

# Sansei Landic

Leader in property rights realignment, specializing in leasehold land and old underutilized properties;

Targets growth by expanding property information channels

TICKER: 3277 | TSE 1 | HP: <http://www.sansei-l.co.jp> | PUBLISHED on 2017.11.13

## Business

**Pioneer in property rights realignment: aims to expand nationwide presence via its leasehold land and old occupied properties businesses**

Sansei Landic's core business, the Real Estate Sales segment accounted for 89.1% of total sales in FY12/16. The company mainly handles leasehold land (land with leasehold interest) and old underutilized properties (such as aging apartments only partially occupied by tenants). These properties often have multiple rights holders (landowners, leaseholders, and tenants), making it difficult to renovate or redevelop and depressing the asset value. Sansei Landic purchases property and/or land rights, adds value by sorting out the relationships between various rights holders, and sells to third parties.

Unlike typical real estate, leasehold land and old underutilized properties are often tangled up in complex relationships between various rights holders, underpinned by historical land laws (old Act on Land Leases and old Act on Building Leases). As such, realigning these rights requires substantial expertise and communication with various parties. Sansei Landic started handling leasehold land in June 1991, and now focuses on both leasehold land and old underutilized properties. It has a leading market share in this space (we estimate 20–25%). In addition to its head office, the company has seven branch offices across Japan.

## Earnings trends

**FY12/17: Recurring profit to rise a modest 3.4% compared to 11.1% leap in FY12/16**

**FY12/16 results:** Sales were JPY12.3bn (+6.3% YoY), operating profit JPY1.4bn (+11.3%), recurring profit JPY1.3bn (+11.1%), and net income attributable to parent company shareholders JPY854mn (+17.9%). Profits reached record highs. Sales in the old underutilized properties business declined as the booking of a large property sales was pushed back to the next fiscal year. Sales at the leasehold land business and freehold business rose, fueling profit growth.

**FY12/17 forecasts:** Company forecasts are 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%), marking record high profits. The company expects to book higher sales given the expected sales of leasehold land it has procured. It looks for a modest increase in profits, as it expects the Construction segment to enter into the black, offsetting higher costs such as rising taxes stemming from higher procurement.

## Medium-term strategy

**Grow existing and new businesses using its expertise in realigning property rights**

Medium-term plan: The three-year plan (FY12/15 to FY12/17) calls for expansion in existing businesses as well as new businesses development leveraging the company's accumulated expertise in realigning property rights. FY12/17 targets announced with the medium-term plan are sales of JPY15.6bn, operating profit of JPY1.6bn, recurring profit of JPY1.5bn, and net income attributable to parent company shareholders of JPY974mn.

## Strengths and weaknesses

### Strengths

**Leader in a niche market:** Leader in rights realignment for leasehold land and old underutilized properties (we estimate 20–25% share). Wide network helps funnel leasehold land information to the company.

**Short capital recovery cycle:** Requires just six to twelve months from procurement to sale, shorter than typical real estate transactions, leading to stable working capital. TSE1 listing also underpins strong credibility.

**Large potential market:** Company estimates Tokyo's leasehold land market at over JPY1.7tn. Its leasehold land sales are still about JPY5bn, leaving room for growth.

### Weaknesses

**Rooted in Japanese property laws, hindering overseas expansion:** Business model premised on Japanese laws (old Act on Land Leases, old Act on Building Leases).

**Limited synergies with subsidiary:** Disconnect between its core businesses and its subsidiary's Construction segment.

**Overly reliant on its two core businesses:** Business portfolio lacks risk diversification.

## Profit growth drivers

**[To date] Leasehold land + old occupied properties:** Stable earnings from leasehold land (immune to economic fluctuations) and growth driven by old underutilized properties

**[Medium-term] Growing demand from the generation inheriting property from baby boomers:** Amid the rise in vacant properties due to an aging, shrinking population, leasehold land and old underutilized properties are being liquidated by the inheriting generation, which seeks to better utilize these assets

Indices	
Market capitalization	JPY7.8 bn
Stock price (2017/10/16)	JPY936
Issued shares	8,292,800 shares
Foreign stockholding ratio (2017/06/30)	7.03 %
BPS (FY12/16)	JPY840.78
PBR (FY12/16)	1.11 x
PER (FY12/17 Est.)	8.2 x
Dividend (FY12/17 Est.)	JPY15.00
Dividend yield (FY12/17 Est.)	1.60 %
ROE (FY12/17 Est.)	13.6 %
Net debt/equity ratio (FY12/16)	58.0 %

\*Issued shares include treasury stock

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)	
FY12/07	Parent	8,134	2.6%	na	na	578	-31.1%	318	-33.9%	52.99	281.88	na	20.7
FY12/08	Parent	8,177	0.5%	na	na	469	-18.9%	254	-20.0%	42.41	323.45	na	14.0
FY12/09	Cons.	5,990	-	307	-	263	-	143	-	23.86	350.34	na	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 Est.	Cons.	14,448	17.5%	1,466	1.4%	1,374	3.4%	929	8.9%	114.03	-	-	-

Source: Shared Research based on company data

Note: Figures rounded to the nearest million yen. On August 31, 2011, the company conducted a 50-for-1 stock split. BPS and EPS data adjusted accordingly.

## Business

### Pioneer in property rights realignment: Aims to expand nationwide presence via the leasehold land and old underutilized properties businesses

#### Overview

Sansei Landic operates the Real Estate Sales segment (89% of total sales in FY12/16) and the Construction segment (11% of sales). The company was founded by Katsumi Ozawa in February 1976, and is headquartered in Tokyo. Takashi Matsuzaki (born in 1970) joined in May 1993 and took over the role of president from Mr. Ozawa in July 2003. The company started by handling leasehold land\* from June 1991. Now it handles both leasehold land and old underutilized properties\*\*, and engages in property procurement, rights realignment, sales, and management across Japan. Consolidated subsidiary One’s Life Home operates the Construction segment.

Within the real estate sector, leasehold land and old underutilized properties are a niche market because they require substantial effort in terms of rights realignment, while each property is relatively small. Sansei Landic is the leading player in this space (Shared Research estimates the company’s market share at 20–25%). At end-June 2017, the company had 127 employees at the parent and 147 consolidated employees.

\* Leasehold land: Land that is leased out by a landowner, on which a third party (leaseholder) can build housing. The leaseholder owns the house, but not the land on which it is built.

\*\* Old underutilized properties: Old properties such as partially occupied apartment buildings that need renovation or redevelopment, but cannot easily be renovated or torn down due to existing tenants.

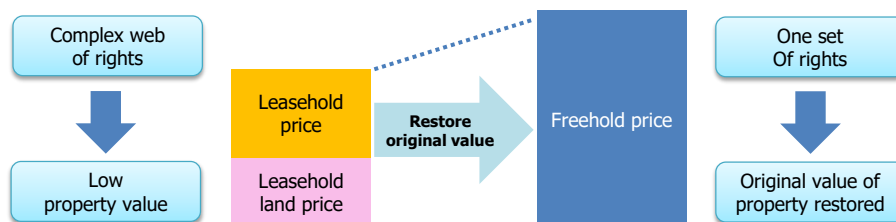
## Real Estate Sales segment

The Real Estate Sales segment comprises four businesses: leasehold land, old underutilized properties, freehold, and other.

