Sansei Landic | 3277 |

This PDF document is an updated note on the company. A comprehensive version of the report on the company, including this latest update, is available on our website at http://www.sharedresearch.jp and various professional platforms. Our sponsored research reports provide an in-depth and informative view of the companies we cover, and contain the latest available information updated in a timely manner.

On **April 11, 2018,** Shared Research updated the report following interviews with Sansei Landic regarding full-year FY12/17 results.

Earnings results and forecasts		Sales		Operating profit		Recurring profit		Net income		EPS	BPS	ROA	ROE
		(JPYmn)	YoY	(JPYmn)	YoY	(JPYmn)	YoY	(JPYmn)	YoY	(JPY)	(JPY)	(RP-based)	
FY12/09	Cons.	5,990	-	307	-	263	-	143	-	23.86	350.34	n.a.	7.0%
FY12/10	Cons.	7,415	23.8%	655	113.5%	539	104.8%	301	110.3%	50.18	399.68	9.9%	13.4%
FY12/11	Cons.	8,042	8.5%	750	14.5%	747	38.4%	444	47.6%	73.50	469.71	11.6%	15.8%
FY12/12	Cons.	9,475	17.8%	517	-31.0%	437	-41.5%	233	-47.5%	33.80	497.51	6.6%	7.0%
FY12/13	Cons.	9,188	-3.0%	920	77.9%	810	85.3%	456	95.4%	66.04	560.55	10.1%	12.5%
FY12/14	Cons.	10,444	13.7%	1,205	30.9%	1,044	28.9%	626	37.5%	90.23	664.77	11.8%	13.7%
FY12/15	Cons.	11,568	10.8%	1,300	7.9%	1,196	14.6%	724	15.6%	90.08	744.23	11.9%	12.8%
FY12/16	Cons.	12,300	6.3%	1,446	11.3%	1,329	11.1%	854	17.9%	104.94	840.78	12.0%	13.2%
FY12/17	Cons.	13,099	6.5%	1,762	21.9%	1,669	25.6%	1,111	30.2%	134.45	957.50	12.0%	15.0%
FY12/18 Est.	Cons.	17,482	33.5%	1,830	3.9%	1,703	2.1%	1,157	4.1%	138.55	-	-	-

Source: Shared Research based on company data.
Note: Figures are rounded to the nearest million yen. The company conducted a 50-for-1 stock split on August 1, 2011. BPS and EPS are adjusted accordingly.

FY12/17 results

FY12/17 sales came to JPY13.1bn (+6.5% YoY), operating profit to JPY1.8bn (+21.9%), recurring profit to JPY1.7bn (+25.6%), and net income attributable to parent company shareholders to JPY1.1bn (+30.2%).

In FY12/17, which was the final year of the medium-term management plan initiated in FY12/15, the company focused on achieving continued business growth by strengthening organized sales initiatives to develop information channels and by establishing a region-based sales structure that can promptly respond to changes in the market environment. The company succeeded in developing new channels with trust banks, securities companies, and sublease companies as sources of property information. It also strengthened sales capabilities through measures such as reinforcing staffing in the Tokai, Kinki, and Kyushu areas.

In the Real Estate Sales segment, procurement of real estate for sale was strong in the leasehold land, old underutilized properties, and freehold businesses; procurement value finished at JPY11.9bn, up 72.5% YoY. On the sales front, old underutilized properties business saw a significant increase, but due to lower sales in leasehold land and freehold, FY12/17 sales rose only moderately by 6.5%. As a result, sales only reached 83.7% of the target set out in the medium-term plan. However, operating profit in FY12/17 exceeded forecast by 20.2%, recording double-digit YoY growth for two consecutive fiscal years. Operating profit also surpassed the medium-term plan target by 7.8%.

Sansei Landic drafted a new three-year medium-term plan starting from FY12/18 under the theme of "Preparing for Further Growth" in anticipation of the industry after 2020 Tokyo Olympics and Paralympics Games. The company expects large structural reforms after 2020, as it sees a period of various real estate-related challenges (e.g. land with unknown owners, vacant houses, areas with many wooden buildings, and redevelopment of urban areas) approaching. It has therefore positioned the term covered by the new medium-term plan as a time for preparation, when it will streamline its internal structure and cultivate capabilities to respond to future changes in the market.

