

Summary of Business Results for the Year Ended December 31, 2021 [Japan GAAP] (Consolidated)

February 14, 2022

Company Sansei Landic Co.,Ltd Listed on the TSE
 Stock Code 3277 URL: <https://www.sansei-l.co.jp>
 Representative Takashi Matsuzaki, President and Representative Director
 Contact Takeshi Nagata, Director, Chief Director of Administration Dept. T E L: +81-3-5252-7511
 Expected date of annual shareholders' meeting: March 29, 2022 Expected starting date of dividend payment: March 30, 2022
 Expected date of filing of annual securities report: March 29, 2022
 Preparation of supplementary financial document: Yes
 Results briefing: Yes (for institutional investors and analysts)

(Rounded down to million yen)

1. Consolidated business results for the fiscal year ended December 2021 (January 1, 2021 through December 31, 2021)

(1) Consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Dec. 2021	16,836	-5.3	1,117	31.9	999	40.9	609	70.5
Year ended Dec. 2020	17,774	-1.4	847	-54.5	709	-59.7	357	-69.1

(Note) Comprehensive income:

Year ended December 2021: 609 million yen (70.5%)

Year ended December 2020: 357 million yen (-69.1%)

	Net income per share	Diluted net income per share	Return on equity	Ratio of ordinary income to total assets	Ratio of operating income to net sales
	Yen	Yen	%	%	%
Year ended Dec. 2021	73.56	73.22	6.0	5.0	6.6
Year ended Dec. 2020	42.34	42.25	3.6	3.6	4.8

(Reference) Investment earnings/loss on equity-method:

Year ended December 2021: -million yen

Year ended December 2020: -million yen

(2) Consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 2021	20,050	10,301	51.4	1,248.99
As of Dec. 2020	20,070	10,066	50.1	1,192.45

(Reference) Shareholders' equity:

As of December 2021: 10,298 million yen

As of December 2020: 10,062 million yen

(3) Consolidated results of cash flows

	Cash flows from operating activities	Cash flows from investing activities	Cash flows from financing activities	Cash and cash equivalents at the end of period
	Million yen	Million yen	Million yen	Million yen
Year ended Dec. 2021	1,704	-51	-608	4,752
Year ended Dec. 2020	-916	-287	952	3,707

2. Dividends

	Annual dividend					Total dividend (Total)	Dividend payout ratio (Consolidated)	Rate of total dividend to net assets (Consolidated)
	End of 1Q	End of 2Q	End of 3Q	Year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Million yen	%	%
Year ended Dec. 2020	-	0.00	-	25.00	25.00	210	59.0	2.1
Year ended Dec. 2021	-	0.00	-	26.00	26.00	214	35.3	2.1
Year ending Dec. 2022 (forecast)	-	0.00	-	27.00	27.00		29.5	

**3. Forecast of consolidated business results for the year ending December 2022
(January 1, 2022 through December 31, 2022)**

(% change from the previous
corresponding period)

	Net sales		Operating income		Ordinary income		Net income attributable to owners of parent		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Million yen	%	Yen
For the six months ending June 30, 2022	7,052	-22.6	395	-42.7	317	-49.7	201	-49.9	24.49
Year ending Dec. 2022	18,235	8.3	1,301	16.4	1,142	14.3	754	23.8	91.52

***Notes**

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries accompanying changes in the scope of consolidation): None

(2) Changes in accounting policies, accounting estimates and restatement

- ① Changes in accounting policies associated with revision of accounting standards: : None
 ② Changes in accounting policies other than ① : None
 ③ Changes in accounting estimates : None
 ④ Restatement : None

(3) Shares outstanding (common stock)

① Number of shares outstanding at the end of period (treasury stock included)

As of December 2021 8,474,800 shares

As of December 2020 8,468,300 shares

② Treasury stock at the end of period:

As of December 2021 229,942 shares

As of December 2020 29,942 shares

③ Average number of stock during period (cumulative period)