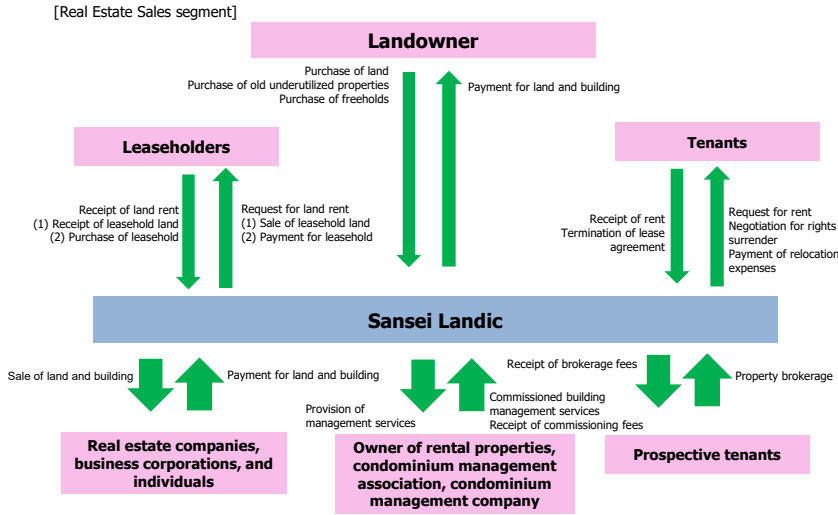
#### Business model

The leasehold land and old underutilized properties businesses accounted for 80% of segment sales in FY12/16. If a property has multiple rights holders (landowner, leaseholder, tenant), it is difficult to redevelop or otherwise effectively utilize the property, leading to a reduction in asset value. Sansei Landic purchases the land rights of such properties from landowners, enhances their value by realigning the various rights, then resells. The company collects property information primarily from real estate brokers, examines the legal restrictions and various rights relationships of a property, and purchases the land rights following negotiations with the landowner.

#### Overview of the company’s added value

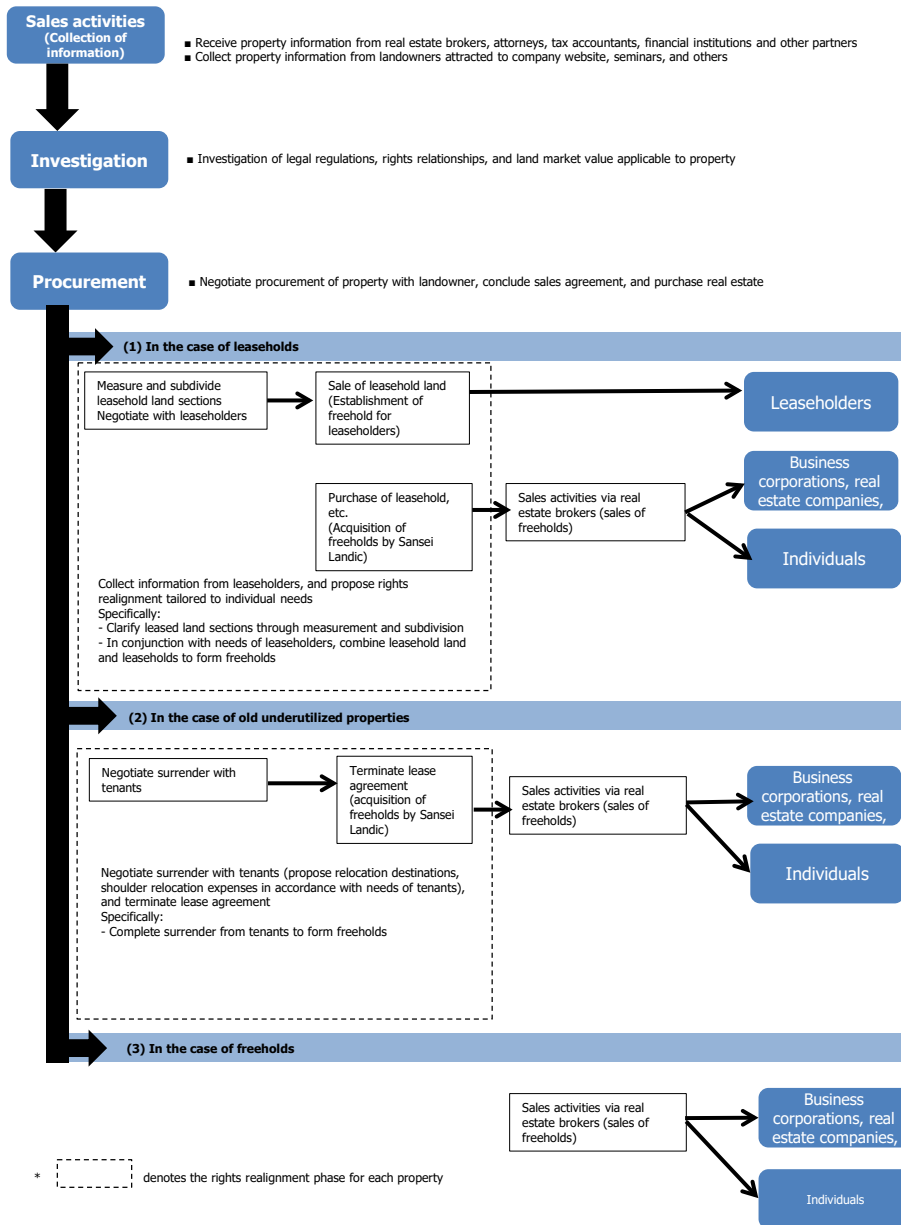


Source: Shared Research based on company data



Source: Shared Research based on company data

**Standard workflow in the Real Estate Sales segment**

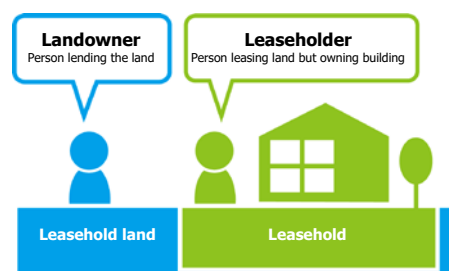


Source: Shared Research based on company data

## Leasehold land business

Leasehold land is land that is leased by a landowner to a third party (leaseholder). The leaseholder can build a house on that land, and owns the house but not the land.

### Illustration of leasehold land



Source: Shared Research based on company data

### Problems arising from conflicting interests of landowner vs leaseholder

A single piece of land with both a landowner and a leaseholder can lead to problems for both sides. Leaseholders have particularly strong legal rights in Japan. As such, landowners, despite owning the land in question, are barred from using the land as they see fit unless they receive permission from the leaseholders. Because the rent for leasehold land tends to be low, a lack in demand and the ability to generate revenue may make it difficult for successors to sell the land. On the other hand, leaseholders cannot rebuild their houses on the leased land without approval from the landowner, and so in many cases end up shouldering the financial burden of living in an older, run-down property. In addition, since leaseholders do not own the land, the standalone value of their land lease is low, making it difficult to sell the lease. In these ways, both parties suffer, and landowners and leaseholders often get stuck in a deadlock that can last several decades. During this time, accumulated mutual reticence and negative emotions may make it difficult for the two parties to directly resolve any issues. Sansei Landic enters the scene as a mediator, disentangles the complex rights and human relationships, and works to raise the value of the property to an appropriate level.