Sansei Landic specializes in disentangling and realigning complex property rights. According to the company, it has received no customer complaints since listing (excluding complaints against persons in charge based on personal reasons). The company does not demand unreasonable prices nor force buying or selling to customers and rights holders. Instead, it takes an organized approach based on steady negotiations that comply with an in-house manual containing knowledge and expertise accumulated through its sales activities. In a customer survey the company conducted in FY12/17, close to 95% of customers answered that their impression of the employees in charge of transactions was either “very good” or “good,” and more than 90% of customers rated the impression of the company after transactions as either “very good” or “good.”

Results versus plan

The company forecasted FY12/17 sales of JPY14.4bn (+17.5% YoY), operating profit of JPY1.5bn (+1.4%), recurring profit of JPY1.4bn (+3.4%), and net income attributable to parent company shareholders of JPY929mn (+8.9%). While actual sales were JPY1.4bn short of the target, operating profit, recurring profit, and net income all exceeded the target by JPY296mn, JPY294mn, and JPY182mn, respectively. According to the company, sales fell short of the target due to lower sales in leasehold land and freehold businesses in the Real Estate Sales segment. On the other hand, improved efficiency in sales structure and revenue booking of highly profitable projects brought all profit lines above respective targets.

Results versus initial plan

Results vs. Initial Est. (JPYmn)	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.
Sales (Initial Est.)	10,852	10,845	12,088	11,162	14,670	14,448
Sales (Results)	9,475	9,188	10,444	11,568	12,300	13,099
Results vs. Initial Est.	**-12.7%**	**-15.3%**	**-13.6%**	**3.6%**	**-16.2%**	**-9.3%**
Operating profit (Initial Est.)	664	1,059	1,242	1,401	1,466	1,466
Operating profit (Results)	517	920	1,205	1,300	1,446	1,762
Results vs. Initial Est.	**-22.1%**	**-13.1%**	**-3.0%**	**-7.2%**	**-1.3%**	**20.2%**
Recurring profit (Initial Est.)	497	854	1,139	1,291	1,374	1,374
Recurring profit (Results)	437	810	1,044	1,196	1,329	1,669
Results vs. Initial Est.	**-12.1%**	**-5.2%**	**-8.3%**	**-7.4%**	**-3.3%**	**21.4%**
Net income (Initial Est.)	253	517	705	848	929	929
Net income (Results)	233	456	626	724	854	1,111
Results vs. Initial Est.	**-7.8%**	**-11.9%**	**-11.2%**	**-14.6%**	**-8.1%**	**19.6%**

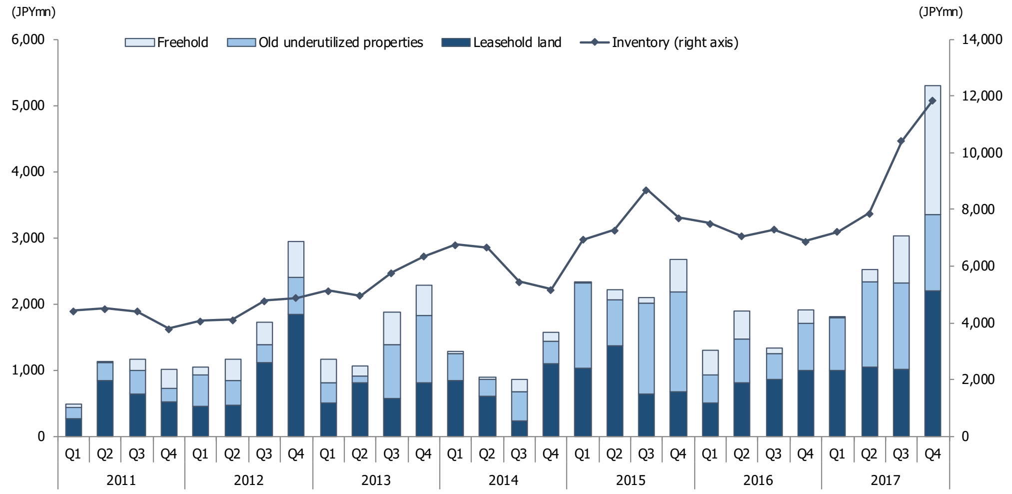
Source: Shared Research based on company data
Note: Figures may differ from company data due to differences in rounding methods.

Procurement value and orders received

In FY12/17 procurement value in the Real Estate Sales segment came to JPY12.7bn (+96.4% YoY), whereas orders received in the Construction segment finished at JPY1.1bn (-26.5%).

