

May 13, 2022

Summary of Consolidated Financial Results for the Fiscal Year Ended March 31, 2022 (FY3/22)

[Japanese GAAP]

Company name: Sanyo Homes Corporation

Listing: Tokyo Stock Exchange

Securities code: 1420

URL: <https://www.sanyohomes.co.jp/>

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Scheduled date of Annual General Meeting of Shareholders: June 23, 2022

Scheduled date of filing of Annual Securities Report: June 24, 2022

Scheduled date of payment of dividend: June 2, 2022

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 FY3/22 (April 1, 2021 – March 31, 2022)

(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	%
FY3/22	51,123	-	548	-	545	-	326	-
FY3/21	53,487	(5.1)	782	89.5	872	110.2	509	41.8

Note: Comprehensive income (million yen) FY3/22: 326 (-%) FY3/21: 501 (up 35.5%)

	Net income per share	Diluted net income per share	Return on equity	Ordinary profit on total assets	Operating profit on net sales
	Yen	Yen	%	%	%
FY3/22	29.49	-	2.0	1.2	1.1
FY3/21	46.98	-	3.0	1.6	1.5

Note: Beginning with FY3/22, Sanyo Homes has applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). All figures for FY3/22 incorporate this accounting standard and comparisons with the previous fiscal year are omitted.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Mar. 31, 2022	46,886	15,048	32.1	1,358.62
As of Mar. 31, 2021	52,611	16,922	32.2	1,531.73

Reference: Shareholders' equity (million yen) As of Mar. 31, 2022: 15,048 As of Mar. 31, 2021: 16,922

Note: Beginning with FY3/22, Sanyo Homes has applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). All figures as of Mar. 31, 2022 incorporate this accounting standard.

(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
FY3/22	4,179	462	(3,988)	7,838
FY3/21	6,107	(106)	(5,137)	7,184

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	%	%
FY3/21	-	0.00	-	25.00	25.00	282	53.2	1.6
FY3/22	-	0.00	-	25.00	25.00	291	84.8	1.7
FY3/23 (forecasts)	-	0.00	-	25.00	25.00		79.1	

3. Consolidated Forecast for FY3/23 (April 1, 2022 – March 31, 2023)

(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
Full year	49,800	(2.6)	600	9.3	570	4.5	350	7.3	31.60

*** 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, 2022: 12,620,000 shares As of Mar. 31, 2021: 12,620,000 shares

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

As of Mar. 31, 2022: 1,543,988 shares As of Mar. 31, 2021: 1,572,113 shares

3) Average number of shares outstanding during the period

FY3/22: 11,064,961 shares FY3/21: 10,840,925 shares

Note: Number of treasury shares at the end of the period includes the Company shares held by the Management Board Incentive Plan Trust (FY3/22: 584,247 shares, FY3/21: 262,372 shares). The Company shares held by the said Trust (FY3/22: 443,791 shares, FY3/21: 272,087 shares) are also included to treasury shares that are exempted in a calculation of the average number of shares outstanding during the period.

Reference: Summary of Non-consolidated Financial Results

Non-consolidated Financial Results for FY3/22 (April 1, 2021 – March 31, 2022)

(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	%
FY3/22	41,052	-	303	-	235	-	137	-
FY3/21	44,698	(5.8)	789	270.8	784	462.7	477	-

	Net income per share		Diluted net income per share	
	Yen		Yen	
FY3/22	12.39		-	
FY3/21	44.06		-	

Note: Beginning with FY3/22, Sanyo Homes has applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). All figures for FY3/22 incorporate this accounting standard and comparisons with the previous fiscal year are omitted.

(2) Non-consolidated financial position

	Total assets		Net assets		Equity ratio		Net assets per share	
	Million yen		Million yen		%		Yen	
As of Mar. 31, 2022	44,820		13,906		31.0		1,255.54	
As of Mar. 31, 2021	50,780		15,969		31.4		1,445.52	

Reference: Shareholders' equity (million yen) As of Mar. 31, 2022: 13,906 As of Mar. 31, 2021: 15,969

Note: Beginning with FY3/22, Sanyo Homes has applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). All figures as of Mar. 31, 2022 incorporate this accounting standard.

* 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.

