

May 9, 2018

## Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2018 (FY3/18)

[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

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Scheduled date of Annual General Meeting of Shareholders: June 27, 2018

Scheduled date of filing of Annual Securities Report: June 28, 2018

Scheduled date of payment of dividend: June 4, 2018

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 FY3/18 (April 1, 2017 – March 31, 2018)

(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	%
FY3/18	54,117	(2.5)	1,894	24.8	1,911	22.9	1,243	27.8
FY3/17	55,504	16.3	1,517	-	1,554	-	972	-

Note: Comprehensive income (million yen) FY3/18: 1,298 (up 30.1%) FY3/17: 997 (-%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit on net sales
	Yen	Yen	%	%	%
FY3/18	100.93	-	7.6	3.9	3.5
FY3/17	77.87	-	6.3	3.0	2.7

Reference: Equity in earnings of associates (million yen) FY3/18: (41) FY3/17: (27)

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2018	48,056	16,943	35.2	1,374.32
As of Mar. 31, 2017	50,676	15,817	31.2	1,284.70

Reference: Shareholders' equity (million yen) As of Mar. 31, 2018: 16,930 As of Mar. 31, 2017: 15,817

(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
FY3/18	7,671	(236)	(7,366)	5,136
FY3/17	604	456	(484)	5,067

### 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	%	%
FY3/17	-	0.00	-	15.00	15.00	189	19.5	1.2
FY3/18	-	0.00	-	15.00	15.00	189	14.9	1.1
FY3/19 (forecasts)	-	0.00	-	25.00	25.00	-	-	-

### 3. Consolidated Forecast for FY3/19 (April 1, 2018 – March 31, 2019)

(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	23,250	8.5	(369)	-	(500)	-	(380)	-	(30.85)
Full year	62,650	15.8	2,110	11.4	2,010	5.2	1,350	8.6	109.59

## \* 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: None

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, 2018: 12,620,000 shares As of Mar. 31, 2017: 12,620,000 shares

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

As of Mar. 31, 2018: 300,880 shares As of Mar. 31, 2017: 308,200 shares

3) Average number of shares outstanding during the period

FY3/18: 12,316,527 shares FY3/17: 12,487,270 shares

Note: Number of treasury shares at the end of the period includes the Company shares held by the Management Board Incentive Plan Trust (FY3/18: 300,880 shares, FY3/17: 308,200 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 (FY3/18: 303,473 shares, FY3/17: 132,730 shares).

## Reference: Summary of Non-consolidated Financial Results

### Non-consolidated Financial Results for FY3/18 (April 1, 2017 – March 31, 2018)

(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	%
FY3/18	47,672	(7.5)	1,819	33.4	1,793	25.0	1,182	35.6
FY3/17	51,561	15.9	1,363	-	1,435	-	872	-

	Net income per share	Diluted net income per share
	Yen	Yen
FY3/18	96.02	-
FY3/17	69.87	-

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2018	46,666	16,335	35.0	1,325.01
As of Mar. 31, 2017	49,508	15,325	31.0	1,244.78

Reference: Shareholders' equity (million yen) As of Mar. 31, 2018: 16,322 As of Mar. 31, 2017: 15,325

\* The current financial report is not subject to audit by certified public accountants or auditing firms.

\* 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.

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## 1. Overview of Results of Operations

### (1) Analysis of Results of Operations

For the current fiscal year ended March 31, 2018, the Japanese economy has been on the recovery track against a backdrop of resilient consumer spending, reflecting improvements in corporate earnings and favorable employment and income conditions.

In Japan's housing sector, although housing demand is supported by the government's reform of tax credits for salary growth and ongoing monetary easing policy of the Bank of Japan to maintain low mortgage rate, new house-building starts for FY2017 (from April 2017 to March 2018) was 946,000 units in total, decreased by 2.8% year-on-year, the first decrease in three years, with owner-occupied housing down 3.3% year-on-year, rental housing down 4.0% year-on-year, housing built for sale down 0.3% 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."

