

# Medium-Term Management Plan (August 2024-FY2027)

August 9, 2024

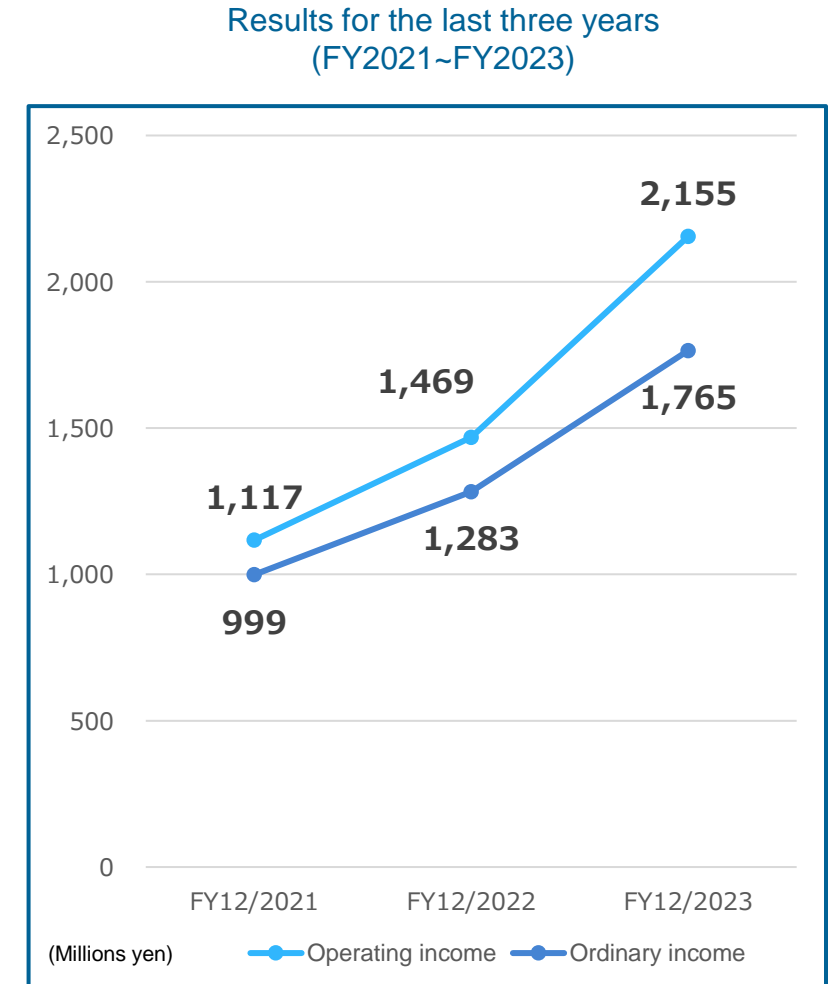
Sansei Landic Co., Ltd.

Securities Code: 3277 (TSE Standard Market)

# Review of the Previous Medium-term Management Plan (2022-2024)

- Achieved final year quantitative targets for FY12/2023. ROE and DOE both met targets
- Investment in new businesses fell short of targets but will continue to be focused on

	Final year of the MMP for the year before last (FY12/2020)	Final year of previous MMP (Target value)	Track record (FY12/2023)
<b>Operating income</b>	847 million yen	1,800 million yen	<b>2,155</b> million yen
<b>Ordinary income</b>	709 million yen	1,650 million yen	<b>1,765</b> million yen
<b>New Business* Investment</b>	- billion yen	1 billion yen	<b>0.04</b> billion yen
<b>Gross profit</b>	- billion yen	100 million yen	<b>0.0</b> billion yen
<b>ROE</b>	3.6%	9.0% or more	<b>10.2%</b>
<b>DOE</b>	2.1%	2.0% level	<b>2.4%</b>



\* For new business, cumulative amount through July 2024

## Corporate Philosophy

### Be a trailblazer for connecting people and their future

Since our foundation, our group has grown by breaking through the established concept of real estate. We make the best use of the expertise we have cultivated to have connections with all over the world, and thereby eliminating the imbalances. We also pledge to be a company that delivers enrichment and affluence to society by sincerely addressing social issues such as disasters, aging population, poverty, and environmental problems

## Long-term vision

### Solving a wide range of social issues related to real estate

We aim to become a company recognized by the general public as solving various problems related to rights, such as leasehold land and Old unutilized properties, by providing safe, secure, and courteous transactions through a wide range of business menus and human and proposal capabilities that other companies do not have. We aim to receive consultations from all over Japan and solve these problems

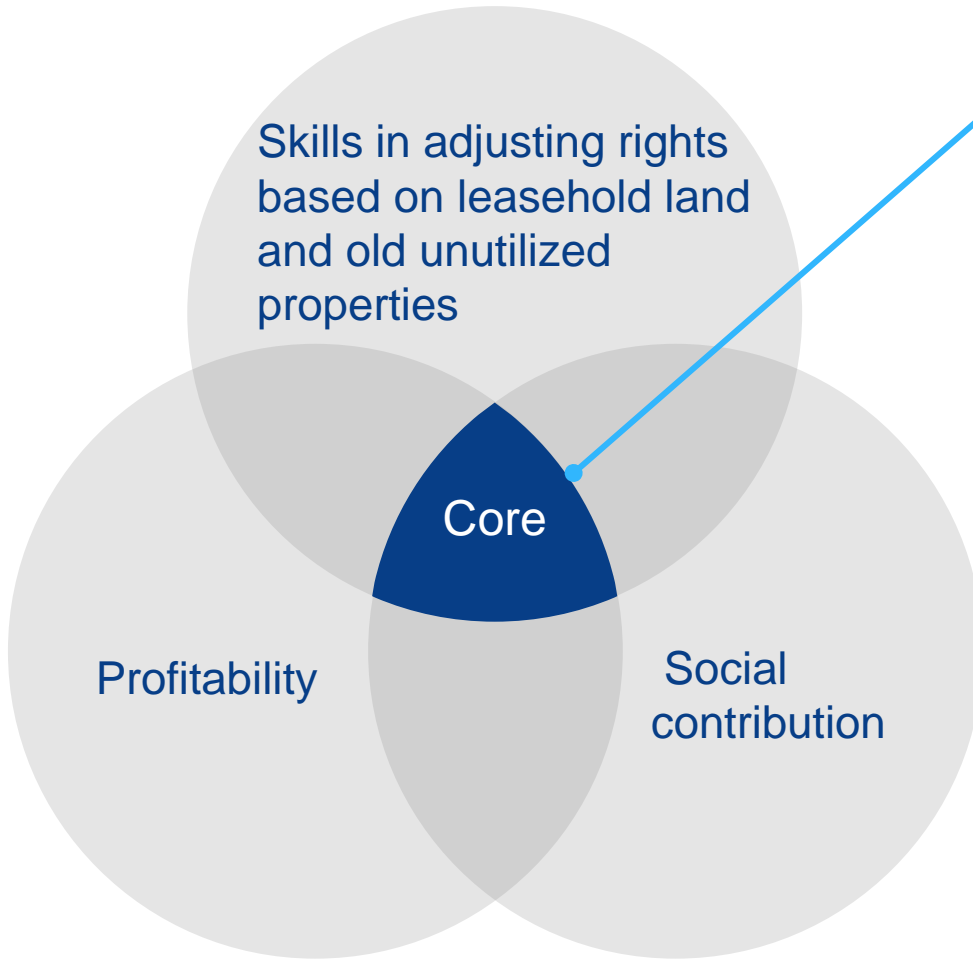
## New Medium-term Management Plan (August 2024 - December 2027)

