379,779
Total non-current assets	2,767,047	3,081,678
Total assets	51,753,104	50,676,852

(Thousands of yen)

	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	7,524,495	5,430,554
Short-term loans payable	6,580,000	5,870,000
Current portion of long-term loans payable	4,080,000	6,550,000
Accrued expenses	500,234	523,683
Income taxes payable	55,001	534,019
Advances received on uncompleted construction contracts	843,567	774,698
Advances received	1,178,250	660,360
Provision for bonuses	128,750	317,447
Provision for warranties for completed construction	126,600	114,900
Other	795,562	1,216,651
Total current liabilities	21,812,461	21,992,315
Non-current liabilities		
Long-term loans payable	13,050,000	11,170,000
Deferred tax liabilities	4,089	-
Provision for directors’ retirement benefits	179,176	5,158
Net defined benefit liability	1,299,613	1,259,625
Provision for management board incentive plan	-	32,267
Other	224,282	400,457
Total non-current liabilities	14,757,161	12,867,509
Total liabilities	36,569,623	34,859,825
Net assets		
Shareholders’ equity		
Capital stock	5,945,162	5,945,162
Capital surplus	3,611,796	3,611,796
Retained earnings	5,586,431	6,369,566
Treasury shares	-	(174,892)
Total shareholders’ equity	15,143,390	15,751,633
Accumulated other comprehensive income		
Foreign currency translation adjustment	-	13,181
Remeasurements of defined benefit plans	40,090	52,211
Total accumulated other comprehensive income	40,090	65,393
Total net assets	15,183,480	15,817,026
Total liabilities and net assets	51,753,104	50,676,852

(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Consolidated Statement of Income

(Thousands of yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Net sales	47,720,472	55,504,455
Cost of sales	38,642,558	44,115,563
Gross profit	9,077,913	11,388,892
Selling, general and administrative expenses	9,133,062	9,871,135
Operating profit (loss)	(55,149)	1,517,757
Non-operating income		
Interest income	15,079	10,917
Rent income	40,141	37,164
Penalty income	39,468	97,076
Subsidy income	9,598	40,519
Other	35,593	59,437
Total non-operating income	139,882	245,115
Non-operating expenses		
Interest expenses	144,615	144,832
Share of loss of entities accounted for using equity method	-	27,813
Other	16,285	35,340
Total non-operating expenses	160,900	207,987
Ordinary profit (loss)	(76,167)	1,554,885
Extraordinary income		
Gain on sales of non-current assets	5,228	202
Subsidy income	15,493	19,732
Total extraordinary income	20,722	19,934
Extraordinary losses		
Loss on retirement of non-current assets	558	29,912
Loss on valuation of shares of subsidiaries and associates	-	29,000
Impairment loss	166,219	67,910
Total extraordinary losses	166,778	126,822
Profit (loss) before income taxes	(222,223)	1,447,997
Income taxes-current	60,287	458,146
Income taxes-deferred	15,412	17,416
Total income taxes	75,700	475,562
Profit (loss)	(297,923)	972,434
Profit (loss) attributable to owners of parent	(297,923)	972,434

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Profit (loss)	(297,923)	972,434
Other comprehensive income		
Foreign currency translation adjustment	-	13,181
Remeasurements of defined benefit plans, net of tax	40,464	12,121
Total other comprehensive income	40,464	25,303
Comprehensive income	(257,458)	997,738
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	(257,458)	997,738
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income			Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Remeasure -ments of defined benefit plans	Total accumulated other comprehensi -ve income	
Balance at beginning of current period	5,945,162	3,611,796	6,073,655	-	15,630,614	-	(374)	(374)	15,630,239
Changes of items during period									
Dividends of surplus			(189,300)		(189,300)			-	(189,300)
Loss attributable to owners of parent			(297,923)		(297,923)			-	(297,923)
Purchase of treasury shares					-			-	-
Net changes of items other than shareholders' equity					-		40,464	40,464	40,464
Total changes of items during period	-	-	(487,223)	-	(487,223)	-	40,464	40,464	(446,758)
Balance at end of current period	5,945,162	3,611,796	5,586,431	-	15,143,390	-	40,090	40,090	15,183,480