Contents of Attachments

1. Overview of Results of Operations	2
(1) Analysis of Results of Operations	2
(2) Analysis of Financial Position	4
(3) Basic Policy for Profit Distribution, and Dividends in the Current and Next Fiscal Years	4
2. Basic Approach to the Selection of Accounting Standards	5
3. Consolidated Financial Statements and Notes	6
(1) Consolidated Balance Sheet	6
(2) Consolidated Statement of Income and Consolidated Statement of Comprehensive Income	8
Consolidated Statement of Income	8
Consolidated Statement of Comprehensive Income	9
(3) Consolidated Statement of Changes in Equity	10
(4) Consolidated Statement of Cash Flows	11
(5) Notes to Consolidated Financial Statements	12
Going Concern Assumption	12
Changes in Accounting Policies	12
Segment and Other Information	13
Per Share Information	16
Subsequent Events	16
4. Other Information	17

1. Overview of Results of Operations

(1) Analysis of Results of Operations

There were enormous negative effects on social and economic activities in Japan during the fiscal year that ended March 31, 2022 of the pandemic, which has reached a sixth wave, supply chain disruptions involving the semiconductor shortage, the sharply higher cost of wood products and other events. In addition, the Ukraine crisis has caused prices of oil and other resources as well as many products to rise rapidly. Due to this situation, uncertainty about the economic outlook is now at an unprecedented level.

In Japan's housing sector, mortgage rates remained low because of monetary easing. However, interest rates are likely to start increasing in response to rising U.S. interest rates, the yen's rapid depreciation and other reasons. In addition, the outlook is unclear as the cost of wood, steel and other materials continues to move up.

Guided by the slogan "housing for the wellbeing of people and the earth," the Sanyo Homes Group has the goal of supplying housing with outstanding "ECO & SAFETY" features. All companies are dedicated to creating innovative ideas and using business activities to meet social needs for the growth of corporate value through management that creates shared value. In February 2022, Sanyo Homes was certified by Japan's Minister of the Environment as an Eco-First Company, a designation for companies that are at the forefront of environmental progress in their respective industries. The Sanyo Homes Group aims to continue growing while creating more innovations that reflect changes in market conditions and technological progress. In July 2021, we started the Community Electrical Appliance Shop program for establishing partnerships with shops in order to open Easy Living consultation locations. This consultation service for homes and everyday activities is currently offered at more than 270 partner shops.

Sales and the operating margin were lower than in the previous fiscal year and numerous cost-reduction measures lowered selling, general and administrative expenses. Net sales decreased from 53,487 million yen to 51,123 million yen, operating profit decreased from 782 million yen to 548 million yen, ordinary profit decreased from 872 million yen to 545 million yen, and profit attributable to owners of parent decreased from 509 million yen to 326 million yen.

Beginning with the fiscal year that ended March 31, 2022, Sanyo Homes has applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). Due to the different accounting method used for revenue recognition in the fiscal year that ended in March 2021, the explanation of results of operations for the fiscal year that ended in March 2022 does not show the amount or percentage of change in relation to results of operations in the prior fiscal year.

Overview by Segment

Performance by business segment is as follows.

In the housing sector, the "life style KURASI' TE (2020 next-generation ZEH+ model)" of Sanyo Homes won in March 2022 an Excellence Award in the House of the Year in Energy 2021 awards that recognize houses with outstanding energy conservation. Including Special Excellence Awards, we have received an award of this program for seven consecutive years. In April 2022, our "Suma eAir Premium Package" was chosen for an Excellence Award in the Japan Resilience Awards 2022 in the STOP the Pandemic Awards category.

The ratio of detached ZEH (net zero energy house) homes reached 93% and our goal is to continue raising this ratio. Furthermore, we began using a standard that surpasses the ZEH level in all ZEH homes starting in April 2022.

In the asset utilization sector, we made ZEH the standard for all apartment buildings starting in April 2021 as one way to contribute to achieving a zero-carbon society. These apartment buildings have high-performance thermal insulation, energy-efficient equipment, solar panels and other facilities. In the first fiscal year of this program, we achieved a 100% ZEH compliance rate excluding garages, which are structures unable to comply with the ZEH standard.

In the remodeling sector, employees who are nationally certified Home Eco Diagnostic Consultant evaluated the energy efficiency of many homes and submitted proposals for the use of renewable energy. These activities help

raise the sales of remodeling projects as well as lower energy consumption and CO2 emissions. In addition, we are increasing the use of digital technologies to raise productivity.