Further strengthen  
Leasehold land and Old  
unutilized properties  
businesses

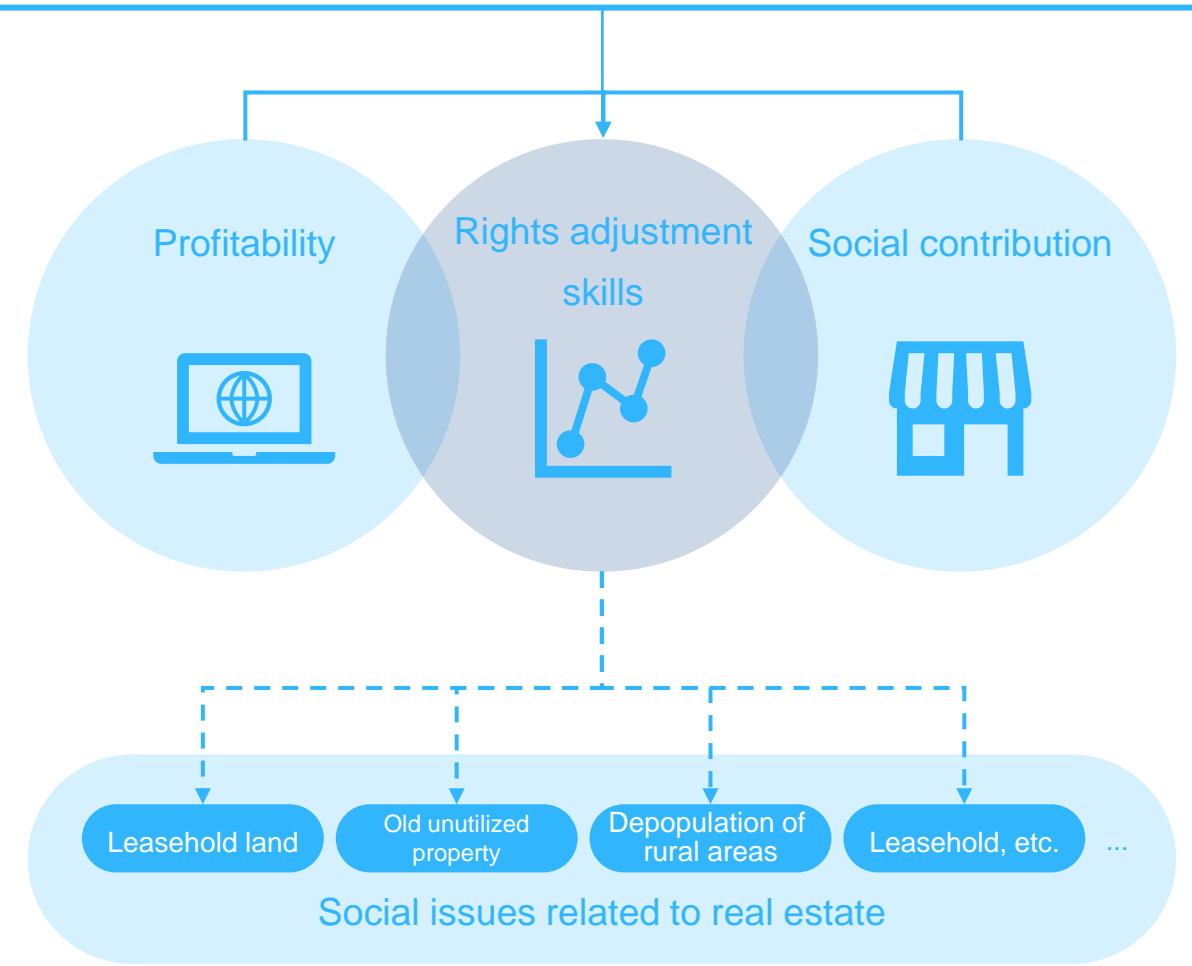
Expansion from  
Leasehold land and Old  
unutilized properties  
businesses to derivative  
businesses\*

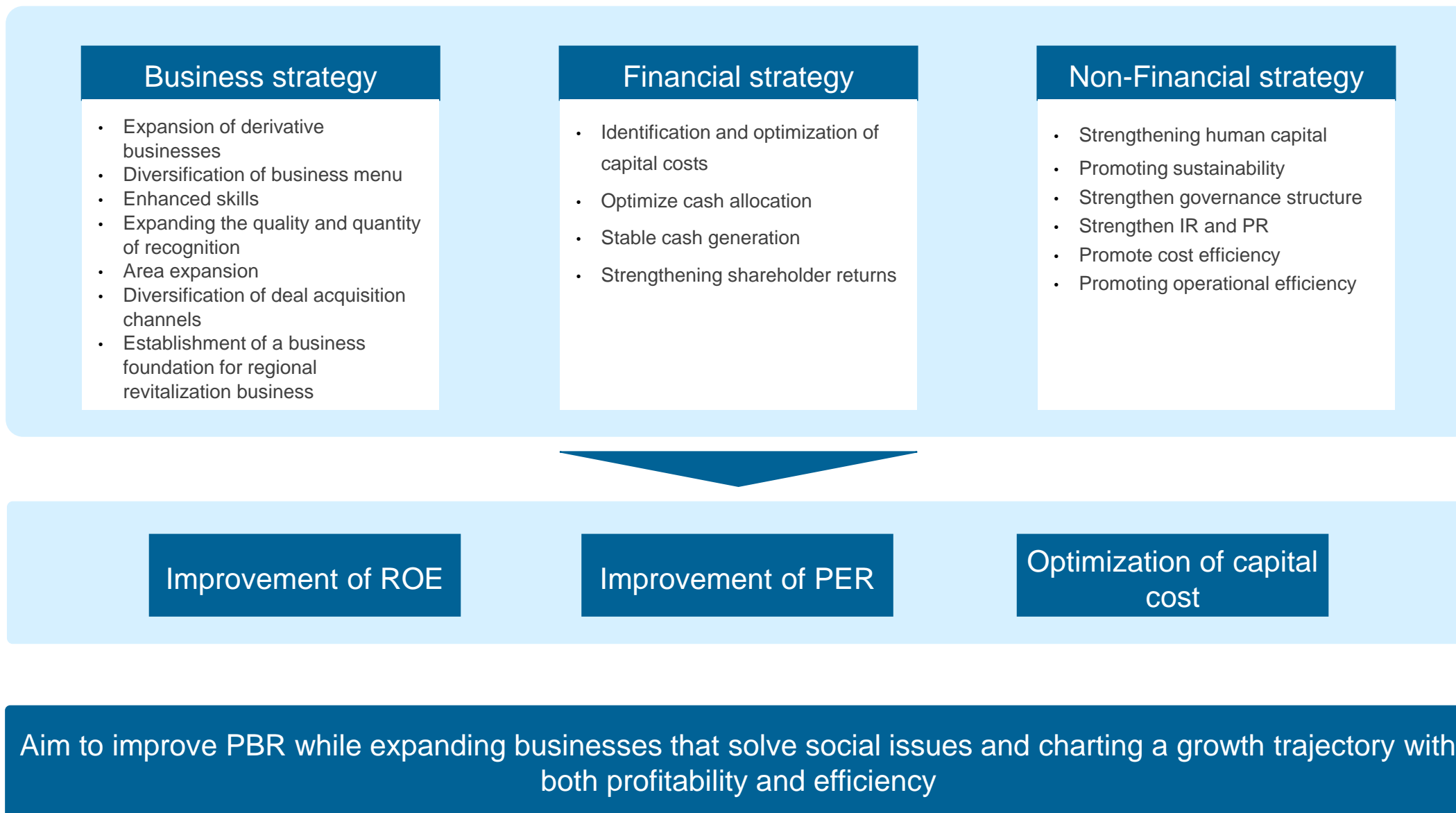
Establishment of a  
business foundation for  
regional revitalization  
business