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income			Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Remeasure -ments of defined benefit plans	Total accumulated other comprehensi -ve income	
Balance at beginning of current period	5,945,162	3,611,796	5,586,431	-	15,143,390	-	40,090	40,090	15,183,480
Changes of items during period									
Dividends of surplus			(189,300)		(189,300)			-	(189,300)
Profit attributable to owners of parent			972,434		972,434			-	972,434
Purchase of treasury shares				(174,892)	(174,892)			-	(174,892)
Net changes of items other than shareholders' equity					-	13,181	12,121	25,303	25,303
Total changes of items during period	-	-	783,134	(174,892)	608,242	13,181	12,121	25,303	633,545
Balance at end of current period	5,945,162	3,611,796	6,369,566	(174,892)	15,751,633	13,181	52,211	65,393	15,817,026

(4) Consolidated Statement of Cash Flows

(Thousands of yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Cash flows from operating activities		
Profit (loss) before income taxes	(222,223)	1,447,997
Depreciation	132,243	90,204
Impairment loss	166,219	67,910
Increase (decrease) in provision for bonuses	(199,636)	188,697
Interest income	(15,079)	(10,917)
Interest expenses	144,615	144,832
Loss (gain) on sales of property, plant and equipment	(5,228)	(202)
Decrease (increase) in notes and accounts receivable-trade	150,004	(105,673)
Decrease (increase) in inventories	(9,493,439)	631,362
Increase (decrease) in notes and accounts payable-trade	402,039	(2,093,941)
Increase (decrease) in advances received on uncompleted construction contracts	103,434	(68,869)
Increase (decrease) in advances received	457,731	(517,889)
Increase (decrease) in accrued consumption taxes	(29,436)	497,725
Other, net	(455,074)	570,589
Subtotal	(8,863,832)	841,825
Interest and dividend income received	10,154	8,698
Interest expenses paid	(140,830)	(144,874)
Income taxes paid	(312,441)	(101,497)
Net cash provided by (used in) operating activities	(9,306,948)	604,150
Cash flows from investing activities		
Payments into time deposits	(3,800,000)	(3,400,000)
Proceeds from withdrawal of time deposits	3,200,000	4,500,000
Purchase of property, plant and equipment	(114,560)	(70,856)
Purchase of investment securities	-	(483,622)
Other, net	(89,918)	(88,525)
Net cash provided by (used in) investing activities	(804,478)	456,995
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	3,330,000	(710,000)
Proceeds from long-term loans payable	13,510,000	6,860,000
Repayments of long-term loans payable	(6,747,000)	(6,270,000)
Purchase of treasury shares	-	(174,892)
Cash dividends paid	(189,035)	(189,103)
Other, net	(803)	(803)
Net cash provided by (used in) financing activities	9,903,160	(484,799)
Net increase (decrease) in cash and cash equivalents	(208,266)	576,346
Cash and cash equivalents at beginning of period	4,699,298	4,491,031
Cash and cash equivalents at end of period	4,491,031	5,067,378

(5) Notes to Consolidated Financial Statements

Going Concern Assumption

Not applicable.

Significant Accounting Policies in the Preparation of Consolidated Financial Statements

1. Scope of consolidation

All subsidiaries are included in the consolidation.

Number of consolidated subsidiaries: 2

Names of consolidated subsidiaries:

Sanyo Reform Corporation
Sanyo Homes Community Corporation

San Advances Corporation, which was a consolidated subsidiary in the previous fiscal year, has been excluded from the scope of consolidation in the current fiscal year because it was merged into Sanyo Homes Community Corporation on April 1, 2016.

2. Application of the equity method

(1) Number of equity-method associate: 1

Name of equity-method associate: Tien Phat Sanyo Homes Corporation

Tien Phat Sanyo Homes Corporation has been included in the scope of application of the equity method in the current fiscal year because the Company newly acquired its shares.

(2) Non-equity method associates (e-kurashi Co., Ltd. and OKAMURA SANYO PROPERTY CORPORATION) are not accounted for by the equity method, since they do not have a material impact on profit/loss (equity in earnings) and retained earnings (equity in earnings) on a consolidated basis, and the total amount as a whole does not have a material impact on the consolidated financial statements.