During the current fiscal year, the Company has begun a substantive test for our indoor mobility aids robot by leveraging IoT technology and the image analysis system developed by Hitachi, Ltd. as the first step of collaborative creation initiatives since November 2017. In January 2018 we embarked on the Collaborative Creation Partnership with Hitachi, aiming to support the elderly people to realize an independent living without entrusting themselves to someone's care.

Orders received in FY3/18 were 63,745 million yen, up 17.5% year-on-year, thanks to robust orders for the Condominium Business. The order backlog at the end of FY3/18 was 31,397 million yen, up 44.2% year-on-year thanks to this increase in orders.

The factors mentioned above led to results of operations for the current fiscal year as follows: net sales decreased by 2.5% from one year earlier to 54,117 million yen due to the weak order in the Housing Business, but operating profit increased by 24.8% from one year earlier to 1,894 million yen, ordinary profit increased by 22.9% to 1,911 million yen, and profit attributable to owners of parent increased by 27.8% to 1,243 million yen due mainly to improved cost of goods sold ratio and SG&A expense ratio.

### Overview by Segment

Performance by business segment is as follows.

#### 1) Housing Business

In the housing sector, the Company has expanded services and business proposals based on its Corporate Vision of "creating comfortable spaces" and "offering ideas for exciting and fulfilling lives." For example, we have sold the V2H (Vehicle to Home), a system that allows customer to supply their home with the energy stored in an electric vehicle's battery as part of the standard options of the ZEH (net zero energy house) design. In order to respond to our customer's safe and secure needs, we also proposed lifestyle ideas such as utilizing a shelter as multipurpose space for normal times and as evacuation space when natural disasters occur. Moreover, we have obtained a high evaluation from third-party institutions, with respect to a 2016 model of "life style KURASI'TE," which is a detached housing with ZEH (net zero energy house) design as a standard specification. We won double crowns—the Special Excellence Award and the Excellence Company Award in House of the Year in Energy 2017. We are the only company that won the Special Excellence Award among the steel-framed house manufacturers (\*).

In the asset utilization sector, we started selling a concept-oriented rental housing with the themes of Community, which allow the residents to share their same hobbies associated with pets and musical instruments and worries or concerns about childcare for each other. We also have developed the business proposal system for the "hybrid architecture" with the combination of RC walls and lightweight steel frame. We proactively conduct sales activities of the "San in Cube" business, a profit-making investment properties targeted for the rental housing

owner who is seeking business opportunities through the real-estate investments.

In the remodeling sector, we have worked to reinforce the sales organization by integrating our remodeling department into Sanyo Reform Corporation effective April 2017 and to increase orders by encouraging customers to apply for the government's subsidy program of Smart Wellness Housing.

In the residential renewal and resale (distribution of existing houses) sector, the Residential Renovation Promotion Council, of which we are the member company, has been registered as the "Anshin R Jyutaku", a certification program operated by the Ministry of Land, Infrastructure, Transport and Tourism, in January 2018. This is a trademark given to existing housing which has satisfied with the criteria of quake resistance, has already received the building deterioration status surveys and others by experts and has disclosed the remodeling related information to the public. Moreover, as the partial amendment of the Real Estate Trader Law was enforced in April 2018, we have reinforced a package of services consisting of remodeling in order to respond to the increasing transaction volume.

Consequently, sales in this segment for the current fiscal year were 22,534 million yen, down 11.4% from one year earlier, and operating loss was 118 million yen, a deterioration of 350 million yen from one year earlier.

(\*) Regular members of Japan Prefabricated Construction Suppliers and Manufacturers Association

## 2) Condominium Business

In the Condominium Business segment, we sold out several condominiums, targeting upper-income earners in urban centers or families in suburban areas. Examples of the former are "THE SANMAISON Omotesando" (a 21-unit condominium in Shibuya-ku, Tokyo), "THE SANMAISON Kyoto Goshonishi" (an 18-unit condominium in Kamigyo-ku, Kyoto) and "THE SANMAISON Nihonbashi Bakurocho" (a 22-unit condominium in Chuo-ku, Tokyo), and those of the latter is "SANMAISON Kyotanabe Ekimae Uniheim" (an 84-unit condominium in Kyotanabe City, Kyoto). Additionally, we completed the construction of "SANMAISON Ryokuchikoen Avenue" (a 153-unit condominium in Suita City, Osaka), "SANMAISON Kasuga" (an 82-unit condominium in Kasuga City, Fukuoka) and others.