In the residential renewal and resale (distribution of existing houses), there were activities involving the problem of abandoned houses and for the demolition of these houses for building new homes. Sanyo Homes is using its Hope-Net network, which combines the information of Sanyo Homes and its partner companies, to help customers purchase or sell pre-owned housing that were renovated for better thermal insulation and earthquake resistance based on the business concept of “ECO & SAFETY.”

Our frontier business sector includes new businesses such as sales of structural steel frameworks and eco-energy facilities including solar power and storage batteries. In April 2021, Sanyo Architec Corporation was established to oversee new business operations.

Consequently, sales in the Housing Business decreased from 21,527 million yen to 19,869 million yen and operating loss increased from 542 million yen to 665 million yen.

In the Condominium Business segment, we completed the construction of seven condominiums in the fiscal year that ended March 31, 2022. At SANMAISON Kobe Shinnagata (Nagata-ku, Kobe, 91 units), all units were sold out when construction was completed and transferred to the new owners. In the senior condominium sector, construction was completed at SANMIT DAINICHI (159 units), which is the last project in a large mixed-use redevelopment project at Dainichi Station in the city of Moriguchi in Osaka prefecture. Construction is proceeding at THE CROSS CITY TOWER (190 units), a high-rise condominium building scheduled for completion in September 2023 in Naniwa-ku in Osaka. Activities for the sale of these units are also moving forward.

As a result, sales in this segment decreased from 28,449 million yen to 27,288 million yen and operating profit decreased from 2,288 million yen to 1,996 million yen.

The life support business sector manages condominiums and nursing/child-care facilities. We have been focusing on child-care operations and opened one nursery schools using the San Friends brand in April 2022. We currently operate 30 nursery schools, including one school where there is a management contract. In June 2022, our third SAN ADVANCE senior rehabilitation day service center opened at DAINICHI SENIOR CONDOMINIUM, which was completed in March 2022.

In the companion robot business, sales are going well for use at rehabilitation facilities and other locations. We are working on the development of a package that includes a companion robot and support structure for the independence of individuals with limitations and will take other actions for more improvements to these robots.

In the regional revitalization sector, preparations are under way for the start of development work at the Wakayama Project.

As a result, sales in the other businesses segment increased from 3,510 million yen to 3,964 million yen and operating loss decreased from 104 million yen to 5 million yen.

Forecasts for the next fiscal year

The pandemic, high cost of wood and steel products, rising prices of crude oil and other resources, and other issues are severely impacting the Japanese economy. In addition, the outlook for higher interest rates for mortgages and other changes are likely to create uncertainty about the outlook for real estate prices and the supply and demand of houses. The business climate for the housing industry is also affected by the extremely rapid pace of social change and technological progress. The Sanyo Homes Group is determined to use new ways of doing business and new initiatives for the creation of innovative forms of value. Accomplishing this goal will require a broad range of reforms and innovations, including revisions to the business models used by the group.

Our goal is to further increase corporate value by focusing on the theme of “housing for the wellbeing of people and the earth” and the “ECO & SAFETY” business concept. We will work hard to protect the environment while catering to customers’ needs as we heighten our brand recognition and aim for sustainable growth.

(2) Analysis of Financial Position

1) Assets, Liabilities and Net Assets

Total assets decreased 5,724 million yen from the end of the previous fiscal year to 46,886 million yen at the end of the current fiscal year on a consolidated basis. The main factors were a decrease of 6,548 million yen in real estate for sale in process, which were partially offset by increases of 684 million yen in notes receivable, accounts receivable from completed construction contracts and other, and 452 million yen in property, plant and equipment.

Total liabilities decreased 3,850 million yen from the end of the previous fiscal year to 31,838 million yen. The main factor was decreases of 4,225 million yen in long- and short-term borrowings and 2,407 million yen in notes payable, accounts payable for construction contracts and other, which were partially offset by increases of 3,208 million yen in advances received on construction contracts in progress and 500 million yen in bonds payable.

Total net assets decreased 1,874 million yen from the end of the previous fiscal year to 15,048 million yen. The main factors include a decrease of 1,890 million yen in retained earnings. As a result, the equity ratio was 32.1%.

Following the Application of the Accounting Standard for Revenue Recognition at the beginning with the current fiscal year, there were increases of 148 million yen in deferred tax assets and 2,082 million yen in advances received on construction contracts in progress, and a decrease of 1,933 million yen in retained earnings.

