

Sansei Landic | 3277 |

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On **April 10, 2019**, Shared Research updated the report following interviews with Sansei Landic regarding full-year FY12/18 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)	
FY12/10	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	Cons.	16,833	28.5%	1,766	0.2%	1,643	-1.5%	1,007	-9.4%	119.62	1053.94	9.8%	11.9%
FY12/19 Est.	Cons.	18,220	8.2%	1,666	-5.6%	1,544	-6.0%	1,032	2.5%	122.17	-	-	-

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.

FY12/18 results

FY12/18 sales came to JPY16.8bn (+28.5% YoY), operating profit to JPY1.8bn (+0.2% YoY), recurring profit to JPY1.6bn (-1.5% YoY), and net income attributable to parent company shareholders to JPY1.0bn (-9.4% YoY).

FY12/18 sales for the Real Estate Sales segment were JPY16.1bn (+34.1% YoY) and for the Construction segment were JPY884mn (-26.6% YoY), or JPY784mn (-30.6% YoY) excluding intersegment transactions. Higher sales in the leasehold land and freehold businesses of the Real Estate Sales segment helped sales and operating profit at the parent to increase significantly both YoY and versus plan, but a slump in the Construction segment caused consolidated sales and profit to fall short of plan. The company also booked extraordinary losses including a JPY51mn loss on valuation of investment securities, a JPY36mn loss on closure of a display space at consolidated subsidiary One's Life Home, and a JPY16mn loss on sale of fixed assets (sale of rental properties it had held).

In terms of procurement, the number of lots for the leasehold land business increased considerably, and the procurement value was JPY11.2bn (-11.7% YoY). The company procured large properties in the freehold business in FY12/17, so the value was actually down YoY, but was still 6.5% above plan. In terms of sales, the leasehold land business performed fairly much in line with plan, with record sales of JPY7.1bn. Properties handled by the old underutilized properties business were generally smaller than in FY12/17, so sales were down 10.4% YoY. The freehold business sold large properties procured in FY12/17, resulting in a significant increase in sales, with growth centered on northern Japan.

Results versus plan

The company anticipated FY12/18 sales of JPY17.5bn (+33.5% YoY), operating profit of JPY1.8bn (+3.8% YoY), recurring profit of JPY1.7bn (+2.1% YoY), and net income attributable to parent company shareholders of JPY1.2bn (+4.1% YoY). Actual sales, operating profit, recurring profit, and net income fell short of targets by JPY649mn (96.3% of target),

JPY64mn (96.5%), JPY60mn (96.5%), and JPY150mn (87.0%), respectively. Sansei Landic says sales and profits fell short largely due to a slump in the Construction segment.

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.	FY12/18 Cons.
Sales (Initial Est.)	10,852	10,845	12,088	11,162	14,670	14,448	17,482
Sales (Results)	9,475	9,188	10,444	11,568	12,300	13,099	16,833
Results vs. Initial Est.	-12.7%	-15.3%	-13.6%	3.6%	-16.2%	-9.3%	-3.7%
Operating profit (Initial Est.)	664	1,059	1,242	1,401	1,466	1,466	1,830
Operating profit (Results)	517	920	1,205	1,300	1,446	1,762	1,766
Results vs. Initial Est.	-22.1%	-13.1%	-3.0%	-7.2%	-1.3%	20.2%	-3.5%
Recurring profit (Initial Est.)	497	854	1,139	1,291	1,374	1,374	1,703
Recurring profit (Results)	437	810	1,044	1,196	1,329	1,669	1,643
Results vs. Initial Est.	-12.1%	-5.2%	-8.3%	-7.4%	-3.3%	21.4%	-3.5%
Net income (Initial Est.)	253	517	705	848	929	929	1,157
Net income (Results)	233	456	626	724	854	1,111	1,007
Results vs. Initial Est.	-7.8%	-11.9%	-11.2%	-14.6%	-8.1%	19.6%	-13.0%