Year ended December 2021 8,284,882 shares

Year ended December 2020 8,443,753 shares

(Reference) Summary of non-consolidated business results

1. Non-consolidated business results for the fiscal year ended December 2021

(January 1, 2021 through December 31, 2021)

(1) Non-consolidated results of operations (% change from the previous corresponding period)

	Net sales		Operating income		Ordinary income		Net income	
	Million yen	%	Million yen	%	Million yen	%	Million yen	%
Year ended Dec. 2021	15,529	-3.6	1,263	49.4	993	48.0	603	240.3
Year ended Dec. 2020	16,111	-1.0	845	-55.5	671	-61.7	177	-84.9

	Net income per share	Diluted net income per share
	Yen	Yen
Year ended Dec. 2021	72.85	72.51
Year ended Dec. 2020	21.00	20.96

(2) Non-consolidated financial position

	Total assets	Net assets	Shareholders' equity ratio	Net assets per share
	Million yen	Million yen	%	Yen
As of Dec. 2021	19,674	10,313	52.4	1,250.37
As of Dec. 2020	19,838	10,083	50.8	1,194.51

(Reference) Shareholders' equity:

As of December 2021: 10,309 million yen

As of December 2020: 10,079 million yen

**2. Forecast of non-consolidated business results for the fiscal year ending December 2022
(January 1, 2022 through December 31, 2022)**

(% change from the previous
corresponding period)

	Net sales		Ordinary income		Net income		Net income per share
	Million yen	%	Million yen	%	Million yen	%	Yen
For the six months ending June 30, 2022	6,546	-23.9	358	-33.8	243	-22.5	29.47
Year ending Dec. 2022	16,865	8.6	1,140	14.8	752	24.6	91.23

***Financial summary is not subject to the review procedures by certified public accountants or auditing firms.**

***Explanation regarding appropriate use of business forecasts and other special instructions**

The forecasts regarding future performance in this report are based on information available at the time this report was prepared. However, actual results may differ from the forecasts due to various factors.

1. Summary of Results of Operations

(1) Summary of results of operations for the fiscal year under review

① Results of operations for the fiscal year under review

In the fiscal year under review, net sales were 16,836 million yen (down by 5.3% YoY), operating income was 1,117 million yen (up by 31.9% YoY), ordinary income was 999 million yen (up by 40.9% YoY), and a net income attributable to owners of parent was 609 million yen (up by 70.5% YoY).

Results by business segment are as follows.

I Real Estate Sales business

In the Real Estate Sales Business, the segment recorded net sales of 15,529 million yen (down by 3.6% YoY) and segment income of 2,333 million yen (up by 20.6% YoY).

Sales and purchase results for the fiscal year under review are as follows.

i Sales Results

Classification	Number of contracts	YoY (%)	Sales (million yen)	YoY (%)
Leasehold land	344	-0.3	8,208	+29.8
Old unutilized properties	57	-24.0	6,083	-13.7
Freehold	8	-38.5	864	-61.9
Other Real Estate Sales Business	-	-	373	-19.5
Total	409	-5.5	15,529	-3.6

(Note) 1. The amounts shown above do not include consumption taxes.

2. Inter-segment transactions have been eliminated.

3. "Number of contracts" indicates the number of transactions.

4. "Classification" of Leasehold land, Old unutilized properties, and Freehold is stated according to the classification at the time of purchase. When leasehold land has changed to freehold with rights adjustment after purchase, this case is included in "Leasehold land" based on the classification at the time of purchase. As for the classification of mixed properties with leasehold land, old unutilized properties, and freehold, properties including leasehold land are classified as "Leasehold land", and properties containing a mix of old unutilized properties and freehold are classified as "Old unutilized properties."

5. "Other Real Estate Sales Business" consists of rent income, income from brokerage fees, and commission income from outsourcing.

