

## Sansei Landic | 3277 |

This PDF document is an updated note on the company. A comprehensive version of the report on the company, including this latest update, is available on [our website](#) and various professional platforms.



On **May 25, 2020**, Shared Research updated the report following interviews with Sansei Landic regarding full-year FY12/19 results.

Earnings (JPYmn)		Sales		Operating profit		Recurring profit		Net income		EPS	BPS	ROA	ROE
		YoY		YoY		YoY		YoY		(JPY)	(JPY)	(RP-based)	
FY12/11	Cons.	8,042	8.5%	750	14.5%	747	38.4%	444	47.6%	73.50	469.71	11.6%	15.8%
FY12/12	Cons.	9,475	17.8%	517	-31.0%	437	-41.5%	233	-47.5%	33.80	497.51	6.6%	7.0%
FY12/13	Cons.	9,188	-3.0%	920	77.9%	810	85.3%	456	95.4%	66.04	560.55	10.1%	12.5%
FY12/14	Cons.	10,444	13.7%	1,205	30.9%	1,044	28.9%	626	37.5%	90.23	664.77	11.8%	13.7%
FY12/15	Cons.	11,568	10.8%	1,300	7.9%	1,196	14.6%	724	15.6%	90.08	744.23	11.9%	12.8%
FY12/16	Cons.	12,300	6.3%	1,446	11.3%	1,329	11.1%	854	17.9%	104.94	840.78	12.0%	13.2%
FY12/17	Cons.	13,099	6.5%	1,762	21.9%	1,669	25.6%	1,111	30.2%	134.45	957.50	12.0%	15.0%
FY12/18	Cons.	16,833	28.5%	1,766	0.2%	1,643	-1.5%	1,007	-9.4%	119.62	1,053.94	9.8%	11.9%
FY12/19	Cons.	18,020	7.1%	1,861	5.4%	1,759	7.0%	1,159	15.1%	137.08	1,169.65	9.8%	12.3%
FY12/20 Est.	Cons.	21,552	19.6%	1,686	-9.4%	1,559	-11.4%	1,047	-9.6%	123.88	-	-	-

Source: Shared Research based on company data.

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

### FY12/19 results

FY12/19 sales came to JPY18.0bn (+7.1% YoY), operating profit to JPY1.9bn (+5.4% YoY), recurring profit to JPY1.8bn (+7.0% YoY), and net income attributable to parent company shareholders to JPY1.2bn (+15.1% YoY). Both sales and profits set new records.

SG&A expenses were JPY3.3bn, a 7.2% YoY increase, but JPY60mn below plan. Main increases were in salary and allowances (+JPY93mn), sales commissions (+JPY39mn), and taxes and dues paid (+JPY29mn). The SG&A-to-sales ratio was flat YoY at 18.1%.

### Results versus plan

The company anticipated FY12/19 sales of JPY18.2bn (+8.2% YoY), operating profit of JPY1.7bn (-5.6% YoY), recurring profit of JPY1.5bn (-6.0% YoY), and net income attributable to parent company shareholders of JPY1.0bn (+2.5% YoY). Actual sales reached just 98.9% of plan due to a shortfall in the Construction segment, but margins in the Real Estate Sales segment were above plan, so operating profit achieved 111.7% of target, recurring profit 113.9%, and net income 112.3%. Sansei Landic says sales fell short largely due to a slump in the Construction segment.

Results versus initial plan

Results vs. Initial Est. (JPYmn)	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Cons.
Sales (Initial Est.)	10,852	10,845	12,088	11,162	14,670	14,448	17,482	18,220
Sales (Results)	9,475	9,188	10,444	11,568	12,300	13,099	16,833	18,020
<b>Results vs. Initial Est.</b>	<b>-12.7%</b>	<b>-15.3%</b>	<b>-13.6%</b>	<b>3.6%</b>	<b>-16.2%</b>	<b>-9.3%</b>	<b>-3.7%</b>	<b>-1.1%</b>
Operating profit (Initial Est.)	664	1,059	1,242	1,401	1,466	1,466	1,830	1,666
Operating profit (Results)	517	920	1,205	1,300	1,446	1,762	1,766	1,861
<b>Results vs. Initial Est.</b>	<b>-22.1%</b>	<b>-13.1%</b>	<b>-3.0%</b>	<b>-7.2%</b>	<b>-1.3%</b>	<b>20.2%</b>	<b>-3.5%</b>	<b>11.7%</b>
Recurring profit (Initial Est.)	497	854	1,139	1,291	1,374	1,374	1,703	1,544
Recurring profit (Results)	437	810	1,044	1,196	1,329	1,669	1,643	1,759
<b>Results vs. Initial Est.</b>	<b>-12.1%</b>	<b>-5.2%</b>	<b>-8.3%</b>	<b>-7.4%</b>	<b>-3.3%</b>	<b>21.4%</b>	<b>-3.5%</b>	<b>13.9%</b>
Net income (Initial Est.)	253	517	705	848	929	929	1,157	1,032
Net income (Results)	233	456	626	724	854	1,111	1,007	1,159
<b>Results vs. Initial Est.</b>	<b>-7.8%</b>	<b>-11.9%</b>	<b>-11.2%</b>	<b>-14.6%</b>	<b>-8.1%</b>	<b>19.6%</b>	<b>-13.0%</b>	<b>12.3%</b>

