

INITIATION



Focus Points:

Creates value through specialized knowhow in providing leasehold land rights adjustment solutions to both landowners and lessee building owners. Niche market little affected by property price swings, and not attractive for big developers. Risk diversified across many small properties.

Key Indicators

Share price (28/9)	752
YH (20/1/19)	927
YL (20/3/13)	560
10YH (18/1/26)	1,506
10YL (12/8/1)	172
Shrs out. (mn shrs)	8.47
Mkt cap (¥ bn)	6.32
EV (¥ bn)	9.78
Equity ratio (3/31)	48.8%
20.12 P/E (CE)	23.6x
20.12 DY (CE)	3.72%
20.12 OPM (CE)	3.9%
19.12 ROE (act)	12.3%
19.12 P/B (act)	0.64x

Share price chart (52 weekly)



Source: SPEEDA

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Bringing leaseholders together to create value

SUMMARY

Company overview: a stable niche market

- Sansei Landic mainly focuses on Rights Adjustments for leasehold land, a niche market with limited competition. The nature of the business is relatively complex, with the company acquiring leasehold land and subsequently enhancing their value via painstaking negotiations. This niche market is less impacted by economic conditions or property prices and as such allows Sansei Landic to secure generous margins and stable returns on equity over the long term.
- Sansei Landic, a pioneer in tenant land rights adjustments, is well positioned to benefit from the structural growth in the market. Given Japan's well-known demographic headwinds, the market for land lease adjustments looks primed for years of growth.
- At the end of July, the company downgraded its full-year sales and profit guidance due to the impact of Covid-19, which clearly hindered the important face-to-face negotiation process. We believe that Covid-19 will ultimately prove to be a temporary issue and that the underlying economics of Rights Adjustment remains intact and, hence, Sansei Landic should be a key beneficiary when the market recovers.

Valuation: sustainable double-digit ROE; trading below book value

- Sansei Landic's financial model is based on portfolio rotation and inventory recycling. The company acquires undervalued assets and following successful rights adjustments and other asset management measures, disposes of these assets with gross margin of approximately 30%. Over the past 10 years, the company has earned an average return on equity of 13%, without excessive financial leverage. After the recent sell-off, the stock looks attractively valued, trading at a significant discount to book value and a discount to its peer group.

Three key questions for investors

Firstly, given that Sansei Landic operates in a relatively unknown niche of the Japanese real estate market, we believe it is important for investors to understand, how Sansei Landic creates value? Secondly, given the attractive outlook for the market, we ask how Sansei Landic is positioned to benefit? Of course, like most businesses, Sansei Landic has been impacted by the ongoing Covid-19 crisis and we seek to answer, what is the outlook post Covid?

This report was prepared by Sessa Partners on behalf of Sansei Landic Co., Ltd. Please refer to the legal disclaimer at the end for details.

