Sansei Landic Co., Ltd.

3277, TSE1, Real Estate

March 2, 2020

FY12/19 Results Briefing Transcript

<u>FY12/19 Topics</u>

FY12/19 Topics

Sansei Landic

- Since its founding, achieved the highest net sales and profits in the past years.

Net sales	18,020 million yen	Up7.1%YoY
Operating income	1,860 million yen	Up5.4%YoY
Ordinary income	1,758 million yen	Up7.0%YoY
Net income	1,158 million yen	Up15.1%YoY
Purchase amount	13,177 million yen	Up18.0%YoY

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Thank you very much for taking the time to come today.

First, I will explain the Company's financial results for the fiscal year ended December 31, 2019.

This is a summary of the business results for the fiscal year ended December 31, 2019. Net sales increased by 7.1% year-on-year to 18,020 million yen. Despite falling short of the plan, net sales reached a record high.

Operating income increased by 5.4% year-on-year to 1,860 million yen, ordinary income increased by 7% year-on-year to 1,758 million yen, and net income increased by 15.1% year-on-year to 1,158 million yen. Profits exceeded forecasts and reached record highs.

Purchases increased by 18% year-on-year to 13,177 million yen.

In the Construction Business, performance improved as a result of a significant increase in net sales from orders received due to a review of the marketing strategy that we have been working on since 2018. However, we were unable to achieve profitability.

Comparison of Consolidated Income Statement

Comparison of Consolidated Income Statement

- Net sales fell short of plan, but gross profit and other profits exceeded plan.

(Million yen)

	FY12/17	FY12/18	FY12/19		
	Result	Result	Plan	Result	Difference
Net sales	13,098	16,833	18,220	18,020	△200
Gross profit	4,532	4,805	4,984	5,118	+134
SG&A	2,769	3,039	3,318	3,257	△60
Operating income	1,762	1,765	1,666	1,860	+194
Ordinary income	1,668	1,642	1,544	1,758	+214
Extraordinary loss	93	103	—	—	—
Net income	1,111	1,006	1,032	1,158	+126

This is the comparison of consolidated profit and loss. Net sales fell short of the plan due to the lower-than-planned sales in the Construction Business. However, profits exceeded the plan and reached record highs as profits in the Real Estate Sales Business exceeded the plan.

SG&A expenses rose 218 million yen year-on-year. This was mainly due to increases of 93 million yen in salaries and allowances, 39 million yen in sales commissions, and 29 million yen in tax effects.

Comparison of Non-Consolidated Income Statement

Comparison of Non-Consolidated Income Statement

Sansei Landic

- Both sales and profits exceeded the plan and year-on-year results.

(Million yen)

	FY12/17	FY12/18	FY12/19		
	Result	Result	Plan	Result	Difference
Net sales	11,968	16,050	16,243	16,266	+23
Gross profit	4,293	4,677	4,674	4,879	+205
SG&A	2,483	2,737	3,023	2,981	△42
Operating income	1,810	1,940	1,650	1,898	+248
Ordinary income	1,610	1,606	1,547	1,752	+205
Extraordinary loss	29	67	—	—	—
Net income	1,152	1,068	1,035	1,172	+137

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This is the comparison of non-consolidated profit and loss. We operate the Real Estate Sales, and it performed well, with sales and profits both exceeding the plan and the previous year's results.

I will explain the status of leasehold land, old unutilized properties, and leasehold businesses below.

Summary of Consolidated Balance Sheet

Summary of Consolidated Balance Sheet

Sansei Landic

- Real estate for sale increased due to an increase in purchases (13,493 million yen)

(Million yen)

	FY12/18	FY12/19		
	Amount	Amount	Vs. end of previous term	Pct. change
Cash and deposits	3,594	4,133	+539	+15.0%
Property for sale	11,678	13,493	+1,815	+15.5%
Interest-bearing liabilities	6,047	7,202	+1,154	+19.1%
Net assets	8,907	9,894	+987	+11.1%
Total assets	16,777	19,293	+2,516	+15.0%
Shareholders' equity ratio	53.1%	51.3%	△1.8pt	—
ROA	9.8%	9.8%	—	—

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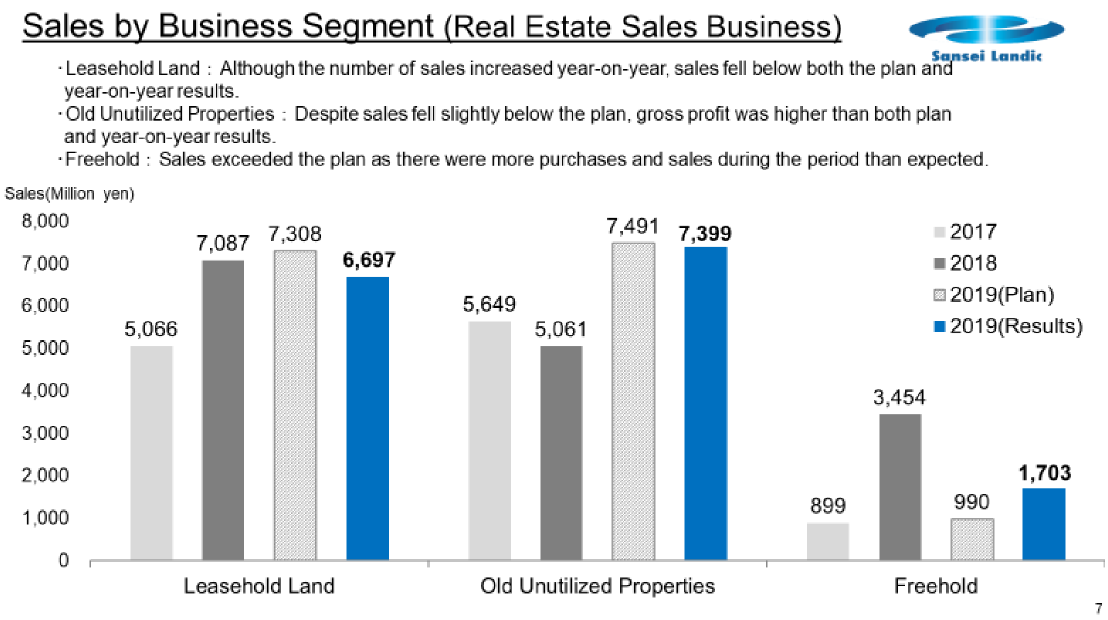
Let me move on to the summary of consolidated balance sheets. Property for sale increased by 15.5% to 13,493 million yen due to an increase in purchases.

Interest-bearing liabilities also increased due to an increase in purchases. As a result, the

shareholders' equity ratio declined by 1.8 percentage points to 51.3%.
Although total assets increased thanks to an increase in property for sale, ordinary income increased by 7% year-on-year, resulting in an ROA of 9.8%, the same as in the previous fiscal year.