2) Cash Flows

Cash and cash equivalents (hereafter “net cash”) increased 653 million yen from the end of the previous fiscal year to 7,838 million yen at the end of the current fiscal year on a consolidated basis. This net increase of 653 million yen can be explained by a cash inflow of 4,179 million yen from operating activities and 462 million yen from investing activities, which was partially offset by cash outflows of 3,988 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, 2022, net cash provided by operating activities totaled 4,179 million yen (compared with net cash provided of 6,107 million yen in the previous fiscal year). The main factors were a 5,954 million yen decrease in inventories, a 1,160 million yen increase in advances received on construction contracts in progress, a 2,407 million yen decrease in trade payables and a 684 million yen increase in trade receivables.

Cash flows from investing activities

For the fiscal year ended March 31, 2022, net cash provided by investing activities totaled 462 million yen (compared with net cash used of 106 million yen in the previous fiscal year). The main factors were net proceeds from withdrawal of time deposits of 500 million yen and purchase of property, plant and equipment of 40 million yen.

Cash flows from financing activities

For the fiscal year ended March 31, 2022, net cash used in financing activities totaled 3,988 million yen (compared with net cash used of 5,137 million yen in the previous fiscal year). The main factors were repayments of long- and short-term borrowings (net) of 4,225 million yen and proceeds from issuance of bonds of 500 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 annual total dividend of 25 yen per share. We have made this decision because we are keen on ensuring the shareholder return while improving the financial soundness through increasing shareholders' equity. As for the dividend for the next fiscal year, we plan to pay the annual total dividend of 25 yen per share, the same amount as for the current 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)	
	FY3/21 (As of Mar. 31, 2021)	FY3/22 (As of Mar. 31, 2022)
Assets		
Current assets		
Cash and deposits	8,884,688	9,038,497
Notes receivable, accounts receivable from completed construction contracts and other	1,888,310	2,572,912
Securities	79,543	-
Real estate for sale	16,699,069	16,790,462
Real estate for sale in process	18,904,793	12,356,270
Costs on construction contracts in progress	176,043	139,358
Other inventories	189,630	195,441
Prepaid expenses	386,387	334,065
Other	892,550	368,526
Allowance for doubtful accounts	(30)	(5,000)
Total current assets	48,100,985	41,790,534
Non-current assets		
Property, plant and equipment		
Buildings and structures, net	1,442,291	1,678,767
Land	752,932	980,243
Other, net	53,819	42,956
Total property, plant and equipment	2,249,043	2,701,967
Intangible assets		
Software	30,209	47,497
Other	51,232	38,032
Total intangible assets	81,442	85,529
Investments and other assets		
Investment securities	31,340	31,340
Deferred tax assets	696,362	793,166
Other	1,457,336	1,488,420
Allowance for doubtful accounts	(4,667)	(4,068)
Total investments and other assets	2,180,370	2,308,858
Total non-current assets	4,510,856	5,096,355
Total assets	52,611,842	46,886,890

	(Thousands of yen)	
	FY3/21	FY3/22
	(As of Mar. 31, 2021)	(As of Mar. 31, 2022)
Liabilities		
Current liabilities		
Notes payable, accounts payable for construction contracts and other	6,445,987	4,038,438
Short-term borrowings	13,140,000	6,470,000
Current portion of long-term borrowings	4,270,000	2,633,000
Current portion of bonds payable	-	100,000
Accrued expenses	634,747	470,267
Income taxes payable	278,960	143,799
Advances received on construction contracts in progress	883,150	4,091,403
Advances received	631,390	190,046
Provision for bonuses	393,015	218,315
Provision for warranties for completed construction	90,600	105,400
Other	977,932	967,283
Total current liabilities	27,745,783	19,427,955
Non-current liabilities		
Long-term borrowings	5,989,000	10,071,000
Bonds payable	-	400,000
Deferred tax liabilities	88,636	24,492
Provision for share awards for directors (and other officers)	139,754	155,560
Provision for retirement benefits for directors (and other officers)	13,983	15,283
Retirement benefit liability	1,332,241	1,359,483
Other	380,048	385,061
Total non-current liabilities	7,943,663	12,410,881
Total liabilities	35,689,446	31,838,836
Net assets		
Shareholders' equity		
Share capital	5,945,162	5,945,162
Capital surplus	3,596,197	3,600,398
Retained earnings	8,465,977	6,575,630
Treasury shares	(1,070,940)	(1,059,181)
Total shareholders' equity	16,936,396	15,062,009
Accumulated other comprehensive income		
Remeasurements of defined benefit plans	(14,001)	(13,955)
Total accumulated other comprehensive income	(14,001)	(13,955)
Total net assets	16,922,395	15,048,053
Total liabilities and net assets	52,611,842	46,886,890