Sansei Landic Consolidated Earnings Trend and Revised FY12/20 Guidance

J-GAAP JPY mn, %	FY12/15 act	FY12/16 act	FY12/17 act	FY12/18 act	FY12/19 act	5Y CAGR	FY12/20 init CE 2/14	FY12/20 rev CE 7/31
Net sales	11,568	12,300	13,099	16,833	18,020	11.5	21,552	16,725
YoY	10.8	6.3	6.5	28.5	7.1		19.6	(7.2)
Real estate sales	10,241	10,959	11,969	16,050	16,267	13.0	19,581	
• Leasehold land	5,300	5,413	5,066	7,087	6,697	10.1	7,510	
• Old unutilized	3,851	3,404	5,649	5,061	7,399	19.5	8,282	
• Freehold	690	1,791	899	3,454	1,703	4.8	3,306	
Construction	1,327	1,341	1,130	784	1,753	1.8		
YoY trend								
Real estate sales	15.9	7.0	9.2	34.1	1.4		20.4	
• Leasehold land	28.2	2.1	(6.4)	39.9	(5.5)		12.1	
• Old unutilized	26.9	(11.6)	66.0	(10.4)	46.2		11.9	
• Freehold	(48.8)	159.6	(49.8)	284.2	(50.7)		94.1	
Construction	(17.3)	1.1	(15.7)	(30.6)	123.6			
% breakdown								
Real estate sales	88.5%	89.1%	91.4%	95.3%	90.3%		90.9%	
• Leasehold land	45.8%	44.0%	38.7%	42.1%	37.2%		34.8%	
• Old unutilized	33.3%	27.7%	43.1%	30.1%	41.1%		38.4%	
• Freehold	6.0%	14.6%	6.9%	20.5%	9.5%		15.3%	
Construction	11.5%	10.9%	8.6%	4.7%	9.7%			
Gross profit	3,769	3,957	4,532	4,805	5,119	8.6		
GPM	32.6%	32.2%	34.6%	28.5%	28.4%			
SG&A expense	2,470	2,510	2,770	3,039	3,258	8.3		
SG&A ratio	21.4%	20.4%	21.1%	18.1%	18.1%			
Depreciation	105	86	71	56	51			
EBITDA	1,405	1,532	1,833	1,822	1,912	8.4		
EBITDA margin	12.1%	12.5%	14.0%	10.8%	10.6%			
Operating profit	1,300	1,446	1,762	1,766	1,861	9.1	1,686	647
YoY	7.9	11.2	21.9	0.2	5.4		(9.4)	(65.2)
OPM	11.2%	11.8%	13.5%	10.5%	10.3%			
Real estate sales	2,018	2,251	2,742	2,881	2,954			
Construction	(39)	(56)	(44)	(174)	(44)			
eliminations	(680)	(749)	(936)	(942)	(1,049)			
Ordinary profit	1,196	1,329	1,669	1,643	1,759	11.0	1,559	450
YoY	14.6	11.1	25.6	(1.6)	7.1		(11.4)	(74.4)
Profit attributable to owners of parent	724	854	1,111	1,007	1,159	13.1	1,047	268
YoY	15.7	18.0	30.1	(9.4)	15.1		(9.7)	(76.9)
EPS (¥)	90.08	104.94	134.45	119.62	137.08		123.88	31.81
DPS (¥)	10.00	12.00	18.00	21.00	23.00		25.00	—
BPS (¥)	744.23	840.78	957.50	1,053.94	1,169.65			

Source: compiled by Sessa Partners from TANSBIN financial statements and IR results briefing materials



Key Questions

- How does Sansei Landic create value?
- How is Sansei Landic positioned to benefit?
- What is the outlook post Covid?

Sansei Landic Consolidated B/S and other Financial Indicators

J-GAAP JPY mn, %	FY12/15 act	FY12/16 act	FY12/17 act	FY12/18 act	FY12/19 act	5Y CAGR	1Q 12/20 (3/31)
Total assets	11,398	10,833	16,916	16,777	19,294	17.0	20,004
Net assets	6,034	6,852	8,002	8,903	9,891	13.5	9,776
Equity ratio (%)	52.9%	63.3%	47.3%	53.1%	51.3%		48.9%
Cash and deposits	2,254	2,435	3,558	3,594	4,134	12.7	3,636
RE for sale inventory	7,699	6,878	11,864	11,678	13,494	21.2	14,656
Interest bearing debt	3,958	2,712	7,439	6,048	7,203	24.4	7,728
Net debt	(1,704)	(277)	(3,881)	(2,454)	(3,069)		(4,092)
Dividends paid	80	97	150	177	194	34.6	
Payout ratio (%)	11.1	11.4	13.4	17.6	16.8		
ROE (%)	12.8	13.2	15.0	11.9	12.3		
DOE (%)	1.4	1.5	2.0	2.1	2.1		
CF from operating activities	(1,451)	1,611	(3,666)	1,617	(420)		—
CF from investing activities	(116)	(184)	107	(64)	(71)		—
Free cash flow (FCF)	(1,567)	1,427	(3,559)	1,553	(491)		—
CF from financing activities	1,588	(1,278)	4,667	(1,495)	984		—

Source: compiled by Sessa Partners from TANSIN financial statements

How does Sansei Landic create value?