### Example of realigning property rights

The following example from Kanagawa Prefecture illustrates Sansei Landic's process of property rights realignment. It involved land of roughly 1,000sqm with 12 leaseholders. First, Sansei Landic purchased the land rights from the landowner. The landowner thus managed to sell (liquidate) the land. At the time of acquisition, due to legal restrictions 6 of the 12 buildings on the land could not be rebuilt because they were not directly adjacent to a road. This kept the values of these properties extremely low.

Working with the relevant government office, Sansei Landic extended the road, making two of the six properties adjacent to a road. Next, it reallocated the land in such a way as to make all properties connected to the road, making rebuilding possible for all 12 properties. This boosted their value considerably.

Sansei Landic's primary objective is to sell to leaseholders the land rights on which their properties are built. The leaseholders, by purchasing these land rights, become freeholders and can rebuild their property to enhance asset value. Some leaseholders are not interested in buying land rights, and instead prefer to sell their leaseholds to the company. In Kanagawa Prefecture, Sansei Landic sold land rights to 10 out of the 12 leaseholders, and purchased the leaseholds from the remaining two. It then sold the two (now freehold) properties to third parties.

Example of property rights realignment

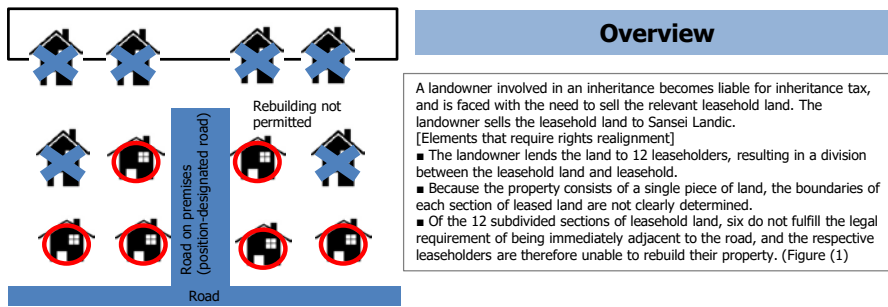


Figure (1)

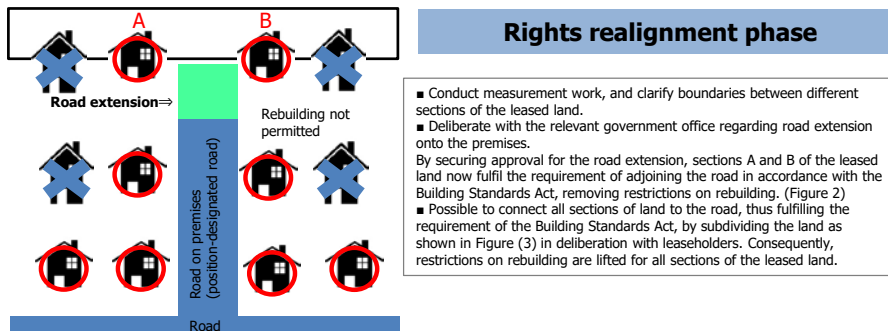


Figure (2)

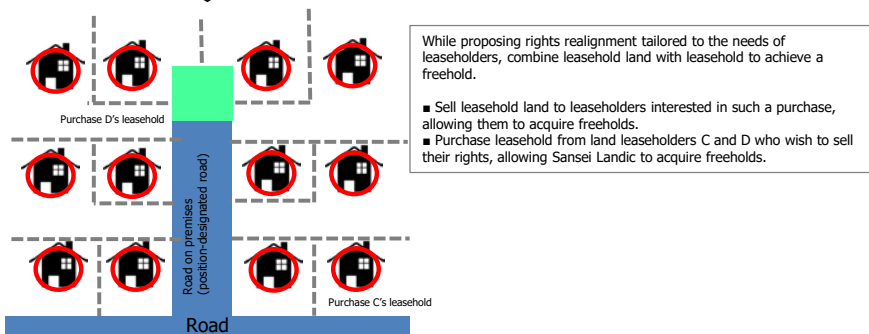


Figure (3)

Source: Shared Research based on company data

Earnings structure of the leasehold land business

The price of land is determined by a range of factors including location, shape, and environment. When buying or selling land rights and leaseholds, the common practice is to use the leasehold ratio (ratio of a typical leasehold value to fee simple value), which is used in inheritance tax appraisals. These ratios change in proportion to the property value. The ratio of land rights can vary from 10–70% depending on the location. In most cases, leasehold value exceeds land right value.

Sansei Landic calculates the property sales value for each portion of land based on the leasehold ratio, the area of the site leased by the leaseholder, the lease period, the rent, and other variables. It then subtracts various costs (brokerage commissions, calculated real estate acquisition tax and other taxes, and various other costs necessary for realigning property rights) and a predetermined amount based on the sales price (Sansei Landic's profit) to arrive at the procurement price.

If the land rights ratio is 40%, the leaseholder already owns 60% of the land and only needs

to buy the remaining 40% to own the full set of rights. Many leaseholders tend to do this. The sales price is often higher than the procurement price, due to the company's initiatives to raise the value of the land, such as road development.

After procurement, Sansei Landic aims to sell 80% of a property within one year, 15% within three years, and the remaining 5% within five years. The portions it does not sell immediately are rented out.

#### Old Act on Land Leases and old Act on Building Leases vs. Act on Land and Building Leases

The land Sansei Landic handles is land under the old Act on Land Leases and the old Act on Building Leases. Not long after the Great Kanto Earthquake of 1923, Japan moved into the Showa Era (1926–1989). A concurrent population inflow into urban areas led to a surge in real estate prices, raising the need to protect leaseholders. This resulted in revisions to the Act on Land Leases and Act on Building Leases in 1941 (now referred to as the Old Act on Land Leases and Act on Building Leases). Under the revised laws, landowners were no longer permitted to terminate land lease agreements or refuse renewals without justifiable grounds. After the Second World War, the Act on Temporary Treatment of Rental Land and Housing in Cities Damaged by War was enacted with the aim of promoting post-war recovery, and this included expanding the supply of leased land. During Japan's period of rapid economic growth, land prices soared, and population inflows into urban areas continued. Although many aging buildings on leasehold land required reconstruction, securing the necessary approval from landowners often proved problematic. This led to further revisions to the Act on Land Leases and Act on Building Leases in 1966. The revised laws allowed leaseholders who could not obtain approval for reconstruction or expansion of their properties from their landowner to secure such authorization from a court. The old laws, enacted during the period of turmoil surrounding the Second World War, failed to properly address many of the issues that arose in connection with the sharp leap in the number of land or building leases, resolve problems related to roads, and clarify the boundaries of adjacent land, lease agreement details, and rights relationships.