Then, we started sales of "THE SANMAISON Bunkyo Koishikawa" (a 24-unit condominium in Bunkyo-ku, Tokyo) for upper-income earners in urban centers, "SANMAISON Furushirohoribatakoen" (a 58-unit condominium in Chuo-ku, Kumamoto City) and others for families in suburban areas during the current fiscal year. By utilizing existing residences, we also strived to expand the number of units available for sale and enhance awareness of our brand name in the renovated condominium market by selling "SANRENO Kitaurawa" (a 40-unit condominium in Urawa-ku, Saitama City) and "SANRENO Urayasu" (a 37-unit condominium in Urayasu City, Chiba Prefecture). After the purchase of rental condominiums, we examined for earthquake resistance and degree of deterioration, implemented renovation projects, and added value of safety and security to these condominiums.

Receiving orders of large-scale renovation projects in urban centers and promising sales activities resulted in a significant increase in earnings performance of this segment for the current fiscal year: orders received were 37,295 million yen, up 34.6% year-on-year and order backlog were 19,299 million yen, up 79.0% year-on-year.

As a result, sales in this segment for the current fiscal year were 28,777 million yen, down 0.3% from one year earlier and operating profit was 2,293 million yen, down 6.6% from one year earlier.

## 3) Other Businesses

The frontier business sector (sale of eco-energy facilities and structural steel frameworks and operation of overseas business) has sold large solar power generation facilities and begun constructing condominiums in the process of development under a joint venture with a local company in Ho Chi Minh City, Vietnam.

In the life support business sector (management of condominiums and nursing/child care facilities), we operate "San Friends Nursery School" especially to support "Promoting Women's Activities and Reforming the Work Practices" and expand regional contribution. We have opened 10 nursery schools in total, including four schools opened in April 2018. Further, by utilizing the strong capabilities of the Sanyo Homes Group, with our know-how

cultivated through operation by the Sanyo Homes Group and track records of undertaking of construction works contracts in the asset utilization, we start operating industry-sponsored nursery schools. We construct the school buildings and operate them.

We received first order of our developed “companion robot” and recorded sales. In future, we will promote to install the robot in nursing-care facilities, ordinary families and healthcare centers including hospitals.

In the field of regional revitalization, we entered “Comprehensive Cooperation Agreement among Industry, Government and Academia for Community Renovation to Improve Health and Life” in March 2018 with Bizen City in Okayama Prefecture, Public University Corporation Okayama Prefectural University. Based on this, we promote open innovation that includes our existing know-how and cooperative business operators. We also address the regional rehabilitation to improve health and life by utilizing AI, IoT and others.

As a result, sales for the current fiscal year were 2,805 million yen, up 131.4% from one year earlier and operating profit was 642 million yen, an improvement of 832 million yen from one year earlier.

### **Forecasts for the next fiscal year**

The housing sector for the next fiscal year will suffer from concerns caused by external factors such as trade frictions and influences of the exchange rate, and internal factors such as inventory adjustments of condominiums and measures against inheritance tax. However, amid ongoing improvements in corporate earnings as well as employment and income environment, we expect the housing demand to grow steadily going forward thanks to the government’s measures of supporting housing acquisition and expanding the preferential tax treatments and also due to a continued low mortgage rate and anticipation of a consumption tax hike.