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

Quarterly performance

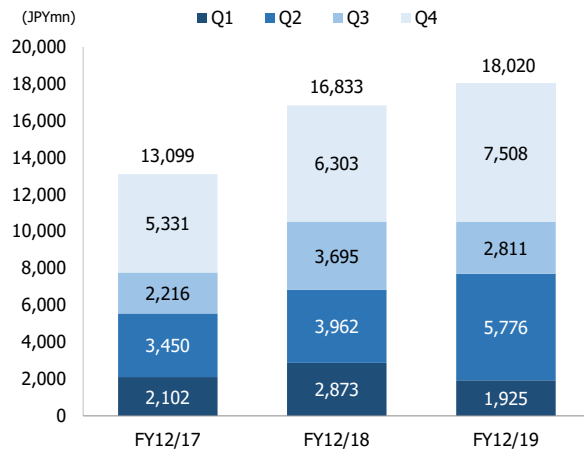
Consolidated earnings Cumulative (JPYmn)	FY12/17				FY12/18				FY12/19				FY12/19	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
Sales	2,102	5,552	7,768	13,099	2,873	6,835	10,530	16,833	1,925	7,701	10,513	18,020	98.9%	18,220
YoY	-17.3%	-6.5%	-2.5%	6.5%	36.7%	23.1%	35.6%	28.5%	-33.0%	12.7%	-0.2%	7.1%		8.2%
Cost of sales	1,643	3,799	5,253	8,566	2,139	4,539	7,478	12,028	1,346	5,360	7,436	12,902		
YoY	2.6%	-8.5%	-4.1%	2.7%	30.2%	19.5%	42.4%	40.4%	-37.1%	18.1%	-0.6%	7.3%		
Cost ratio	78.2%	68.4%	67.6%	65.4%	74.4%	66.4%	71.0%	71.5%	69.9%	69.6%	70.7%	71.6%		
Gross profit	459	1,753	2,515	4,532	734	2,296	3,052	4,805	579	2,341	3,077	5,119		
YoY	-41.2%	-1.6%	0.9%	14.5%	60.0%	31.0%	21.3%	6.0%	-21.1%	2.0%	0.8%	6.5%		
GPM	21.8%	31.6%	32.4%	34.6%	25.6%	33.6%	29.0%	28.5%	30.1%	30.4%	29.3%	28.4%		
SG&A expenses	592	1,263	1,952	2,770	676	1,478	2,212	3,039	696	1,551	2,334	3,258		
YoY	0.3%	0.7%	6.8%	10.4%	14.2%	17.1%	13.3%	9.7%	2.9%	4.9%	5.5%	7.2%		
SG&A ratio	28.2%	22.8%	25.1%	21.1%	23.5%	21.6%	21.0%	18.1%	36.2%	20.1%	22.2%	18.1%		
Operating profit	-133	490	564	1,762	58	817	840	1,766	-117	790	743	1,861	111.7%	1,666
YoY	-	-7.0%	-15.2%	21.9%	-	66.8%	49.0%	0.2%	-	-3.3%	-11.5%	5.4%		-5.6%
OPM	-6.3%	8.8%	7.3%	13.5%	2.0%	12.0%	8.0%	10.5%	-6.1%	10.3%	7.1%	10.3%		9.1%
Recurring profit	-146	457	503	1,669	30	745	733	1,643	-147	751	676	1,759	113.9%	1,544
YoY	-	3.1%	-11.1%	25.5%	-	63.1%	45.9%	-1.5%	-	0.7%	-7.8%	7.0%		-6.0%
RPM	-6.9%	8.2%	6.5%	12.7%	1.1%	10.9%	7.0%	9.8%	-7.6%	9.7%	6.4%	9.8%		8.5%
Net income	-132	261	293	1,111	3	435	376	1,007	-112	473	425	1,159	112.3%	1,032
YoY	-	7.0%	-7.2%	30.1%	-	66.6%	28.3%	-9.4%	-	8.9%	13.1%	15.1%		2.5%
Net margin	-6.3%	4.7%	3.8%	8.5%	0.1%	6.4%	3.6%	6.0%	-5.8%	6.1%	4.0%	6.4%		5.7%

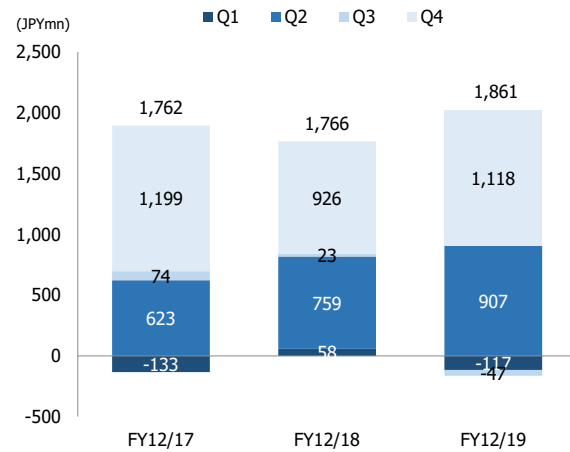
Consolidated earnings Quarterly (JPYmn)	FY12/17				FY12/18				FY12/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Sales	2,102	3,450	2,216	5,331	2,873	3,962	3,695	6,303	1,925	5,776	2,811	7,508
YoY	-17.3%	-2.9%	8.9%	23.1%	36.7%	14.8%	66.8%	18.2%	-33.0%	45.8%	-23.9%	19.1%
Cost of sales	1,643	2,156	1,454	3,314	2,139	2,400	2,939	4,550	1,346	4,014	2,076	5,466
YoY	2.6%	-15.5%	9.9%	15.6%	30.2%	11.3%	102.2%	37.3%	-37.1%	67.2%	-29.4%	20.1%
Cost ratio	78.2%	62.5%	18.7%	25.3%	74.4%	60.6%	79.5%	72.2%	69.9%	69.5%	73.8%	72.8%
Gross profit	459	1,294	762	2,017	734	1,561	756	1,753	579	1,762	736	2,042
YoY	-41.2%	29.3%	7.1%	37.9%	60.0%	20.7%	-0.8%	-13.1%	-21.1%	12.8%	-2.7%	16.5%
GPM	21.8%	37.5%	9.8%	15.4%	25.6%	39.4%	20.5%	27.8%	30.1%	30.5%	26.2%	27.2%
SG&A expenses	592	671	689	818	676	802	734	827	696	854	783	924
YoY	0.3%	1.1%	20.0%	19.9%	14.2%	19.6%	6.5%	1.1%	2.9%	6.5%	6.7%	11.8%
SG&A ratio	28.2%	19.5%	8.9%	6.2%	23.5%	20.2%	19.9%	13.1%	36.2%	14.8%	27.9%	12.3%
Operating profit	-133	623	74	1,199	58	759	23	926	-117	907	-47	1,118
YoY	-	85.0%	-46.6%	53.5%	-	21.9%	-69.4%	-22.8%	-	19.5%	-	20.7%
OPM	-6.3%	18.0%	0.9%	9.2%	2.0%	19.2%	0.6%	14.7%	-6.1%	15.7%	-1.7%	14.9%
Recurring profit	-146	603	46	1,166	30	715	-12	910	-147	897	-74	1,082
YoY	-	117.4%	-62.4%	52.6%	-	18.6%	-	-22.0%	-	25.5%	-	19.0%
RPM	-6.9%	17.5%	0.6%	8.9%	1.1%	18.0%	-0.3%	14.4%	-7.6%	15.5%	-2.6%	14.4%
Net income	-132	393	32	818	3	431	-59	631	-112	585	-48	733
YoY	-	146.7%	-55.3%	52.1%	-	9.8%	-	-22.9%	-	35.7%	-	16.3%
Net margin	-6.3%	11.4%	0.4%	6.2%	0.1%	10.9%	-1.6%	10.0%	-5.8%	10.1%	-1.7%	9.8%