In 1992, the new Act on Land and Building Leases was enacted, introducing the concept of fixed-term leaseholds. Land lease contracts established after the new law took effect are subject to a fixed term. However, there is still substantial leasehold land governed by the old laws. Leasehold land is now being liquidated as land established before and after the Second World War is transferred to successors and others, and as there are calls to shed outdated regulations. The property rights realignment business has emerged amid this backdrop.

#### **Market size for leasehold land**

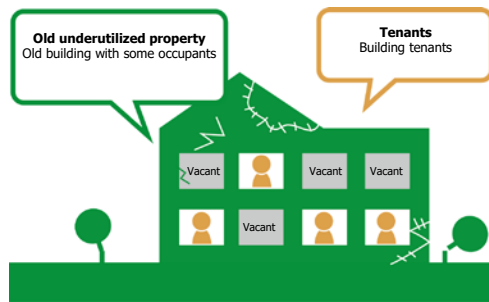
There is no objective sector data on the market size for leasehold land in Japan. According to the Housing and Land Survey of the Ministry of Internal Affairs and Communication (MIC), Japan had roughly 1mn leaseholds as of 2013 (survey held every five years). Since leaseholds are for leasehold lands, we can assume the same number of land right parcels. The Tokyo metropolitan area alone has 155,200 land right parcels, and Sansei Landic estimates the corresponding market size at over JPY1.7tn. The company sold 362 land rights in FY12/16 for sales of just JPY5.4bn. This implies a large untapped market.

Sansei Landic mainly operates in the Kanto and Kansai areas. Although unit sales prices are low, the business enjoys stable sales without being swayed by economic fluctuations, as leaseholders benefit from buying land rights.

#### **Old underutilized properties business**

Old underutilized properties refer to old revenue-generating properties, such as a 30-year-old wooden apartment building. Whereas new buildings have low vacancy rates and high rents, older buildings have high vacancy rates and low rents.

### Old underutilized property



Source: Shared Research based on company data

### Example of realigning rights of an old underutilized property

The following example is from a property in Nagoya city. Sansei Landic purchased land with an area of roughly 430sqm and an accompanying 30-year-old run-down wooden apartment building on the land. Due to a lack of maintenance, the building had a high vacancy rate, and thus generated limited rental revenue. The land and building owner, by selling to Sansei Landic, was able to liquidate a property with sluggish margins. Three of the eight residential units were occupied. Sansei Landic negotiated with these three tenants, offering to help them find new housing with better conditions and shouldering the relocation costs. Consequently, all three moved out and their existing lease agreements were dissolved. Once the premises were vacant, Sansei Landic demolished the building and sold the vacant lot to a provider of built-for-sale housing.

### Market size for old underutilized properties

According to the Housing and Land Survey (2008) by the MIC, Japan has 444,700 wooden apartment buildings constructed prior to 1980, accounting for 41.7% of all wooden apartment buildings in Japan. Sansei Landic estimates 62,400 of these buildings are in Tokyo's 23 wards. In the Tokyo metropolitan area it puts the total value of vacant lots converted from old underutilized properties at JPY2.3tn. The company converted and sold 36 old underutilized properties in FY12/16, with sales at JPY3.4bn. This suggests a large potential market, similar to the leasehold land business.

In FY12/16, the company recorded JPY3.4bn in sales of converted old underutilized properties (27.7% of total sales). It sold 36 vacant lots, with the average unit price at JPY95mn. Although the unit price is more than six times higher than for leasehold land, margins are relatively low.

Sansei Landic operates this business mainly in the Sapporo, Nagoya, and Fukuoka areas. It sells vacant lots to condominium developers and detached housing manufacturers, so proactively provides information. Given the growing demand for vacant land, the company is expecting an increase in the size of properties handled as well as a rise in margins.

### Freehold business

In the freehold business, the company procures and sells the full set of property rights (freeholds do not require the realignment of property rights). The company adds value by procuring the full set of property rights, then sells the freehold property. For example, it may convert farming land into residential land and arrange road development, then sell the land as a large parcel of subdivided lots. Alternatively, it may purchase land adjoining a parcel of leasehold land it already owns to sell the combined land as part of a larger parcel.

In FY12/16, the company recorded JPY1.8bn in sales for the freehold business (14.6% of



total sales). It sold a total of 22 freehold properties, with an average unit price of JPY81mn. Unit prices in the business vary significantly; in FY12/15, the company sold 24 freehold properties for sales of JPY690mn, with an average unit price of JPY29mn.

### Other business

The other business includes revenue from renting out property and consulting fees. The company also offers outsourcing services to landowners. Landowners can outsource all land lease management operations to the company, including land rent collection, arrears payment notifications, and renewal procedures. Having Sansei Landic manage leaseholders not only reduces the burden on the landowner but also facilitates efficient utilization of the leasehold land. For Sansei Landic, through these services it may be able to create future procurement opportunities.

### Earnings trends in the Real Estate Sales segment

Sansei Landic's mainstay operations, the leasehold land and old underutilized properties businesses, have the following earnings trends.

The earnings composition of the leasehold land, old underutilized properties, and freehold businesses vary each year, leading to fluctuations in sales and profits. A higher share of the leasehold land business tends to translate into modest sales growth but higher margins. An increase in the share of the old underutilized properties business leads to higher sales but lower margins. The company aims for a certain margin level when procuring properties, but because it needs to act in accordance with the intentions of the various rights holders when it sells those rights, profit margins fluctuate.

For the same reason, the timing of booking sales also fluctuates, leading to earnings fluctuations each quarter. As a general trend, during periods of stagnant real estate prices (such as after the global financial crisis) the company tries to raise the share of the leasehold land business, which enjoys stable sales. Conversely, when real estate prices recover, the company increases the share of sales of the old underutilized properties business. Based on this strategy, earnings have trended upward over the seven years through FY12/16.

In FY12/16, the Real Estate Sales segment posted sales of JPY11.0bn, operating profit of JPY2.3bn, and a profit margin of 20.5%. In comparison, FY12/09 sales were JPY4.8bn, operating profit JPY532mn, and the profit margin 11.0%. In seven years, sales increased 2.3x and operating profit 4.2x. The profit margin has remained at the 20% level from FY12/13 through FY12/16.

### Earnings trends in the Real Estate Sales segment

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

Source: Shared Research based on company data

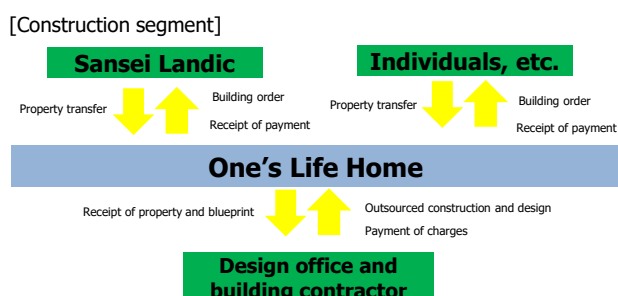
Note: Figures rounded to the nearest million yen.