Sales results by business segment (Real Estate Sales Business)

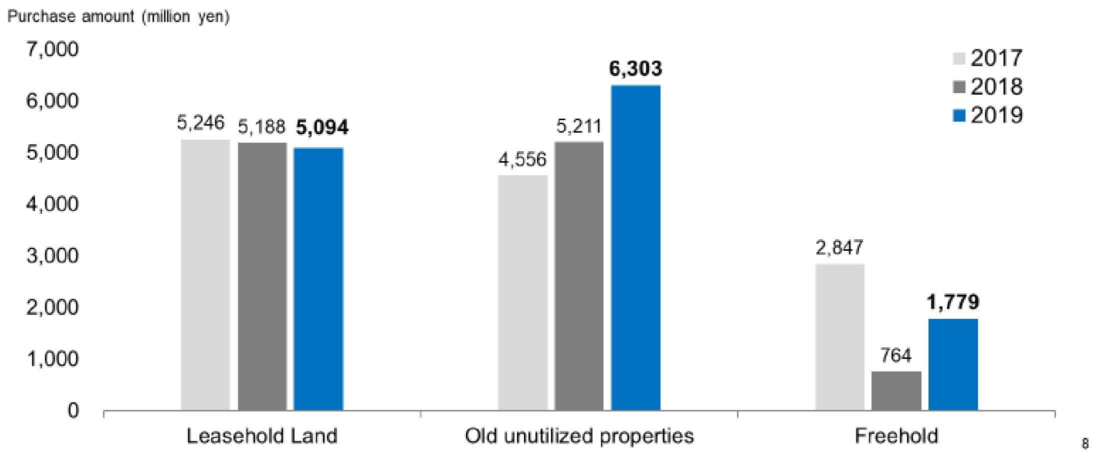


Let's move on to the sales results by business segment. First, I will explain about Real Estate Sales Business. The graph shows the trend over 3 years and the comparison with the plan. In the Leasehold Land Business, although the number of properties sold increased and the profit margin was basically in line with the plan, the performance fell below the plan due to the large number of sales in areas with low unit prices.
Sales from old unutilized building increased substantially compared with the previous year, though they were slightly below our target. Profit margins were higher than planned, resulting in higher-than-expected profits. By area, sales in western Japan accounted for 70% of total sales.
Freehold greatly exceeded the plan due to greater-than-expected purchases and sales. Some properties require rights adjustment, and the profit margin also exceeded the plan.

Purchase results by business segment (Real Estate Sales Business)

Purchases by Business Segment (Real Estate Sales Business)

Procurement of 13,177 million yen, a YoY increase of 18.0%
・Leasehold Land : Purchases were at the same level as in the previous year.
・Old unutilized properties : Purchases remained stable in the western Japan area, and increased significantly in the Kanto area.
・Freehold : Purchases increased in the northern Japan region and western Japan region.

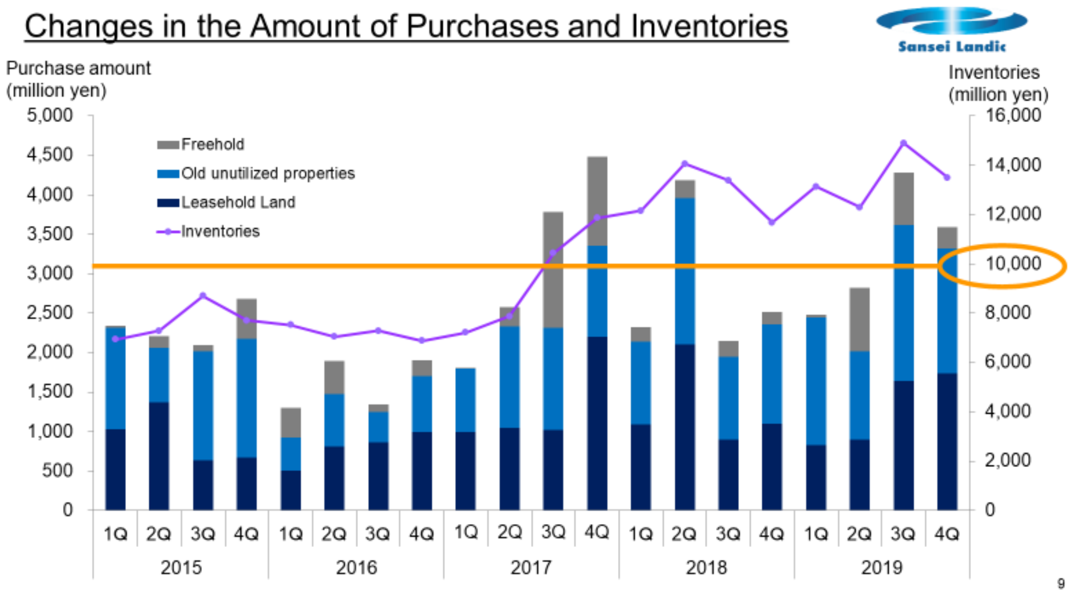


This is the purchase results by business segment. In the Leasehold Land Business, it decreased by 11.9% year-on-year to 452 lots. Purchases declined 1.8% to 5,094 million yen, roughly the same level as in the previous fiscal year. Although the number of lots is decreasing, the unit price has risen by about 10% from the previous year due to the large number of lots purchased in areas with low unit prices in the previous year.

The number of leasehold land lots increased by 40.3% from the previous year to 101. Purchases increased by 21% to 6,303 million yen. In western Japan, the Kanto region, and other areas, there were 20 properties with purchases in excess of 100 million yen, an increase from 12 properties in the previous fiscal year.

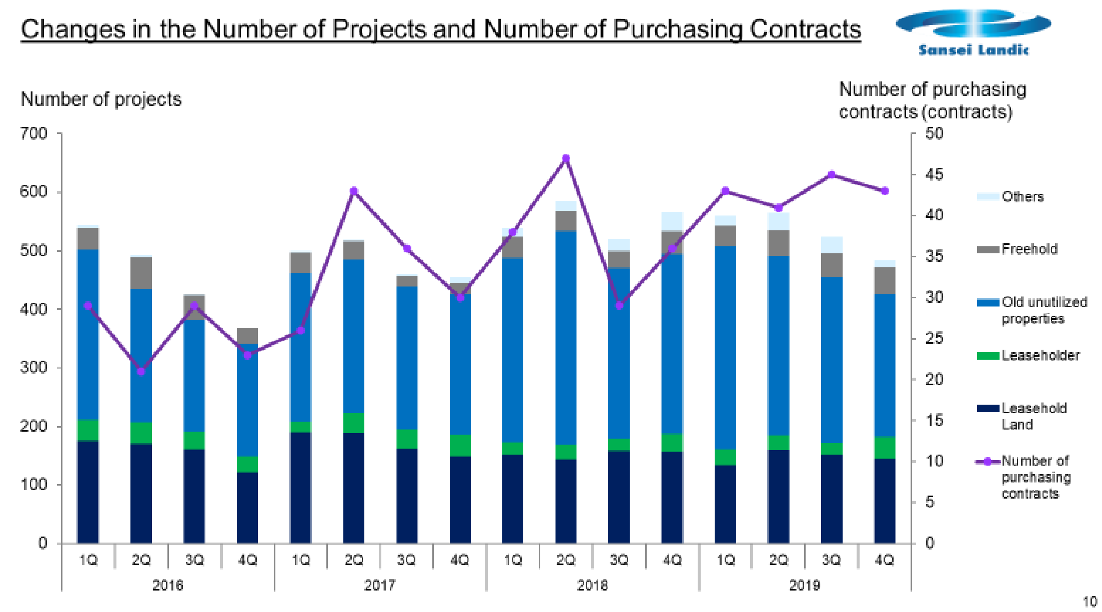
As for freehold, the number of lots increased by 73.9% from the previous year to 23 lots. Purchases increased by 132.7% to 1,779 million yen. Purchases are increasing in the northern and western Japan areas.

Changes in the Amount of Purchases and Inventories



The following is a quarterly changes in the purchases and inventories. The bar graph shows the amount of purchases by business, and the line graph shows the trend of inventory. Although there are quarterly changes, the number of purchases has been steadily increasing since 2017.

Changes in the Number of Projects and Number of Purchasing Contracts



The table below presents quarterly changes in the number of projects and the number of purchasing contracts. Since 2017, the number of projects has maintained an annual pace of 2 thousand.

Construction Business

Construction Business

One's Life Home natural modern from architects

Sansei Landic

(Million yen)

	FY12/17	FY12/18	FY12/19
Net sales	1,203	883	1,818
Segment income	▲44	▲173	▲44

- Net sales
  ▲9.0% to the plan
- Relocation of headquarters
  Relocated headquarters in January 2019
  Exhibition hall closed in March
- Custom home
  Not achieve the plan as the construction period has lengthened and some properties were not delivered as scheduled.
- Renovation
  Sales and profits increased significantly year-on-year, but did not achieve the plan. An increase in orders for large projects resulted in a lengthening of the period required to book sales.