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

Quarterly sales



Quarterly operating profit



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

Quarterly performance by segment (cumulative)

Segment sales and profit Cumulative (JPYmn)	FY12/17				FY12/18				FY12/19				FY12/19	
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	% of FY	FY Est.
<b>Total sales</b>	2,102	5,552	7,768	13,099	2,873	6,835	10,530	16,833	1,925	7,701	10,513	18,020	98.9%	18,220
YoY	-11.7%	-6.5%	-2.5%	6.5%	36.7%	23.1%	35.6%	28.5%	-33.0%	12.7%	-0.2%	7.1%		8.2%
<b>Real Estate Sales</b>	1,907	5,079	7,006	11,969	2,758	6,577	10,140	16,050	1,576	6,972	9,325	16,266	100.1%	16,243
YoY	-15.0%	-8.8%	-4.3%	9.2%	44.6%	29.5%	44.7%	34.1%	-42.8%	6.0%	-8.0%	1.3%		1.2%
% of total sales	90.7%	91.5%	90.2%	91.4%	96.0%	96.2%	96.3%	95.3%	81.9%	90.5%	88.7%	90.3%		
<b>Leasehold land</b>	483	2,353	2,955	5,067	611	2,961	4,095	7,088	1,087	2,632	3,521	6,697	91.6%	7,308
YoY	-59.8%	-2.9%	-16.8%	-6.4%	26.5%	25.9%	38.5%	39.9%	77.7%	-11.1%	-14.0%	-5.5%		3.1%
% of total sales	23.0%	42.4%	38.0%	38.7%	21.3%	43.3%	38.9%	42.1%	56.4%	34.2%	33.5%	37.2%		
<b>Old underutilized properties</b>	1,327	2,290	2,982	5,649	725	1,850	2,642	5,062	351	4,008	5,291	7,399	98.8%	7,491
YoY	180.4%	17.9%	34.8%	66.0%	-45.4%	-19.2%	-11.4%	-10.4%	-51.6%	116.7%	100.3%	46.2%		48.0%
% of total sales	63.1%	41.2%	38.4%	43.1%	25.2%	27.1%	25.1%	30.1%	18.2%	52.0%	50.3%	41.1%		
<b>Freehold</b>	15	259	809	899	1,322	1,545	3,062	3,454	28	116	171	1,703	171.8%	991
YoY	-96.9%	-75.1%	-38.2%	-49.8%	8655.1%	495.9%	278.7%	284.0%	-97.9%	-92.5%	-94.4%	-50.7%		-71.3%
% of total sales	0.7%	4.7%	10.4%	6.9%	46.0%	22.6%	29.1%	20.5%	1.5%	1.5%	1.6%	9.5%		
<b>Other</b>	81	177	260	353	99	221	342	446	110	214	340	466	102.9%	453
YoY	-4.3%	7.8%	5.2%	0.9%	22.3%	25.1%	31.2%	26.3%	11.1%	-3.3%	-0.5%	4.5%		1.6%
% of total sales	3.9%	3.2%	3.4%	2.7%	3.4%	3.2%	3.2%	2.6%	5.7%	2.8%	3.2%	2.6%		
<b>Construction</b>	195	473	762	1,130	115	258	390	784	349	729	1,186	1,753	88.7%	1,977
YoY	42.6%	29.0%	17.5%	-15.8%	-40.9%	-45.5%	-48.8%	-30.6%	202.6%	182.6%	204.0%	123.7%		152.2%
% of total sales	9.3%	8.5%	9.8%	8.6%	4.0%	3.8%	3.7%	4.7%	18.1%	9.5%	11.3%	9.7%		
<b>Operating profit</b>	-133	490	564	1,762	58	817	840	1,766	-117	790	743	1,861	111.7%	1,666
YoY	-170.0%	-7.0%	-15.2%	21.9%	-143.7%	66.8%	49.0%	0.2%	-	-3.3%	-11.5%	5.4%		-5.6%
<b>Real Estate Sales</b>	104	975	1,308	2,742	335	1,406	1,710	2,881	162	1,361	1,576	2,954		
YoY	-76.5%	-3.5%	-2.4%	21.8%	223.3%	44.2%	30.7%	5.1%	-51.7%	-3.2%	-7.8%	2.5%		
OPM	5.4%	19.2%	18.7%	22.9%	12.2%	21.4%	16.9%	18.0%	10.3%	19.5%	16.9%	18.2%		
<b>Construction</b>	-41	-77	-70	-44	-52	-111	-158	-174	-32	-73	-65	-44		
YoY	-38.5%	-27.8%	-42.2%	-21.5%	-	-	-	-	-	-	-58.8%	-74.5%		
OPM	-	-	-	-	-45.0%	-43.2%	-40.6%	-22.2%	-9.1%	-10.1%	-5.5%	-2.5%		
<b>Adjustments</b>	-195	-408	-675	-936	-225	-478	-711	-942	-247	-497	-768	-1,049		

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

Quarterly performance by segment (individual quarters)