### Construction segment

One's Life Home, a consolidated subsidiary of Sansei Landic, provides fully custom-designed detached housing, designer-led renovations, and related management

services. It specializes in custom-built housing that features natural materials and uses minimal amounts of harmful chemicals to provide a healthier living environment, and offers consumers a change to collaborate with architects to turn their ideas into reality. It also sells through housing showrooms.

### Overview of Construction segment



Source: Shared Research based on company data

### Earnings trends in the Construction segment

Segment sales have ranged between JPY1.1bn and JPY1.7bn during the eight years through FY12/16. The segment posted losses in four of these years, and relatively low profits in the other four years. The company is boosting its renovation capabilities, and expects such efforts to contribute to an improvement in the earnings structure.

### Earnings trends in the Construction segment

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

Source: Shared Research based on company data

Note: Figures rounded to the nearest million yen.

### Competition and market share

Sansei Landic is the market leader in operations related to leasehold land and old underutilized properties (Shared Research estimates the company's market share at 20–25% by transaction value).

The company has seven or eight competitors, but not one specializes in these areas or has a nationwide presence as Sansei Landic does. Listed companies that handle leasehold land include Arealink Co., Ltd. (8914) and Yamada Servicer Synthetic Office (4351), but neither specialize in this area, and their transaction value is in the JPY400mn–1bn range. In the Tokyo area, Sansei Landic's largest competitor is Tokyo City-Development Co., Ltd. (unlisted), which is strong in direct sales to landowners and has developed proprietary information channels. Its sales are roughly half of Sansei Landic's. Another competitor in Tokyo is Heisei Toshi Keikaku Co., Ltd. (unlisted), which is about one-fifth the size of Sansei Landic. Toukai Tatemono Co., Ltd. is another rival, headquartered in Osaka, and mainly competes with the company in Kansai and Nagoya. Unlike Sansei Landic, its focus is on purchasing leaseholds from leaseholders, and after acquiring the full set of property rights, it builds for-sale detached houses. It is smaller than Sansei Landic.

In FY12/16, Sansei Landic posted JPY5.4bn in leasehold land sales, accounting for 44.0% of total sales. It sold 362 leasehold land parcels, with an average unit price of JPY15mn. Although the per-parcel sale prices are low compared to empty lots converted from old underutilized properties, the company adds value through realigning property rights and is therefore able to secure high profit margins.

## Comparison with peers

Ticker	Company	Fiscal year	Sales (JPY mn)	OP (JPY mn)	OPM (RP-based)	ROA	ROE	Equity ratio	Net Debt-to-equity ratio	Main businesses (% of sales)
3299	Mugen Estate Co., Ltd.	FY12/16	57,488	6,310	11.0%	11.2%	22.1%	26.6%	1.92	Purchase and sale (renovation)(96)
8940	IntelleX Co., Ltd.	FY05/16	38,975	1,759	4.5%	5.0%	11.5%	27.7%	1.83	Renovation and sale of pre-owned condominiums (84)
3230	Star Mica Co., Ltd.	FY11/16	20,973	3,258	15.5%	5.1%	12.7%	26.8%	2.32	Pre-owned condominium (sale and rental)(81)
8914	Arealink Co., Ltd.	FY12/16	16,908	1,935	11.4%	9.1%	7.6%	64.2%	-0.19	Property management (94), property revitalization and liquidation (6)
3277	Sansei Landic Co., Ltd.	FY12/16	12,300	1,446	11.8%	12.0%	13.2%	63.3%	0.03	Real Estate Sales (89), Construction (11)
4351	Yamada Servicer Synthetic Office	FY12/16	2,657	552	20.8%	5.3%	16.6%	28.0%	0.16	Servicer (53), staffing (21), real estate solutions (15), other (11)
	Average		29,329	2,942	10.8%	8.5%	13.4%	41.7%	1.18	

Source: Shared Research based on company data

Note: Figures rounded to the nearest million yen.

## Earnings trends

## FY12/16 results

## Overview

FY12/16 sales came to JPY12.3bn (+6.3% YoY), operating profit to JPY1.4bn (+11.3% YoY), recurring profit to JPY1.3bn (+11.1% YoY), and net income attributable to parent company shareholders to JPY854mn (+17.9% YoY). Profits reached record highs.

The company's initial forecast called for sales of JPY14.7bn, operating profit of JPY1.4bn, recurring profit of JPY1.3bn, and net income attributable to parent company shareholders of JPY848mn. While sales fell short by JPY2.4bn, profits exceeded forecasts.

## Segment results

**Real Estate Sales segment:** Sansei Landic sold 362 leasehold land parcels, 36 lots converted from old underutilized properties, and 22 freeholds. The company had forecast a sharp expansion in sales due to a rise in sales in the old underutilized properties business. However, sales in that business declined as a large project was pushed back to the next fiscal year. On the other hand, sales of the leasehold land and freehold businesses increased, contributing to profit growth. Overall sales came to JPY11.0bn (+7.0% YoY) and segment profit to JPY2.3bn (+11.5% YoY).

**Construction segment:** The segment booked sales for 170 detached housing and renovation projects. Detached housing sales declined YoY on a delay in the booking of sales reflecting a protracted period from application until the start of construction. Renovation sales increased, but profit margins declined owing to higher-than-budgeted construction and other costs. Overall sales came to JPY1.4bn (+2.4% YoY), but the segment posted a loss of JPY56mn (FY12/15 loss of JPY38mn).

## 1H FY12/17 results

## Overview

Sales came to JPY5.6bn (-6.5% YoY), operating profit to JPY490mn (-7.0%), recurring profit to JPY457mn (+3.1%), and net income attributable to parent company shareholders to JPY261mn (+7.0%). The company's initial forecasts were tilted toward 2H due to sluggish procurement in FY12/16, and called for a decline in sales and profits in Q2. Initial targets were sales of JPY5.3bn, operating profit of JPY123mn, recurring profit of JPY78mn, and net income attributable to parent company shareholders of JPY19mn. Sales in 1H exceeded the 1H forecast by 4.7%, and profits came in well above targets. In Q2 FY12/17, the company received information on roughly 500 properties, on par with the year-earlier level. But this information led to over 40 procurement contracts, 1.5–2x the previous year. This reflected effects from direct mail campaigns to professionals and landowners, business partnerships

with sub-lease and management companies that have deep ties with landowners, and seminars held by Sansei Landic for landowners. Project scale also appears to be on the rise, boding well for future procurement.

### Segment results

**Real Estate Sales segment:** The company sold 129 leasehold land parcels, 15 lots converted from old underutilized properties, and 7 freehold properties. Sales in the old underutilized properties business came to JPY2.3bn, increasing from JPY1.9bn in the previous year. However, segment sales fell on lower sales in the leasehold land business (JPY2.35bn from JPY2.42bn in 1H FY12/16) and in the freehold business (JPY259mn from JPY1.0bn in 1H FY12/16). Segment sales were down to JPY5.1bn (-8.8% YoY) and segment profit to JPY951mn (-3.5% YoY).

**Construction segment:** The segment booked sales for 79 detached housing and renovation projects. Segment sales came to JPY480mn (+17.2% YoY), but the segment posted a loss of JPY77mn (loss of JPY107mn in 1H FY12/16).