Under the situation, we will grow further by approaching social issues and business strategy in an integrated manner. Specifically, we will offer our skills to solve social issues and concurrently make profits from our business activities. We aim to become a distinctive company under the mantra of “CSV (Creating Shared Value) Management” that creates mutual values between an enterprise and the society. We are dedicated to realizing the government-advocated “Society 5.0” by offering services in response to a smart life with AI and IoT, promoting sales of products that is compatible with ZEH (net zero energy house) design, expanding nursery schools, and revitalizing local community. We will further enhance our profitability by offering our customers suggestions for “creating comfortable spaces.”

In the fiscal year ending March 31, 2019, we forecast net sales of 62,650 million yen (up 15.8% year-on-year), operating profit of 2,110 million yen (up 11.4% year-on-year), ordinary profit of 2,010 million yen (up 5.2% year-on-year), and profit attributable to owners of parent of 1,350 million yen (up 8.6% 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 2,619 million yen from the end of the previous fiscal year to 48,056 million yen at the end of the current fiscal year on a consolidated basis. The main factors were decreases of 1,824 million yen in real estate for sale and 1,310 million yen in costs on real estate business, which were partially offset by an increase of 410 million yen in notes receivable, accounts receivable from completed construction contracts and other.

Total liabilities decreased 3,746 million yen from the end of the previous fiscal year to 31,113 million yen. The main factor was a decrease of 7,190 million yen in long- and short-term loans payable, which was partially offset by increases of 1,945 million yen in notes payable, accounts payable for construction contracts and other, and 1,541 million yen in advances received.

Total net assets increased 1,126 million yen from the end of the previous fiscal year to 16,943 million yen. The main factors were increases of 1,053 million yen in retained earnings and 65 million yen in remeasurements of defined benefit plans. As a result, the equity ratio was 35.2%.

## 2) Cash Flows

Cash and cash equivalents (hereafter “net cash”) increased 68 million yen from the end of the previous fiscal year to 5,136 million yen at the end of the current fiscal year on a consolidated basis. This net increase of 68 million yen can be explained by a cash inflow of 7,671 million yen from operating activities, which is partially offset by cash outflows of 236 million yen and 7,366 million yen from investing activities and financing activities, respectively.

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

### *Cash flows from operating activities*

For the fiscal year ended March 31, 2018, net cash provided by operating activities totaled 7,671 million yen (compared with net cash provided of 604 million yen in the previous fiscal year). The main factors were profit before income taxes of 1,874 million yen, a 3,195 million yen decrease in inventories, a 1,945 million yen increase in notes and accounts payable-trade, and a 1,541 million yen increase in advances received, which were partially offset by income taxes paid of 572 million yen and a decrease of 455 million yen in accrued consumption taxes.

### *Cash flows from investing activities*

For the fiscal year ended March 31, 2018, net cash used in investing activities totaled 236 million yen (compared with net cash provided of 456 million yen in the previous fiscal year). The main factor was purchase of property, plant and equipment of 179 million yen.

### *Cash flows from financing activities*

For the fiscal year ended March 31, 2018, net cash used in financing activities totaled 7,366 million yen (compared with net cash used of 484 million yen in the previous fiscal year). The main factors were a net decrease of 7,190 million yen in long- and short-term loans payable, 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 other factors. 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 increase an annual total dividend by 10 yen more than that of the current fiscal year and pay 25 yen per share in light of the past record and earnings forecast for the next fiscal year.

## **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)	
	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Assets		
Current assets		
Cash and deposits	7,767,378	7,836,369
Notes receivable, accounts receivable from completed construction contracts and other	1,130,850	1,541,830
Real estate for sale	12,373,455	10,549,094
Costs on uncompleted construction contracts	179,985	93,574
Costs on real estate business	25,059,303	23,749,149
Other inventories	118,529	144,379
Prepaid expenses	403,890	400,166
Deferred tax assets	175,247	188,026
Other	393,080	457,355
Allowance for doubtful accounts	(6,547)	(3,829)
Total current assets	47,595,173	44,956,118
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	391,038	470,840
Land	229,233	229,233
Other, net	54,772	58,144
Total property, plant and equipment	675,044	758,219
Intangible assets		
Software	22,921	22,793
Other	3,932	3,932
Total intangible assets	26,853	26,726
Investments and other assets		
Investment securities	945,610	898,827
Deferred tax assets	453,689	402,821
Other	996,455	1,023,544
Allowance for doubtful accounts	(15,975)	(9,331)
Total investments and other assets	2,379,779	2,315,861
Total non-current assets	3,081,678	3,100,806
Total assets	50,676,852	48,056,925