Segment sales and profit Quarterly (JPYmm)	FY12/17				FY12/18				FY12/19			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Total sales	2,102	3,450	2,216	5,331	2,873	3,962	3,695	6,303	1,925	5,776	2,811	7,508
YoY	-11.7%	-2.9%	8.9%	23.1%	36.7%	14.8%	66.8%	18.2%	-33.0%	45.8%	-23.9%	19.1%
Real Estate Sales	1,907	3,172	1,927	4,963	2,758	3,819	3,563	5,909	1,576	5,396	2,353	6,941
YoY	-15.0%	-4.6%	9.9%	36.4%	44.6%	20.4%	84.9%	19.1%	-42.8%	41.3%	-34.0%	17.5%
% of total sales	90.7%	92.1%	88.0%	93.8%	96.4%	96.6%	97.3%	94.4%	82.1%	93.5%	85.1%	92.5%
Leasehold land	483	1,870	602	2,111	611	2,350	1,133	2,993	1,087	1,545	889	3,176
YoY	-59.8%	53.1%	-46.7%	13.5%	26.5%	25.7%	88.1%	41.8%	77.7%	-34.2%	-21.6%	6.1%
% of total sales	23.0%	54.3%	27.5%	39.9%	21.4%	59.5%	31.0%	47.8%	56.6%	26.8%	32.2%	42.3%
Old underutilized properties	1,327	962	692	2,668	725	1,124	792	2,420	351	3,657	1,283	2,108
YoY	180.4%	-34.5%	155.3%	123.9%	-45.4%	16.8%	14.5%	-9.3%	-51.6%	225.2%	62.0%	-12.9%
% of total sales	63.1%	27.9%	31.6%	50.4%	25.3%	28.4%	21.6%	38.7%	18.3%	63.4%	46.4%	28.1%
Freehold	15	244	549	91	1,322	223	1,518	392	28	88	55	1,532
YoY	-96.9%	-56.0%	104.8%	-81.2%	8655.1%	-8.8%	176.2%	331.3%	-97.9%	-60.5%	-96.4%	290.8%
% of total sales	0.7%	7.1%	25.1%	1.7%	46.2%	5.6%	41.5%	6.3%	1.5%	1.5%	2.0%	20.4%
Other	81	96	83	93	99	122	120	104	110	104	126	126
YoY	-4.3%	20.7%	0.2%	-9.6%	22.3%	27.4%	44.3%	12.3%	11.1%	-15.1%	4.7%	20.8%
% of total sales	3.9%	2.8%	3.8%	1.8%	3.5%	3.1%	3.3%	1.7%	5.7%	1.8%	4.6%	1.7%
Construction	195	278	289	368	115	143	132	394	349	380	457	567
YoY	42.6%	20.9%	2.5%	-46.9%	-40.9%	-48.7%	-54.2%	7.0%	202.6%	166.4%	245.7%	44.1%
% of total sales	9.3%	8.1%	13.2%	7.0%	4.0%	3.6%	3.6%	6.3%	18.2%	6.6%	16.5%	7.6%
Adjustments	0	6	26	42	12	9	35	46	5	8	46	7
Operating profit	-133	623	74	1,199	58	759	23	926	-117	907	-47	1,118
YoY	-170.0%	84.9%	-46.6%	53.5%	-143.7%	21.9%	-69.4%	-22.8%	-	19.5%	-	20.7%
Real Estate Sales	104	871	333	1,434	335	1,071	303	1,172	162	1,199	216	1,377
YoY	-76.5%	53.4%	0.9%	57.4%	223.3%	22.9%	-9.0%	-18.3%	-51.7%	11.9%	-28.8%	17.5%
OPM	5.4%	27.5%	17.3%	28.9%	12.2%	28.0%	8.5%	19.8%	10.3%	22.2%	9.2%	19.8%
Construction	-41	-36	7	26	-52	-59	-47	-15	-32	-42	8	21
YoY	-38.5%	-9.7%	-152.0%	-60.1%	-	-	-	-	-	-	-	-235.4%
OPM	-	-	-	-	-45.0%	-41.7%	-35.6%	-3.9%	-9.1%	-10.9%	1.8%	3.7%
Adjustments	-195	-213	-267	-261	-225	-253	-233	-231	-247	-250	-271	-281

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

Trends by segment

FY12/19 sales in the Real Estate Sales segment were JPY16.3bn (+1.3% YoY) and in the Construction segment were JPY1.8bn (+105.9% YoY; JPY1.8bn [+123.7% YoY] excluding intersegment transactions).

Real Estate Sales segment (parent)

The Real Estate Sales segment comprises four businesses: leasehold land, old underutilized properties, freehold, and other businesses (including rental revenue and consulting fees). The parent’s sales were up YoY and above plan on higher sales in the Real Estate Sales segment.

Real Estate Sales segment performance

Real Estate Sales (JPYmm)	FY12/11 Act.	FY12/12 Act.	FY12/13 Act.	FY12/14 Act.	FY12/15 Act.	FY12/16 Act.	FY12/17 Act.	FY12/18 Act.	FY12/19 Act.	FY12/20 Est.
Segment sales	6,887	7,701	7,599	8,839	10,241	10,959	11,969	16,051	16,267	19,581
YoY	13.7%	11.8%	-1.3%	16.3%	15.9%	7.0%	9.2%	34.1%	1.3%	20.4%
Leasehold land	4,379	3,765	3,690	4,134	5,300	5,413	5,066	7,088	6,697	7,510
YoY	29.0%	-14.0%	-2.0%	12.0%	28.2%	2.1%	-6.4%	39.9%	-5.5%	12.1%
% of segment sales	63.6%	48.9%	48.6%	46.8%	51.8%	49.4%	42.3%	44.2%	41.2%	38.4%
Old underutilized properties	1,991	2,725	2,311	3,034	3,851	3,404	5,649	5,062	7,399	8,282
YoY	125.7%	36.9%	-15.2%	31.3%	26.9%	-11.6%	66.0%	-10.4%	46.2%	11.9%
% of segment sales	28.9%	35.4%	30.4%	34.3%	37.6%	31.1%	47.2%	31.5%	45.5%	42.3%
Freehold	282	1,084	1,279	1,348	691	1,792	899	3,454	1,703	3,306
YoY	-81.9%	284.4%	18.0%	5.4%	-48.7%	159.3%	-49.8%	284.2%	-50.7%	94.1%
% of segment sales	4.1%	14.1%	16.8%	15.3%	6.7%	16.4%	7.5%	21.5%	10.5%	16.9%
Other	236	196	320	323	398	350	353	446	466	481
YoY	4.9%	-16.9%	63.3%	0.9%	23.2%	-12.1%	0.9%	26.3%	4.5%	3.2%
% of segment sales	3.4%	2.5%	4.2%	3.7%	3.9%	3.2%	2.9%	2.8%	2.9%	2.5%
Segment profit	1,208	976	1,580	1,779	2,018	2,251	2,742	2,881	2,954	-
YoY	9.9%	-19.2%	61.9%	12.6%	13.4%	11.5%	21.8%	5.1%	2.5%	-
Segment profit margin	17.5%	12.6%	20.8%	20.1%	19.7%	20.5%	22.9%	18.0%	18.2%	-