3. Fiscal year-end of consolidated subsidiaries

The fiscal year of the consolidated subsidiaries ends on the closing date of consolidated financial statements.

4. Significant accounting policies

(1) Valuation criteria and methods for significant assets

1) Securities

i. Held-to-maturity debt securities
Stated at cost determined by the amortized cost method (straight-line method).

ii. Shares of subsidiaries and associates
Stated at cost determined by the moving-average method.

iii. Available-for-sale securities
Securities without market quotations
Stated at cost determined by the moving-average method.

2) Inventories

i. Real estate for sale, costs on uncompleted construction contracts, and costs on real estate business
Stated at cost determined by the specific-identification method. (The carrying value on the balance sheet is written down to reflect declines in profitability.)

ii. Other inventories (Finished goods, semi-finished goods, work in process, and raw materials)
Stated at cost determined by the moving-average method. (The carrying value on the balance sheet is written down to reflect declines in profitability.)

(2) Depreciation and amortization method for significant depreciable assets

1) Property, plant and equipment (excluding lease assets)

Declining-balance method, except for buildings (excluding facilities attached to buildings) acquired on or after April 1, 1998, and facilities attached to buildings and structures acquired on or after April 1, 2016, on which depreciation is calculated by the straight-line method.

The useful lives of principle assets are summarized as follows:

Buildings and structures	3 to 47 years

2) Intangible assets (excluding lease assets)
Straight-line method.
Amortization of software for internal use is calculated by the straight-line method over a period of five years.
3) Lease assets
The straight-line method is applied over the lease period used as the useful lives of the assets with no residual value.

(3) Accounting for significant allowance
1) Allowance for doubtful accounts
To prepare for credit losses on receivables, an allowance equal to the estimated amount of uncollectible receivables is provided for general receivables based on the historical write-off ratio, and bad receivables based on a case-by-case determination of collectibility.
2) Provision for bonuses
To provide for accrued bonuses for employees and corporate officers, an allowance is provided at the amount based on the estimated bonus obligations in the current fiscal year.
3) Provision for warranties for completed construction
To prepare for expenses to fulfill the Company's obligations concerning any defects in buildings that have been sold, an allowance is provided based on actual repair expenses at completed construction projects in the past and on estimated repair expenses for specific buildings.
4) Provision for directors' retirement benefits
To prepare for payment of retirement benefits for certain directors of the subsidiaries, an allowance is provided for the aggregate amount payable at the end of the fiscal year pursuant to the internal rules on directors' retirement benefits.
5) Provision for management board incentive plan
To prepare for delivery of the Company shares to directors (including corporate officers) of the Company in accordance with the share award rules, an allowance is provided based on the estimated amount of obligation to award shares.

(4) Accounting method for retirement benefits
1) Method of attributing estimated retirement benefits to periods
In calculation of retirement benefit obligations, the benefit formula basis is used for attributing estimated retirement benefits to period before the end of the current fiscal year.
2) Amortization of actuarial gain or loss
Actuarial gain or loss is amortized and charged to expense in the year following the fiscal year in which such gain or loss is recognized by the declining-balance method over a certain period (principally eight years) which is within the estimated average remaining years of service of the eligible employees.
3) Adoption of simplified methods in small enterprise
Some of our consolidated subsidiaries use simplified method (which assumes a company's benefit obligation to be equal to the benefits payable assuming the voluntary retirement of all employees at fiscal year-end) to calculate net defined benefit liability and retirement benefit expenses.

(5) Recognition of significant revenues and expenses
Recognition criteria for recording amount and cost of completed construction contracts
1) Contracted work of which the outcome by the end of the current fiscal year can be reliably estimated
The percentage-of-completion method (with the percentage of completion estimated on the cost-to-cost basis)
2) Other contracted works
The completed-contract method

(6) Cash and cash equivalents in the consolidated statement of cash flows
Cash and cash equivalents consist of cash on hand, bank deposits which can be withdrawn at any time and short-term investments with the duration of three months or less which can be easily converted to cash and are exposed to little risk of change in value.

(7) Other significant matters
Accounting for consumption taxes
National and local consumption taxes are accounted by the tax-exclusion method. Non-deductible national and local consumption taxes are recorded as expenses in the current fiscal year.