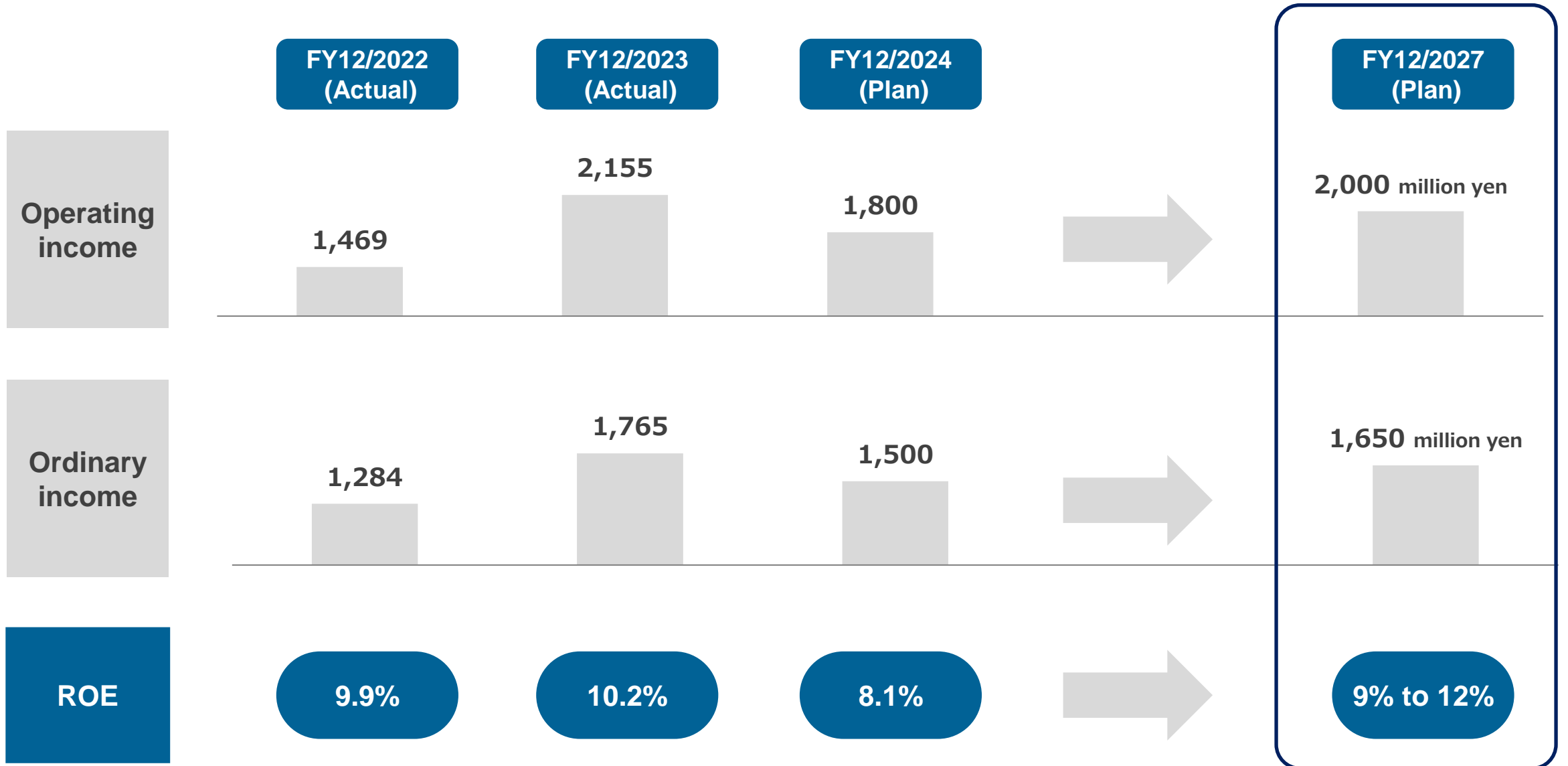
\* Derivative businesses are businesses that have not yet been scaled or commercialized (existing few or no businesses), although information on projects has been received to the Company



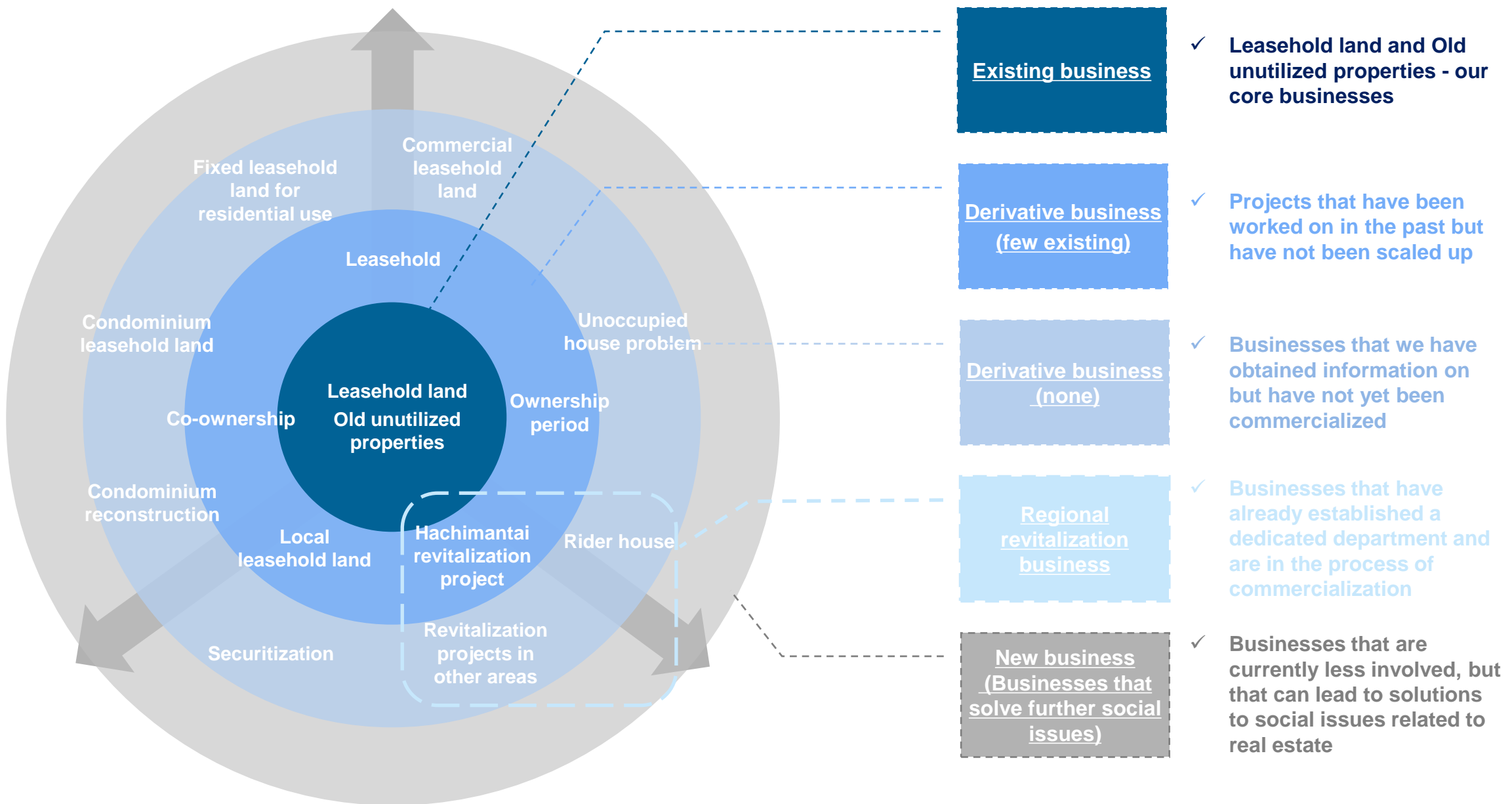
- Rehabilitate real estate that has lost its original value
- Promote regional revitalization centered on real estate