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

(Thousands of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Net sales	53,487,929	51,123,408
Cost of sales	43,362,754	41,815,816
Gross profit	10,125,174	9,307,592
Selling, general and administrative expenses	9,343,158	8,758,809
Operating profit	782,016	548,782
Non-operating income		
Interest income	6,711	6,952
Commission income	24,005	25,172
Rental income	37,000	38,370
Penalty income	144,752	44,523
Subsidy income	67,319	34,767
Subsidy income	49,046	31,692
Other	43,082	14,881
Total non-operating income	371,917	196,361
Non-operating expenses		
Interest expenses	200,329	128,106
Commission expenses	36,432	21,899
Other	44,659	49,538
Total non-operating expenses	281,421	199,544
Ordinary profit	872,512	545,599
Extraordinary losses		
Loss on sales of non-current assets	-	872
Loss on retirement of non-current assets	-	438
Impairment losses	64,865	22,959
Total extraordinary losses	64,865	24,270
Profit before income taxes	807,647	521,328
Income taxes-current	229,369	207,857
Income taxes-deferred	68,964	(12,835)
Total income taxes	298,334	195,022
Profit	509,313	326,306
Profit attributable to owners of parent	509,313	326,306

Consolidated Statement of Comprehensive Income

(Thousands of yen)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Profit	509,313	326,306
Other comprehensive income		
Remeasurements of defined benefit plans, net of tax	(7,796)	45
Total other comprehensive income	(7,796)	45
Comprehensive income	501,516	326,352
Comprehensive income attributable to		
Comprehensive income attributable to owners of parent	501,516	326,352
Comprehensive income attributable to non-controlling interests	-	-

(3) Consolidated Statement of Changes in Equity

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	5,945,162	3,611,796	8,231,921	(1,297,313)	16,491,567	(6,204)	(6,204)	13,030	16,498,392
Cumulative effects of changes in accounting policies									
Restated balance	5,945,162	3,611,796	8,231,921	(1,297,313)	16,491,567	(6,204)	(6,204)	13,030	16,498,392
Changes during period									
Dividends of surplus			(275,257)		(275,257)		-		(275,257)
Profit attributable to owners of parent			509,313		509,313		-		509,313
Purchase of treasury shares				(21)	(21)		-		(21)
Disposal of treasury shares		(15,599)		226,394	210,795		-		210,795
Net changes in items other than shareholders' equity					-	(7,796)	(7,796)	(13,030)	(20,826)
Total changes during period	-	(15,599)	234,055	226,373	444,829	(7,796)	(7,796)	(13,030)	424,002
Balance at end of period	5,945,162	3,596,197	8,465,977	(1,070,940)	16,936,396	(14,001)	(14,001)	-	16,922,395

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

(Thousands of yen)

	Shareholders' equity					Accumulated other comprehensive income		Share acquisition rights	Total net assets
	Share capital	Capital surplus	Retained earnings	Treasury shares	Total shareholders' equity	Remeasurements of defined benefit plans	Total accumulated other comprehensive income		
Balance at beginning of period	5,945,162	3,596,197	8,465,977	(1,070,940)	16,936,396	(14,001)	(14,001)	-	16,922,395
Cumulative effects of changes in accounting policies			(1,933,897)		(1,933,897)		-		(1,933,897)
Restated balance	5,945,162	3,596,197	6,532,079	(1,070,940)	15,002,499	(14,001)	(14,001)	-	14,988,498
Changes during period									
Dividends of surplus			(282,756)		(282,756)		-		(282,756)
Profit attributable to owners of parent			326,306		326,306		-		326,306
Purchase of treasury shares				(250,600)	(250,600)		-		(250,600)
Disposal of treasury shares		4,200		262,358	266,559		-		266,559
Net changes in items other than shareholders' equity					-	45	45		45
Total changes during period		4,200	43,550	11,758	59,510	45	45		59,555
Balance at end of period	5,945,162	3,600,398	6,575,630	(1,059,181)	15,062,009	(13,955)	(13,955)	-	15,048,053