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

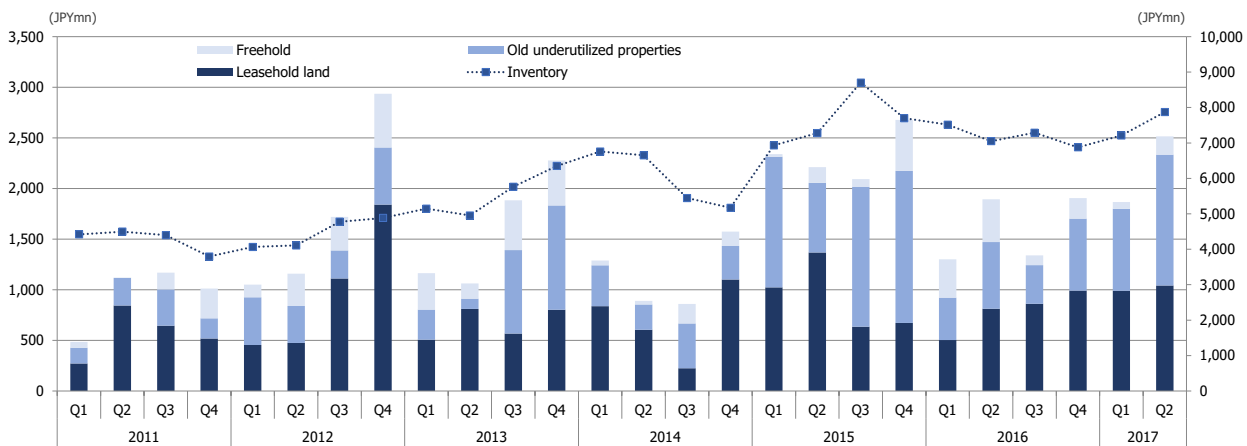
Source: Shared Research based on company data

Note: Figures rounded to the nearest million yen.

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

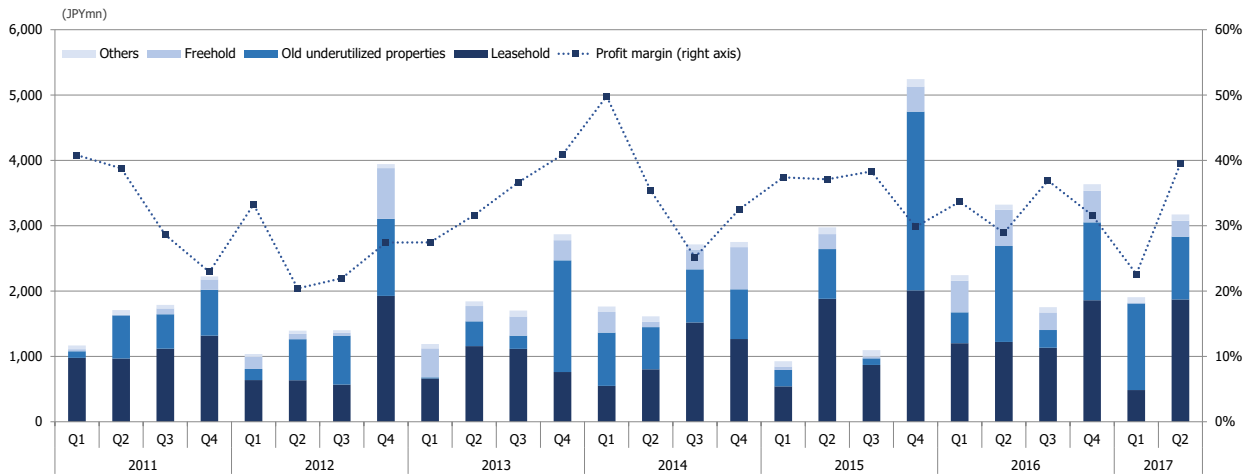
Source: Shared Research based on company data  
 Note: Figures rounded to the nearest million yen.

Real Estate Sales segment procurement value (JPYmn)



Source: Shared Research based on company data

**Real Estate Sales segment sales (JPYmn)**



Source: Shared Research based on company data

**FY12/17 forecasts**

**Overview**

Sansei Landic forecasts FY12/17 sales of JPY14.4bn (+17.5% YoY), operating profit of JPY1.5bn (+1.4% YoY), recurring profit of JPY1.4bn (+3.4% YoY), and net income attributable to parent company shareholders of JPY929mn (+8.9% YoY), reflecting sales and profit growth as well as record high profits.

**Segment forecasts**

**Real Estate Sales segment:** Procurement should be steady supported by a diversification in information channels. The company projects sales growth based on expected sales of procured leasehold land. FY12/17 forecasts call for sales of JPY6.3bn for leasehold land (+17.2% YoY) and JPY4.5bn for old underutilized properties (+32.3 YoY). However, the company expects a decline in profit accompanying an increase in taxes on higher procurement.

**Construction segment:** The company anticipates sales growth supported by more even sales of custom-built housing and an increase in renovation projects. It also looks to eliminate losses on a full-year basis.

**Medium-term strategy**

**Medium-term plan**

Sansei Landic’s medium-term plan spans FY12/15 through FY12/17. The plan sets out to expand existing businesses while developing new businesses by drawing on its accumulated expertise in realigning property rights. The company switched to a triple sales headquarters structure (categorized by purpose and region) to quickly respond to changes in the market of each business area. It expanded the sales areas covered by its Nagoya and Osaka branches, and increased hiring to grow earnings in the Tokai and Kinki areas.

**Overview**

The Real Estate Sales segment comprises three businesses: leasehold land, old underutilized properties, and consulting.

The medium-term strategy for the first two businesses is to strengthen operations and

steadily expand earnings by leveraging the company's expertise in property rights realignment accumulated over many years, and its reputation and credibility as a company listed on TSE1. In particular, it aims to strengthen procurement and improve its property rights realignment and sales capabilities.

In the consulting business Sansei Landic provides support for customers who wish to sell their land or buildings, or who want to utilize their real estate more efficiently or use replacement properties as a tax-saving measure. The company also buys land leaseholds and restores properties on behalf of landowners. The strategy for the consulting business is to make proposals regarding efficient utilization of real estate starting with the purchasing of leaseholds, and expand related services. The company hopes an increase in such consultations will also lead to procurement opportunities for existing businesses.

In the Construction segment, management's strategy is to build on the existing strengths of the high quality and design of custom-built housing. By further increasing quality and designing products tailored to regional characteristics, it aims to improve profitability.

### Management targets

Medium-term targets call for FY12/17 sales of JPY15.6bn, operating profit of JPY1.6bn, recurring profit of JPY1.5bn, and net income attributable to parent company shareholders of JPY974mn. The company now projects it will achieve around 90% of its sales and profit targets as shown in the table below. This is mainly because many real estate sellers held off on selling properties in FY12/16 on the assumption that real estate prices would increase, and the company's procurement accordingly fell short of the medium-term target.