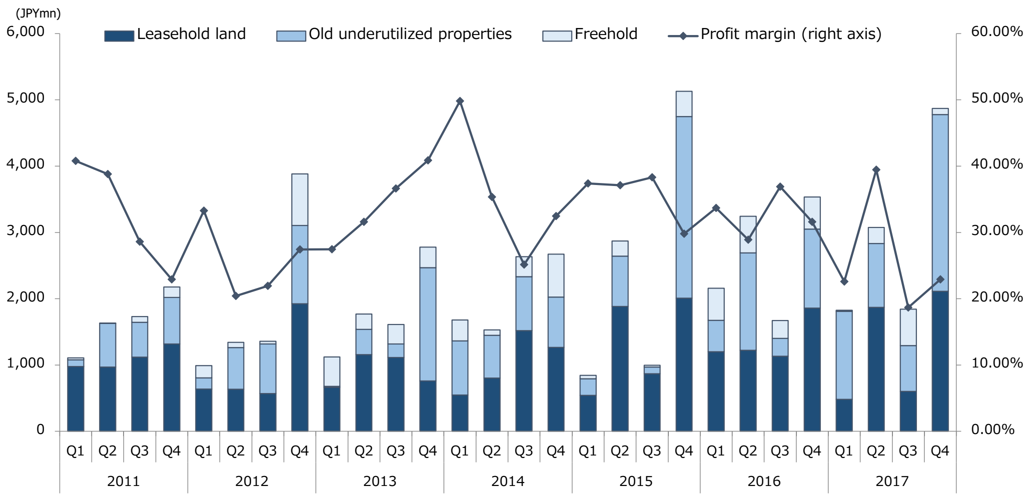
In the Real Estate Sales segment, procurement and inventory reached record highs due to steady procurement tailored to regional characteristics and an increase in larger projects. Procurement of leasehold land came to JPY5.2bn (+65.5% YoY), old underutilized properties to JPY4.6bn (+109.9%), and freeholds to JPY2.8bn (+158.8%). While procurement rose in all businesses, the old underutilized properties business contributed the most. The company explained that procurement of old underutilized properties was especially pronounced in western Japan due to expansion of information channels coupled with enhanced sales structure in the area. At the time of the FY12/17 earnings announcement, the company forecasted total procurement value of JPY10.0bn for FY12/18.

Real Estate Sales segment procurement value



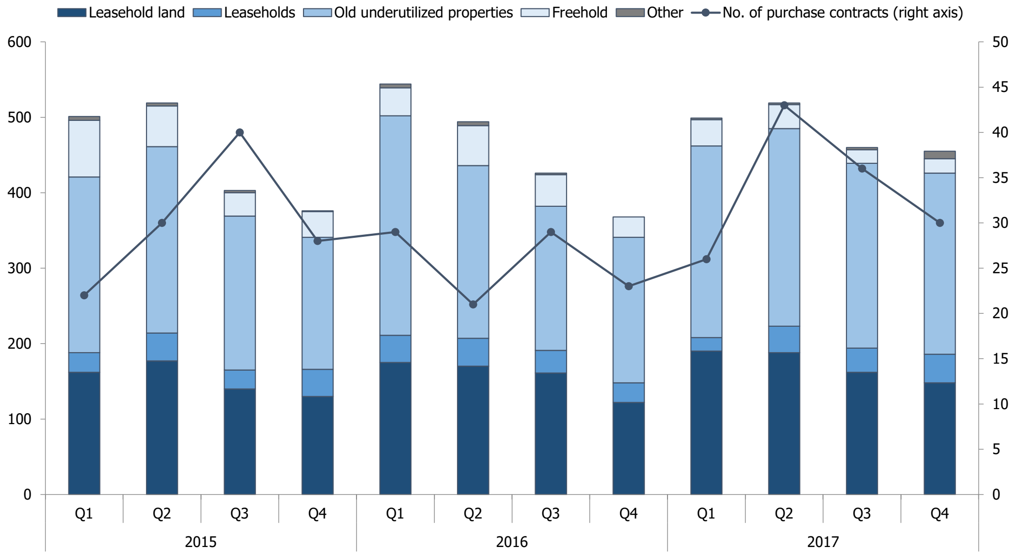
Source: Shared Research based on company data
Note: Figures rounded to the nearest million yen