(4) Consolidated Statement of Cash Flows

	(Thousands of yen)	
	FY3/21	FY3/22
	(Apr. 1, 2020 – Mar. 31, 2021)	(Apr. 1, 2021 – Mar. 31, 2022)
Cash flows from operating activities		
Profit before income taxes	807,647	521,328
Depreciation	130,891	135,494
Impairment losses	64,865	22,959
Increase (decrease) in provision for bonuses	129,300	(174,699)
Interest income	(6,711)	(7,072)
Interest expenses	200,329	128,106
Decrease (increase) in trade receivables	846,367	(684,602)
Decrease (increase) in inventories	4,015,690	5,954,970
Increase (decrease) in trade payables	(543,137)	(2,407,549)
Increase (decrease) in advances received on construction contracts in progress	(143,842)	1,160,430
Increase (decrease) in advances received	(378,199)	(441,344)
Decrease (increase) in consumption taxes refund receivable	527,345	30,855
Decrease (increase) in prepaid expenses	252,409	52,266
Decrease (increase) in accounts receivable-other	384,163	(6,584)
Increase (decrease) in accrued consumption taxes	1,660	232,968
Other, net	198,403	114,615
Subtotal	6,487,183	4,632,145
Interest and dividends received	4,002	6,619
Interest paid	(200,199)	(125,668)
Income taxes paid	(183,210)	(333,245)
Net cash provided by (used in) operating activities	6,107,776	4,179,851
Cash flows from investing activities		
Payments into time deposits	(1,900,000)	(1,400,000)
Proceeds from withdrawal of time deposits	2,100,000	1,900,000
Purchase of property, plant and equipment	(208,398)	(40,761)
Other, net	(97,676)	3,531
Net cash provided by (used in) investing activities	(106,075)	462,769
Cash flows from financing activities		
Net increase (decrease) in short-term borrowings	750,000	(6,670,000)
Proceeds from long-term borrowings	4,600,000	8,460,000
Repayments of long-term borrowings	(10,395,000)	(6,015,000)
Proceeds from issuance of bonds	-	500,000
Proceeds from sale of treasury shares	195,600	250,600
Purchase of treasury shares	(21)	(231,600)
Other payments	(13,030)	-
Dividends paid	(275,445)	(282,811)
Net cash provided by (used in) financing activities	(5,137,896)	(3,988,811)
Net increase (decrease) in cash and cash equivalents	863,804	653,809
Cash and cash equivalents at beginning of period	6,320,883	7,184,688
Cash and cash equivalents at end of period	7,184,688	7,838,497

(5) Notes to Consolidated Financial Statements**Going Concern Assumption**

Not applicable.

Changes in Accounting Policies**Application of the Accounting Standard for Revenue Recognition**

Sanyo Homes has applied the Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020) from the beginning of the current fiscal year. Based on this standard, revenue expected to be received in exchange for the provision of goods and services is recognized when the control of the promised goods and services is transferred to customers.

Due to the application of this standard, the accounting treatment of construction contracts, primarily in the Housing Business, has changed. In prior years, for construction projects where the benefits of a portion of work that was finished can be confirmed, the percentage of completion method was used for revenue recognition. Based on the new standard, at projects where the control of products or services is transferred to a customer over a specific period, revenue is now instead recognized during this period as the obligation to transfer products and services to the customer is fulfilled. For very short construction projects, the completed contract method was used in prior years. Based on the new standard, an alternative treatment is now used in which revenue is recognized when the entire performance obligation has been fulfilled rather than during the construction project. In addition, the free inspection service provided after properties are sold in the Housing Business is now classified as a performance obligation and revenue is recognized when this obligation is fulfilled.

For the application of the Accounting Standard for Revenue Recognition, in accordance with the transitional treatment in the proviso to paragraph 84 of this standard, the cumulative effect of the retrospective application of the new accounting standard, if it is applied prior to the current fiscal year, is subtracted from retained earnings at the beginning of the current fiscal year.

As a result, net sales decreased 253,824 thousand yen and selling, general and administrative expenses decreased 326,037 thousand yen, and operating profit, ordinary profit and profit before income taxes increased 72,212 thousand yen each in the current fiscal year. In addition, there were increases of 148,132 thousand yen in deferred tax assets and 2,082,029 thousand yen in advances received on construction contracts in progress, and a decrease of 1,933,897 thousand yen in retained earnings at the beginning of the current fiscal year.