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

**Sales analysis: Large old underutilized properties business contributes**

Of FY12/19 sales in the Real Estate Sales segment, JPY6.7bn (-5.5% YoY) came from the leasehold land business, JPY7.4bn (+46.2% YoY) from the old underutilized properties business, and JPY1.7bn (-50.7% YoY) from the freehold business. The company sold 339 properties in the leasehold land business, 67 in the old underutilized properties business, and 13 in the freehold business.

The leasehold land business achieved 91.6% of the target laid out in the company forecast, and the old underutilized properties business achieved 98.8%. The freehold business significantly surpassed the company forecast on better than anticipated procurement and sales, achieving 171.8% of target.

In terms of sales ratios, the leasehold land business went from 44.2% in FY12/18 to 41.2% in FY12/19, the old underutilized properties business from 31.5% to 45.5%, and the freehold business from 21.5% to 10.5%. The company had acquired large old underutilized properties in Western Japan in FY12/18, resulting in an increase in sales of about 1.5x in the old underutilized properties business in FY12/19, while the sales ratio of the freehold business, which was a sales driver in FY12/18, shrank significantly.

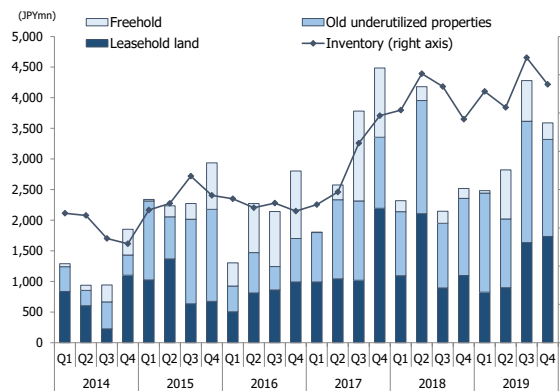
**Profit analysis: Segment profit margin improves**

Real Estate Sales segment profit rose to JPY3.0bn (+2.5% YoY), but the margin (segment profit ÷ segment sales, adjustments not considered) was 18.2%, up 0.2pp from 18.0% in FY12/18. The freehold business tends to have lower margins than the leasehold land and old underutilized properties businesses, so when the ratio of freehold business falls the overall margin rises. The gross profit margin therefore improved to 30.0%, up 0.9pp from 29.1% in FY12/18.

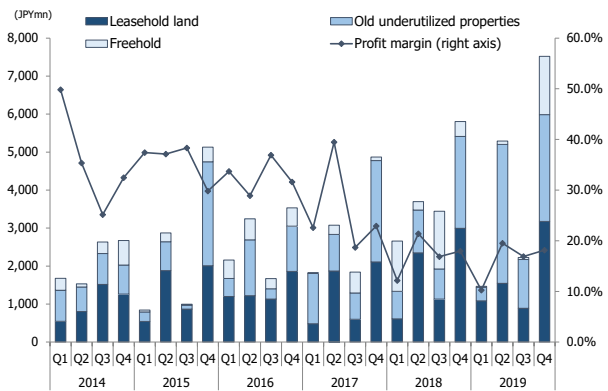
**Acquisitions analysis: Inventories of more than JPY10bn maintained**

In FY12/19, acquisitions in the Real Estate Sales segment totaled JPY13.2bn (+18.0% YoY). This was JPY1.0bn above plan, setting a record. Acquisitions included 452 properties (-11.9% YoY) in the leasehold land business acquired for JPY5.1bn (-1.8% YoY). In the old underutilized properties business, the company acquired 20 properties in Western Japan and the Kanto area that were valued at more than JPY100mn (versus 11 in FY12/18). It acquired a total of 101 properties (+40.3% YoY) in the old underutilized properties business for JPY6.3bn (+21.0% YoY). In the freehold business, there was an increase in acquisitions in Northern Japan and Western Japan, and acquisitions totaled JPY1.8bn (+132.7% YoY), a large jump in value after acquisition value dropped YoY in FY12/18. Although there was some fluctuation by quarter, the company achieved steady expansion in acquisitions, and inventories have remained above JPY10bn since Q3 FY12/17. The company has also acquired about 2,000 properties annually since FY12/17.

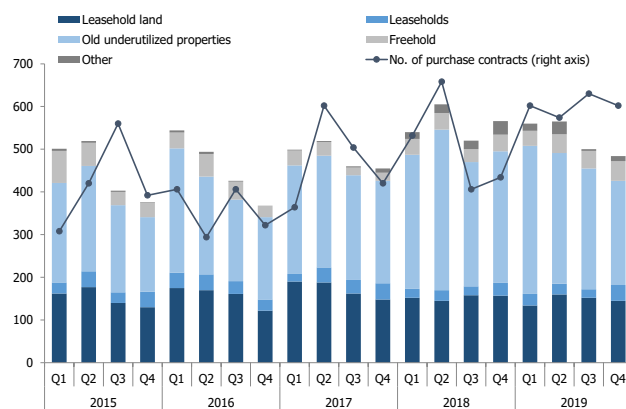
**Real Estate Sales segment acquisition value and inventory**



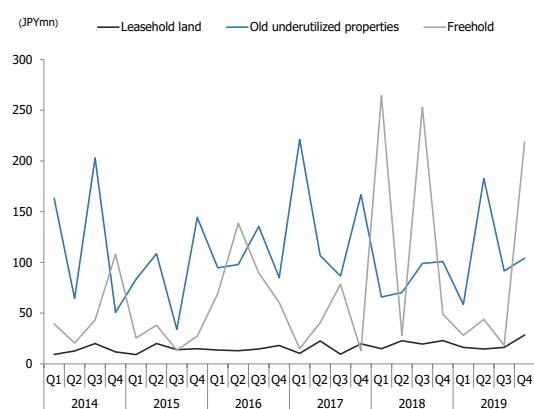
**Real Estate Sales segment sales**



**Real Estate Sales segment numbers of properties and purchase commitments**



**Unit sales prices**



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

**Construction segment (consolidated subsidiary One's Life Home)**

In FY12/19, Construction segment sales were JPY1.8bn (+105.9% YoY), or JPY1.8bn (+123.7% YoY) excluding intersegment transactions. Although orders improved, the segment sales achieved just 91.0% of target.