Real Estate Sales segment sales



Source: Shared Research based on company data
Note: Figures rounded to the nearest million yen

Numbers of projects and purchase contracts



Source: Shared Research based on company data
Note: Figures rounded to the nearest million yen

Strong performance in the old underutilized properties business drove up sales

In FY12/17, sales in the Real Estate Sales segment came to JPY12.0bn (+9.2% YoY). In the Construction segment, sales were JPY1.2bn (-13.5%), or JPY1.1bn (-15.8%) excluding internal transactions. In the Real Estate Sales segment, sales of leasehold land came to JPY5.1bn (-6.4%), old underutilized properties to JPY5.6bn (+66.0%), and freeholds to JPY899mn (-49.8% YoY). The company sold 300 leasehold land parcels, 39 lots converted from old underutilized properties, and 21 freeholds.

Sales of leasehold land and freeholds were about 80% and 52% of the sales targets announced by the company, respectively. However, sales of old underutilizes properties significantly increased reaching 126% of the target, making up for the losses in other businesses. The Construction segment booked sales for 130 detached housing and renovation projects, with segment sales reaching 81% of the target set out in the company's plan. Overall, FY12/17 sales finished at 90.7% of the target, driven by robust performance of the old underutilized properties business.

Larger profit growth

In FY12/17, operating profit came to JPY1.8bn (+21.9% YoY). While sales were up 6.5% YoY, operating profit grew by 21.9%. The significant YoY rise can be attributed to higher profitability of properties sold, improved efficiency in sales activities, and better sales mix. Shared Research thinks this trend was especially pronounced in the Real Estate Sales segment; in the Construction segment narrower operating loss despite lower sales was owed to higher sales efficiency.

Comparison with peers

Ticker	Company	Fiscal year	Sales (JPYmn)	OP (JPYmn)	OPM	ROA (RP-based)	ROE	Equity ratio	Net Debt-to-equity ratio	Main businesses (% of sales)
3299	Mugen Estate	FY12/17	63,568	7,122	11.2%	11.0%	24.7%	32.5%	1.16	Purchase and sale (renovation)(96)
8940	Intellex	FY05/17	41,400	1,756	4.2%	4.0%	9.7%	26.6%	2.04	Renovation and sale of pre-owned condominiums (84)
3230	Star Mica	FY11/17	23,075	3,575	15.5%	5.6%	14.1%	28.3%	2.25	Pre-owned condominium (sale and rental)(81)
8914	Arealink	FY12/17	21,489	2,379	11.1%	9.1%	9.8%	54.7%	0.15	Property management (94), property revitalization and liquidation (6)
3277	Sansei Landic	FY12/17	13,099	1,762	13.5%	12.0%	15.0%	47.3%	0.48	Real Estate Sales (89), Construction (11)
4351	Yamada Servicer Synthetic Office	FY12/17	2,088	61	2.9%	1.1%	2.3%	70.9%	-0.62	Servicer (53), staffing (21), real estate solutions (15), other (11)
	Average		32,526	3,319	11.1%	8.3%	14.7%	37.9%	1.22	

Source: Shared Research based on company data
Note: Figures rounded to the nearest million yen

Improved profitability in both segments

Real Estate Sales segment

Segment profit came to JPY2.7bn (+21.8% YoY) and profit margin (segment profit/segment sales, excluding adjustments) to 22.9%, up 2.4pp from 20.5% in FY12/16. This segment is divided into three businesses based on sales items: leasehold land, old underutilized properties, and freehold. In FY 12/17, it was noteworthy that old underutilized properties significantly increased while numbers of other properties declined.

Real Estate Sales									
(JPYmn)	FY12/09	FY12/10	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17
Sales	4,816	6,057	6,887	7,701	7,599	8,839	10,241	10,959	11,968
Leasehold land	3,049	3,394	4,379	3,765	3,690	4,134	5,300	5,413	5,066
Old underutilized properties	507	882	1,991	2,725	2,311	3,034	3,851	3,404	5,649
Freehold	1,082	1,556	282	1,084	1,279	1,348	691	1,792	899
Other	177	225	236	196	320	323	398	350	353
Segment profit	532	1,099	1,208	976	1,580	1,779	2,018	2,251	2,742
Segment profit margin	11.0%	18.1%	17.5%	12.6%	20.8%	20.1%	19.7%	20.5%	22.9%

Source: Shared Research based on company data
Note: Figures rounded to the nearest million yen

Construction segment

Segment loss amounted to JPY44mn (loss of JPY56mn in FY12/16). Although the segment could not turn to profit, loss had narrowed. The Construction segment had lower YoY sales in FY12/17; narrower losses were owed to downsizing.