	(Thousands of yen)	
	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes payable, accounts payable for construction contracts and other	5,430,554	7,375,635
Short-term loans payable	5,870,000	4,220,000
Current portion of long-term loans payable	6,550,000	6,420,000
Accrued expenses	523,683	680,857
Income taxes payable	534,019	549,793
Advances received on uncompleted construction contracts	774,698	1,046,470
Advances received	660,360	2,201,759
Provision for bonuses	317,447	329,838
Provision for warranties for completed construction	114,900	72,200
Other	1,216,651	859,674
<b>Total current liabilities</b>	<b>21,992,315</b>	<b>23,756,230</b>
<b>Non-current liabilities</b>		
Long-term loans payable	11,170,000	5,760,000
Deferred tax liabilities	-	14,349
Provision for directors' retirement benefits	5,158	7,158
Net defined benefit liability	1,259,625	1,135,769
Provision for management board incentive plan trust	32,267	61,046
Other	400,457	378,913
<b>Total non-current liabilities</b>	<b>12,867,509</b>	<b>7,357,236</b>
<b>Total liabilities</b>	<b>34,859,825</b>	<b>31,113,466</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	5,945,162	5,945,162
Capital surplus	3,611,796	3,611,796
Retained earnings	6,369,566	7,423,382
Treasury shares	(174,892)	(170,738)
<b>Total shareholders' equity</b>	<b>15,751,633</b>	<b>16,809,603</b>
<b>Accumulated other comprehensive income</b>		
Foreign currency translation adjustment	13,181	3,599
Remeasurements of defined benefit plans	52,211	117,226
<b>Total accumulated other comprehensive income</b>	<b>65,393</b>	<b>120,825</b>
<b>Share acquisition rights</b>	<b>-</b>	<b>13,030</b>
<b>Total net assets</b>	<b>15,817,026</b>	<b>16,943,459</b>
<b>Total liabilities and net assets</b>	<b>50,676,852</b>	<b>48,056,925</b>

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

(Thousands of yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Net sales	55,504,455	54,117,123
Cost of sales	44,115,563	42,699,285
Gross profit	11,388,892	11,417,837
Selling, general and administrative expenses	9,871,135	9,522,929
Operating profit	1,517,757	1,894,908
Non-operating income		
Interest income	10,917	6,571
Rent income	37,164	29,424
Penalty income	97,076	25,435
Subsidy income	40,519	98,400
Other	59,437	45,776
Total non-operating income	245,115	205,607
Non-operating expenses		
Interest expenses	144,832	124,731
Share of loss of entities accounted for using equity method	27,813	41,732
Other	35,340	22,478
Total non-operating expenses	207,987	188,942
Ordinary profit	1,554,885	1,911,573
Extraordinary income		
Gain on sales of non-current assets	202	-
Subsidy income	19,732	-
Total extraordinary income	19,934	-
Extraordinary losses		
Loss on retirement of non-current assets	29,912	-
Loss on valuation of shares of subsidiaries and associates	29,000	-
Impairment loss	67,910	37,076
Total extraordinary losses	126,822	37,076
Profit before income taxes	1,447,997	1,874,497
Income taxes-current	458,146	607,597
Income taxes-deferred	17,416	23,784
Total income taxes	475,562	631,381
Profit	972,434	1,243,115
Profit attributable to owners of parent	972,434	1,243,115

**Consolidated Statement of Comprehensive Income**

(Thousands of yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Profit	972,434	1,243,115
Other comprehensive income		
Foreign currency translation adjustment	13,181	(9,581)
Remeasurements of defined benefit plans, net of tax	12,121	65,014
Total other comprehensive income	25,303	55,432
Comprehensive income	997,738	1,298,548
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	997,738	1,298,548
Comprehensive income attributable to non-controlling interests	-	-