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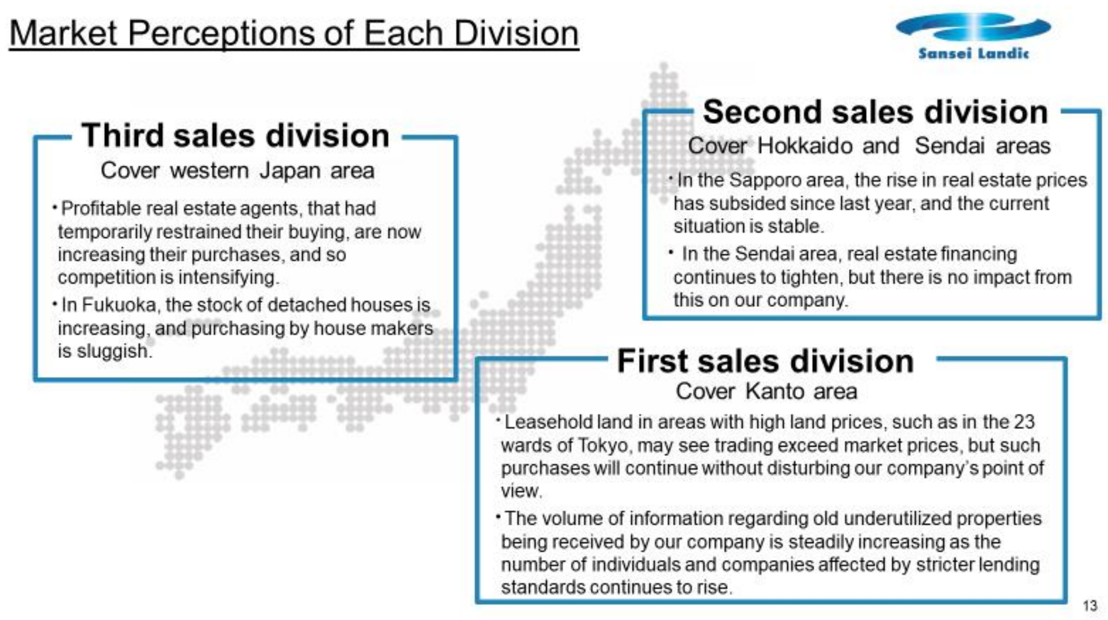
I will review conditions of One's Life Home in the Construction Business. Sales fell short of the plan by 9%. It continued to record a loss, but the performance improved as net sales rose sharply year-on-year.

As a result of a review of our sales strategy, we relocated our headquarters in January last year and closed our exhibition hall in March to reduce fixed costs. Both custom homes and renovations recorded significant increases in both sales and profits, but fell short of the plan. As for custom homes, the reason for the shortfall in performance is that the construction period has lengthened and some properties were not delivered as scheduled. On the other hand, orders rose substantially, despite a reaction to the last-minute surge in demand prior to the consumption tax hike.

In renovation, the increase in orders for large-scale projects led to a lengthening of the period until the recording of sales, which was a factor behind the failure to achieve the plan. Orders have increased substantially, as in the case of custom homes. That's all for the results for the fiscal year ended December 2019.

Market Perceptions of Each Division



I would like to talk about the Company's forecasts for the fiscal year ending December 2020. Let me explain the market perceptions of each division. Financial institutions are becoming increasingly reluctant to provide loans for income-generating properties nationwide. It seems that the fact affects some competitors for their sales and purchases.

There has been no major change in the stance of financial institutions for us, and information on real estate gathered by us is increasing.

The First Sales Division, which mainly covers the Kanto area, has a large distribution of leasehold land and is able to stably procure land.

In some areas where land prices are high, sales and purchases are conducted at prices higher than our perspective. However, we are making steady purchases from our perspective in accordance with our policy of "pushing forward with maintaining balance."

As we explained earlier, purchases of old underutilized properties have increased significantly compared to 2018 and 2019, in line with trends in purchases by business segment. The current situation is also good.

While many competitors originally traded in the Kanto region for old underutilized properties, we are aware that this is a favorable situation for us as the number of companies that can take action is decreasing partly due to the tightening of lending standards and other factors.

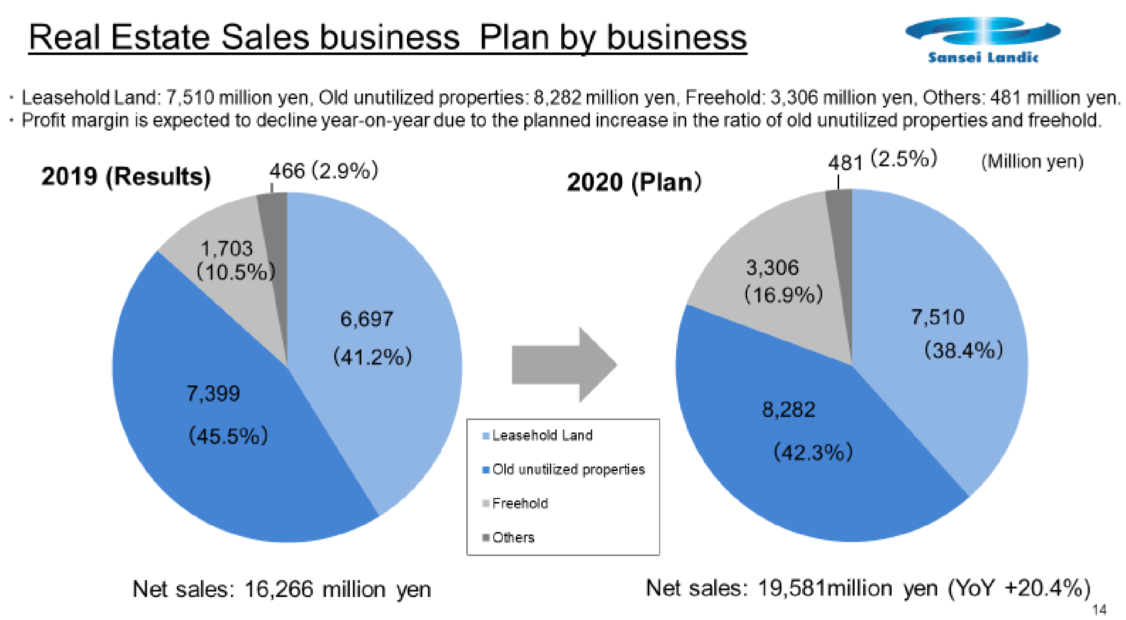
Next, in the Second Sales Division covering the northern Japan area, particularly in the Sapporo area, real estate prices were rising due to inbound demand and redevelopment, but recently they are returning to reasonable prices, and the amount of information on properties that we can consider is increasing.

In the Sendai area, I have heard that real estate firms have become more reluctant to lend. However, there has been no change in the stance of financial institutions toward us. Instead, they want to increase their business with us.

As for the Third Sales Division, which covers the western Japan area, real estate agents that

handle income properties, which were temporarily restrained in purchasing in Nagoya and Osaka, are continuing to purchase, and competition is increasing.
In response to the advancing development of urban areas and residential areas, we will procure properties according to each area.
Incidentally, in Kyoto, the supply of small-scale accommodation facilities is increasing and prices are on a downward trend. Therefore, we recognize that it is necessary to proceed with the exit with caution.
In Fukuoka, there is a forecast that the condominium business is somewhat saturated, and inventories of detached houses are on an uptrend. In addition, purchasing by home builders is somewhat restrained. For this reason, we would like to expand our business by increasing the variation of our exit strategy and purchasing and wholesaling properties in line with market conditions.