Changes in Accounting Policies

Application of the Accounting Standard for Business Combinations, etc.

In line with the revisions to the Corporation Tax Act of Japan, the Company has applied the *Practical Solution on a Change in Depreciation Method due to Tax Reform 2016* (Practical Issues Task Force (PITF) No. 32, June 17, 2016) from the current fiscal year. Accordingly, the depreciation method for facilities attached to buildings and structures acquired on or after April 1, 2016 was changed from the declining-balance method to the straight-line method.

The impact of this change on operating profit, ordinary profit and profit before income taxes for the current fiscal year is insignificant.

Additional Information

Application of implementation guidance on recoverability of deferred tax assets

Effective from the current fiscal year, the Company has applied the *Implementation Guidance on Recoverability of Deferred Tax Assets* (Accounting Standards Board of Japan (ASBJ) Guidance No. 26, March 28, 2016).

Performance-linked stock compensation plan

(1) Outline of the transaction

The 20th Annual General Meeting of Shareholders held on June 28, 2016 has resolved to adopt the performance-linked stock compensation plan ("the Plan"). Persons eligible for the Plan include directors (excluding external directors and directors who are members Audit and Supervisory Committee) and corporate officers (hereafter, "the Directors, etc."). The Plan aims to raise awareness of the Directors, etc. for the contribution to improving medium- to long-term business performance and increasing the corporate value by clarifying the linkage between the compensation of the Directors, etc. and the stock value of the Company and by sharing both benefits and risks caused by share price fluctuation between the Directors, etc. and the shareholders.

The Plan establishes a trust utilizing the money contributed by the Company as a source of funds, acquires the Company shares through the trust, and delivers the Company shares to the Directors, etc. through the trust in accordance with the stock award rules determined by the Company's Board of Directors. The Directors, etc. may be awarded the Company shares principally upon resignation based on points granted according to certain criteria such as a degree of achievement of the performance target for each fiscal year.

The Company's two subsidiaries Sanyo Reform Corporation and Sanyo Homes Community Corporation have also resolved to adopt the Plan for their representative directors in the same manner as applicable to the Director, etc. at their Annual General Meeting of Shareholders.

(2) Company shares held in trust

Introduction of the Plan in the current fiscal year has caused Japan Trustee Services Bank, Ltd. to acquire 308,200 shares of the Company.

We presented the Company shares held by the trust in the net assets section as treasury shares at carrying amount (excluding the amount of incidental expenses) in the trust. The carrying amount of the treasury shares at the end of the current fiscal year amounted to 174,892 thousand yen (308,200 shares).

Abolishment of directors' retirement benefits

We abolished directors' retirement benefits for the representative directors of the Company and its subsidiaries at the end of the 20th Annual General Meeting of Shareholders held on June 28, 2016. Until this abandonment, an allowance is provided for the aggregate amount payable at the end of the fiscal year pursuant to the internal rules on directors' retirement benefits.

As a result of the abolishment, the General Meeting of Shareholders has also resolved to make lump-sum final payments of retirement benefits for the period directors spent in office, and we transferred the balance of allowance for directors' retirement benefits of 169,068 thousand yen to "Other" in the non-current liabilities section.

The consolidated subsidiaries will continue to record an amount required to be paid at the end of the fiscal year as "provision for directors' retirement benefits" according to the internal rules.

Segment and Other Information

Segment information

1. Overview of reportable segment

The reportable segments of the Group are constituent units of the Company for which separate financial information is available and for which the Board of Directors conducts a regular review for the purposes of determining the allocation of management resources and evaluating business performance.

The Company establishes a manufacturing and sales structure by each product and service and conducts business operations based on a comprehensive strategy for all products and services.

Consequently, based on the types of business activities, there are two reportable segments by product and service: the Housing Business and the Condominium Business.

The Housing Business includes designs, construction supervision and contracting, sales and other activities for housing, asset utilization and residential remodeling. The Condominium Business includes the development, sales, rental and other activities for condominium buildings.

As a result of the business portfolio restructuring, the Company changed the administrative classification from the current fiscal year by consolidating maintenance/management of condominium buildings previously included in the Condominium Business and nursing care/child care operations previously included in the Other Businesses into the life support related business and then classified into the Other Businesses. The segment information for the previous fiscal year is presented based on the classification of reportable segments after the change.