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

Quarterly performance

Cumulative earnings (cons.) (JPYmn)	FY12/16				FY12/17				FY12/18				FY12/18	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	2,381	5,935	7,970	12,300	2,102	5,552	7,768	13,099	2,873	6,835	10,530	16,833	96.3%	17,482
YoY	110.1%	38.4%	40.0%	6.3%	-17.3%	-6.5%	-2.5%	6.5%	36.7%	23.1%	35.6%	28.5%		33.5%
Cost of sales	1,601	4,154	5,477	8,344	1,643	3,799	5,253	8,566	2,139	4,539	7,478	12,028		
YoY	114.0%	51.2%	49.4%	7.0%	2.6%	-8.5%	-4.1%	2.7%	30.2%	19.5%	42.4%	40.4%		
Cost ratio	67.2%	70.0%	68.7%	67.8%	78.2%	68.4%	67.6%	65.4%	74.4%	66.4%	71.0%	71.5%		
Gross profit	780	1,781	2,493	3,957	459	1,753	2,515	4,532	734	2,296	3,052	4,805	98.3%	4,890
YoY	102.6%	15.5%	22.7%	5.0%	-41.2%	-1.6%	0.9%	14.5%	60.0%	31.0%	21.3%	6.0%		7.9%
GPM	32.8%	30.0%	31.3%	32.2%	21.8%	31.6%	32.4%	34.6%	25.6%	33.6%	29.0%	28.5%		
SG&A expenses	590	1,254	1,828	2,510	592	1,263	1,952	2,770	676	1,478	2,212	3,039	99.4%	3,059
YoY	9.8%	9.2%	7.1%	1.6%	0.3%	0.7%	6.8%	10.4%	14.2%	17.1%	13.3%	9.7%		10.4%
SG&A ratio	24.8%	21.1%	22.9%	20.4%	28.2%	22.8%	25.1%	21.1%	23.5%	21.6%	21.0%	18.1%		
Operating profit	190	527	665	1,446	-133	490	564	1,762	58	817	840	1,766	96.5%	1,830
YoY	-	33.6%	104.6%	11.3%	-	-7.0%	-15.2%	21.9%	-	66.8%	49.0%	0.2%		3.8%
OPM	8.0%	8.9%	8.3%	11.8%	-6.3%	8.8%	7.3%	13.5%	2.0%	12.0%	8.0%	10.5%		10.5%
Recurring profit	166	444	565	1,329	-146	457	503	1,669	30	745	733	1,643	96.5%	1,703
YoY	-	27.4%	120.5%	11.1%	-	3.1%	-11.1%	25.5%	-	63.1%	45.9%	-1.5%		2.1%
RPM	7.0%	7.5%	7.1%	10.8%	-6.9%	8.2%	6.5%	12.7%	1.1%	10.9%	7.0%	9.8%		
Net income	84	244	316	854	-132	261	293	1,111	3	435	376	1,007	87.0%	1,157
YoY	-	15.5%	201.7%	17.9%	-	7.0%	-7.2%	30.1%	-	66.6%	28.3%	-9.4%		4.1%
Net margin	3.5%	4.1%	4.0%	6.9%	-6.3%	4.7%	3.8%	8.5%	0.1%	6.4%	3.6%	6.0%		

Quarterly earnings (cons.) (JPYmn)	FY12/16				FY12/17				FY12/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	2,381	3,554	2,035	4,330	2,102	3,450	2,216	5,331	2,873	3,962	3,695	6,303
YoY	110.1%	12.6%	44.6%	-26.3%	-17.3%	-2.9%	8.9%	23.1%	36.7%	14.8%	66.8%	18.2%
Cost of sales	1,601	2,553	1,323	2,867	1,643	2,156	1,454	3,314	2,139	2,400	2,939	4,550
YoY	114.0%	27.8%	44.1%	-30.6%	2.6%	-15.5%	9.9%	15.6%	30.2%	11.3%	102.2%	37.3%
Cost ratio	67.2%	71.8%	65.0%	66.2%	78.2%	62.5%	18.7%	25.3%	74.4%	60.6%	79.5%	72.2%
Gross profit	780	1,001	712	1,463	459	1,294	762	2,017	734	1,561	756	1,753
YoY	102.6%	-13.5%	45.6%	-15.8%	-41.2%	29.3%	7.1%	37.9%	60.0%	20.7%	-0.8%	-13.1%
GPM	32.8%	28.2%	35.0%	33.8%	21.8%	37.5%	9.8%	15.4%	25.6%	39.4%	20.5%	27.8%
SG&A expenses	590	664	574	682	592	671	689	818	676	802	734	827
YoY	9.8%	8.7%	2.8%	-10.7%	0.3%	1.1%	20.0%	19.9%	14.2%	19.6%	6.5%	1.1%
SG&A ratio	24.8%	18.7%	28.2%	15.7%	28.2%	19.5%	8.9%	6.2%	23.5%	20.2%	19.9%	13.1%
Operating profit	190	337	138	781	-133	623	74	1,199	58	759	23	926
YoY	-	-38.4%	-	-19.8%	-	85.0%	-46.6%	53.5%	-	21.9%	-69.4%	-22.8%
OPM	8.0%	9.5%	6.8%	18.0%	-6.3%	18.0%	0.9%	9.2%	2.0%	19.2%	0.6%	14.7%
Recurring profit	166	277	121	764	-146	603	46	1,166	30	715	-12	910
YoY	-	-46.6%	-	-18.7%	-	117.4%	-62.4%	52.6%	-	18.6%	-125.9%	-22.0%
RPM	7.0%	7.8%	6.0%	17.6%	-6.9%	17.5%	0.6%	8.9%	1.1%	18.0%	-0.3%	14.4%
Net income	84	160	72	538	-132	393	32	818	3	431	-59	631
YoY	-	-49.8%	-	-13.2%	-	146.7%	-55.3%	52.1%	-	9.8%	-282.5%	-22.9%
Net margin	3.5%	4.5%	3.5%	12.4%	-6.3%	11.4%	0.4%	6.2%	0.1%	10.9%	-1.6%	10.0%