Real Estate Sales business Plan by business



Next, I would like to explain the sales plan for the Real Estate Sales Business.
Net sales are forecast to increase 20.4% year-on-year to 19,581 million yen.
The plan calls for a 12.1% increase in leasehold land to 7,510 million yen, a 11.9% increase in old underutilized properties to 8,282 million yen, and a 94.1% increase in freehold to 3,306 million yen.
Although the proportion of freehold has increased due to the state of procurement at the beginning of the fiscal year, the profit margin of the real estate business as a whole tends to decrease as the proportion of freehold increases, because the profit margin of the real estate business tends to be lower than the profit margin of the land without tenancy.
With regard to old underutilized properties, there were multiple properties in 2019 that exceeded our expected profit margin, but in the plan for the current fiscal year, we forecast that the profit margin will be in line with the expectation. We have set the forecasts based on

this assumption.

FY12/20 Business Forecasts (Non-consolidated)

FY12/20 Business Forecasts (Non-consolidated)

Sansei Landic

(Million yen)

	FY12/20	Pct. change
Net sales	19,581	+20.4%
Gross profit	5,038	+3.3%
Operating income	1,671	△12.0%
Ordinary income	1,550	△11.5%
Net income	1,040	△11.3%
Purchase amount	14,215	+7.9%

- Although sales and gross profit are both expected to increase, operating income will fall below both this level and plan because of an increase in sales commissions due to a rise in the volume of sales of old underutilized properties and freeholds, an increase in taxes and dues caused by the consumption tax rate hike, and higher personnel expenses due to an increase in the number of employees.
- As for property purchases, the plan is to increase the inventory above the level recorded in the previous fiscal year.

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Next, I would like to explain our business forecasts for the fiscal year ending December 2020. As I explained earlier, we project a 20.4% increase in net sales to 19,581 million yen and a 5,038 million increase in gross profit.

On the other hand, operating income is forecast to decrease by 12% to 1,671 million yen, reflecting an increase in sales commissions due to an increase in sales of old underutilized properties and freehold, an increase in tax and dues due to an increase in consumption tax, and an increase in personnel expenses due to an increase in the number of employees. Purchases are forecast to increase 7.9% to 14,215 million yen.

We intend to continue our aggressive purchasing activities to expand our business performance in the next fiscal year.

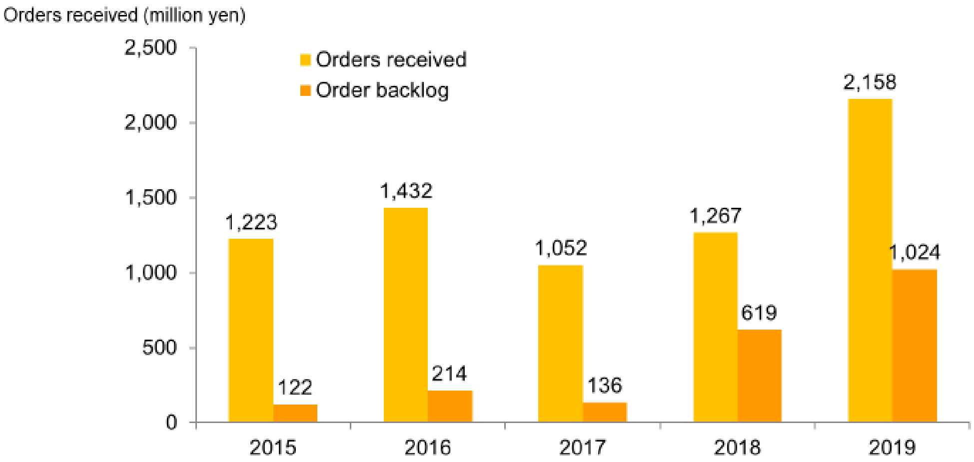
Construction business: Changes in the amount of orders received and order backlog

Construction business_ Changes in the amount of orders received and order backlog

One's Life Home natural modern from architects

Sansei Landic

- The order backlog at the end of the fiscal year has increased significantly, and the company plans to return to profitability in FY12/20.



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Next, I would like to explain One's Life Home's business forecasts.

We have implemented a drastic improvement plan since October 2018. As a result of these efforts, our performance in the previous year significantly improved, but we were unable to achieve profitability.

Due to an improvement in the status of orders received, this fiscal year we started with a large backlog of orders. For this reason, we believe that we will be able to achieve profitability in the current fiscal year by continuing the improvements we have made to date, such as cost reductions through measures to strengthen sales. However, it has been found that some negative factors have been included in recent reports on coronaviruses.

We have not yet determined in detail the impact, but we will announce it as soon as it is determined.

FY12/20 Business Forecasts (Consolidated)

FY12/20 Business Forecasts (Consolidated)

Sansei Landic

(Million yen)

	FY12/20	Pct. change
Net sales	21,552	+19.6%
Operating income	1,686	△9.4%
Ordinary income	1,559	△11.3%
Net income	1,047	△9.6%
EPS(Yen)	123.88	△9.6%
Dividend(Yen)	25	+2

- In the Real Estate Sales Business, sales are expected to be higher than the previous year. The Construction Business plans to turn a profit in this fiscal year.
- Operating income, ordinary income and net income are expected to decline due to a decline in Sansei Landic's profits on a non-consolidated basis, although the performance of Construction Business is expected to recover.
- Plan a year-end dividend of 25 yen, an increase of 2 yen.

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Let me explain the consolidated business forecasts for the fiscal year ending December 2020 based on the plans formulated by Sansei Landic and One's Life Home.

Net sales are projected to increase 19.6% to approximately 21,552 million yen due to an increase in sales at the parent company.

We expect operating income and ordinary income to recover in the Construction Business, but this is not enough to offset the decline in profits at the parent company, and we are forecasting a 9.4% decline in operating income to 1,686 million yen and a 11.3% decline in ordinary income to 1,559 million yen.

Net income is forecast to decrease 9.6% to 1,047 million yen.

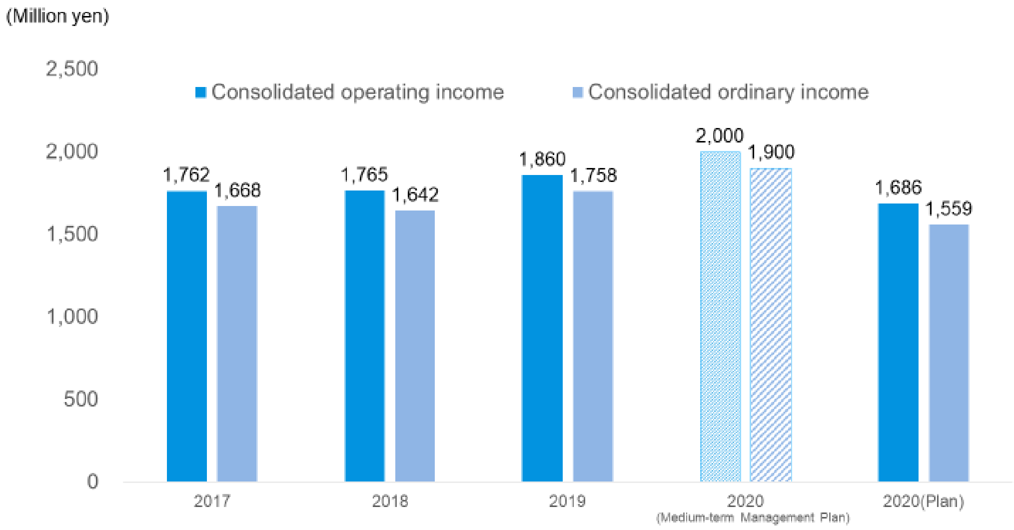
In addition, we anticipate a net income per share of 123.88 yen, and we plan to increase the dividend by 2 yen to 25 yen per share.