Application of the Accounting Standard for Measurement of Fair Value

Sanyo Homes has applied the Accounting Standard for Measurement of Fair Value (ASBJ Statement No. 30, July 4, 2019) from the beginning of the current fiscal year, and has applied the new accounting policies in the Accounting Standard for Measurement of Fair Value prospectively in accordance with the transitional treatment in the paragraph 19 of the Accounting Standard for Measurement of Fair Value and paragraph 44-2 of the Accounting Standard for Financial Instruments (ASBJ Statement No. 10, July 4, 2019). The application of these standards had no effect on the consolidated financial statements.

Segment and Other Information

Segment information

1. Overview of reportable segment

The reportable segments of the Sanyo Homes Group are constituent units of the group 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.

Sanyo Homes establishes a manufacturing and sales structure for 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 based on products and services: 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.

In the fiscal year that ended in March 2022, Sanyo Architec Corporation, which consists of business activities making up the frontier business, started sales activities for the subcontracting of home construction, which combines activities for construction and building materials. As a result, the administrative classification of this business was reexamined and this process led to the decision to move the frontier business from Other to the Housing Business.

The segment information for the previous fiscal year is based on the reportable segment structure 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 in "Significant Accounting Policies in the Preparation of Consolidated Financial Statements."

Profits for reportable segments are operating profit. 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 segments

FY3/21 (Apr. 1, 2020 - Mar. 31, 2021)

(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	21,527,806	28,449,813	49,977,619	3,510,309	53,487,929	-	53,487,929
Inter-segment sales or transfers	56,225	2,160	58,385	6,577	64,962	(64,962)	-
Total	21,584,032	28,451,973	50,036,005	3,516,886	53,552,892	(64,962)	53,487,929
Segment profit (loss)	(542,618)	2,288,887	1,746,268	(104,014)	1,642,254	(860,237)	782,016
Segment assets	5,728,569	34,195,807	39,924,377	1,703,962	41,628,339	10,983,502	52,611,842
Other items							
Depreciation and amortization	30,374	2,290	32,665	84,757	117,422	13,468	130,891
Increase in property, plant and equipment and intangible assets	50,614	46,593	97,208	132,254	229,463	8,639	238,102

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

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

(1) The negative adjustment of 860,237 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 10,983,502 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 reportable segment.
- (3) The 13,468 thousand yen adjustment to depreciation and amortization includes depreciation of company-wide assets that cannot be allocated to reportable segments.
 - (4) The 8,639 thousand yen adjustment to increase in property, plant and equipment and intangible assets is capital expenditures not attributable to any reportable segment.
3. Segment profit and assets are adjusted for consistency with operating profit and total assets shown on the consolidated financial statements, respectively.

FY3/22 (Apr. 1, 2021 - Mar. 31, 2022)

(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							
Kanto	3,779,539	11,091,582	14,871,122	-	14,871,122	-	14,871,122
Chubu	4,128,034	1,349,458	5,477,493	-	5,477,493	-	5,477,493
Kinki	7,605,614	11,230,645	18,836,259	-	18,836,259	-	18,836,259
Kyushu	2,970,094	3,516,261	6,486,355	-	6,486,355	-	6,486,355
Other (Not classified)	1,180,876	-	1,180,876	3,948,405	5,129,281	-	5,129,281
Revenue from contracts with customers	19,664,158	27,187,948	46,852,107	3,948,405	50,800,512	-	50,800,512
Other revenue	205,777	100,799	306,576	16,320	322,896	-	322,896
Sales to external customers	19,869,935	27,288,747	47,158,683	3,964,725	51,123,408	-	51,123,408
Inter-segment sales or transfers	127,099	2,160	129,259	8,540	137,800	(137,800)	-
Total	19,997,035	27,290,907	47,287,943	3,973,266	51,261,209	(137,800)	51,123,408
Segment profit (loss)	(665,888)	1,996,621	1,330,732	(5,254)	1,325,477	(776,695)	548,782
Segment assets	5,450,515	29,051,167	34,501,683	1,730,883	36,232,566	10,654,324	46,886,890
Other items							
Depreciation and amortization	29,262	3,292	32,554	90,720	123,275	12,219	135,494
Increase in property, plant and equipment and intangible assets	375,041	77,285	452,326	135,114	587,441	28,847	616,288

Notes: 1. The Other segment is businesses which are not included in any reportable segment and mainly consists of lifestyle support services.