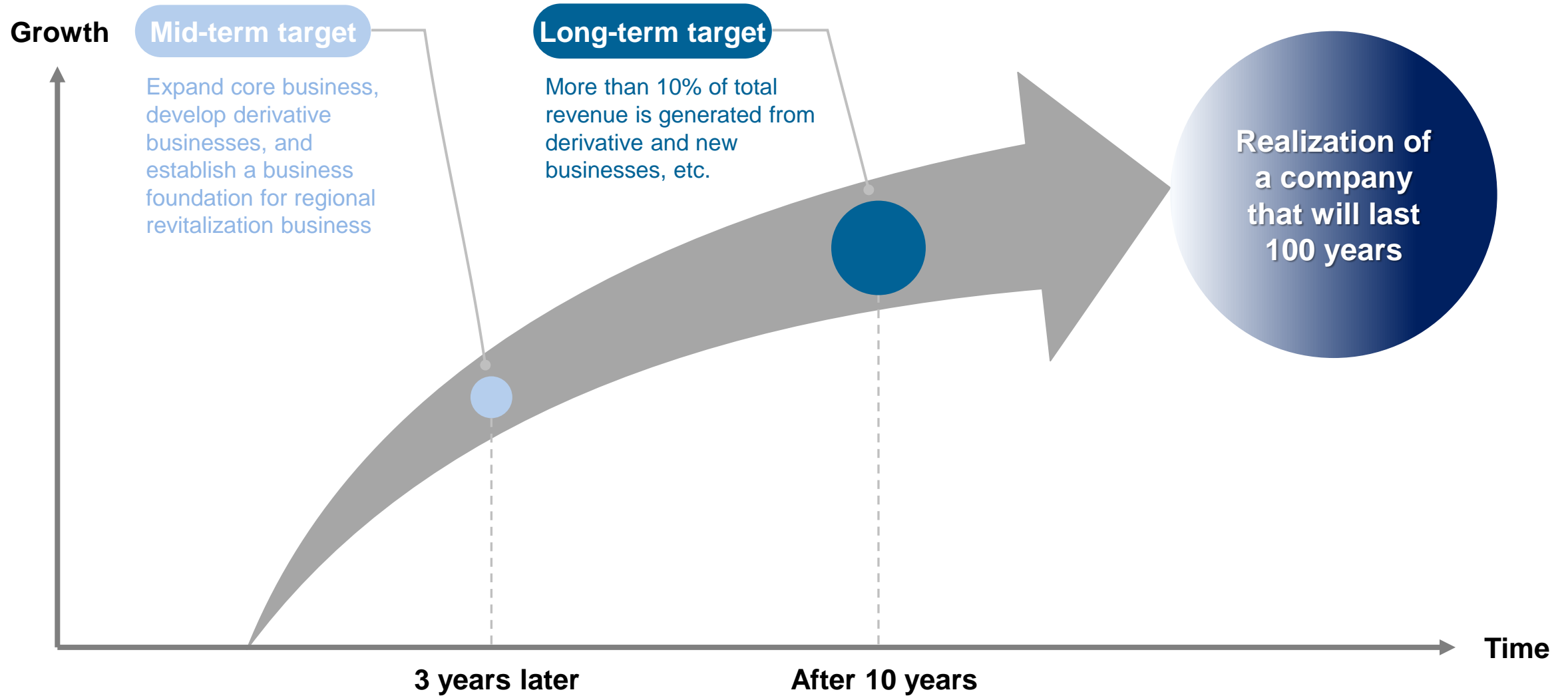






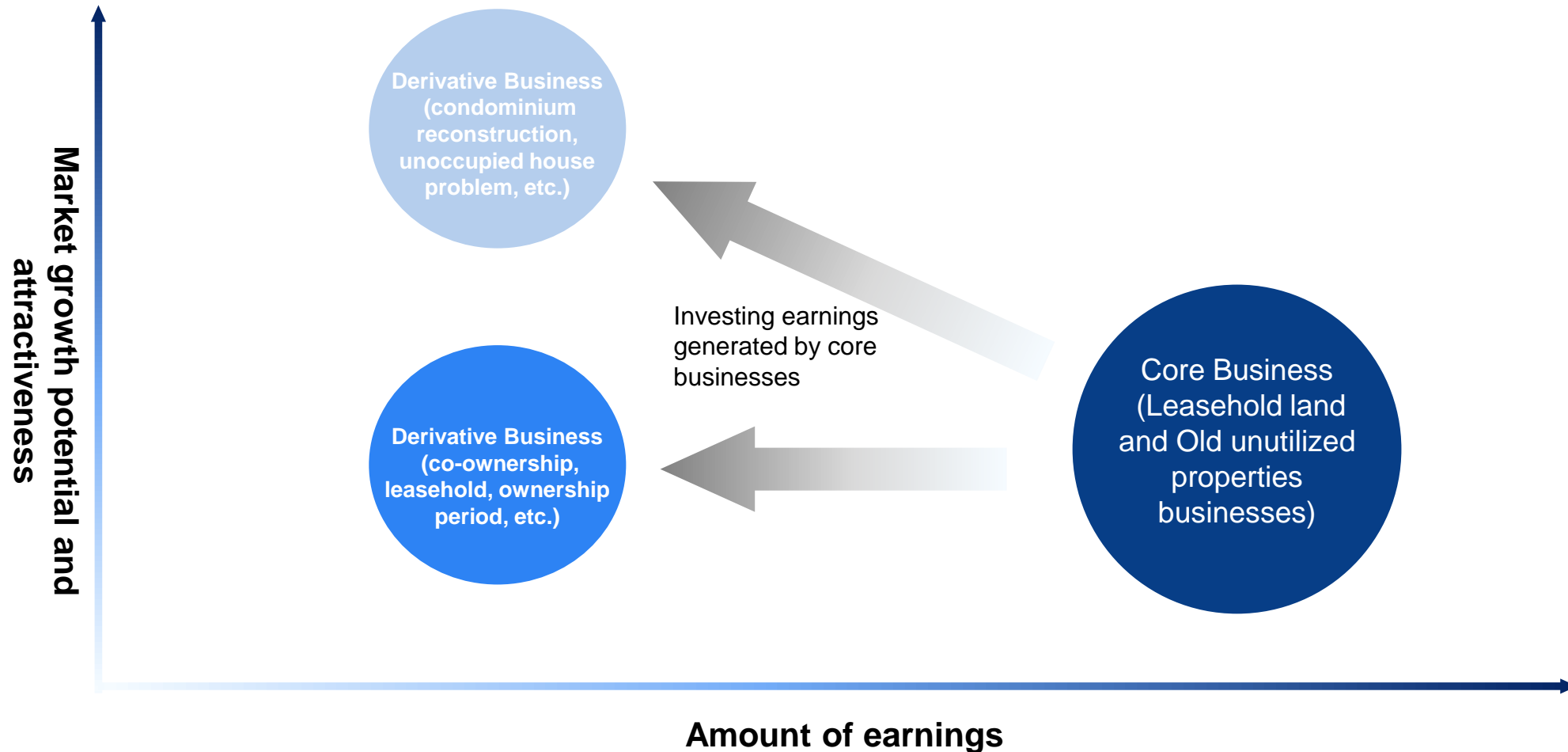
# Business Portfolio Expansion







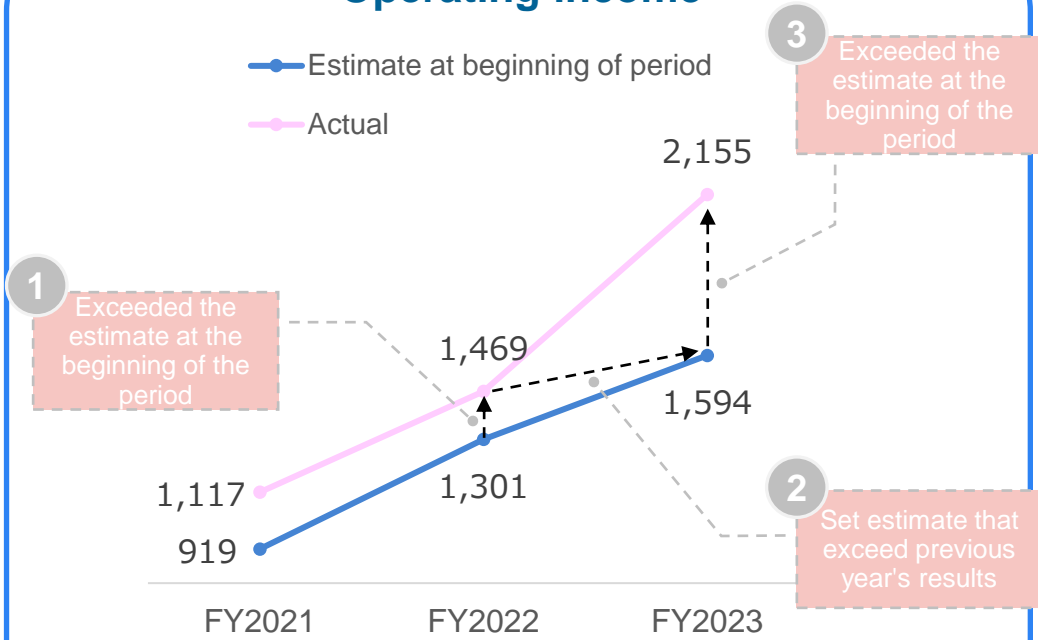
# Medium- to Long-term Business Portfolio