Although sales of leasehold land increased, sales decreased year-on-year due to a decrease in sales of old unutilized properties and freehold.

ii Purchase Results

Classification	Number of lots	YoY (%)	Purchase amount (Million yen)	YoY (%)
Leasehold land	367	+4.0	4,474	-10.3
Old unutilized properties	74	+32.1	4,689	-28.9
Freehold	20	+81.8	955	-44.1
Total	461	+9.8	10,118	-23.9

(Note) 1. The amounts shown above do not include consumption taxes.

2. "Number of lots" indicates the number of sales lots expected at the time of purchase of the property, such as the number of leaseholders in the case of leasehold land.

3. As for the classification of mixed properties with leasehold land, old unutilized properties, and freehold, properties including leasehold land are classified as "Leasehold land", and properties containing a mix of old unutilized properties and freehold are classified as "Old unutilized properties."

In purchasing, although the number of purchases increased year-on-year in all categories, the purchase amount decreased year-on-year in all categories mainly due to the higher purchase amount in the same period of the previous fiscal year reflecting the purchase of large-scale properties.

II Construction business

In the Construction Business, the segment recorded net sales of 1,306 million yen (down 21.4% YoY) and segment loss of 145 million yen (segment loss of 4 million yen in the same period of the previous fiscal year).

Sales and orders in the fiscal year under review are as follows.

i Sales Results

Number of contracts	YoY (%)	Sales (million yen)	YoY (%)
135	-17.2	1,306	-21.4

(Note) 1. The amounts shown above do not include consumption taxes.

2. Inter-segment transactions have been eliminated.

3. "Number of contracts" indicates the number of contracts received.

4. "Number of contracts" and "Sales" include the number and amount of renovation works and reconstruction works.

Sales decreased year-on-year mainly due to the delays in business negotiations and construction starts caused by the spread of COVID-19 and the impact of the lumber shortage. In addition, profits fell significantly short of the plan due to the recording of a provision for loss on construction contracts as the cost of reinforced concrete (RC) property under construction is expected to be significantly higher than originally estimated.

ii Order Results

Orders received (million yen)	YoY (%)	Order backlog (million yen)	YoY (%)
1,379	+26.0	529	+16.0

(Note) 1. The amounts shown above do not include consumption taxes.

2. Inter-segment transactions have been eliminated.

3. The above amounts are based on selling prices.

As for orders, both orders received and order backlog increased year-on-year.

② Outlook for the next fiscal year

In the Real Estate Sale business, we plan net sales of 16,865 million yen (up by 8.6% year-on-year) and expect each profit to increase. Expenses decreased significantly in the fiscal year under review due to COVID-19. However, we expect expenses to increase in the next fiscal year due to an increase in expenses associated with the expansion of purchasing, the expansion of promotion activities utilizing data, an increase in personnel expenses associated with an increase in personnel for future growth and an increase in system-related spending due to the conversion to cloud and the promotion of remote working.

In the Construction business, we have been working to develop a cost control structure in construction and to reduce expenses. Nevertheless, we recorded a drastic deficit for some properties. Therefore, we recorded a significant loss in the fiscal year under review. We plan to return to profitability in the next fiscal year by continuing to implement measures to strengthen sales and thoroughly control costs in construction.

As a result of the above, we forecast net sales of 18,235 million yen (up by 8.3% YoY), operating income of 1,301 million yen (up by 16.4% YoY), ordinary income of 1,142 million yen (up by 14.3% year on year), and net income attributable to owners of the parent of 754 million yen (up by 23.8% YoY).

It will be necessary to pay attention to the impact of COVID-19, whose end is still not possible to see, on the economic environment and trends in the financial and economic conditions in regards to our future outlook. Nevertheless, it is expected that real estate demand in Japan will remain strong for the time being.