**(3) Consolidated Statement of Changes in Equity**

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive 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)
Disposal of treasury shares					-			-		-
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

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income			Share acquisition rights	Total net assets
	Capital stock	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Foreign currency translation adjustment	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning 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
Changes of items during period										
Dividends of surplus			(189,300)		(189,300)			-		(189,300)
Profit attributable to owners of parent			1,243,115		1,243,115			-		1,243,115
Purchase of treasury shares					-			-		-
Disposal of treasury shares				4,153	4,153			-		4,153
Net changes of items other than shareholders' equity					-	(9,581)	65,014	55,432	13,030	68,462
Total changes of items during period	-	-	1,053,815	4,153	1,057,969	(9,581)	65,014	55,432	13,030	1,126,432
Balance at end of current period	5,945,162	3,611,796	7,423,382	(170,738)	16,809,603	3,599	117,226	120,825	13,030	16,943,459

**(4) Consolidated Statement of Cash Flows**

(Thousands of yen)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Cash flows from operating activities		
Profit before income taxes	1,447,997	1,874,497
Depreciation	90,204	67,243
Impairment loss	67,910	37,076
Increase (decrease) in provision for bonuses	188,697	12,390
Interest income	(10,917)	(6,571)
Interest expenses	144,832	124,731
Loss (gain) on sales of property, plant and equipment	(202)	-
Decrease (increase) in notes and accounts receivable-trade	(105,673)	(410,980)
Decrease (increase) in inventories	631,362	3,195,076
Increase (decrease) in notes and accounts payable-trade	(2,093,941)	1,945,081
Increase (decrease) in advances received on uncompleted construction contracts	(68,869)	271,772
Increase (decrease) in advances received	(517,889)	1,541,399
Increase (decrease) in accrued consumption taxes	497,725	(455,650)
Other, net	570,589	172,118
Subtotal	841,825	8,368,185
Interest and dividend income received	8,698	2,048
Interest expenses paid	(144,874)	(126,150)
Income taxes paid	(101,497)	(572,512)
Net cash provided by (used in) operating activities	604,150	7,671,570
Cash flows from investing activities		
Payments into time deposits	(3,400,000)	(2,700,000)
Proceeds from withdrawal of time deposits	4,500,000	2,700,000
Purchase of property, plant and equipment	(70,856)	(179,440)
Purchase of investment securities	(483,622)	-
Other, net	(88,525)	(56,614)
Net cash provided by (used in) investing activities	456,995	(236,055)
Cash flows from financing activities		
Net increase (decrease) in short-term loans payable	(710,000)	(1,650,000)
Proceeds from long-term loans payable	6,860,000	3,260,000
Repayments of long-term loans payable	(6,270,000)	(8,800,000)
Purchase of treasury shares	(174,892)	-
Cash dividends paid	(189,103)	(189,285)
Proceeds from issuance of share acquisition rights	-	13,030
Other, net	(803)	(267)
Net cash provided by (used in) financing activities	(484,799)	(7,366,523)
Net increase (decrease) in cash and cash equivalents	576,346	68,991
Cash and cash equivalents at beginning of period	4,491,031	5,067,378
Cash and cash equivalents at end of period	5,067,378	5,136,369

**(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

## 2. Application of the equity method

## (1) Number of equity-method associate: 1

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

(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) As the company accounted for under the equity method has a closing date different from the consolidated closing date, the financial statements for the fiscal year of the said company are used to prepare the Group's 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                      2 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 and representative directors of the subsidiaries 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 and past service cost

Past service cost is amortized by the straight-line method over a period within the estimated average remaining years of service of the eligible employees (principally eight years) at the time of recognition. 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.

**Additional Information**

## 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

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 170,738 thousand yen (300,880 shares).



## 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.

#### 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

FY3/17 (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. Company-wide 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.