Achieve steady and stable growth by reinvesting in core businesses, and then allocate a certain amount of earnings to derivative businesses to achieve further growth

## Performance over the past three years

### Operating income



(Unit: Million yen)

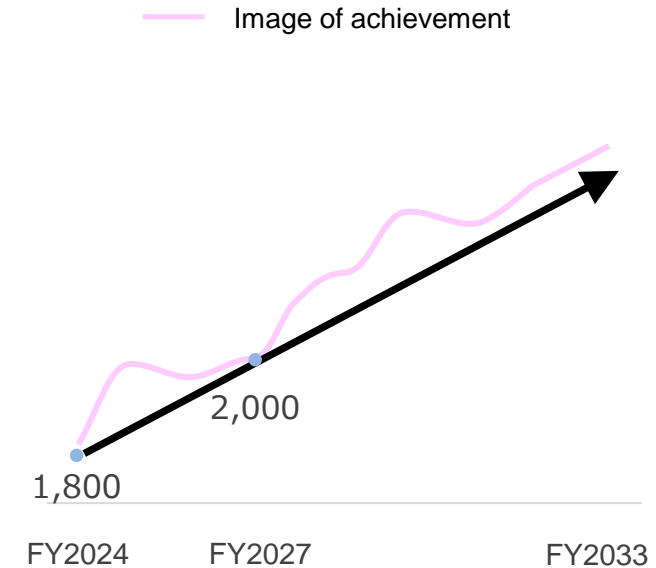
#### Issue

- Being a real estate flow business, the company's performance is prone to fluctuations depending on purchasing conditions and market conditions. In recent years, the increase in the number of large properties has increased the risk of fluctuations in business performance
- Rising finance burdens due to expanding business results have reduced the priority of new initiatives
- Shorter-than-expected growth curve, higher financial burden, and increased business risk



## Image of future growth

### Operating income

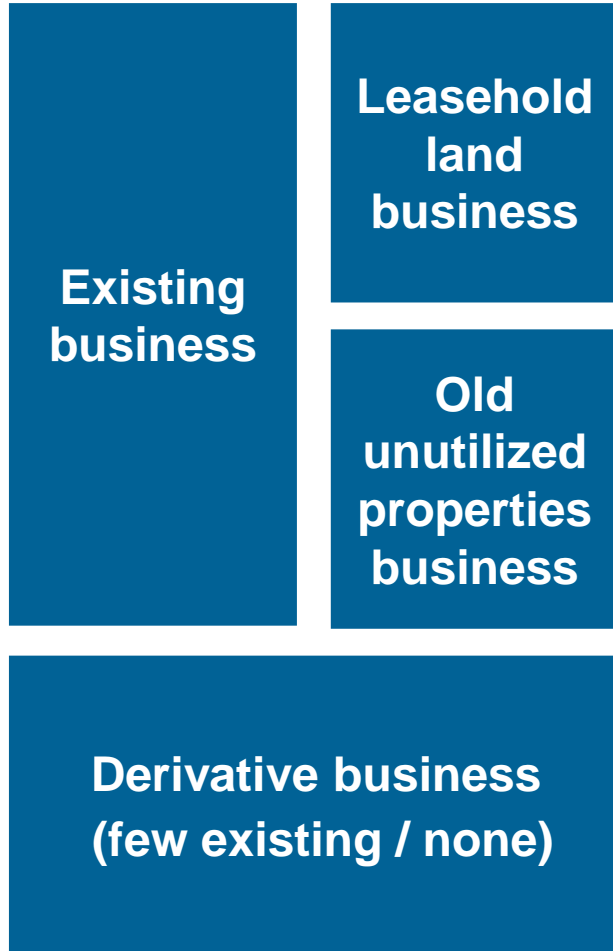


(Unit: Million yen)

#### Future policies

- Although the budget will steadily expand, priority will be given to new initiatives for stable growth over the medium to long term, rather than for short-term, steady expansion of business performance.
- Stable growth curve improves financial stability and reduces business risk

## Classification



## Policy

- Define areas to be strengthened, and then build and execute strategies based on market and customer characteristics to increase the number of cases and profits
- Increase competitive advantage by refining valuation methods and profit recognition logic, taking into account changes in demographics and customer attitudes
- Promote leveling and refinement of appraisal methods to respond flexibly to changes in market conditions and the competitive environment
- Steadily expand business by resolving issues at each branch
- To create the third and fourth arrows following the existing businesses and beyond, we will sequentially develop the businesses that have the greatest potential for scaling up
- To complement the flow nature of existing businesses, we also aim to accumulate businesses with stock value



## Policy

- Define areas to be strengthened, and then build and implement strategies based on market and customer characteristics to increase the number of cases and profits
- Increase competitive advantage by refining valuation methods and profit recognition logic, taking into account changes in demographics and customer attitudes

## Growth strategy

### Area strategy

- Selection of areas for expansion and strengthening
- Reinforcement of web customer attraction
- Change in sales tools

### Purchasing strategy

- Expanding the area to be addressed through a selection of areas to be strengthened
- Review of assessment criteria for competitive advantage

### Sales strategy

- Expansion of sales methods and sales destinations
- Expansion and development of rights adjustment menu
- Upgrading of proposal documents and tools

### External environment

- Decline in total population and working-age population
- Increase in single-person households
- Increase in the number of inheritances
- A certain amount of new entrants each year

### Our strengths

- Leasehold land = Sansei Landic, a high-profile name in the real estate industry
- Uniqueness and reliability to carefully negotiate in line with the intentions of land leaseholders
- Business characteristics that are not easily affected by economic ups and downs
- Secure nationwide branch offices to cover a wide range of areas and reduce risk due to changes in market conditions



## Policy

- Promote leveling and refinement of appraisal methods to respond flexibly to changes in market conditions and the competitive environment
- Steadily expand business by resolving issues at each branch

## Growth strategy

### Company-wide strategy

- Business period: establishment of calculation logic based on actual results and optimization of inventory turnover ratio
- Assessment criteria: establishment of criteria for target profit margin and project period, and improvement of estimation accuracy for various expenses
- Exit strategy: strengthen relationships and develop exits for all areas and uses

### Strategy by each department and branch

- Identification of issues to be addressed to expand business in each division and branch
- Implement measures to resolve issues at each division and branch, such as strengthening sales by channel, strengthening sales by area, strengthening sales force, and strengthening initiatives for commercial businesses

### External environment

- Decline in total population and working-age population
- Stable new supply of older income-producing properties
- Increase in the number of inheritances
- Soaring real estate prices due to rising interest rates and construction costs
- Increase in new entrants

### Our strengths

- Experience and recognition acquired through the execution of large and commercial properties
- Uniqueness and reliability to carefully negotiate in line with the leaseholder's intentions
- Nationwide branches are secured to cover a wide range of areas and reduce risk due to changes in market conditions



## Policy

- To create the third and fourth arrows following the existing businesses and beyond, we will sequentially develop the businesses that have the greatest potential for scaling up
- To complement the flow nature of existing businesses, we also aim to build up businesses with a stock nature

## Growth strategy

### Co-ownership

- Developing a system for acquiring projects and strengthening marketing
- Developing and upgrading assessment criteria
- Negotiation manual development, etc.