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

Performance by segment

Segment sales and profit (JPYmm)	FY12/16				FY12/17				FY12/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	2,381	5,935	7,970	12,300	2,102	5,552	7,768	13,099	2,873	6,835	10,530	16,833
YoY	110.2%	38.4%	39.9%	6.3%	-11.7%	-6.5%	-2.5%	6.5%	36.7%	23.1%	35.6%	28.5%
Real Estate Sales	2,244	5,568	7,322	10,959	1,907	5,079	7,006	11,969	2,758	6,577	10,140	16,050
YoY	142.6%	42.8%	46.6%	7.0%	-15.0%	-8.8%	-4.3%	9.2%	44.6%	29.5%	44.7%	34.1%
% of total	94.3%	93.8%	91.9%	89.1%	90.7%	91.5%	90.2%	91.4%	96.0%	96.2%	96.3%	95.3%
Leasehold land	1,201	2,422	3,553	5,413	483	2,353	2,955	5,067	611	2,961	4,095	7,088
YoY	121.5%	-0.1%	7.9%	2.1%	-59.8%	-2.9%	-16.8%	-6.4%	26.5%	25.9%	38.5%	39.9%
% of total	50.4%	40.8%	44.6%	44.0%	23.0%	42.4%	38.0%	38.7%	21.3%	43.3%	38.9%	42.1%
Old underutilized properties	473	1,942	2,213	3,404	1,327	2,290	2,982	5,649	725	1,850	2,642	5,062
YoY	89.3%	92.3%	99.0%	-11.6%	180.4%	17.9%	34.8%	66.0%	-45.4%	-19.2%	-11.4%	-10.4%
% of total	19.9%	32.7%	27.8%	27.7%	63.1%	41.2%	38.4%	43.1%	25.2%	27.1%	25.1%	30.1%
Freehold	485	1,040	1,308	1,792	15	259	809	899	1,322	1,545	3,062	3,454
YoY	850.6%	270.8%	325.6%	159.5%	-96.9%	-75.1%	-38.2%	-49.8%	8655.1%	495.9%	278.7%	284.0%
% of total	20.4%	17.5%	16.4%	14.6%	0.7%	4.7%	10.4%	6.9%	46.0%	22.6%	29.1%	20.5%
Other	85	164	247	350	81	177	260	353	99	221	342	446
YoY	3.2%	-11.1%	-12.5%	-12.1%	-4.3%	7.8%	5.2%	0.9%	22.3%	25.1%	31.2%	26.3%
% of total	3.6%	2.8%	3.1%	2.8%	3.9%	3.2%	3.4%	2.7%	3.4%	3.2%	3.2%	2.6%
Construction	137	367	649	1,341	195	473	762	1,130	115	258	390	784
YoY	-34.1%	-5.9%	-7.7%	1.0%	42.6%	29.0%	17.5%	-15.8%	-40.9%	-45.5%	-48.8%	-30.6%
% of total	5.8%	6.2%	8.1%	10.9%	9.3%	8.5%	9.8%	8.6%	4.0%	3.8%	3.7%	4.7%
Operating profit	190	527	665	1,446	-133	490	564	1,762	58	817	840	1,766
YoY	-225.0%	33.4%	104.6%	11.2%	-170.0%	-7.0%	-15.2%	21.9%	-143.7%	66.8%	49.0%	0.2%
Real Estate Sales	442	1,010	1,340	2,251	104	975	1,308	2,742	335	1,406	1,710	2,881
YoY	519.4%	23.8%	40.8%	11.5%	-76.5%	-3.5%	-2.4%	21.8%	223.3%	44.2%	30.7%	5.1%
% of total	118.0%	111.9%	109.9%	102.6%	166.6%	108.6%	105.6%	101.6%	118.3%	108.6%	110.2%	106.4%
OPM	19.7%	18.1%	18.3%	20.5%	5.4%	19.2%	18.7%	22.9%	12.2%	21.4%	16.9%	18.0%
Construction	-67	-107	-121	-56	-41	-77	-70	-44	-52	-111	-158	-174
YoY	43.3%	19.8%	10.4%	45.7%	-38.5%	-27.8%	-42.2%	-21.5%	26.0%	44.1%	126.5%	294.2%
% of total	-17.9%	-11.8%	-9.9%	-2.6%	-66.1%	-8.6%	-5.6%	-1.6%	-18.3%	-8.6%	-10.2%	-6.4%
OPM	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments	-185	-376	-554	-749	-195	-408	-675	-936	-225	-478	-711	-942