The number of properties sold (including detached houses and renovations) rose to 175 (versus 130 in FY12/18), exceeding plan by 3.1% in 1H, in part due to increased demand ahead of the consumption tax hike. However, sales fell short of plan on booking delays resulting from longer times required between the start of construction and delivery, along with the increasing size of renovation projects.

Orders totaled JPY2.2bn (+70.3% YoY), indicating the success of sales strategy reform the company has been promoting since FY12/18. The old consumption tax rate applied to contracts through March, so there was some last-minute demand at that time, resulting in a temporary drop in orders in April and May after application of the new tax rate. However, orders recovered in June and remained robust throughout the remainder of the fiscal year, so the order backlog grew to JPY1.0bn (+65.4% YoY).

Segment loss narrowed to JPY44mn (loss of JPY174mn in FY12/18). The company was unable to move the segment into the black as planned, but narrowed the loss through cost-cutting as part of fundamental operational reform it has been conducting. In January 2019, subsidiary One's Life Home relocated its headquarters and opened an adjacent showroom, Seijo Design Gallery, which matches its business concept. In addition, to focus sales efforts on pertinent channels, it closed a display space at Komazawa in March 2019.

### Construction segment performance

Construction (JPYmn)	FY12/11 Act.	FY12/12 Act.	FY12/13 Act.	FY12/14 Act.	FY12/15 Act.	FY12/16 Act.	FY12/17 Act.	FY12/18 Act.	FY12/19 Act.	FY12/20 Est.
Segment sales	1,196	1,738	1,663	1,624	1,359	1,391	1,203	884	1,819	1,971
YoY	-12.3%	45.3%	-4.3%	-2.3%	-16.3%	2.3%	-13.5%	-26.6%	105.9%	8.4%
Segment profit	-34	21	-105	35	-39	-56	-44	-174	-44	-
YoY	-	-161.8%	-	-133.3%	-	-	-	-	-	-
Segment profit margin	-2.8%	1.2%	-6.3%	2.2%	-2.8%	-4.0%	-3.7%	-19.7%	-2.4%	-

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

### Financial condition

According to the company's FY12/19 balance sheet, with the increase in real estate for sale, year-end inventories were JPY13.6bn, or approximately double what they were at end-FY12/16, causing total assets to increase similarly.

Interest-bearing debt grew with the increase in property acquisition. Sansei Landic matches its borrowing to project periods, meaning that it relies on short-term borrowings for all but large projects lasting more than a year. During FY12/19, it steadily recovered its investment on large projects, bringing its long-term borrowings down to zero (versus JPY1.3bn at end-FY12/18), but short-term borrowings (including current portion of long-term borrowings) increased by JPY2.5bn, and total net assets grew by JPY987mn. Its equity ratio fell 1.8pp from 53.1% in FY12/18 to 51.3% in FY12/19.

The cash flow statement also shows that interest-bearing debt grew with the increase in property acquisition. There were net cash outflows from operating activities primarily on an increase in inventory assets and net cash outflows from investing activities on the acquisition of tangible and intangible fixed assets, but net cash inflows from financing activities as an increase in short-term borrowings overshadowed repayment of long-term borrowings.

### Balance sheet

(JPYmn)	FY12/10 Cons.	FY12/11 Cons.	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Cons.
Current assets	5,796	5,251	6,256	8,023	7,835	10,366	9,749	15,874	15,745	18,095
Cash and deposits	892	1,155	859	1,185	2,275	2,253	2,435	3,558	3,594	4,134
Inventories	4,653	3,704	4,840	6,354	5,180	7,705	6,900	11,873	11,691	13,550
Other	250	391	557	482	379	406	413	442	460	411
Fixed assets	1,005	834	836	895	957	1,031	1,083	1,042	1,032	1,199
Tangible fixed assets	109	136	134	568	603	572	590	467	458	456
Intangible fixed assets	72	85	79	100	96	76	87	81	69	74
Investments and other assets	822	612	621	226	257	382	405	494	505	669
Total assets	6,801	6,085	7,092	8,918	8,792	11,397	10,832	16,916	16,777	19,294
Current liabilities	3,017	2,663	3,097	4,586	3,164	4,909	3,750	8,430	6,160	9,047
Interest-bearing debt	1,805	1,732	2,094	3,361	2,094	3,777	2,624	7,074	4,726	7,203
Other	1,212	930	1,002	1,224	1,070	1,132	1,126	1,356	1,433	1,845
Fixed liabilities	1,385	181	562	464	366	453	225	479	1,710	351
Interest-bearing debt	1,334	146	525	418	320	179	87	362	1,320	0
Other	51	34	36	46	46	273	138	117	390	351
Total liabilities	4,403	2,844	3,659	5,051	3,531	5,363	3,976	8,909	7,869	9,399
Total net assets	2,398	3,240	3,432	3,867	5,261	6,034	6,856	8,006	8,908	9,895
Total liabilities and net assets	6,801	6,084	7,091	8,918	8,792	11,397	10,832	16,916	16,777	19,294

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

### Cash flow statement

(JPYmn)	FY12/10 Cons.	FY12/11 Cons.	FY12/12 Cons.	FY12/13 Cons.	FY12/14 Cons.	FY12/15 Cons.	FY12/16 Cons.	FY12/17 Cons.	FY12/18 Cons.	FY12/19 Cons.
Cash flows from operating activities	-1,621	970	-953	-664	1,761	-1,451	1,611	-3,666	1,617	-420
Cash flows from investing activities	-106	127	-15	-175	-111	-116	-184	107	-64	-71
Cash flows from financing activities	1,842	-877	692	1,136	-612	1,588	-1,278	4,667	-1,495	984