The above is an explanation of our business forecasts for the current fiscal year.

Progress of Medium-term Management Plan

Differences from quantitative targets ①

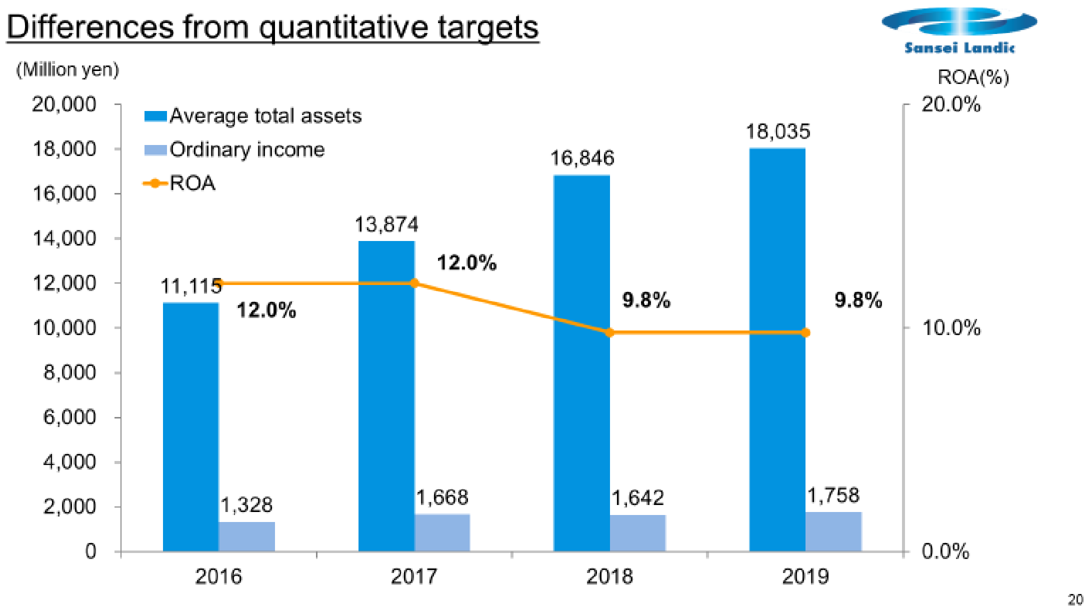
Differences from quantitative targets



Next, I would like to explain the progress of the medium-term management plan.

We have set quantitative targets for the medium-term management plan, which started in 2018, with operating income exceeding 2 billion yen and ordinary income exceeding 1.9 billion yen in 2020. However, operating income and ordinary income are projected to be 1,686 million yen and 1,559 million yen, respectively, which are below the targets of the medium-term management plan.

Differences from quantitative targets ②



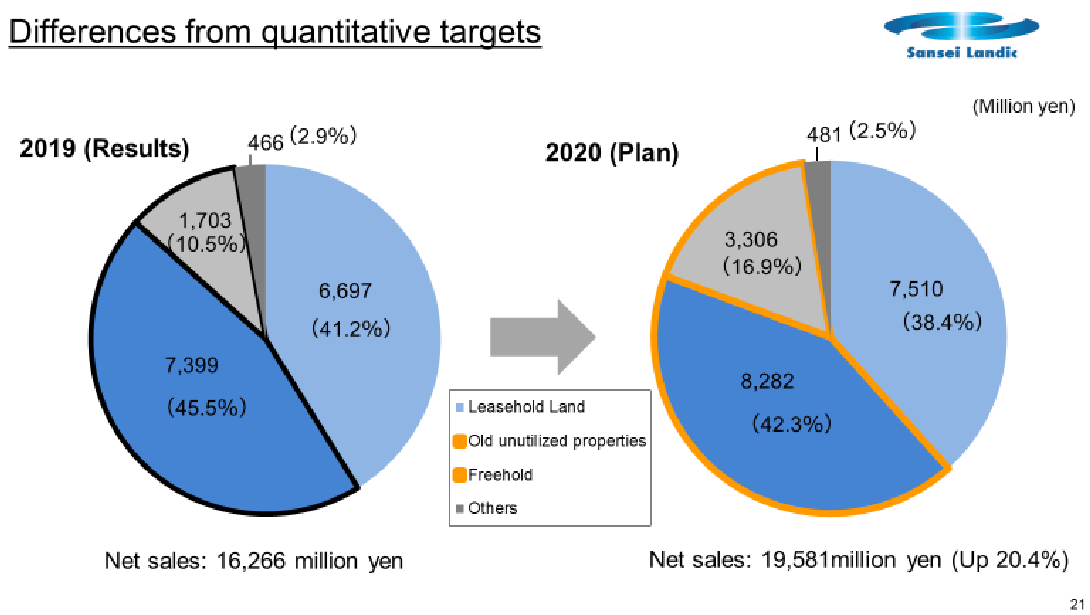
Second, I would like to explain the changes in ROA, which we have set as quantitative targets. Our goal for ROA is to maintain at least 12%.

When we formulated our Medium-Term Management Plan, we maintained this ratio at 12% over the past several years. However, we anticipate an increase in inventories and an increase in total assets as our business expands, so we have set this target rather than improving efficiency.

However, while it is important to raise the turnover ratio and generate cash quickly, there are also many cases in which the adjustment of rights over time results in improved profitability.

As we aim to maximize profits, we believe it is necessary to reexamine whether or not ROA is the most appropriate indicator. In our new medium-term management plan starting in FY2021, we will reexamine, consider, and announce appropriate management indicators from among our future strategies.

Differences from quantitative targets ③



Next, I would like to explain why the current business plan has fallen short of the medium-term business plan.

First, we anticipate lower profit margins than we anticipated in the medium-term management plan. The second is the composition of sales properties. The third is an increase in SG&A expenses.

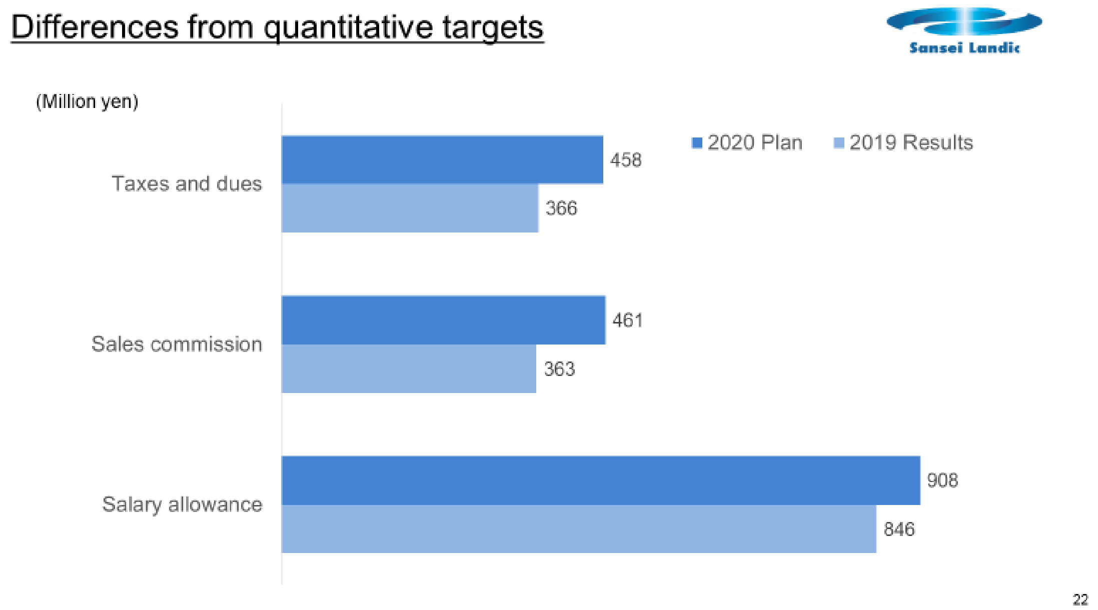
First, for the current fiscal year, we plan to lower the profitability of the Real Estate Sales business than expected in the medium-term management plan.