Segment sales and profit (JPYmm)	FY12/16				FY12/17				FY12/18			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	2,381	3,554	2,035	4,330	2,102	3,450	2,216	5,331	2,873	3,962	3,695	6,303
YoY	110.2%	12.6%	44.6%	-26.3%	-11.7%	-2.9%	8.9%	23.1%	36.7%	14.8%	66.8%	18.2%
Real Estate Sales	2,244	3,324	1,753	3,638	1,907	3,172	1,927	4,963	2,758	3,819	3,563	5,909
YoY	142.6%	11.8%	60.2%	-30.7%	-15.0%	-4.6%	9.9%	36.4%	44.6%	20.4%	84.9%	19.1%
% of total	94.3%	94.6%	86.3%	84.1%	90.7%	92.1%	88.0%	93.8%	96.4%	96.6%	97.3%	94.4%
Leasehold land	1,201	1,222	1,131	1,860	483	1,870	602	2,111	611	2,350	1,133	2,993
YoY	121.5%	-35.1%	30.3%	-7.4%	-59.8%	53.1%	-46.7%	13.5%	26.5%	25.7%	88.1%	41.8%
% of total	50.4%	34.8%	55.6%	43.0%	23.0%	54.3%	27.5%	39.9%	21.4%	59.5%	31.0%	47.8%
Old underutilized properties	473	1,468	271	1,192	1,327	962	692	2,668	725	1,124	792	2,420
YoY	89.3%	93.3%	165.9%	-56.5%	180.4%	-34.5%	155.3%	123.9%	-45.4%	16.8%	14.5%	-9.3%
% of total	19.9%	41.8%	13.3%	27.5%	63.1%	27.9%	31.6%	50.4%	25.3%	28.4%	21.6%	38.7%
Freehold	485	555	268	483	15	244	549	91	1,322	223	1,518	392
YoY	850.6%	141.8%	897.3%	26.2%	-96.9%	-56.0%	104.8%	-81.2%	8655.1%	-8.8%	176.2%	331.3%
% of total	20.4%	15.8%	13.2%	11.2%	0.7%	7.1%	25.1%	1.7%	46.2%	5.6%	41.5%	6.3%
Other	85	80	83	103	81	96	83	93	99	122	120	104
YoY	3.2%	-22.5%	-15.3%	-11.0%	-4.3%	20.7%	0.2%	-9.6%	22.3%	27.4%	44.3%	12.3%
% of total	3.6%	2.3%	4.1%	2.4%	3.9%	2.8%	3.8%	1.8%	3.5%	3.1%	3.3%	1.7%
Construction	137	230	282	692	195	278	289	368	115	143	132	394
YoY	-34.1%	26.4%	-9.9%	10.8%	42.6%	20.9%	2.5%	-46.9%	-40.9%	-48.7%	-54.2%	7.0%
% of total	5.8%	6.5%	13.9%	16.0%	9.3%	8.1%	13.2%	7.0%	4.0%	3.6%	3.6%	6.3%
Adjustments	0	42	3	5	0	6	26	42	12	9	35	46
Operating profit	190	337	138	781	-133	623	74	1,199	58	759	23	926
YoY	-225.0%	-38.4%	-297.1%	-19.9%	-170.0%	84.9%	-46.6%	53.5%	-143.7%	21.9%	-69.4%	-22.8%
Real Estate Sales	442	568	330	911	104	871	333	1,434	335	1,071	303	1,172
YoY	519.4%	-23.7%	142.6%	-14.6%	-76.5%	53.4%	0.9%	57.4%	223.3%	22.9%	-9.0%	-18.3%
% of total	118.0%	107.5%	104.4%	93.4%	166.6%	104.3%	97.8%	98.2%	118.3%	105.9%	118.4%	101.3%
OPM	19.7%	17.1%	18.8%	25.0%	5.4%	27.5%	17.3%	28.9%	12.2%	28.0%	8.5%	19.8%
Construction	-67	-40	-14	65	-41	-36	7	26	-52	-59	-47	-15
YoY	43.3%	-6.0%	-31.1%	-8.8%	-38.5%	-9.7%	-152.0%	-60.1%	26.0%	64.7%	-745.3%	-159.6%
% of total	-17.9%	-7.6%	-4.4%	6.6%	-66.1%	-4.3%	2.1%	1.8%	-18.3%	-5.9%	-18.4%	-1.3%
OPM	-	-	-	-	-	-	-	-	-	-	-	-
Adjustments	-185	-191	-178	-195	-195	-213	-267	-261	-225	-253	-233	-231

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

Real Estate Sales segment

The Real Estate Sales segment comprises four businesses: leasehold land, old underutilized properties, freehold, and other businesses (including rental revenue and consulting fees). In FY12/18, sales in the leasehold land and freehold businesses grew considerably.