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

**Financial ratios**

	FY12/10	FY12/11	FY12/12	FY12/13	FY12/14	FY12/15	FY12/16	FY12/17	FY12/18	FY12/19
	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.	Cons.
ROA (RP-based)	9.9%	11.6%	6.6%	10.1%	11.8%	11.9%	12.0%	12.0%	9.8%	9.8%
ROE	13.4%	15.8%	7.0%	12.5%	13.7%	12.8%	13.2%	15.0%	11.9%	12.3%
Inventory turnover	2.2	1.9	2.2	1.6	1.8	1.8	1.7	1.1	1.4	1.3
Tangible fixed assets turnover	63.6	65.6	70.2	26.2	17.8	19.7	21.2	28.0	36.7	39.5
Current ratio	192.1%	197.2%	202.0%	174.9%	247.6%	211.1%	260.0%	188.3%	255.6%	200.0%
Equity ratio	35.3%	53.3%	48.4%	43.4%	59.8%	52.9%	63.3%	47.3%	53.1%	51.3%

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

**Company forecast for FY12/20**

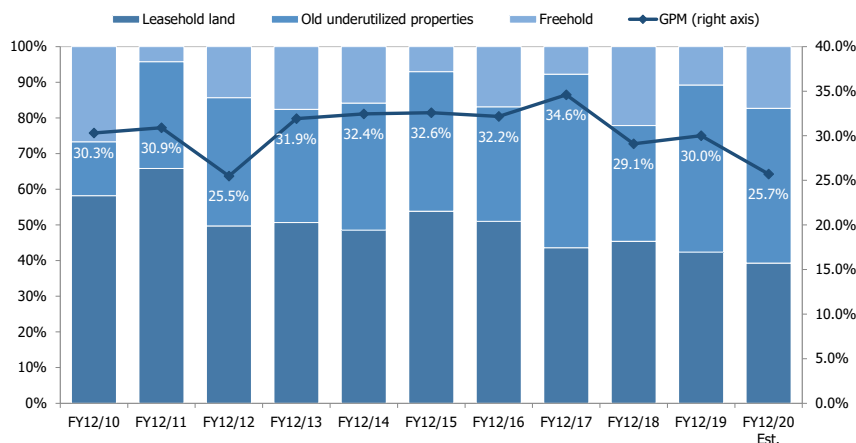
**Full-year forecast**

Sansei Landic forecasts FY12/20 sales of JPY21.6bn (+19.6% YoY), operating profit of JPY1.7bn (-9.4% YoY), recurring profit of JPY1.6bn (-11.4% YoY), and net income attributable to parent company shareholders of JPY1.0bn (+9.6% YoY). By segment, the company forecasts sales of JPY19.6bn (+20.4% YoY) in Real Estate Sales and JPY2.0bn (after adjustments, +8.4% YoY) in Construction. The company did not release segment profit targets.

Sansei Landic says it expects double-digit growth in sales but lower operating and recurring profits as SG&A expenses increase and the sales mix in the Real Estate Sales segment changes.

In the Real Estate Sales segment, the company forecasts FY12/20 sales in the leasehold land business to increase by 12.1%, in the old underutilized properties business to increase by 11.9%, and in the freehold business to increase by 94.1%. The company’s plan calls for the sales ratio for these businesses to change from 41.2% to 38.4%, 45.5% to 42.3%, and 10.5% to 16.9% respectively. The freehold business tends to have lower margins than the leasehold land and old underutilized properties businesses. As the plan calls for the ratio of the freehold business to grow, the company expects the Real Estate Sales segment’s gross profit margin to fall from 30.0% in FY12/19 to 25.7% in FY12/20. In addition, the forecast takes into account the impact of the consumption tax hike implemented in October 2019, but there is also a possibility the gross profit margin will be depressed further if market deterioration caused by the COVID-19 pandemic or other reasons results in the company having to conduct sales at lower margins than initially anticipated.

**Sales ratios and GPM**



Source: Shared Research based on company data

In the Construction segment, Sansei Landic expanded orders through fundamental operational reform starting in October 2018, and the order backlog has increased significantly. The company expects to move the segment into the black in

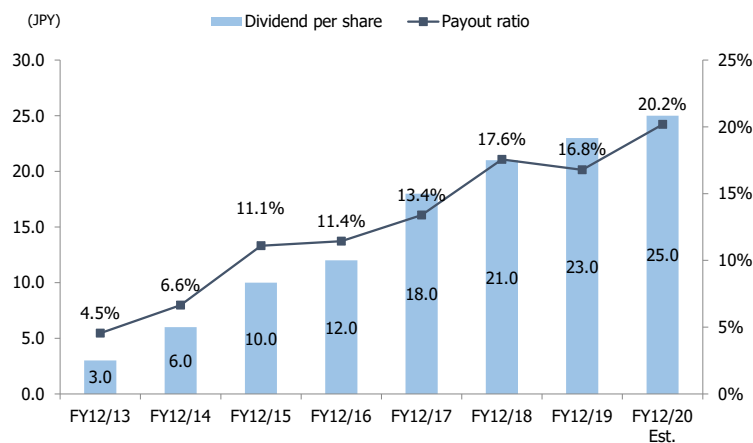


FY12/20 through ongoing efforts to shorten the lead time and control costs, but there remains a possibility it will be unable to do so in light of negative factors such as building component and furniture procurement delays or trouble delivering finished properties due to the impact of COVID-19.

Another factor negatively impacting profit is an increase in SG&A expenses caused by an increase in sales commissions accompanying growth in sales in the old underutilized properties and freehold businesses, higher taxes and dues because of the consumption tax hike, and a rise in personnel expenses brought on by hiring. Sansei Landic plans to spend JPY14.2bn (+7.9% YoY) on acquisitions in FY12/20, but this will mean higher taxes and dues paid up front, raising SG&A expenses further. Due to this increase in expenses, the company expects lower profit YoY.

The company plans to increase its dividend for the seventh year in a row, with a dividend of JPY25 per share. It will raise the payout ratio from 16.8% in FY12/19 to a projected 20.2% in FY12/20.