We assess properties with a certain profit margin at the time of purchase. When the medium-term management plan was formulated, the profit margin on the sale of properties often exceeded our perspective.

On the other hand, as we anticipate a decline in market conditions after the consumption tax hike and the Tokyo Olympic Games, we had formulated a medium-term management plan to take into account the possibility of a decline in profitability. However, we anticipate that the profit margin in the FY2020 will be lower than that in the medium-term management plan, taking into account the possibility of a decline in market conditions in FY2019,

In addition, the proportion of properties sold in the current fiscal period accounted for about 60% of the total in terms of old underutilized properties and freehold, which exceeded the Medium-Term Management Plan. In the Real Estate Sales Business, leasehold land has the highest profit margin. Therefore, an increase in the proportion of old underutilized properties and freehold has lowered the profit margin of the real estate sales business as a whole.

Differences from quantitative targets ④



Next, I will explain the increase in SG&A expenses.

Taxes and dues are increasing due to the consumption tax hike enforced last year. In addition, an increase in sales commissions is expected due to an increase in sales of old underutilized properties and freehold. In addition, sales commissions are also subject to consumption tax, which leads to an increase in taxes and dues.

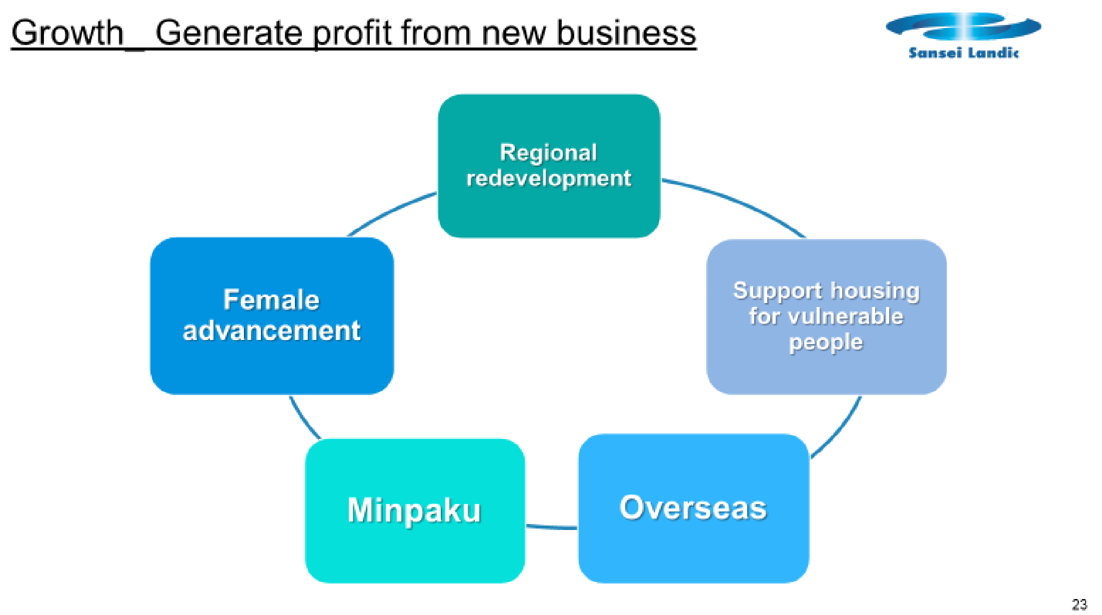
In addition, to cope with the increase in the volume of work associated with business expansion, we are increasing the number of employees while improving operational efficiency. So, we expect to increase salaries and allowances.

In addition, we anticipate expenses for upfront investments to conduct sales activities using data as a new sales method.

As a result of the above, the forecast for the current fiscal year is below the quantitative targets set in the Medium-term Management Plan. However, given that there are ample properties currently planned for sale and there is a tendency to look firmly at the profit margin compared to the previous fiscal year, if the profit margin reaches the same level as in 2019, not only will we achieve results in excess of 2019, but we will also be able to achieve the targets in the Medium-term Management Plan.

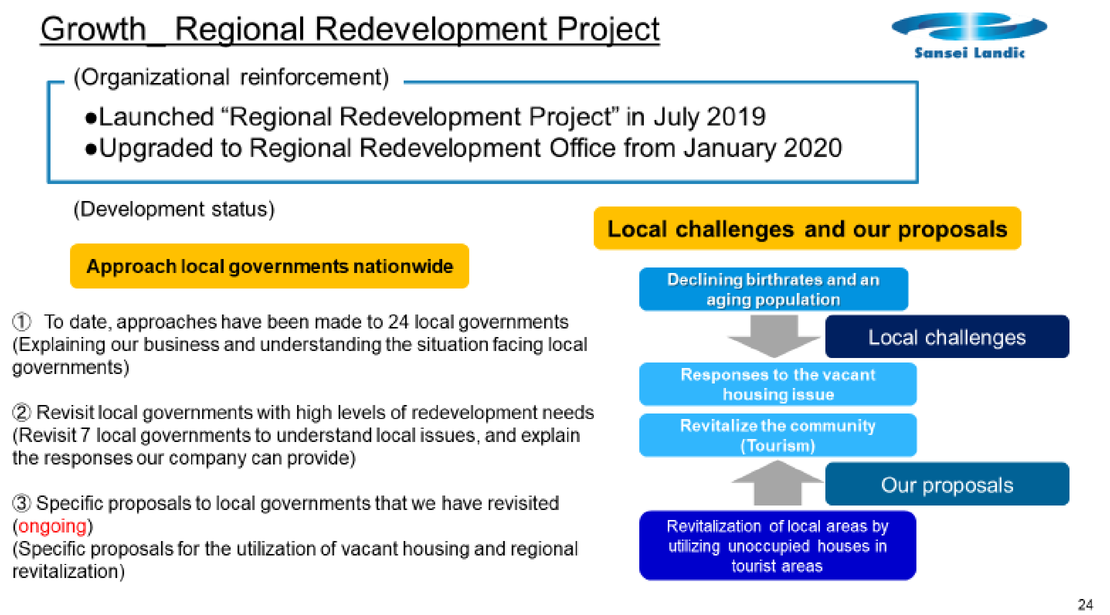
At present, this figure is below the level of the Medium-term Management Plan, but we will continue to promote business toward achieving this goal.

Growth: Generate revenue from new businesses



We are seeking to generate profits from new businesses for further growth. As the initiative, we are mainly focusing on regional redevelopment, support for the vulnerable, overseas, Minpaku, and female advancement. I would like to explain about regional redevelopment in this area later.
In addition, specific projects are underway in Metropolitan Area to support vulnerable people in this area. There are also a number of other properties for which investigations are planned.
In the overseas business, we are considering the overseas expansion of our expertise in rights adjustment.
We are considering small-scale investments, mainly in Southeast Asia and the United States, as a foothold for expansion.
We aim to maximize the profitability of existing properties by positioning Minpaku as effective utilization of existing properties. In addition, if there are opportunities in the course of day-to-day rights adjustments, we would like to create a private Minpaku business within these opportunities.
Another initiative is the promotion of new businesses through the planning of female employees as a means of female advancement.

Growth: Regional Redevelopment Project



I would like to explain the progress of our efforts in regional redevelopment projects.

We established a project team in July 2019 and upgraded it to the Regional Redevelopment Project Office in January 2020 to strengthen our promotion structure.

The following is an explanation of our major initiatives to date. Since July 2019, we have visited 24 municipalities throughout Japan to explain our businesses to persons in charge of urban planning and urban renewal, and to hold hearings on issues related to urban development in local governments.