Construction									
(JPYmn)	FY12/09	FY12/10	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17
Sales	1,161	1,363	1,196	1,738	1,663	1,624	1,359	1,391	1,203
Segment profit	17	19	-34	21	-105	35	-39	-56	-44.1
Segment profit margin	1.4%	1.4%	-2.8%	1.2%	-6.3%	2.2%	-2.8%	-4.0%	-3.7%

Source: Shared Research based on company data
Note: Figures rounded to the nearest million yen

Balance sheet and cash flow statement

In FY12/17, assets have expanded due to an increase in real estate for sale. As of end-FY12/17, the company's balance sheet showed that total assets were up JPY6.1bn due to increases in cash and cash equivalents (+JPY1.1bn) and real estate for sale (+JPY5.0bn). Short-term debts (including long-term debts due within a year) and long-term debts also increased by JPY4.5bn and JPY298mn, respectively, resulting in a JPY1.2bn rise in net assets.

The company's cash flow statement indicated that the increase in inventory shown in the balance sheet was financed by internal and external funds. Cash flow from operating activities turned negative due to an increase in inventory. However, cash flow from investing activities turned positive on repayment from time deposits and sales of properties for rent, and cash flow from financing activities saw a substantial surplus owed to long-term and short-term borrowings. As of end-FY12/17, Sansei Landic held a significant amount of real estate for sale, which it acquired using internal and external funding.

Balance sheet

Balance sheet (cons.)									
(JPYmn)	FY12/09	FY12/10	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17
Current assets	3,160	5,796	5,251	6,256	8,023	7,835	10,366	9,749	15,874
Cash and cash equivalents	745	892	1,155	859	1,185	2,275	2,253	2,435	3,558
Inventories	2,076	4,653	3,704	4,840	6,354	5,180	7,705	6,900	11,873
Others	338	250	391	557	482	379	406	413	442
Fixed assets	983	1,005	834	836	895	957	1,031	1,083	1,042
Tangible fixed assets	124	109	136	134	568	603	572	590	467
Intangible fixed assets	19	72	85	79	100	96	76	87	81
Investments and other assets	839	822	612	621	226	257	382	405	494
Total assets	4,143	6,801	6,085	7,092	8,918	8,792	11,397	10,832	16,916
Current liabilities	1,710	3,017	2,663	3,097	4,586	3,164	4,909	3,750	8,430
Interest-bearing debt	996	1,805	1,732	2,094	3,361	2,094	3,777	2,624	7,074
Others	713	1,212	930	1,002	1,224	1,070	1,132	1,126	1,356
Fixed liabilities	331	1,385	181	562	464	366	453	225	479
Interest-bearing debt	274	1,334	146	525	418	320	179	87	362
Others	57	51	34	36	46	46	273	138	117
Total liabilities	2,041	4,403	2,844	3,659	5,051	3,531	5,363	3,976	8,909
Total net assets	2,102	2,398	3,240	3,432	3,867	5,261	6,034	6,856	8,006

Source: Shared Research based on company data
Note: Figures rounded to the nearest million yen

Cash flow statement

Statement of cash flows									
(JPYmn)	FY12/09 Cons.	FY12/10 Cons.	FY12/11 Cons.	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.
Cash flows from operating activities	950	-1,621	970	-953	-664	1,761	-1,451	1,611	-3,666
Cash flows from investing activities	-55	-106	127	-15	-175	-111	-116	-184	107
Cash flows from financing activities	-610	1,842	-877	692	1,136	-612	1,588	-1,278	4,667

Source: Shared Research based on company data
Note: Figures rounded to the nearest million yen