Real Estate Sales segment performance

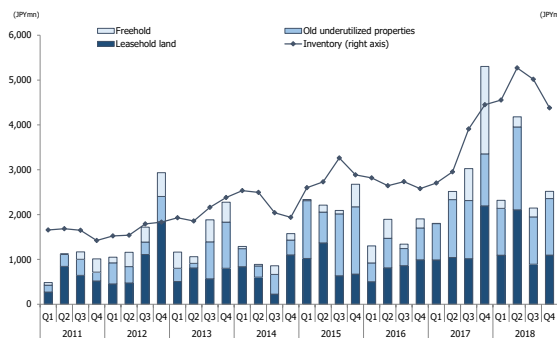
(JPYmn)	Real Estate Sales									
	FY12/10	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19
	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Act.	Est.
Sales	6,057	6,887	7,701	7,599	8,839	10,241	10,959	11,969	16,050	16,243
Leasehold land	3,394	4,379	3,765	3,690	4,134	5,300	5,413	5,066	7,088	7,308
Old underutilized properties	882	1,991	2,725	2,311	3,034	3,851	3,404	5,649	5,062	7,491
Freehold	1,556	282	1,084	1,279	1,348	691	1,792	899	3,454	991
Other	225	236	196	320	323	398	350	353	446	453
Segment profit	1,099	1,208	976	1,580	1,779	2,018	2,251	2,742	2,881	-
Segment profit margin	18.1%	17.5%	12.6%	20.8%	20.1%	19.7%	20.5%	22.9%	18.0%	-

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

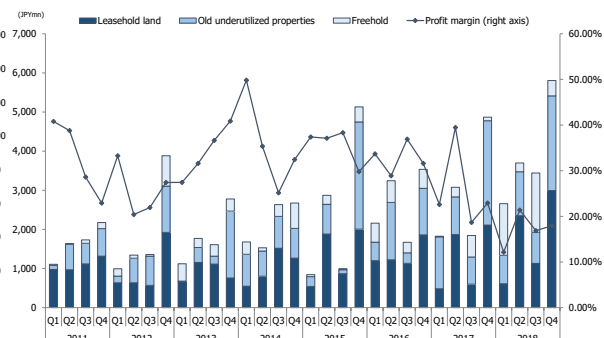
Procurement value analysis: Performance levels out as inventory value exceeds JPY10.0bn

In FY12/18, the Real Estate Sales segment's procurement value was JPY11.2bn (-11.7% YoY). In FY12/17, the leasehold land business procured a number of large properties, taking both procurement value and inventory value to record highs. However, for FY12/18 Sansei Landic had forecast a procurement value of JPY10.4bn, so FY12/18 was actually fairly much in line with plan. Of the total procurement value, the leasehold land business was responsible for JPY5.2bn (-1.1% YoY) as it procured lots chiefly in the Kanto area. The old underutilized properties business was responsible for JPY5.2bn (+14.4% YoY) as procurement in Osaka, Aichi, and other parts of western Japan steadily proceeded. On the other hand, procurement in the freehold business declined significantly to JPY764mn (-73.1% YoY) after large properties were purchased in FY12/17. Inventory value has remained above JPY10.0bn since Q3 FY12/17.

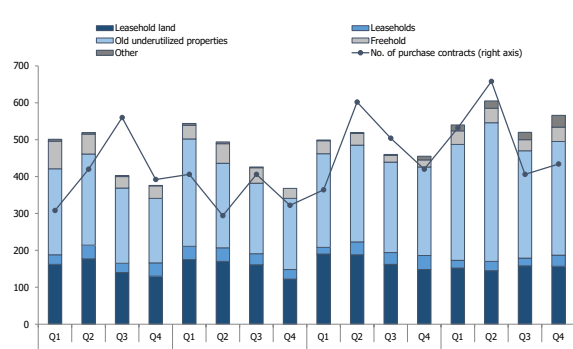
Real Estate Sales segment procurement value



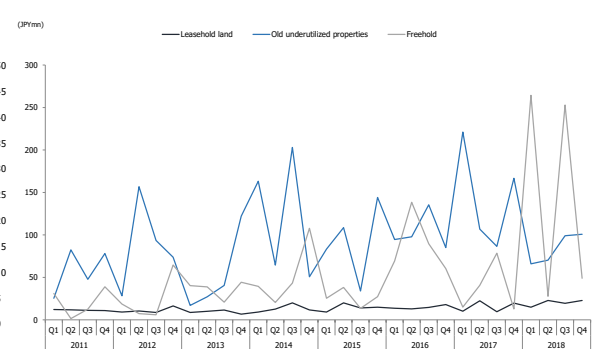
Real Estate Sales segment sales



Real Estate Sales segment numbers of properties and purchase commitments



Unit sales prices



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

Sales analysis: Leasehold land and freehold businesses contribute

Of sales in the Real Estate Sales segment, JPY7.1bn (+39.9% YoY) came from the leasehold land business, JPY5.1bn (-10.4% YoY) from the old underutilized properties business, and JPY3.5bn (+284.0% YoY) from the freehold business. The company sold 333 properties in the leasehold land business, 59 in the old underutilized properties business, and 27 in the freehold business.