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(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	22,534,526	28,777,565	51,312,091	2,805,031	54,117,123	-	54,117,123
Inter-segment sales or transfers	220,013	-	220,013	32,165	252,178	(252,178)	-
Total	22,754,539	28,777,565	51,532,104	2,837,196	54,369,301	(252,178)	54,117,123
Segment profit (loss)	(118,706)	2,293,879	2,175,172	642,345	2,817,518	(922,610)	1,894,908
Segment assets	5,205,626	31,610,967	36,816,594	654,085	37,470,679	10,586,245	48,056,925
Other items							
Depreciation and amortization	26,337	651	26,988	17,736	44,725	22,517	67,243
Increase in property, plant and equipment and intangible assets	38,554	309	38,864	119,838	158,703	25,087	183,790

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 922,610 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 10,586,245 thousand yen adjustment to segment assets includes company-wide assets that are not allocated to any of the reportable segments. Company-wide assets mainly include excess working capital, working capital and other assets not attributable to any of the reportable segments.
- (3) The 22,517 thousand yen adjustment to depreciation and amortization includes depreciation of company-wide assets that cannot be allocated to reportable segments.
- (4) The 25,087 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

FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)

(Thousands of yen)

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

FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)

(Thousands of yen)

	Housing Business	Condominium Business	Other	Elimination or corporate	Total
Impairment loss	37,076	-	-	-	37,076

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)

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Net assets per share	1,284.70	1,374.32
Net income per share	77.87	100.93

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

2. For the purpose of calculating the amounts of net assets per share, the number of shares of the Company held by the Management Board Incentive Plan Trust was included in the number of treasury shares, which was to be deducted from the calculation of the number of shares issued at the end of the period. (FY3/17: 308,200 shares, FY3/18: 300,880 shares). For the purpose of calculating the amounts of net income per share, the number of shares of the Company held by the said Trust was included in the number of treasury shares, which was to be deducted from the calculation of the average number of shares outstanding during the period (FY3/17: 132,730 shares, FY3/18: 303,473 shares).

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

	FY3/17 (As of Mar. 31, 2017)	FY3/18 (As of Mar. 31, 2018)
Total net assets (Thousands of yen)	15,817,026	16,943,459
Deduction on total net assets (Thousands of yen)	-	13,030
[of which, share acquisition rights (Thousands of yen)]	[-]	[13,030]
Net assets at the end of the fiscal year applicable to common stock (Thousands of yen)	15,817,026	16,930,429
Number of shares of common stock used in calculation of net assets per share (Shares)	12,311,800	12,319,120

4. The basis of calculating the net income per share is as follows:

	FY3/17 (Apr. 1, 2016 – Mar. 31, 2017)	FY3/18 (Apr. 1, 2017 – Mar. 31, 2018)
Net income per share		
Profit attributable to owners of parent (Thousands of yen)	972,434	1,243,115
Profit not attributable to common shareholders (Thousands of yen)	-	-
Profit attributable to common shareholders of parent (Thousands of yen)	972,434	1,243,115
Average number of shares outstanding during the period (Shares)	12,487,270	12,316,527

### Subsequent Events

Not applicable.

#### 4. Other Information

##### 1) Orders Received

Orders received in FY3/18 are broken down by segment as follows. (Thousands of yen)

Operating segment	Orders received	Year-on-year (%)	Order backlog	Year-on-year (%)
Housing Business	23,645,013	93.4	12,098,483	110.1
Condominium Business	37,295,552	134.6	19,299,152	179.0
Other	2,805,031	231.4	-	-
Total	63,745,597	117.5	31,397,636	144.2

- 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
25,756,042	8,667,682	20,494,988	8,826,884	63,745,597

##### 2) Sales

Sales in FY3/18 are broken down by segment as follows.

Operating segment	Sales (Thousands of yen)	Year-on-year (%)
Housing Business	22,534,526	88.6
Condominium Business	28,777,565	99.7
Other	2,805,031	231.4
Total	54,117,123	97.5

- 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
16,061,678	8,464,641	21,970,319	7,620,483	54,117,123

*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.*