Financial ratios

Financial ratios									
	FY12/09 Cons.	FY12/10 Cons.	FY12/11 Cons.	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.
ROA (RP-based)	na	9.9%	11.6%	6.6%	10.1%	11.8%	11.9%	12.0%	12.0%
ROE	7.0%	13.4%	15.8%	7.0%	12.5%	13.7%	12.8%	13.2%	15.0%
Inventory turnover	na	2.2	1.9	2.2	1.6	1.8	1.8	1.7	1.1
Tangible fixed assets turnover	na	63.6	65.6	70.2	26.2	17.8	19.7	21.2	28.0
Current ratio	184.8%	192.1%	197.2%	202.0%	174.9%	247.6%	211.1%	260.0%	188.3%
Equity ratio	50.7%	35.3%	53.3%	48.4%	43.4%	59.8%	52.9%	63.3%	47.3%

Source: Shared Research based on company data
Note: Figures rounded to the nearest million yen

Quarterly performance (cumulative)

Cumulative earnings (cons.)	FY12/15				FY12/16				FY12/17			
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	1,133	4,289	5,696	11,568	2,381	5,935	7,970	12,300	2,102	5,552	7,768	13,099
YoY	-44.7%	8.4%	-19.7%	10.8%	110.1%	38.4%	40.0%	6.3%	-17.3%	-6.5%	-2.5%	6.5%
Cost of sales	748	2,747	3,665	7,798	1,601	4,154	5,477	8,344	1,643	3,799	5,253	8,566
YoY	-35.1%	14.0%	-23.4%	10.5%	114.0%	51.2%	49.4%	7.0%	2.6%	-8.5%	-4.1%	2.7%
Cost ratio	66.0%	64.0%	64.3%	67.4%	67.2%	70.0%	68.7%	67.8%	78.2%	68.4%	67.6%	65.4%
Gross profit	385	1,543	2,032	3,769	780	1,781	2,493	3,957	459	1,753	2,515	4,532
YoY	-57.0%	-0.4%	-12.0%	11.2%	102.6%	15.5%	22.7%	5.0%	-41.2%	-1.6%	0.9%	14.5%
GPM	34.0%	36.0%	35.7%	32.6%	32.8%	30.0%	31.3%	32.2%	21.8%	31.6%	32.4%	34.6%
SG&A expenses	537	1,148	1,707	2,470	590	1,254	1,828	2,510	592	1,263	1,952	2,770
YoY	11.0%	14.6%	9.4%	13.1%	9.8%	9.2%	7.1%	1.6%	0.3%	0.7%	6.8%	10.4%
SG&A ratio	47.4%	26.8%	30.0%	21.3%	24.8%	21.1%	22.9%	20.4%	28.2%	22.8%	25.1%	21.1%
Operating profit	-152	395	325	1,300	190	527	665	1,446	-133	490	564	1,762
YoY	-	-27.9%	-56.5%	7.9%	-	33.6%	104.6%	11.3%	-	-7.0%	-15.2%	21.9%
OPM	-13.4%	9.2%	5.7%	11.2%	8.0%	8.9%	8.3%	11.8%	-6.3%	8.8%	7.3%	13.5%
Non-operating income	3	8	13	15	4	8	13	15	4	5	8	12
YoY	108.2%	11.6%	4.6%	6.3%	29.3%	8.5%	3.8%	5.0%	-20.0%	-34.9%	-40.9%	-17.7%
% of sales	0.3%	0.2%	0.2%	0.1%	0.2%	0.1%	0.2%	0.1%	0.2%	0.1%	0.1%	0.1%
Non-operating expenses	22	54	81	118	29	92	113	133	16	38	69	106
YoY	-54.4%	-37.6%	-39.2%	-32.3%	27.3%	70.0%	39.0%	12.7%	-42.6%	-58.6%	-39.1%	-20.1%
% of sales	2.0%	1.3%	1.4%	1.0%	1.2%	1.5%	1.4%	1.1%	0.8%	0.7%	0.9%	0.8%
Recurring profit	-171	348	256	1,196	166	444	565	1,329	-146	457	503	1,669
YoY	-	-25.5%	-59.1%	14.6%	-	27.4%	120.5%	11.1%	-	3.1%	-11.1%	25.5%
RPM	-15.1%	8.1%	4.5%	10.3%	7.0%	7.5%	7.1%	10.8%	-6.9%	8.2%	6.5%	12.7%
Net income	-106	211	105	724	84	244	316	854	-132	261	293	1,111
YoY	-	-24.2%	-72.4%	15.6%	-	15.5%	201.7%	17.9%	-	7.0%	-7.2%	30.1%
Net margin	-9.4%	4.9%	1.8%	6.3%	3.5%	4.1%	4.0%	6.9%	-6.3%	4.7%	3.8%	8.5%