Against this business environment, we formulated a medium-term management plan for FY12/22 to FY12/24. We achieved a growth rate of over 10% on average until 2019. However, we have entered a period of stagnation during the COVID-19 pandemic. Accordingly, we will set targets for 2024 conservatively with 2022 to 2024 serving as periods in which we will aim to strengthen our business foundation qualitatively, where we will focus on efforts to grow from 2025 onward. We will strengthen our financial base to be listed on the Prime Market from 2025 onward. At the same time, we will accelerate new initiatives using upfront investment. In this way, we are positioning this period as a turning point for new growth.

We will work to expand existing businesses, enlarge our business areas and strengthen our management base over the next three years. The aim of this will be to build solid business foundations so that we can realize stable business growth even after the end of the COVID-19 pandemic. We are aiming for consolidated operating income of 1.8 billion yen, consolidated ordinary income of 1.65 billion yen and an ROE of 9.0% as the management indicators for the final year of our plan.

I. Expansion of our existing businesses

We need to convert from an individual-based to an organizational-based structure and to expand scale without relying merely on an increase in personnel to achieve stable and continuous growth in our existing businesses. To that end, we will focus on strengthening our organizational strengths more than ever before. At the same time, we will develop a mechanism to be able to analyze data and to feed back those results to the frontline and then work on strengthening purchasing and sales upon setting major KPIs (e.g., number of projects handled per person). Moreover, various problems have accumulated in processes while we have emphasized results so far. Accordingly, we will promote the creation of an internal structure to be able to solve those problems.

II. Enlarging our business areas

We are looking to invest a total of 1 billion yen in new business areas to create total gross profit of 100 million yen by 2024 to accelerate the examination of new businesses that will form our third pillar.

We are aiming to develop properties and schemes that we have not tackled before now in existing businesses (e.g., leasehold land and old underutilized properties) and to develop business in new areas not related to existing businesses. Under this aim, we will actively utilize M&As and form alliances without being limited to internal deployment.

We plan to generate surplus cash and to then use it as investment funds for new businesses by continuing to monetize our inventories and to shorten the turnover period of stock on hand. Moreover, we are promoting the development of an internal management structure, the formulation of our course of action of key areas, the development of internal evaluations for new businesses and the expansion of employee education to create new businesses in addition to securing investment.

In the Regional Redevelopment business, we plan to work on the accommodation facility management business in Hachimantai. The aim of this is to regenerate resort inns concentrated in the Hachimantai hot spring district and to revitalize tourism in the area. We will work with local operators involved in providing meals based on locally produced ingredients to separate meals from accommodation. This will reduce the work of inn owners who are concerned about aging and the absence of successors. Initially, we plan to start business from one resort inn and to then expand to surrounding resort inns and empty villas. We are also considering to contribute to the community by providing our rights reconciliation service (e.g., to solve problems that require reconciliation of real estate rights relating to inheritance) and to expand our business into other regions by using our projects as a model case.

III. Strengthening our management base

We plan to strengthen our governance structure, review back-office operations to respond to the growth of our organization, enhance our financial base and reform personnel system in order to promote the aforementioned initiatives “I. Expansion of our existing businesses” and “II. Enlarging our business areas.”

(2) Summary of Financial Position

Net assets decreased by 20 million yen from the end of the previous fiscal year to 20,050 million yen (down by 0.1% YoY) at end of the fiscal year under review. The major factors for this change were an increase of 1,030 million yen in cash and deposits, an increase of 87 million yen in investments and other assets, and a decrease of 1,123 million yen in property for sale.

Total liabilities decreased by 255 million yen from the end of the previous fiscal year to 9,748 million yen (down by 2.6% YoY) at end of the fiscal year under review. The major factors for this change were an increase of 1,281 million yen in short-term loans payable, an increase of 1,623 million yen in current portion of long-term loans payable, an increase of 193 million yen in income taxes payable, a decrease of 309 million yen in other current liabilities, and a decrease of 3,138 million yen in long-term loans payable.

Net assets increased by 235 million yen from the end of the previous fiscal year to 10,301 million yen (up by 2.3% YoY) at end of the fiscal year under review. The major factors for this change were an increase of 398 million yen in retained earnings and an increase of 167 million yen in treasury stock.