In Real Estate Sales, the leasehold land and old underutilized properties businesses fell slightly short of company forecasts, reaching 99.7% and 92.5% respectively. The freehold business surpassed the company forecast, at 113.8%. The leasehold land business set a sales record, and large properties in Sapporo contributed in the freehold business. With increased procurement in the leasehold land business, the workload has increased and the lead time before monetization has gotten longer, so the company says it wants to shorten the lead time by adding personnel and improving work efficiency.

Profit analysis: Segment profit margin falls

Real Estate Sales segment profit rose to JPY2.9bn (+5.1% YoY), but the margin (segment profit ÷ segment sales, adjustments not considered) was 18.0%, down 4.9pp from 22.9% in FY12/17 on changes in the property lineup. The freehold business tends to have lower margins than the leasehold land and old underutilized properties businesses, so the overall margin decreased as the freehold business accounted for a significantly larger percentage of sales. In addition, sales commissions increased with the increase in sales, and salaries and bonuses rose.

Construction segment

In FY12/18, Construction segment sales were JPY884mn (-26.6% YoY), or JPY784mn (-30.6% YoY) excluding intersegment transactions. The number of properties sold (including detached houses and renovations) was unchanged from FY12/17 at 130, but sales fell significantly short of the company forecast at just 54.3%. This is because, although orders increased YoY for the full year, 1H orders were below plan and longer-than-expected time was required between applying for and starting construction.

Segment loss widened to JPY174mn (loss of JPY44mn in FY12/17). In FY12/17, despite a decrease in sales, segment loss narrowed on improved business efficiency, and Sansei Landic is currently conducting drastic reform of its sales structure to reduce costs further. In January 2019, subsidiary One's Life Home relocated its headquarters and also opened a showroom next to the headquarters, which matches its business concept. In addition, to focus sales efforts on pertinent channels, it has decided to close a display space at Komazawa (scheduled for March 2019). In relation to this closure, the company booked an extraordinary loss of JPY36mn.

Construction segment performance

(JPYmn)	FY12/10 Act.	FY12/11 Act.	FY12/12 Act.	FY12/13 Act.	FY12/14 Act.	FY12/15 Act.	FY12/16 Act.	FY12/17 Act.	FY12/18 Act.	FY12/19 Est.
Sales	1,363	1,196	1,738	1,663	1,624	1,359	1,391	1,203	884	1,977
Segment profit	19	-34	21	-105	35	-39	-56	-44	-174	-
Segment profit margin	1.4%	-2.8%	1.2%	-6.3%	2.2%	-2.8%	-4.0%	-3.7%	-19.7%	-

Source: Shared Research based on company data

Note: Figures may differ from company data due to differences in rounding methods.

Financial condition

According to the company's FY12/18 balance sheet, with the increase in real estate for sale, year-end inventories were similar to what they were at end-FY12/17, when they swelled significantly YoY. Total assets were essentially level YoY. In contrast, in terms of interest-bearing debt, short-term borrowings (including current portion of long-term borrowings)

decreased by JPY2.3bn on robust sales. With the acquisition of large properties that will require more than a year to process, long-term borrowings increased by JPY957mn and total net assets by JPY901mn.

The cash flow statement also shows that robust sales have allowed the company to pay off debt. Cash flows from operating activities returned to a positive position primarily on an increase in pre-tax profit, but there were net cash outflows from investing activities on the acquisition of tangible and intangible fixed assets and net cash outflows from financing activities on repayment of long- and short-term borrowings.