FY12/17 earnings forecasts (cons.)			
	MTP	Latest Est.	Vs. MTP
	(JPYmn)	(JPYmn)	(%)
Sales	15,647	14,448	92.3
Gross profit	4,411	4,266	96.7
Operating profit	1,635	1,466	89.7
Recurring profit	1,524	1,374	90.2
Net income	974	929	95.4

Source: Shared Research based on company data

### Next medium-term plan (FY12/18–FY12/20)

The next medium-term plan is slated to be announced with FY12/17 results in February 2018.

The company is positioning the next plan as a period to bolster corporate strength. Objectives include (1) maintaining stable earnings growth, (2) generating earnings from new businesses that address challenges in the real estate industry (vacant houses, areas with many wooden buildings, rentals of vacant rooms in private residences known as "minpaku," regional revitalization, post-disaster support, etc.), (3) developing personnel to ensure the transfer of expertise and improved efficiency, and (4) strengthening businesses by leveraging the characteristics of each region.

Sansei Landic regards RPM as a key indicator of profitability. In FY12/16, RPM was 10.8%, up 0.5pp YoY. The company aims for even higher profit margins, lower costs, and lower interest rates.

## Strengths and Weaknesses

### Strengths

- **Dominant position in a niche market:** The company is a leading player in the niche markets of realigning property rights for leasehold land and old underutilized properties. (We estimate the company's market share at 20–25%). Both businesses require substantial effort in terms of property rights realignment, yet each project is comparatively small. Major real estate developers are less likely to enter this market where they will have difficulty in achieving economies of scale. At the same time, smaller real estate developers may find it difficult to raise the necessary capital for procurement given the low collateral value of leasehold land and other properties handled by Sansei Landic.

Sansei Landic has developed a broad, nationwide network, which gives it an edge in collecting information on properties by funneling much of the information on leasehold land to the company. Unlike its competitors, which operate in a single region, Sansei Landic has a nationwide foothold, with eight sales offices (including the head office) spanning from Sapporo to Fukuoka. The company has traditionally obtained most of its information from real estate brokers, but it is now leveraging its credibility as a listed company to organize seminars and partner with tax accountants to expand its procurement channels. Consequently, the share of procurement from non-brokers has risen sharply, from 2.6% in FY12/15 to 17.6% in FY12/16, and looks likely to keep rising. This is expected to contribute to the company's competitiveness in gathering information on properties.

- **Short capital recovery period:** For the company, procurement to sales takes six months to a year, shorter than for traditional real estate, contributing to greater stability in working capital. Compared to large real estate developers, the company only shoulders a small amount of loans per project, which means it is not heavily leveraged. In 2009, while other real estate developers went bankrupt or posted substantial losses in the wake of the global financial crisis, Sansei Landic continued to operate in the black. The leasehold land business, in particular, is particularly stable as it is relatively immune to economic fluctuations. In addition, Sansei Landic is one of the few listed company that operate in this space, so it enjoys greater credibility than non-listed peers. The company conducts transactions with a wide range of financial institutions such as megabanks, regional banks, and shinkin banks (Japanese deposit institutions similar to credit unions). Its interest-bearing debt ratio in FY12/16 was 25.0%, suggesting it still has ample borrowing capacity.
- **Large potential market:** The leasehold land market in Tokyo is worth over JPY1.7tn (based on Sansei Landic estimates). Considering the company only has leasehold land sales of roughly JPY5bn, the untapped market is substantial. Since many of the leasehold land parcels established in the period of turmoil surrounding the Second World War are being transferred to successors, liquidations are likely to continue. To tap into the broader market, Sansei Landic is working to enhance the property rights realignment skills of its personnel. It conducts rights realignment training for newly hired college graduates, so that they can transition from procurement to sales within three years. These skills involve ongoing careful communication with certain customers to understand their needs. In many cases, employees will need to concurrently manage the interests of multiple leaseholders. The company is identifying patterns in the various problems faced by leaseholders and the corresponding solutions.



## Weaknesses

- **Business is rooted in real estate practices that are unique to Japan, hindering overseas expansion:** The company's core businesses are premised on a legal context that is unique to Japan (the old Act on Land and old Act on Building Leases). This makes overseas expansion difficult.
- **Limited synergies with its subsidiary:** The company's two segments operate independently, and there is little scope for synergies between the two. The Construction segment had sales of JPY1.4bn but posted an operating loss of JPY56mn in FY12/16. Since this segment is limited to the Tokyo area, competition from rival housing manufacturers is squeezing sales prices, preventing the segment from absorbing costs. While the Construction segment needs a business model with lower costs, it should also be exploring synergies with the company's other operations such as the leasehold land and old underutilized properties business.
- **No new businesses that can be developed into earnings drivers:** The leasehold land business and old underutilized properties business accounted for 72% of sales in FY12/16, pointing to insufficient diversification of the business portfolio. The company has started building new businesses such as post-disaster reconstruction support services in Ishinomaki City via its Sendai branch office, and accommodation in private homes for travelers (*minpaku*) in Tokyo. However, these initiatives are still only being explored on a local level.

## Income statement

Income statement											
(JPYmn)	FY12/07	FY12/08	FY12/09	FY12/10	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17 Est.
	Parent	Parent	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Sales	8,134	8,177	5,990	7,415	8,042	9,475	9,188	10,444	11,568	12,300	14,448
YoY	2.6%	0.5%	-	23.8%	8.5%	17.8%	-3.0%	13.7%	10.8%	6.3%	17.5%
Cost of sales	n.a	n.a	4,266	5,167	5,557	7,061	6,254	7,055	7,798	8,344	10,182
YoY	n.a	n.a	-	21.1%	7.6%	27.1%	-11.4%	12.8%	10.5%	7.0%	22.0%
Cost ratio	n.a	n.a	71.2%	69.7%	69.1%	74.5%	68.1%	67.6%	67.4%	67.8%	70.5%
Gross profit	n.a	n.a	1,724	2,248	2,485	2,415	2,934	3,389	3,769	3,957	4,266
YoY	n.a	n.a	-	30.4%	10.5%	-2.8%	21.5%	15.5%	11.2%	5.0%	7.8%
GPM	n.a	n.a	28.8%	30.3%	30.9%	25.5%	31.9%	32.4%	32.6%	32.2%	29.5%
SG&A expenses	n.a	n.a	1,418	1,594	1,735	1,898	2,014	2,184	2,470	2,510	2,800
YoY	n.a	n.a	-	12.4%	8.9%	9.3%	6.1%	8.5%	13.1%	1.6%	11.5%
SG&A ratio	n.a	n.a	23.7%	21.5%	21.6%	20.0%	21.9%	20.9%	21.4%	20.4%	19.4%
Operating profit	n.a	n.a	307	655	750	517	920	1,205	1,300	1,446	1,466
YoY	n.a	n.a	-	113.5%	14.5%	-31.0%	77.9%	30.9%	7.9%	11.3%	1.4%
OPM	n.a	n.a	5.1%	8.8%	9.3%	5.5%	10.0%	11.5%	11.2%	11.8%	10.1%
Non-operating income	n.a	n.a	29	25	135	5	12	14	15	15	-
YoY	n.a	n.a	-	-14.0%	439.6%	-96.4%	141.0%	17.1%	6.3%	5.0%	-
% of sales	n.a	n.a	0.5%	0.3%	1.7%	0.1%	0.1%	0.1%	0.1%	0.1%	-
Non-operating expenses	n.a	n.a	72	140	138	85	122	174	118	133	-
YoY	n.a	n.a	-	93.9%	-1.4%	-38.4%	43.2%	42.9%	-32.3%	12.7%	-
% of sales	n.a	n.a	1.2%	1.9%	1.7%	0.9%	1.3%	1.7%	1.0%	1.1%	-
Recurring profit	578	469	263	539	747	437	810	1,044	1,196	1,329	1,374
YoY	-31.1%	-18.9%	-	104.8%	38.4%	-41.5%	85.3%	28.9%	14.6%	11.1%	3.4%
RPM	7.1%	5.7%	4.4%	7.3%	9.3%	4.6%	8.8%	10.0%	10.3%	10.8%	9.5%
Net income attributable to owners of parent	318	254	143	301	444	233	456	626	724	854	929
YoY	-33.9%	-20.0%	-	110.3%	47.6%	-47.5%	95.4%	37.5%	15.6%	17.9%	8.8%
Net margin	3.9%	3.1%	2.4%	4.1%	5.5%	2.5%	5.0%	6.0%	6.3%	6.9%	6.4%