### Leasehold

- Clarification of approach policy
- Clarification of the various conditions required to acquire a project
- Establishment of investment criteria, etc.

### Ownership period (Long-term holding business of Old unutilized properties)

- Clarification of the size, location, and other conditions of the property to be addressed by the Company
- Establish internal hurdle rates appropriate to the property's conditions, area, etc.

### External environment

- Decline in real estate demand due to decrease in population and number of households
- Increase in the number of inheritances
- Soaring real estate prices due to rising interest rates and construction costs
- Increase in new entrants

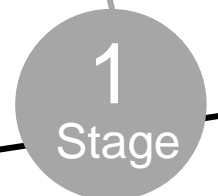
### Our strengths

- High recognition of Leasehold land and Old unutilized properties business
- A great deal of information on the manifest and potential in the adjacent areas of Leasehold land and Old unutilized properties business
- Business experience in adjacent areas of Leasehold land and Old unutilized properties

Monetization of projects that solve social problems in local governments  
Expanding nationwide as a model project

Selection of promising areas and expansion  
2022-2024

- Consider expanding into promising areas and formulating a business plan
- Pensions and villas in Hachimantai and projects utilizing vacant houses in Hirado City are being implemented or considered.
- Business preparation in the Izu area for Rider House



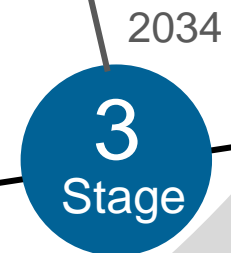
Monetization of investment projects  
2025-2027

- Mainly located in Hachimantai City, Hirado City, and the Izu region
- Priority is given to building a business foundation
- Consideration of next business area based on actual results



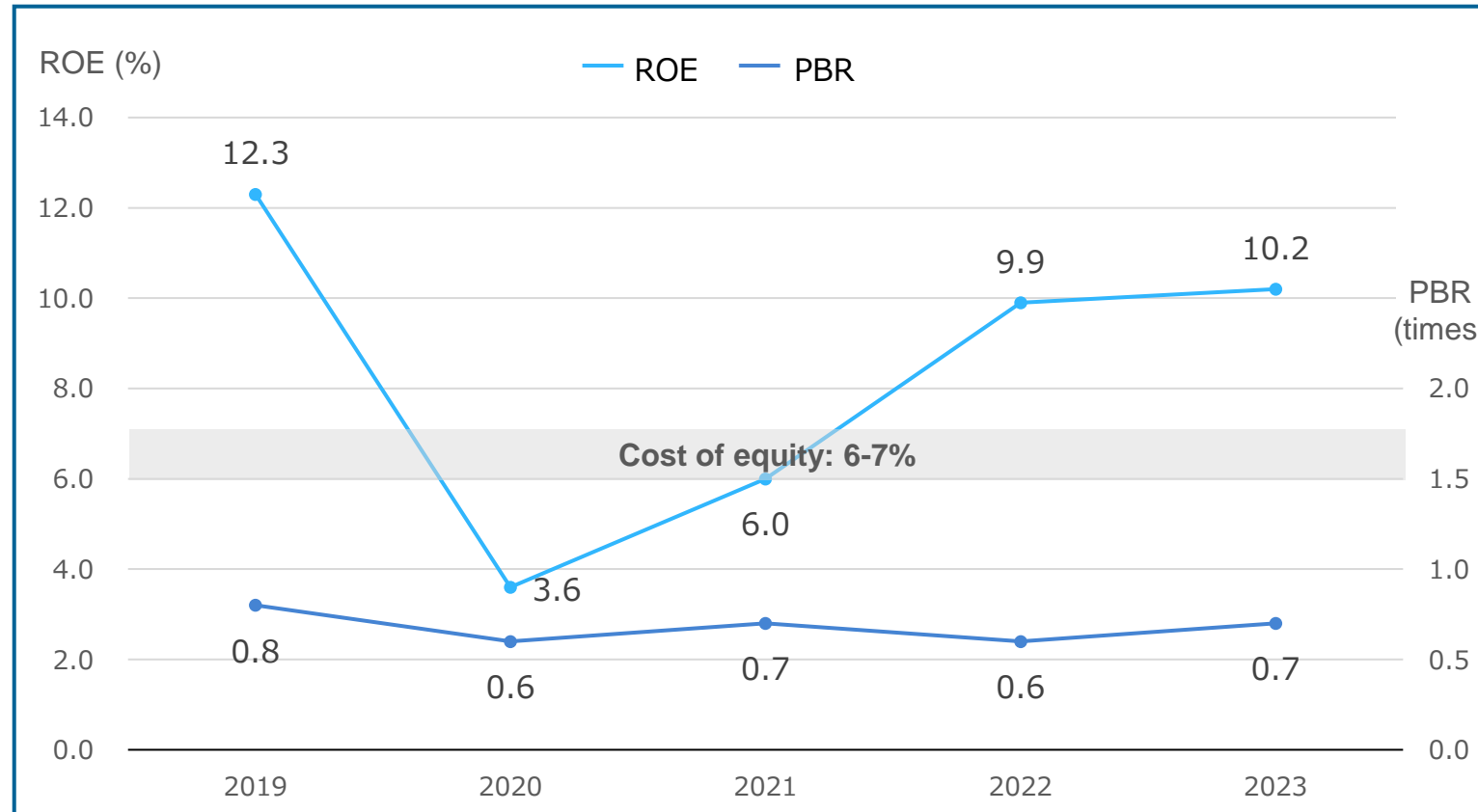
Inquiries from municipalities nationwide  
2028-2034

- Resolving vacant houses and other problems in local government
- Establish an investment model of 100 million yen per business
- Realization of business operations with a view to recovery of investment (EXIT)



## Understanding of the present situation

- Current PBR is 0.6-0.7x
- ROE has recently increased to 10.2%, which is higher than the CAPM-based cost of equity (around 6~7%)
- The main reasons for PBR below 1x were that the company did not sufficiently explain its more concrete growth strategy and did not meet an appropriate level of shareholder returns





## Policy Initiatives

- Advance initiatives of the medium-term management plan and begin full-fledged management with an awareness of the cost of capital and stock price
- Aim to enhance corporate value through initiatives to improve profitability and capital efficiency and accelerate growth

## Concrete plan

Improve-  
ment of  
PBR



ROE

PER

Capital efficiency

- Appropriate allocation of management resources based on cash allocation
- Balance shareholder returns with existing business, financial soundness, and investment for growth
- Strengthen shareholder returns through dividends and share buybacks