2. Calculation methods for net sales, profit or loss, assets, and other items for each reportable segment

The accounting method used for reportable business segments is generally the same as the methods listed in "Significant Accounting Policies in the Preparation of Consolidated Financial Statements."

Profits for reportable segments are operating profit figures. Inter-segment sales and transfers are determined in the same manner as for general transactions based on market prices.

3. Information related to net sales, profit or loss, assets, and other items for each reportable segment

FY3/16 (Apr. 1, 2015－Mar. 31, 2016) (Thousands of yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Housing business	Condominium business	Subtotal				
Net sales							
Sales to external customers	23,088,210	23,559,529	46,647,740	1,072,731	47,720,472	-	47,720,472
Inter-segment sales or transfers	139,260	-	139,260	37,228	176,489	(176,489)	-
Total	23,227,471	23,559,529	46,787,001	1,109,960	47,896,961	(176,489)	47,720,472
Segment profit (loss)	(246,963)	1,138,137	891,173	(18,557)	872,616	(927,765)	(55,149)
Segment assets	5,773,224	35,526,545	41,299,770	218,354	41,518,125	10,234,978	51,753,104
Other items							
Depreciation and amortization	83,617	17,386	101,004	7,206	108,210	24,032	132,243
Increase in property, plant and equipment and intangible assets	5,989	-	5,989	62,266	68,255	44,948	113,203

Notes: 1. The Other segment represents the businesses which are not included in any of the reportable segments and mainly consist of the lifestyle support services.

2. Adjustments to segment profit (loss) and assets are as follows.

(1) The negative adjustment of 927,765 thousand yen to segment profit or loss includes company-wide costs that are not allocated to any of the reportable segments. Company-wide costs consist of general and administrative expenses that cannot be attributable to any of the reportable segments.

(2) The 10,234,978 thousand yen adjustment to segment assets includes company-wide assets that are not allocated to any of the reportable segments. Corporate assets mainly include excess working capital, working capital and other assets not attributable to any of the reportable segments.

(3) The 24,032 thousand yen adjustment to depreciation and amortization includes depreciation of company-wide assets that cannot be allocated to reportable segments.

(4) The 44,948 thousand yen adjustment to increase in property, plant and equipment and intangible assets is capital expenditures not attributable to any of the reportable segments.

3. Segment profit and assets are adjusted with operating profit and total assets shown on the consolidated financial statements, respectively.

FY3/17 (Apr. 1, 2016－Mar. 31, 2017) (Thousands of yen)

	Reportable segment			Other (Note 1)	Total	Adjustment (Note 2)	Amounts shown on consolidated financial statements (Note 3)
	Housing business	Condominium business	Subtotal				
Net sales							
Sales to external customers	25,421,480	28,870,630	54,292,111	1,212,344	55,504,455	-	55,504,455
Inter-segment sales or transfers	10,691	-	10,691	43,199	53,890	(53,890)	-
Total	25,432,171	28,870,630	54,302,802	1,255,543	55,558,346	(53,890)	55,504,455
Segment profit (loss)	232,134	2,455,529	2,687,663	(190,641)	2,497,022	(979,264)	1,517,757
Segment assets	5,602,846	33,839,378	39,442,225	771,043	40,213,268	10,463,583	50,676,852
Other items							
Depreciation and amortization	36,419	14,688	51,108	13,611	64,719	25,484	90,204
Increase in property, plant and equipment and intangible assets	12,067	9,289	21,356	198,377	219,734	17,895	237,629

Notes: 1. The Other segment represents the businesses which are not included in any of the reportable segments and mainly consist of the lifestyle support services.
2. Adjustments to segment profit (loss) and assets are as follows.
(1) The negative adjustment of 979,264 thousand yen to segment profit or loss includes company-wide costs that are not allocated to any of the reportable segments. Company-wide costs consist of general and administrative expenses that cannot be attributable to any of the reportable segments.
(2) The 10,463,583 thousand yen adjustment to segment assets includes company-wide assets that are not allocated to any of the reportable segments. Corporate assets mainly include excess working capital, working capital and other assets not attributable to any of the reportable segments.
(3) The 25,484 thousand yen adjustment to depreciation and amortization includes depreciation of company-wide assets that cannot be allocated to reportable segments.
(4) The 17,895 thousand yen adjustment to increase in property, plant and equipment and intangible assets is capital expenditures not attributable to any of the reportable segments.
3. Segment profit and assets are adjusted with operating profit and total assets shown on the consolidated financial statements, respectively.