2. Adjustments to segment profit (loss) and assets are as follows.
 - (1) The negative adjustment of 776,695 thousand yen to segment profit or loss includes company-wide costs that are not allocated to any reportable segment. Company-wide costs consist of general and administrative expenses that cannot be attributable to any reportable segment.
 - (2) The 10,654,324 thousand yen adjustment to segment assets includes company-wide assets that are not allocated to any reportable segment. Company-wide assets mainly include excess working capital, working capital and other assets not attributable to any of the reportable segments.
 - (3) The 12,219 thousand yen adjustment to depreciation and amortization includes depreciation of company-wide assets that cannot be allocated to reportable segments.
 - (4) The 28,847 thousand yen adjustment to increase in property, plant and equipment and intangible assets is capital expenditures not attributable to any reportable segment.
3. Segment profit and assets are adjusted for consistency with operating profit and total assets shown on the consolidated financial statements, respectively.

Related information

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

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.

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

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 impairment loss on non-current assets for each reportable segment

FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)

(Thousands of yen)

	Housing Business	Condominium Business	Other	Elimination or corporate	Total
Impairment loss	52,986	-	11,878	-	64,865

FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)

(Thousands of yen)

	Housing Business	Condominium Business	Other	Elimination or corporate	Total
Impairment loss	12,285	-	10,674	-	22,959

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)

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Net assets per share	1,531.73	1,358.62
Net income per share	46.98	29.49

Notes: 1. The amounts of diluted net income per share for the current and previous fiscal years are not presented because there are no potentially dilutive shares for both fiscal years.

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 (FY3/21: 262,372 shares, FY3/22: 584,247 shares) 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. 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 (FY3/21: 272,087 shares, FY3/22: 443,791 shares).

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

	FY3/21 (As of Mar. 31, 2021)	FY3/22 (As of Mar. 31, 2022)
Total net assets (Thousands of yen)	16,922,395	15,048,053
Deduction on total net assets (Thousands of yen) [of which, share acquisition rights (Thousands of yen)]	- [-]	- [-]
Net assets at the end of the fiscal year applicable to common stock (Thousands of yen)	16,922,395	15,048,053
Number of shares of common stock used in calculation of net assets per share (Shares)	11,047,887	11,076,012

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

	FY3/21 (Apr. 1, 2020 – Mar. 31, 2021)	FY3/22 (Apr. 1, 2021 – Mar. 31, 2022)
Net income per share		
Profit attributable to owners of parent (Thousands of yen)	509,313	326,306
Profit not attributable to common shareholders (Thousands of yen)	-	-
Profit attributable to common shareholders of parent (Thousands of yen)	509,313	326,306
Average number of common shares outstanding during the period (Shares)	10,840,925	11,064,961
Summary of potential shares not included in the calculation of diluted net income per share due to no dilutive effect	-	-

Subsequent Events

Not applicable.

4. Other Information

1) Orders Received

Orders received in FY3/22 are broken down by segment as follows. (Thousands of yen)

Operating segment	Orders received	Year-on-year (%)	Order backlog	Year-on-year (%)
Housing Business	22,638,673	119.9	13,545,715	-
Condominium Business	24,279,782	111.7	6,173,984	-
Other	3,964,725	100.7	-	-
Total	50,883,181	114.2	19,719,700	-

Notes: 1. Inter-segment transactions have been eliminated.

- The above amounts do not include consumption taxes.
- No order backlog is shown in the "Other" segment because net sales are the same as the orders received.
- Beginning with the current fiscal year, Sanyo Homes has applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). Order backlog in FY3/22 incorporate this accounting standard and comparisons with the previous fiscal year are omitted. As a result, the order backlog at the beginning of FY3/22 increased 2,079,350 thousand yen.

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

Kanto area	Chubu area	Kinki area	Kyushu area	Total
13,083,127	5,665,322	25,267,254	6,867,477	50,883,181

2) Sales

Sales in FY3/22 are broken down by segment as follows.

Operating segment	Sales (Thousands of yen)	Year-on-year (%)
Housing Business	19,869,935	-
Condominium Business	27,288,747	-
Other	3,964,725	-
Total	51,123,408	-

Notes: 1. Inter-segment transactions have been eliminated.

- The above amounts do not include consumption taxes.
- Beginning with the current fiscal year, Sanyo Homes has applied Accounting Standard for Revenue Recognition (ASBJ Statement No. 29, March 31, 2020). All figures for FY3/22 incorporate this accounting standard and comparisons with the previous fiscal year are omitted.

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

Kanto area	Chubu area	Kinki area	Kyushu area	Total
14,961,828	5,484,203	24,136,840	6,540,535	51,123,408

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.