Profitability

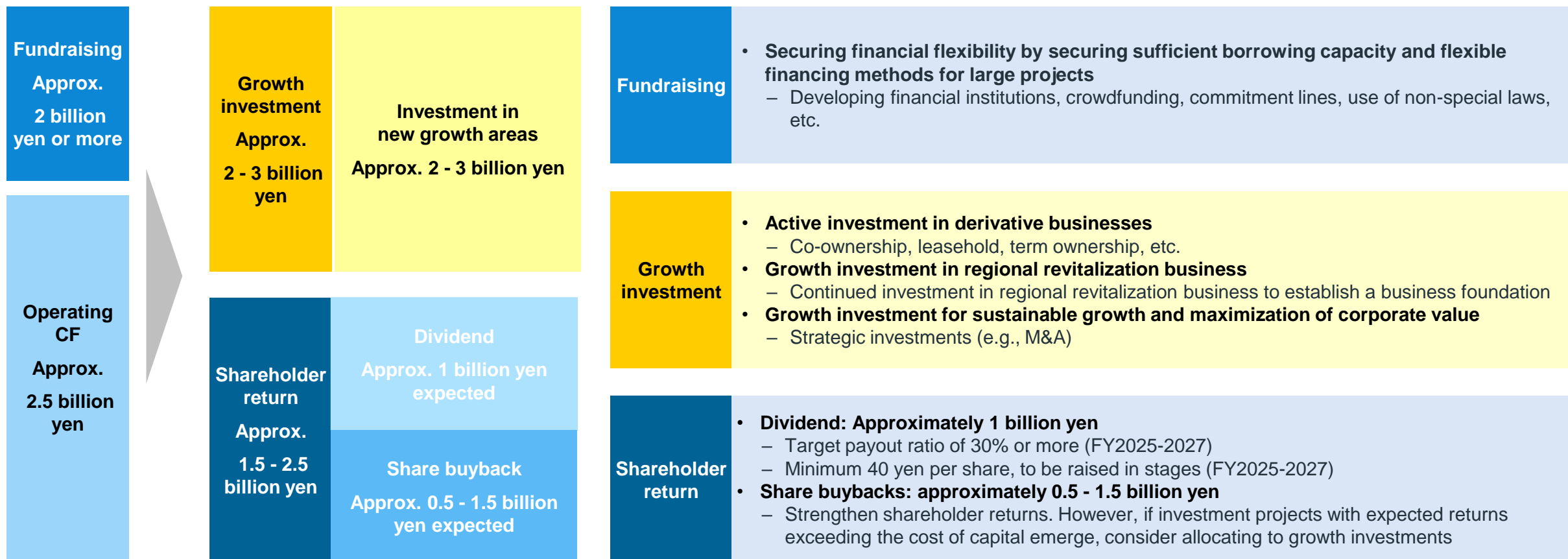
- Maintain a target ROE of 9-12% above cost of shareholders' equity
- Strengthen profitability of core businesses and expand derivative businesses
- Establishment of a business foundation for regional revitalization business

Growth potential

- Steady implementation of the medium-term plan to achieve the long-term vision
- Realization of growth strategy by strengthening investment in derivative businesses, new businesses, etc.
- Strengthen human capital and promote sustainability

- Aim to improve business growth, capital efficiency and profitability by strategically allocating operating cash flow and external financing to investment in growth and shareholder returns
- Respond flexibly to growth investments such as M&A by utilizing external debt

## Three-year cash allocation (plan for 2025-2027)



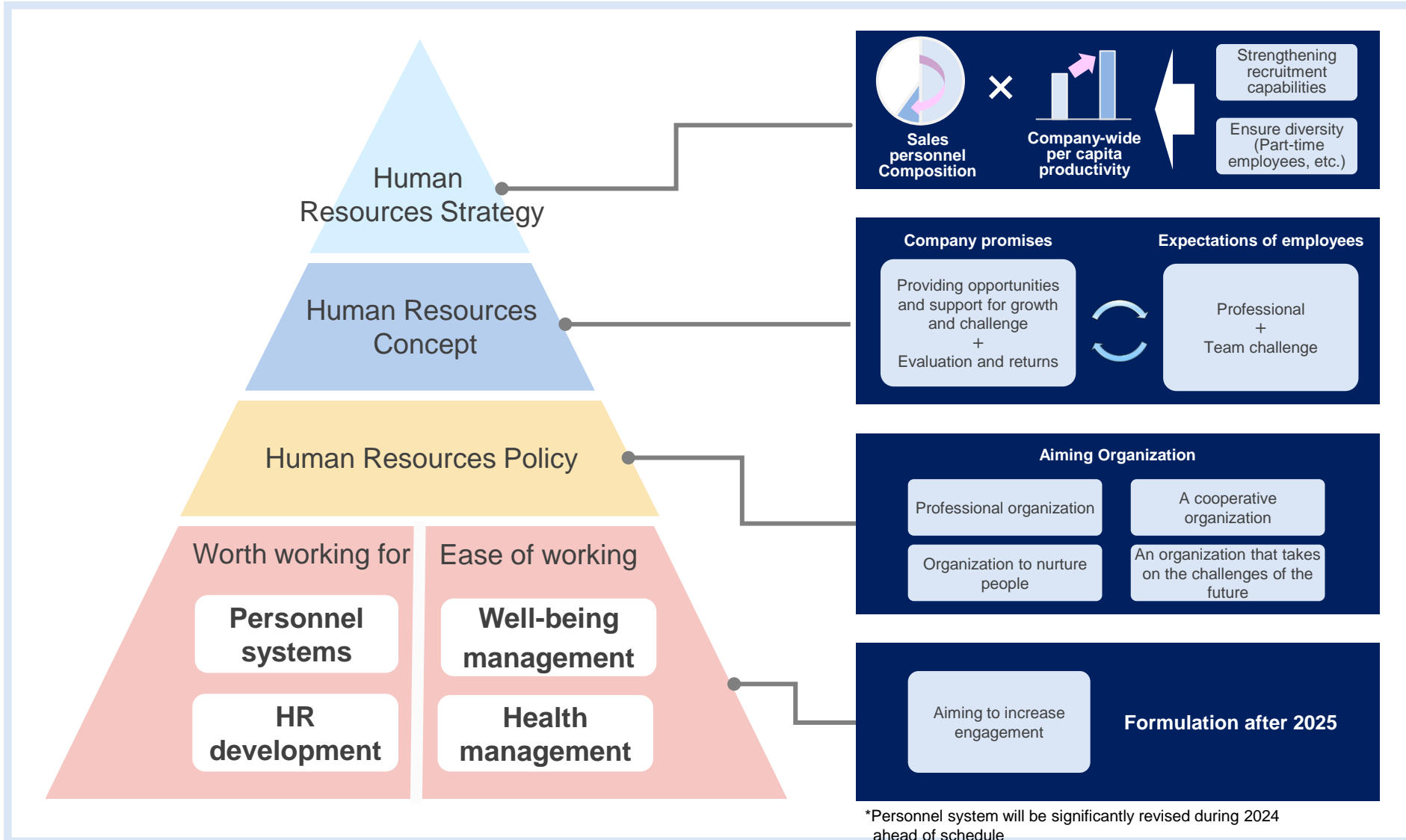


Cash generation	Stable generation of operating CF	<ul style="list-style-type: none"> <li>- Generation of operating CF by optimizing inventory turnover in existing businesses</li> <li>- Invest the cash generated in the next growth business</li> </ul>
	Diversification of financing methods	<ul style="list-style-type: none"> <li>- Consideration of financing methods from sources other than existing financial institutions</li> <li>- Expansion of crowdfunding</li> <li>- Consideration and implementation of financing methods utilizing the Real Estate Specified Joint Enterprise Act</li> </ul>
Strengthening shareholder returns	Balance financial stability and optimal capital allocation	<ul style="list-style-type: none"> <li>- Proactively allocate cash generated for sustainable corporate activities to shareholder returns while maintaining financial stability</li> </ul>
	Introduced a dividend payout ratio target as a new initiative	<ul style="list-style-type: none"> <li>- Set a dividend payout ratio target of "30% or more" as a new approach to shareholder returns</li> <li>- Minimum of 40 yen per share, to be raised in stages</li> </ul>
	Reduction of equity capital to build optimal capital	<ul style="list-style-type: none"> <li>- Plans to purchase treasury stock totaling approximately 0.5 to 1.5 billion yen. If investment projects in growth businesses that exceed the cost of capital emerge, we will consider the optimal allocation of funds from the perspective of increasing corporate value</li> <li>- We will consider the use of treasury stock, including its cancellation and use in M&amp;A</li> </ul>

# Strengthening Human Capital



















- Medium-term Management Plan basic strategies
- Further strengthening of Leasehold land and Old unused properties
- Expansion into derivative businesses
- Business establishment of regional revitalization business

**Integrate individual "strengths" to create a team-oriented organization that works together to realize the basic strategy**