Source: Shared Research based on company data
Note: Figures rounded to the nearest million yen

Quarterly performance

Quarterly earnings (cons.)	FY12/15				FY12/16				FY12/17			
(JPYmn)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	1,133	3,156	1,407	5,871	2,381	3,554	2,035	4,330	2,102	3,450	2,216	5,331
YoY	-44.7%	65.3%	-55.1%	75.2%	110.1%	12.6%	44.6%	-26.3%	-17.3%	-2.9%	8.9%	23.1%
Cost of sales	748	1,998	918	4,134	1,601	2,553	1,323	2,867	1,643	2,156	1,454	3,314
YoY	-35.1%	59.1%	-61.3%	82.0%	114.0%	27.8%	44.1%	-30.6%	2.6%	-15.5%	9.9%	15.6%
Cost ratio	66.0%	63.3%	65.3%	70.4%	67.2%	71.8%	65.0%	66.2%	78.2%	62.5%	65.6%	62.2%
Gross profit	385	1,158	489	1,738	780	1,001	712	1,463	459	1,294	762	2,017
YoY	-57.0%	77.2%	-35.6%	60.9%	102.6%	-13.5%	45.6%	-15.8%	-41.2%	29.3%	7.1%	37.9%
GPM	34.0%	36.7%	34.7%	29.6%	32.8%	28.2%	35.0%	33.8%	21.8%	37.5%	34.4%	37.8%
SG&A expenses	537	611	559	763	590	664	574	682	592	671	689	818
YoY	11.0%	18.0%	0.0%	22.4%	9.8%	8.7%	2.8%	-10.7%	0.3%	1.1%	20.0%	19.9%
SG&A ratio	47.4%	19.4%	39.7%	13.0%	24.8%	18.7%	28.2%	15.7%	28.2%	19.5%	31.1%	15.3%
Operating profit	-152	547	-70	975	190	337	138	781	-133	623	74	1,199
YoY	-	303.4%	-	113.4%	-	-38.4%	-	-19.8%	-	85.0%	-46.6%	53.5%
OPM	-13.4%	17.3%	-5.0%	16.6%	8.0%	9.5%	6.8%	18.0%	-6.3%	18.0%	3.3%	22.5%
Non-operating income	3	4	5	2	4	4	5	2	4	2	2	5
YoY	108.2%	-19.3%	-4.5%	18.0%	29.3%	-8.6%	-3.3%	11.8%	-20.0%	-52.3%	-66.3%	133.1%
% of sales	0.3%	0.1%	0.4%	0.0%	0.2%	0.1%	0.2%	0.1%	0.2%	0.1%	0.1%	0.1%
Non-operating expenses	22	31	27	37	29	63	21	20	16	22	31	37
YoY	-54.4%	-15.1%	-42.0%	-9.7%	27.3%	100.4%	-22.0%	-45.7%	-42.6%	-65.9%	46.8%	87.5%
% of sales	2.0%	1.0%	1.9%	0.6%	1.2%	1.8%	1.0%	0.5%	0.8%	0.6%	1.4%	0.7%
Recurring profit	-171	519	-92	940	166	277	121	764	-146	603	46	1,166
YoY	-	401.3%	-	125.0%	-	-46.6%	-	-18.7%	-	117.4%	-62.4%	52.6%
RPM	-15.1%	16.5%	-6.5%	16.0%	7.0%	7.8%	6.0%	17.6%	-6.9%	17.5%	2.1%	21.9%
Net income	-106	317	-107	619	84	160	72	538	-132	393	32	818
YoY	-	431.9%	-	150.4%	-	-49.8%	-	-13.2%	-	146.7%	-55.3%	52.1%
Net margin	-9.4%	10.1%	-7.6%	10.5%	3.5%	4.5%	3.5%	12.4%	-6.3%	11.4%	1.5%	15.3%

Source: Shared Research based on company data
Note: Figures rounded to the nearest million yen

Company forecasts for FY12/18

Full-year forecasts

Sansei Landic forecasts FY12/18 sales of JPY17.5bn (+33.5% YoY), operating profit of JPY1.8bn (+3.9%), recurring profit of JPY1.7bn (+2.1%), and net income attributable to parent company shareholders of JPY1.2bn (+4.2%). While the company expects sales to rise significantly, it anticipates only a small increase in profits compared to the increase in sales. The company understood that the rapid improvement in earnings components in FY12/17 was only temporary, and stated FY12/18 forecasts were drafted with careful consideration. By segment, the company forecasts sales of JPY16.0bn (+34.0%) in Real Estate Sales and JPY1.4bn (after adjustments, +20.0%) in Construction. The company did not release segment profit forecasts.