Balance sheet

(JPYmn)	FY12/10 Cons.	FY12/11 Cons.	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.
Current assets	5,796	5,251	6,256	8,023	7,835	10,366	9,749	15,874	15,745
Cash and cash equivalents	892	1,155	859	1,185	2,275	2,253	2,435	3,558	3,594
Inventories	4,653	3,704	4,840	6,354	5,180	7,705	6,900	11,873	11,691
Other	250	391	557	482	379	406	413	442	460
Fixed assets	1,005	834	836	895	957	1,031	1,083	1,042	1,032
Tangible fixed assets	109	136	134	568	603	572	590	467	458
Intangible fixed assets	72	85	79	100	96	76	87	81	69
Investments and other assets	822	612	621	226	257	382	405	494	505
Total assets	6,801	6,085	7,092	8,918	8,792	11,397	10,832	16,916	16,777
Current liabilities	3,017	2,663	3,097	4,586	3,164	4,909	3,750	8,430	6,160
Interest-bearing debt	1,805	1,732	2,094	3,361	2,094	3,777	2,624	7,074	4,726
Other	1,212	930	1,002	1,224	1,070	1,132	1,126	1,356	1,433
Fixed liabilities	1,385	181	562	464	366	453	225	479	1,710
Interest-bearing debt	1,334	146	525	418	320	179	87	362	1,320
Other	51	34	36	46	46	273	138	117	390
Total liabilities	4,403	2,844	3,659	5,051	3,531	5,363	3,976	8,909	7,869
Total net assets	2,398	3,240	3,432	3,867	5,261	6,034	6,856	8,006	8,908
Total liabilities and net assets	6,801	6,084	7,091	8,918	8,792	11,397	10,832	16,916	16,777

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

Cash flow statement

(JPYmn)	FY12/10 Cons.	FY12/11 Cons.	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.
Cash flows from operating activities	-1,621	970	-953	-664	1,761	-1,451	1,611	-3,666	1,617
Cash flows from investing activities	-106	127	-15	-175	-111	-116	-184	107	-64
Cash flows from financing activities	1,842	-877	692	1,136	-612	1,588	-1,278	4,667	-1,495

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

Financial ratios

	FY12/10 Cons.	FY12/11 Cons.	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.
ROA (RP-based)	9.9%	11.6%	6.6%	10.1%	11.8%	11.9%	12.0%	12.0%	9.8%
ROE	13.4%	15.8%	7.0%	12.5%	13.7%	12.8%	13.2%	15.0%	11.9%
Inventory turnover	2.2	1.9	2.2	1.6	1.8	1.8	1.7	1.1	1.4
Tangible fixed assets turnover	63.6	65.6	70.2	26.2	17.8	19.7	21.2	28.0	36.7
Current ratio	192.1%	197.2%	202.0%	174.9%	247.6%	211.1%	260.0%	188.3%	255.6%
Equity ratio	35.3%	53.3%	48.4%	43.4%	59.8%	52.9%	63.3%	47.3%	53.1%

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

Company forecasts for FY12/19

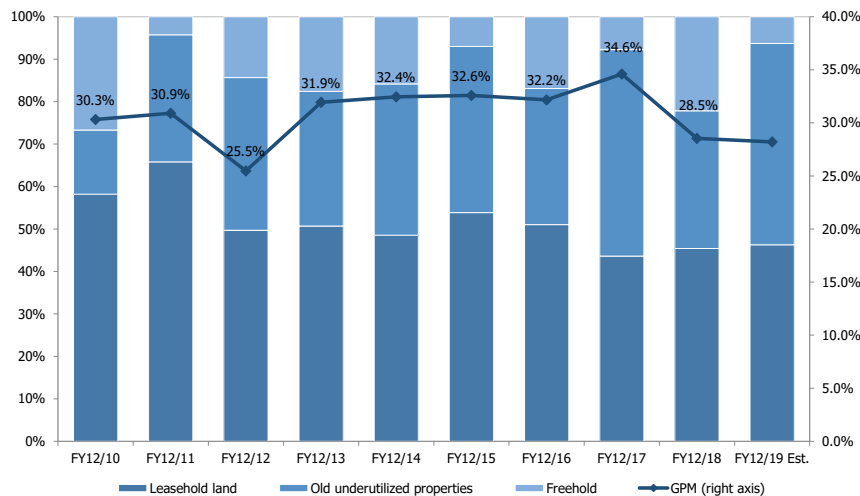
Full-year forecasts

Sansei Landic forecasts FY12/19 sales of JPY18.2bn (+8.2% YoY), operating profit of JPY1.7bn (-5.6% YoY), recurring profit of JPY1.5bn (-6.0% YoY), and net income attributable to parent company shareholders of JPY1.0bn (+2.5% YoY). It expects net income to increase as extraordinary losses seen in FY12/18 drop out. By segment, the company forecasts sales of JPY16.2bn (+1.2% YoY) in Real Estate Sales and JPY2.0bn (after adjustments, +123.7% YoY) in Construction. The company did not release segment profit forecasts.

Sansei Landic says it expects sales to increase but operating and recurring profits to decrease as SG&A expenses increase and margins fall in the Real Estate Sales segment.