\*Personnel system will be significantly revised during 2024 ahead of schedule

- Identification of materiality issues that should be prioritized to enhance the corporate value of the Group and develop a sustainable society
- Establish a Sustainability Committee to continuously set KPIs and promote activities, and disclose progress on the newly established sustainability website as appropriate

Theme	Materiality	Main initiatives	Contribution to the SDGs
Environment	Promote activities aimed at reducing environmental impact and disaster risk	<ul style="list-style-type: none"> <li>• Waste Reduction and Recycling</li> <li>• Promote initiatives to protect stakeholders from natural disasters</li> </ul>	    
Society	Realization of Win-Win-Win for all parties involved in the transaction	<ul style="list-style-type: none"> <li>• Contribution to a safe and secure society</li> <li>• Rehabilitation of real estate through right-of-way adjustments</li> <li>• Community Revitalization</li> </ul>	      
Human capital	Human resource development of diverse values and a comfortable work environment	<ul style="list-style-type: none"> <li>• Acquisition and training of human resources to enhance business growth and customer satisfaction</li> <li>• Employee Health</li> <li>• Diversification of work styles and work-life balance</li> </ul>	    
Governance	Sustainable growth through management with greater emphasis on governance	<ul style="list-style-type: none"> <li>• Legal compliance awareness</li> <li>• Risk management with emphasis on BCP</li> </ul>	

## Strengthen governance structure

- Risk assessment and formulation of countermeasures against rapid changes in the social and business environment
- Development of a Succession Plan, including executive training

## Strengthen IR and PR strategies

- Creation of a company-wide branding strategy
- Creation of marketing strategies for each of IR and PR based on branding strategy

## Cost efficiency

- Understand the Company's cost structure and challenges
- Review expense plans, taking into consideration the effectiveness and efficiency of expense
- Increase profit margins by controlling the rate of increase in expenses, not by reducing expenses

## Business streamlining

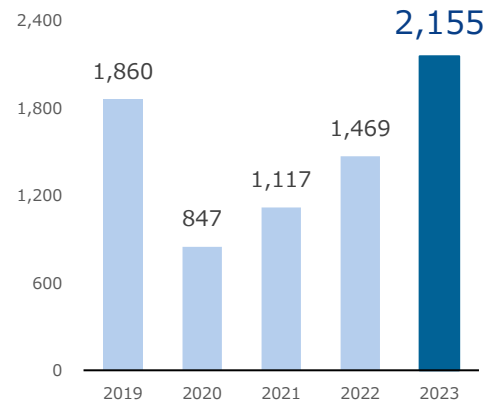
- Review operations, mainly back office operations, and build a system that can handle business expansion with the existing number of employees
- Reduce the burden of sales administration to create a system that allows sales personnel to focus on sales
- Considering introducing new mechanisms throughout the company, including DX

# *Appendix*

## Key Financial Information

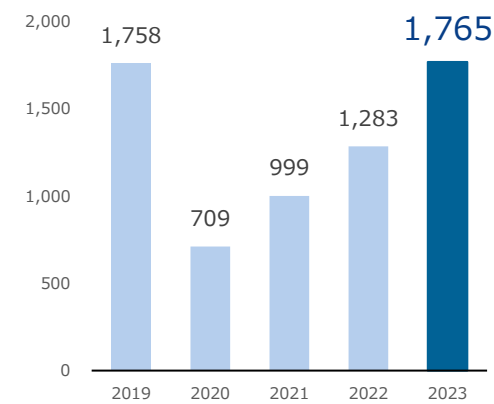
### Operating income

**2,155 million yen**



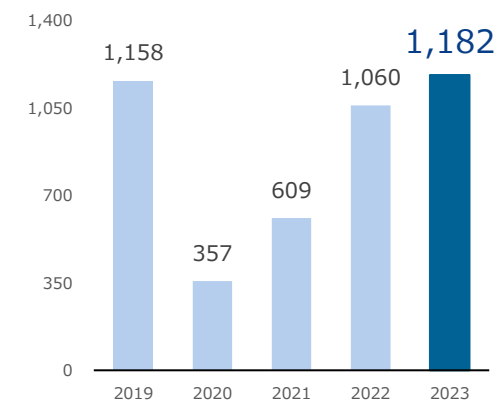
### Ordinary income

**1,765 million yen**



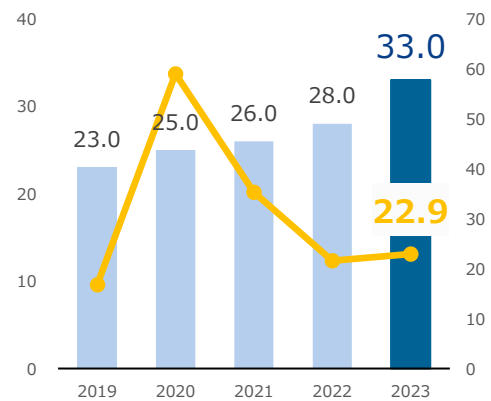
### Net income attributable to owners of parent

**1,182 million yen**



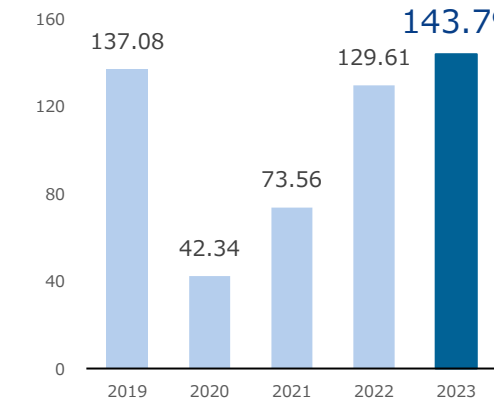
### Dividend per share and payout ratio

**33.0 yen, 22.9%**



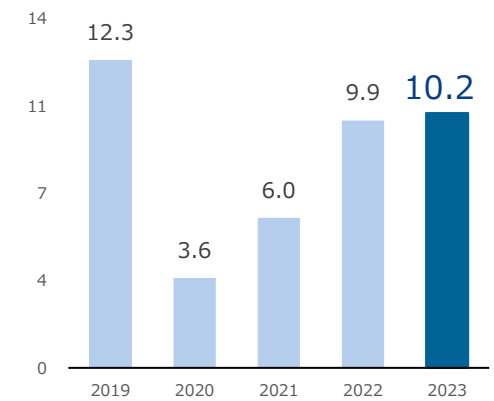
### Net income per share

**143.79 yen**



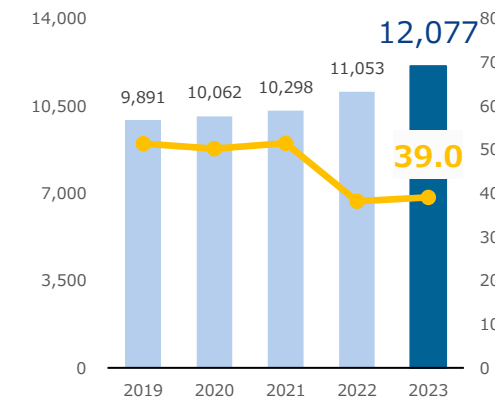
### Return on equity (ROE)

**10.2%**



### Equity and equity ratio

**12,077 million yen, 39.0%**





- Statements made in this document with respect to our group, including forecasts, plans, policies, strategies, plans and judgments, that are not already established facts are forward-looking statements about our future performance.
- Forecasts of future performance are based on currently available information and certain assumptions that we believe to be reasonable. Actual results may differ materially from these forecasts due to various risk factors and uncertainties. Investors are advised not to make investment decisions based solely on these forecasts.
- This material is intended only to provide a better understanding of our group and is not necessarily a recommendation to invest.
- The data in this material contains quotations from publicly available information that we believe to be reliable and accurate, but we do not guarantee the accuracy or certainty of the content of such information.

« Contact for IR inquiries »  
Corporate Planning Office, Sansei Landic Co.,Ltd.  
TEL: 03-5252-7511  
E-mail: keiki@sansei-l.co.jp