**Dividends**



Source: Shared Research based on company data

**Progress on medium-term plan**

When it formulated its medium-term plan, Sansei Landic included in its calculations projected falls in market conditions following the consumption tax hike and the 2020 Tokyo Olympics. However, based on the FY12/19 results and in light of changes in the segment mix and the current deterioration in market conditions, the operating and recurring profit targets included in its FY12/20 forecast fall short of the targets contained in the medium-term plan.

Sansei Landic’s medium-term plan for the three years from FY12/18 to FY12/20 targeted operating profit of over JPY2.0bn, recurring profit of over JPY1.9bn, and ROA of over 12%, but the company’s forecast for FY12/20, the final year of the plan, calls for operating profit of JPY1.7bn and recurring profit of JPY1.6bn. The reasons for this shortfall are that 1) projected FY12/20 margins are below the assumptions of the medium-term plan, 2) margins are expected to fall due to changes in the sales mix, and 3) projected SG&A expenses are higher YoY due to the consumption tax hike and other factors.

When acquiring properties, Sansei Landic assesses them to determine if they are likely to generate at least a certain margin, and at the time it formulated its medium-term plan, margins were generally exceeding its expectations upon sale of the properties. In addition, at the time of formulation, the combined sales ratio for the old underutilized properties and freehold businesses was 54.7%, but for FY12/20 it expects the combined ratio to reach 59.2%. As already mentioned however, the company’s leasehold land business has the highest margin, so as the ratios of the old underutilized properties and freehold businesses increase, the margin for the Real Estate Sales segment as a whole falls.

In SG&A expenses, taxes and dues increased with the consumption tax hike in October 2019. The company also anticipates a rise in sales commissions accompanying the increase in sales in the old underutilized properties and freehold businesses, and the consumption tax applies to sales commissions, which will further increase taxes and dues. In addition, Sansei Landic hires additional personnel to meet the needs of its business expansion, which increases personnel expenses.

The medium-term plan targeted ROA of over 12%, but that was because at the time it was formulated, the company had maintained ROA of 12% for several years. However, since FY12/17, an increase in inventories accompanied an increase in acquisitions, resulting in ROA of 9.8% in both FY12/19 and FY12/18. There are properties in the leasehold land business that require considerable time before sale, so the company has continued as needed to conduct write-downs and add personnel to promote the sale of such properties as it seeks to shorten inventory turnover time. At the same time, there are cases in which, rather than simply seeking to sell in the short term, the company can realize better margins by taking the time to fully realign rights. In such cases, improving ROA will not necessarily lead to improvement in enterprise value. For this reason, Sansei Landic will reconsider appropriate KPIs in formulating a new medium-term plan to start from FY12/21.

**Leasehold land market scale**

According to the 2018 Statistical Survey of Home and Land from the Ministry of Internal Affairs and Communications, there are some 873,600 leaseholds in Japan. At the time of the previous survey in 2013, there are 1,034,200 leaseholds, so the number fell by about 160,000 (-15.5%) over five years. The leasehold land handled by the company’s main business is land to which leaseholds based on the old Act on Land Leases apply, so the number of such properties is the same as the number of leaseholds. The number will continue to decline, but in FY12/19, Sansei Landic handled just 591 leasehold land properties, so the potential market remains huge. For this reason, the company believes the decline in leasehold land will have only a minor impact on its operations for the next 10–20 years.

**Number of leaseholds**

	2008	2013	2018	(versus 2013)
Nationwide	1,170,300	1,034,200	873,600	-15.5%
Tokyo	188,600	155,200	135,600	-12.6%
Osaka	75,800	69,300	58,000	-16.3%

Source: Shared Research based on 2018 Housing and Land Survey from the Ministry of Internal Affairs and Communications

**Promotion and monetization of new businesses**

To achieve further growth, Sansei Landic intends to develop new businesses into a third pillar in addition to the leasehold land and old underutilized properties businesses. Specifically, it is developing five new business areas: regional revitalization, housing support for disadvantaged people, overseas, minpaku service (rentals using vacant rooms in private residences), and businesses supporting women. Over the next five to six years, it aims to grow these new businesses enough that they can generate earnings.

(1) Regional revitalization

Sansei Landic set up a project team in July 2019, and in January 2020 its Regional Revitalization Office sought feedback from 24 municipalities around Japan about the issues they face. Many of them face issues with a declining birthrate and aging population, resulting in vacant houses and other issues impacting regional revitalization. According to the company, many of these municipalities are interested in its measures related to rights realignment. Since the beginning of 2020, Sansei Landic has made specific proposals to seven municipalities, although none of these proposals has resulted in contracts at this time.

(2) Housing support for disadvantaged people

The company is proceeding with specific proposals and examining a number of properties in the greater Tokyo area.

(3) Overseas

The company is investigating the possibility of overseas development using its expertise in rights realignment and is specifically considering small investments in Southeast Asia and the Americas.

(4) Minpaku service

When conducting rights realignment, if the company identifies a property it can use in the minpaku business, it aims to maximize revenue by putting such property to effective use, since it can also expect synergies with subsidiary One's Life Home in the area of renovation.

(5) New businesses where women can shine

Sansei Landic has a large number of women working for it, so it wants to create businesses, not limited to real estate, that leverage the female perspective.

In addition to the foregoing, Sansei Landic established a consolidated subsidiary in October 2019 and began fundraising via crowdfunding. It aims to raise awareness of its leasehold land business and develop new markets by fundraising online. In November 2019, it collected JPY50mn at 3% interest via its first fund, the Sokochi-kun Fund, which it plans to use as a new channel to conduct fundraising at low rates of interest.

### Impact of COVID-19

Face-to-face sales activities are important for the conduct of real estate rights realignment, which Sansei Landic considers its specialty, but it has temporarily had to limit some of its sales activities after the Japanese government declared a state of emergency due to the COVID-19 pandemic. The company therefore believes its performance will dip in the short term. However, a worsening real estate market due to deterioration in consumer sentiment can also provide opportunities for the company to acquire favorable properties at relatively low prices, so Shared Research believes the current market situation could benefit Sansei Landic in the long run.

Click to view the [full report](#).

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