In the Real Estate Sales segment, the company forecasts FY12/19 sales in the leasehold land business to increase by 3.1%, in the old underutilized properties business to increase by 48.0%, and in the freehold business to decrease by 71.3%. It expects the sales ratio for these businesses to change from 44.2% to 45.0%, 31.5% to 46.1%, and 21.5% to 6.1% respectively. With the procurement of large properties in western Japan for the old underutilized properties business in FY12/18, the company expects sales for the business to be 1.5x what they were in FY12/18. On the other hand, the ratio of sales from the freehold business, which drove sales in FY12/18, will fall significantly. The freehold business tends to have lower margins than the leasehold land and old underutilized properties businesses. For this reason, the overall profits would ordinarily rise as the ratio of sales from the freehold business falls, but in light of current market conditions, the company expects lower margins in the leasehold land and old underutilized properties businesses in FY12/19 and therefore forecasts a GPM on par with FY12/18.

Sales ratios and GPM



Source: Shared Research based on company data

In regard to SG&A expenses, an increase in sales activities means an increase in sales staff, so the company expects personnel expenses to rise. It plans to expand procurement in preparation for achieving its 2020 targets, but this will mean an increase in SG&A expenses brought on by higher taxes and dues paid upfront. With this increase in expenses, the company forecasts lower profit in FY12/19.

In the Construction segment, the company revamped its website in December 2017 as part of efforts to expand orders and is promoting online marketing. It is also reviewing its sales strategies for individual channels. With these initiatives, order value and order backlog are both increasing significantly. Following improvement in order status from 2H FY12/18,

the company plans to move into the black in FY12/19 by reducing the time between project acquisition and delivery as well as continuing to work on managing costs.

Progress on medium-term plan

The company's medium-term plan for the three years from FY12/18 to FY12/20 sets out three core initiatives: growth, stability, and returns.

Promotion and monetization of new businesses: Growth

In regard to new businesses, Sansei Landic 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 Ota-ku, Tokyo in April 2016. Occupancy rates and gross yield are both favorable, and Sansei Landic says it is gaining valuable expertise. It launched a second property in the same area in November 2018, and is also conducting concrete studies of properties in the Kyoto area. 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 minpaku facilities. In the self-care support service for persons with disabilities, the company formed a business alliance with And K.K. and Hyakusenrenma, Inc., and launched their first support facility in Funabashi, Chiba in May 2018. An NPO rented the facility and uses it as a space for persons with disabilities to work.

In addition, Sansei Landic is strengthening cooperation with subsidiary One's Life Home to sell two properties in Setagaya owned by Sansei Landic and to conduct renovation of minpaku facilities. The company plans to continue focusing on businesses where it can create synergies.

Stability of existing business

In the Real Estate Sales segment, Sansei Landic is focusing on enhancing its sales structure and developing human resources. It reorganized the sales structure at its head office from two departments into three, and is working to deepen and widen its business areas. The company had previously conducted sales activities in the Kyoto area from its branch in Osaka, but opened a new Kyoto branch in September 2018, to expand its coverage and conduct sales activities more closely matched to the target area. At the same time, it has enhanced its sales activities at financial institutions and real estate brokers to expand its information channels. It says it is gaining not just property information, but also introductions to landowners for the outsourcing management services of the leasehold land business.

As part of its efforts to expand procurement, the company completed a revamp of its sokochi.com website and released it in February 2019. Previously the website just served as something of a reservoir of information, but the company completely revised the content and provided three separate entry points, targeting end users, real estate brokers, and financial institutions respectively. The website provides appropriate information for each of these user types, and the site design is meant to encourage inquiries, providing opportunities to distribute information and increase procurement.

In regard to the development of human resources, the company has not only created a manual of information provided by veteran employees for sharing with newer employees, but actively encourages interaction between employees at the head office and at branches.

Returns to shareholders, society, and employees

For the shareholders, the company intends to raise dividend payments in line with profit increases; for society, it aims to fulfill its corporate social responsibilities with an internal fund; and for employees, it is conducting measures to improve work conditions, including providing higher wages.

The leasehold land business fund (tentative name) makes social contributions by supplementing more than 200 activity funds to be used for the benefit of children. Sansei Landic also plans to increase its dividend per share to JPY23 (+JPY2 YoY) in FY12/19, the sixth consecutive year of dividend hike. It considers shareholder returns an important management issue and plans to continue paying dividends within an allowable scope. For its employees, it provides regular wage increases.

Initiatives for achieving 2020 quantitative targets

Sansei Landic has set the following targets for FY12/20: operating profit of above JPY2.0bn, recurring profit of above JPY1.9bn, ROA of above 12%. Since FY12/17, the company has significantly increased its procurement, thereby increasing its inventories, causing ROA to fall to 9.8% in FY12/18. It is working to reduce the inventory turnover period, but there are still leasehold land business projects that require time for monetization. It conducts write-downs of inventories as needed, as it searches for effective uses for those inventories. In order to promote monetization, it has added personnel to the department in charge and is considering establishing a dedicated department.

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