Source: Shared Research based on company data

Note: Figures rounded to the nearest million yen. Company data rounded down to the nearest million yen.

## Balance sheet

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

Source: Shared Research based on company data

Note: Figures rounded to the nearest million yen. Company data rounded down to the nearest million yen.

## Per-share data (JPY, after stock split adjustment)

Per share data (JPY; adjusted for stock splits)											
	FY12/07	FY12/08	FY12/09	FY12/10	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17 Est.
	Parent	Parent	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
Shares issued (year end)	120,000	120,000	120,000	120,000	6,900,000	6,900,000	6,900,000	7,915,000	8,108,500	8,149,500	-
EPS	52.99	42.41	23.86	50.18	73.50	33.80	66.04	90.23	90.08	104.94	114.03
EPS (fully diluted)	-	-	-	-	-	-	-	88.58	88.74	104.03	-
Dividend per share	0.84	0.84	0.84	2.60	6.00	3.00	3.00	6.00	10.00	12.00	15.00
Book value per share	281.88	323.45	350.34	399.68	469.71	497.51	560.55	664.77	744.23	840.78	-

Note: On August 31, 2011, the company conducted a 50-for-1 stock split. Data adjusted accordingly.

Source: Shared Research based on company data

## Cash flow statement

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

Source: Shared Research based on company data

Note: Figures rounded to the nearest million yen

## Financial ratios

Financial ratios										
	FY12/07	FY12/08	FY12/09	FY12/10	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16
	Parent	Parent	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
ROA (RP-based)	na	na	na	9.9%	11.6%	6.6%	10.1%	11.8%	11.9%	12.0%
ROE	20.7%	14.0%	7.0%	13.4%	15.8%	7.0%	12.5%	13.7%	12.8%	13.2%
Inventory turnover	na	na	na	2.2	1.9	2.2	1.6	1.8	1.8	1.7
Tangible fixed assets turnover	na	na	na	63.6	65.6	70.2	26.2	17.8	19.7	21.2
Current ratio	na	na	184.8%	192.1%	197.2%	202.0%	174.9%	247.6%	211.1%	260.0%
Equity ratio	25.8%	44.4%	50.7%	35.3%	53.3%	48.4%	43.4%	59.8%	52.9%	63.3%

Source: Shared Research based on company data

## Shareholder returns

Sansei Landic regards the return of profits to shareholders as a key management priority. By promoting strategies that maximize shareholder gains, it works to improve its earnings power and expand business foundations. Retained earnings are channeled into investments to strengthen the management structure to expand business foundations.

Management's core policy is to pay out one annual dividend from surplus funds at the end of the fiscal year. At the interim results, the company sends shareholder benefits in the form of two to five canned bread products (emergency food with a three-year shelf life) based on the number of shares held and length of the holding period. The company has a favorable reputation among investors, who are growing rapidly in number and stood at 11,192 at end-June 2017.

## Shareholders

Top shareholders	Shares held	Shareholding ratio
Takashi Matsuzaki	1,318,480	15.90%
Japan Trustee Services Bank. Ltd. (Trust account)	509,700	6.15%
Shoji Matsuura	482,900	5.82%
Junko Ozawa	391,000	4.71%
Tetsuya Hisatomi	322,000	3.88%
Bank of New York GCM Client Account	198,790	2.40%
KBL European Private Bankers SA 107704	156,800	1.89%
Yuka Kikuchi	155,000	1.87%
Yusuke Ozawa	155,000	1.87%
Kengo Ozawa	155,000	1.87%
Total shares issued	8,292,800	100.00%

Source: Shared Research based on company data

Note: As of June 30, 2017

## Corporate governance

Organization form and capital structure	
Controlling shareholder	None
Parent company ticker	—
Directors	
Number of directors under Articles of Incorporation	10
Directors' terms under Articles of Incorporation (years)	2
Number of independent outside directors	2
Audit & Supervisory Board	
Number of Audit & Supervisory Board members under Articles of Incorporation	3
Number of independent outside members of Audit & Supervisory Board	3
Others	
Number of independent outside officers (directors and members of Audit & Supervisory Board)	5
Participation to electronic voting platform	In place
Other initiatives to enhance voting rights of investors	None
Providing convocation notice in English	None
Disclosure of director's compensation	None
Disclosure of executive officers' compensation	—
Policy on determining amount of compensation and calculation methodology	In place
Corporate takeover defenses	None

Source: Shared Research based on company data

## Disclaimer

This document is provided for informational purposes only. No investment opinion or advice is provided, intended, or solicited. Shared Research Inc. offers no warranty, either expressed or implied, regarding the veracity of data or interpretations of data included in this report. We shall not be held responsible for any damage caused by the use of this report.

The copyright of this report and the rights regarding the creation and exploitation of the derivative work of this and other Shared Research Reports belong to Shared Research. This report may be reproduced or modified for personal use; distribution, transfer, or other uses of this report are strictly prohibited and a violation of the copyright of this report. Our officers and employees may currently, or in the future, have a position in securities of the companies mentioned in this report, which may affect this report's objectivity.

## Japanese Financial Instruments and Exchange Law (FIEL) Disclaimer

The report has been prepared by Shared Research under a contract with the company described in this report ("the company"). Opinions and views presented are ours where so stated. Such opinions and views attributed to the company are interpretations made by Shared Research. We represent that if this report is deemed to include an opinion by us that could influence investment decisions in the company, such opinion may be in exchange for consideration or promise of consideration from the company to Shared Research.

## Contact Details

### Shared Research Inc.

3-31-12 Sendagi Bunkyo-ku Tokyo, Japan

<http://www.sharedresearch.jp>

Phone: +81 (0)3 5834-8787

Email: [info@sharedresearch.jp](mailto:info@sharedresearch.jp)