New medium-term plan (FY12/18 to FY12/20)

Overview of medium-term plan

Continuing from the medium-term plan ended in FY12/17, Sansei Landic announced a new medium-term plan spanning FY12/18 through FY12/20. The company achieved goals set out in the previous medium-term plan to a certain degree; it expanded sales channels, improved profit margin by diversifying sales initiatives, boosted staff performance by creating manuals filled with knowledge of experienced employees, and pioneered new businesses by forming business alliances. Meanwhile, several challenges associated with future growth have become clear. For example, the company needs to develop new businesses to prepare for the anticipated changes in the real estate industry, expand information channels to bolster procurement, level out quarterly sales, improve earnings of consolidated subsidiary One's Life Home (core company in the Construction segment), and strengthen HR through initiatives geared at specific resource groups including managers, young employees, and female employees.

Views on the real estate market

According to Sansei Landic, multiple problems are expected to surface in Japan's real estate industry after 2020, and companies like itself that specialize in property rights realignment will become key to solving these issues. That said, Sansei Landic thought it must first strengthen its business structure to be able to seize the opportunities, so it drafted the new medium-term plan positioning the three years as a period to prepare for the next stage of growth.

Issues anticipated to surface:

- Vacant houses
- Land with unknown owners
- Fragmented ownership
- Earthquake-resistance for housing
- Redevelopment of old urban areas
- Areas with many wooden buildings

These issues, which have their origin in the aging Japanese society where developing local communities or building towns are becoming increasingly difficult, are closely associated with Sansei Landic's specialization of property rights realignment and housing reconstruction. Based on this market outlook, the company summarized its core initiatives in the new medium-term plan as follows:

- Develop and generate earnings from new businesses that address various challenges in the real estate industry
- Maintain steady growth of existing businesses
- Return profits to shareholders, society, and employees

Develop and generate earnings from new businesses that address various challenges in the real estate industry

The company intends to develop a third pillar in addition to the leasehold land and old underutilized properties businesses. It has launched two new businesses: minpaku service (rentals using vacant rooms in private residences), and self-care support service for persons with disabilities. In the minpaku business, the company formed a business alliance with Hyakusenrenma, Inc., and launched their first rental property in Tokyo (Ota Ward) in April 2016 with plans to launch a second property in the same area in April 2018. In this business, the properties used are authorized by the relevant governing bodies; Sansei Landic either puts its own properties to effective use or carefully selects and acquires properties for specific use as a minpaku facility. In the self-care support service for persons with disabilities, the company formed a business alliance with And K.K. and Hyakusenrenma, Inc. They plan on launching their first property in 2018, through which they will accumulate knowledge and assess business development thereafter. In addition, the company is looking to generate profits from businesses that address various issues surrounding the real estate industry. To this end, it will utilize its consolidated subsidiary One's Life Home, while considering business alliances and acquisitions as necessary.

Maintain steady growth of existing businesses

The second initiative is underpinned by two efforts: strengthening the sales structure and developing human resources. To strengthen sales structure, the company intends to further cultivate existing sales areas while expanding coverage, boost sales to local real estate contractors, and establish new sales bases. In addition, the company will work to expand property information channels and increase procurement, by further bolstering sales activities aimed at financial institutions (an area of focus), including building contacts at new financial institutions.

Regarding human resources development, the company will work to improve managers' abilities to effectively oversee sales, while enhancing sales teams' communication skills that are imperative to their work. To accomplish these agenda and in turn boost sales efficiency, the company plans to offer on-the-job training, encourage employees to acquire qualifications, share expertise through means such as creating manuals, and offer targeted training programs based on positions and responsibilities. In addition, it intends to encourage women into workforce and secure talented individuals by maintaining a work environment that supports diverse work styles (introducing reduced work hours, staggered work hours, teleworking, and promoting taking vacations).

Return profits to shareholders, society, and employees

For the shareholders, the company intends to raise dividend payments in line with profit increases; to the society, it will fulfill corporate social responsibilities and establish internal funds; and for employees, offer better conditions including higher wages.

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