Many municipalities have responded in many ways to our business in terms of specializing in rights coordination.

We are also revisiting seven municipalities that have attracted a great deal of interest in our business, and we are exchanging opinions on more specific themes and local issues.

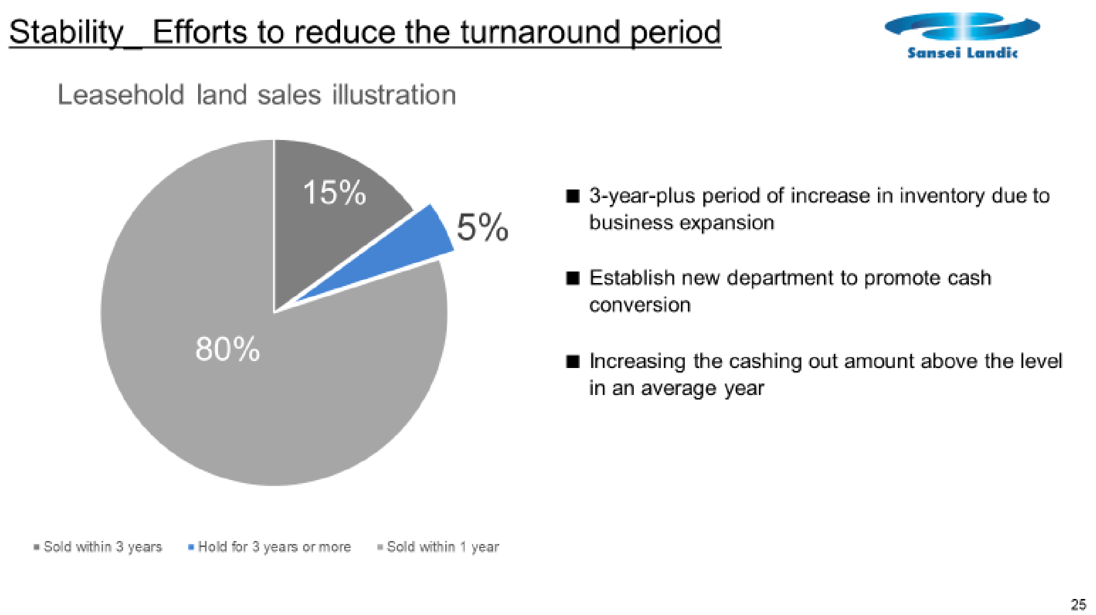
Since the beginning of this year, we intend to make specific proposals for the issues faced by the local governments that have come back to Japan, and we intend to continue to do so.

Many municipalities are experiencing declining birthrates and aging populations, and as a result, they are facing problems with vacant houses and regional revitalization.

We propose initiatives in collaboration with the government, local communities, and ourselves for regional revitalization through the utilization of vacant houses in tourist areas.

Although we have not yet reached the stage where we can explain our achievements, we plan to develop the know-how we have cultivated over many years in the area of rights adjustment to help solve various problems in the region.

Stability Efforts to reduce the turnaround period



Next, we will explain our efforts to shorten the turnover period.

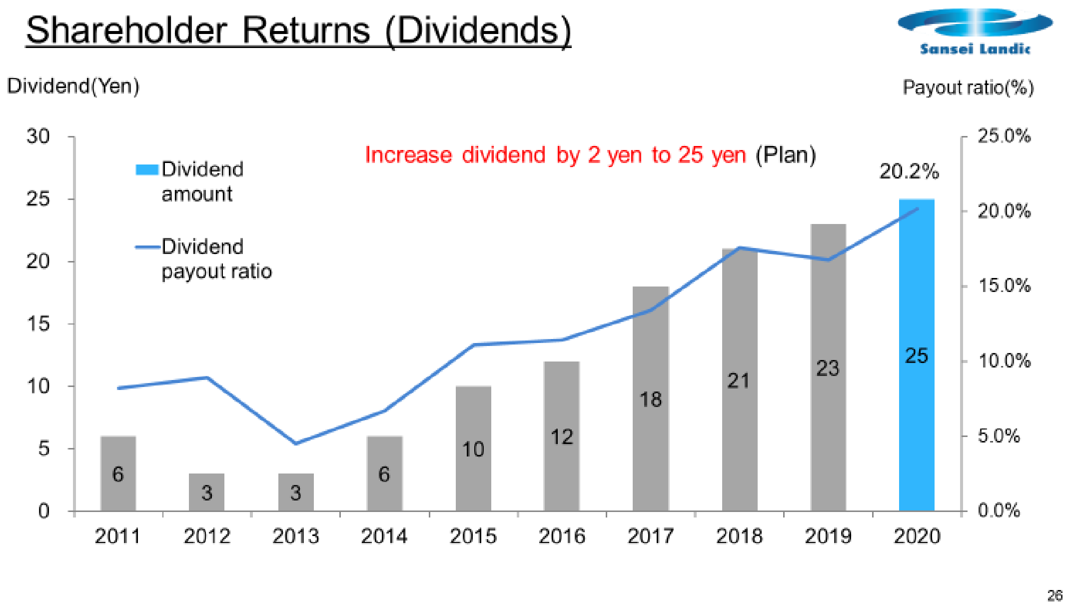
With respect to sales of leasehold land, we set a schedule that sells about 80 percent in about 1 year after purchasing, and the remaining 15 percent after 3 years. When 3 years have passed, 5 percent of the land with leasehold interest remains in inventory assets, and the Company continues to conduct sales activities for the remaining land with leasehold interest while negotiating with the lessees.

The remaining 5% of the leased land has also received rental income, and the cost recovery has been almost completed. However, evaluation must be conducted appropriately every fiscal year and write-downs are made as necessary, and there is a phenomenon that as business expands, the number of land rights remaining increases.

As I just mentioned, we are also earning profits from the sale of land with leasehold interest of more than 3 years. However, in order to respond to future changes in market conditions, such as the risk of write-downs due to an increase in inventories and changes in the lending attitude of financial institutions, we intend to keep inventories at an appropriate level by converting inventories into funds and consider the effective use of the funds obtained. We are also considering utilizing these funds for new businesses.

The department established in April 2019 specializes in converting inventories into funds. In 2019, the amount of funds was higher than usual, and we intend to continue working on this issue going forward.

Shareholder Return (Dividend Trends)



We are continuing to increase dividends to increase returns to shareholders. In FY2020, we plan to increase the dividend by 2 yen to 25 yen, marking the seventh consecutive year of dividend increases. Accordingly, the dividend payout ratio is expected to rise to approximately 20.2%.

We will continue to position the return of profits to shareholders as an important management issue, and will continue to expand returns.