As a result, the equity ratio was 51.4%, an increase of 1.3 percentage points from the end of the previous fiscal year.

(3) Summary of cash flows for the fiscal year under review

Cash and cash equivalents (hereinafter “cash”) at the end of the fiscal year under review were 4,752 million yen (up by 28.2% YoY).

The status of each cash flow and its factors for the fiscal year under review are as follows.

(Cash flows from operating activities)

Net cash provided by operating activities for the fiscal year under review was 1,704 million yen. The main factors were income before income taxes and minority interests of 1,003 million yen, proceeds of 1,123 million yen due to a decrease in inventories, expenditure of 373 million yen due to a decrease in other liabilities, and income taxes paid of 195 million yen.

(Cash flows from investing activities)

Net cash used in investing activities for the fiscal year under review was 51 million yen. Major factors included payments into time deposits of 547 million yen, proceeds from withdrawal of time deposits of 541 million yen, payments for purchase of

property, plant and equipment of 23 million yen, and payments for guarantee deposits of 23 million yen.

(Cash flows from financing activities)

Net cash used in financing activities for the fiscal year under review was 608 million yen. Major items included proceeds from short-term loans payable of 1,281 million yen, proceeds from long-term loans payable of 803 million yen, repayments of long-term loans payable of 2,318 million yen, purchase of treasury shares of 167 million yen and cash dividends paid of 210 million yen.

(Ref.) Changes in cash flow indicators

	FY12/17	FY12/18	FY12/19	FY12/20	FY12/21
Shareholders' equity ratio	47.3	53.1	51.3	50.1	51.4
Shareholders' equity ratio based on market value	55.1	40.9	40.0	30.8	33.8
Interest-bearing debt/cash flow	-	374.1	-	-	475.6
Interest coverage ratio	-	12.9	-	-	14.4

Equity ratio: Equity/Total assets

Market value equity ratio: Total market capitalization/Total assets

Interest-bearing debt to cash flows ratio: Interest-bearing debt/cash flow Interest coverage ratio: Operating cash flow/Interest payment

(Note) 1. All figures are calculated based on the consolidated financial data.

2. Total market capitalization is calculated based on the total number of shares issued excluding treasury stock.

3. Cash flows is taken from operating cash flow.

4. The interest-bearing debt refers to the debts posted in the consolidated balance sheets for which we are paying interests.

5. The ratio of cash flow to interest-bearing debt and interest coverage ratio for FY12/17, FY12/19 and FY12/20 are not presented because operating cash flow was negative.

(4) Basic policy on distribution of profits and dividends for the current and next fiscal years

Our basic dividend policy is to continuously and stably pay dividends and to actively return profits to shareholders in accordance with our business performance by improving profitability and securing dividend sources. As we recognize that returning profits to shareholders is an important management issue, we will strive to improve profitability and expand our business base with promoting management strategies aimed at maximizing shareholder profits. With regard to the use of internal reserves, the Company will make effective investments to respond to anticipated changes in the business environment, such as expanding its business base by strengthening its management structure. In addition, the Articles of Incorporation stipulates that the Company may pay an interim dividend upon resolution of the Board of Directors, but the Company's basic policy is to pay a year-end dividend from surplus once a year.

For the fiscal year under review, the Company plans to propose to pay a year-end dividend of 26.00 yen per share to the Ordinary General Meeting of Shareholders to be held on March 29, 2022. The annual dividend for the fiscal year under review is expected to be 26.00 yen per share.

For the next fiscal year, the Company plans to pay a year-end dividend of 27.00 yen per share based on the above policy.

2. Basic policy regarding selection of accounting standards

Considering the comparability of consolidated financial statements between periods and among companies, the Group will continue to prepare its consolidated financial statements under Japanese GAAP for the time being.

The Group considers to adopt the International Financial Reporting Standards (IFRS) appropriately, taking into account future business developments and various conditions in Japan and overseas