Related information

1. Information by product and service

Omitted because the same information is presented in the segment information.

2. Information by region

(1) Sales

Not applicable because there are no sales to external customers outside Japan.

(2) Property, plant and equipment

Not applicable because there are no property, plant and equipment outside Japan.

3. Information by major customer

Omitted because no sales to external customer account for 10% or more of net sales on the consolidated statement of income.

Information related to an impairment loss on non-current assets for each reportable segment

FY3/16 (Apr. 1, 2015 – Mar. 31, 2016) (Thousands of yen)

	Housing business	Condominium business	Other	Elimination or corporate	Total
Impairment loss	166,219	-	-	-	166,219

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017) (Thousands of yen)

	Housing business	Condominium business	Other	Elimination or corporate	Total
Impairment loss	67,910	-	-	-	67,910

Information related to amortized amounts and the unamortized balance of goodwill for each reportable segment

Not applicable.

Information related to gain on bargain purchase for each reportable segment

Not applicable.

Per Share Information

(Yen)

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Net assets per share	1,203.13	1,284.70
Net income (loss) per share	(23.61)	77.87

Notes: 1. Diluted net income per share is not presented because there are no latent shares.

2. The basis of calculating the net assets per share is as follows:

	FY3/16 (As of Mar. 31, 2016)	FY3/17 (As of Mar. 31, 2017)
Total net assets (Thousands of yen)	15,183,480	15,817,026
Deduction on total net assets (Thousands of yen)	-	-
[of which, non-controlling interests (Thousands of yen)]	[-]	[-]
Net assets at the end of the fiscal year applicable to common stock (Thousands of yen)	15,183,480	15,817,026
Number of shares of common stock used in calculation of net assets per share (Shares)	12,620,000	12,311,800

3. The basis of calculating the net income (loss) per share is as follows:

	FY3/16 (Apr. 1, 2015 – Mar. 31, 2016)	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)
Net income per share		
Profit (loss) attributable to owners of parent (Thousands of yen)	(297,923)	972,434
Profit not attributable to common shareholders (Thousands of yen)	-	-
Profit (loss) attributable to common shareholders of parent (Thousands of yen)	(297,923)	972,434
Average number of shares outstanding (Shares)	12,620,000	12,487,270

Subsequent Events

Not applicable.

4. Other Information

1) Orders Received

Orders received in FY3/17 are broken down by segment as follows. (Thousands of yen)

Operating segment	Orders received	Year-on-year (%)	Order backlog	Year-on-year (%)
Housing business	25,325,725	108.9	10,987,996	99.1
Condominium business	27,698,290	100.3	10,781,165	90.2
Other	1,212,344	113.0	-	-
Total	54,236,360	104.4	21,769,161	94.5

Notes: 1. Inter-segment transactions have been eliminated.
2. The above amounts do not include consumption taxes.
3. No order backlog is shown in the other segment because net sales are the same as the orders received.

Orders received by region are as follows. (Thousands of yen)

Kanto area	Chubu area	Kinki area	Kyushu area	Total
13,660,471	8,142,322	25,397,643	7,035,922	54,236,360

2) Sales

Sales in FY3/17 are broken down by segment as follows.

Operating segment	Sales (Thousands of yen)	Year-on-year (%)
Housing business	25,421,480	110.1
Condominium business	28,870,630	122.5
Other	1,212,344	113.0
Total	55,504,455	116.3

Notes: 1. Inter-segment transactions have been eliminated.
2. The above amounts do not include consumption taxes.

Sales by region are as follows. (Thousands of yen)

Kanto area	Chubu area	Kinki area	Kyushu area	Total
10,730,559	8,239,653	28,877,975	7,656,266	55,504,455

This financial report is solely a translation of “Kessan Tanshin” (in Japanese, including attachments), which has been prepared in accordance with accounting principles and practices generally accepted in Japan, for the convenience of readers who prefer an English translation.