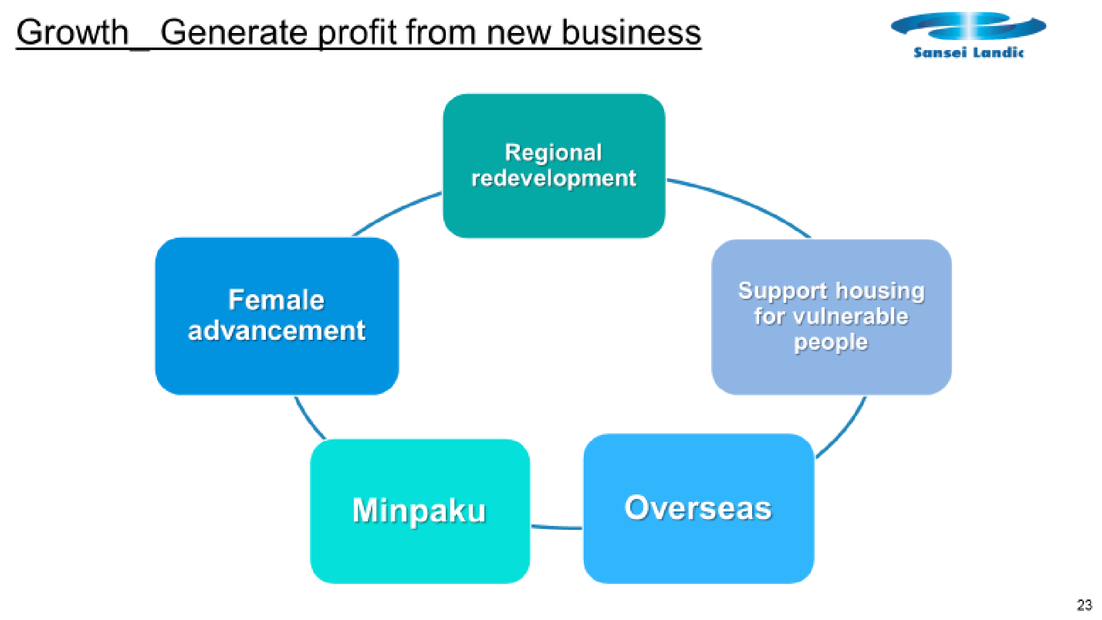
Funding approach "Crowdfunding"

In December 2019, we raised fund on the online market for a first loan fund named Funds, operated by Funds Corporation. The aim is to raise the name recognition of leasehold land

and increase the variations in financing by recruiting through the web-based media named Funds.
For the first time, we inaugurated the fund with a slightly higher 3% yield, and 50 million yen was raised in about 37 seconds. In the future, we expect to raise more money at lower yields by accumulating results. This fiscal year, we will continue to conduct concrete deliberations.
In conclusion, I would like to thank you very much for taking the time to attend our financial results briefing today, despite your busy schedule.

That's all. Thank you very much for your attention.

Q&A: Balancing focus on new businesses and fields of expertise
Questioner 1: Thank you for your explanation. I have 2 questions.
While your company's strengths are leasehold land and old underutilized properties, on page 23 you explained that new businesses will generate revenue.



In terms of balance, it may be possible to achieve growth by focusing more on fields where your company has strengths. I also understand that your company will focus on new businesses with a view to long-term market share. However, since the outlook for your fields of expertise has recently been uncertain, you are focusing on new businesses, so what is your forecast of the balance of profits?

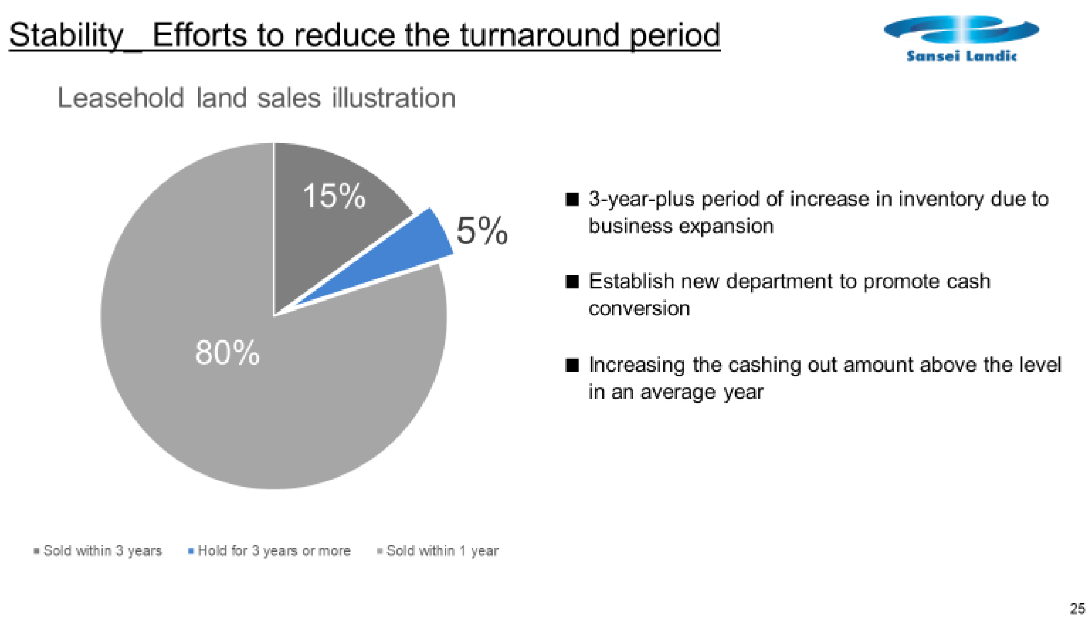
Answer: We would like to turn profitable in after the next medium-term management plan. Honestly, the plan for accurate return is currently undetermined, but the current planned balance is approximately 70% for the existing business and about 30% for the new business. As I explained earlier, new businesses, regional redevelopment in particular, is a business that makes the most of the rights adjustment capabilities we have cultivated over many years. In a sense, it is an extension of our current business, and I believe that this will lead to the strengthening of existing businesses. Although the ratio may increase further, we do not expect leasehold land to increase in the future. Therefore, we would like to launch the next pillar to replace leasehold land in a smooth manner.

Future of One's Life Home

Questioner 1: Thank you. The other question is about One's Life Home. You said the company may be able to turn a profit in some cases in this fiscal year.
What is your medium-term vision for the future? Could you tell us how this company is positioned, such as the level of profit?

Answer: Our basic strategy is to achieve profitability for a single fiscal year, and to drive growth. We are still considering the possibility of achieving profitability for a single fiscal year as our primary goal. To be honest, I would first like to see the company turn a profit before expanding its business. Market conditions in this field can be severe. Therefore, I would like to determine the extent to which we will focus our efforts on the next stage, on the assumption that the business will become profitable. However, we believe that we will be able to take advantage of One's Life Home synergies in the various new businesses we are pursuing in the future, and we intend to move forward with these initiatives with an eye to the future.

Q&A: Revenue and Profit/Loss from Long-term Inventories



Questioner 2: Please tell me about page 25. Regarding the long-term inventory, you are earning rent revenues. What is the income from rent and the profit and loss amount?

Answer: Rent revenues are approximately 400 million yen. We don't calculate the rate of return, but most of it remains after the business is completed. We often say that it is cost of sales, but it is the remainder after collecting all the funds invested in the business, so of course, there is an individual evaluation. However, from a business perspective, it is positioned as rent income, with profits coming from the rest after the recovery.

Questioner 2: You establish a new department to promote the conversion to cash. How will you specifically engage in this activity? This is just my opinion, are you unable to easily recover the funds from lawsuits?

Answer: This is an area that cannot be resolved by the Court or other means. For example, rent is never delinquent, but is attributable to the customer's situation. Therefore, sales activities may not be able to keep up with the situation in order to pursue it in detail.
Creating a specialized department can be more efficient than doing by sale staff and can lead to the resolution of rights adjustments. Since more detailed work is required, it is more efficient to set up a specialized department, so we are working in this way.
Inventories have been decreasing gradually every year, but we need to put some effort into further development. Since the reduction is limited simply by leaving it to natural attrition, we are considering measures by creating various specialized departments.

Questioner 2: I would like to confirm one more point. There is a 12 million yen allowance for doubtful accounts among SG&A expenses. Is this not an account of land rent income?

Answer: The main source is unpaid rent.
Conversely, there are some parts that are recovered by lawsuits, etc.

Greetings from the President

Thank you very much for coming today. Our performances are unwillingly due to the fact that we have not achieved the figures for the medium to medium term, but it is true that our business is stably proceeding.
If we anticipate an improvement in profitability, I think there is still room for improvement in the medium-term plan and the figures for the current fiscal year, so we will do our utmost to improve profitability.
We also received your question, we would like to start up new businesses so that they will become pillars of our business and work to generate future earnings. Your continued support is highly appreciated.
Much appreciation for your time today.