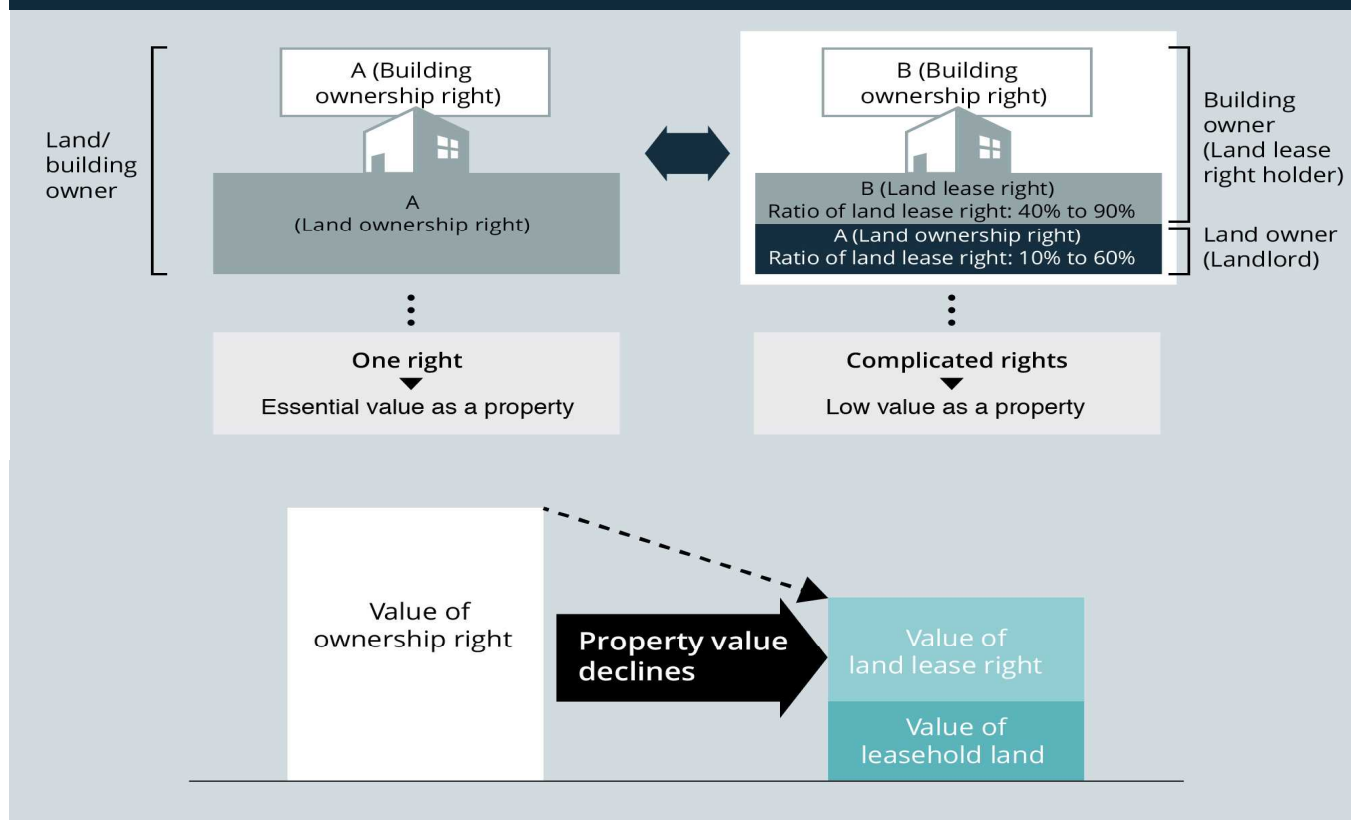
Sansei Landic is a real estate investor in Japan, focused on adjustments to leasehold land and old unutilized properties. Complex rights on a single piece of real estate can result in asset undervaluation. Sansei Landic creates value by acquiring the leasehold land, making adjustments and enhancements to improve the overall value of the asset, before resale.

Leasehold Land vs Tenant Land Rights

In Japan, there are over 870,000 households that own properties under the former Act on Land and Buildings. These properties generally pre-date 1992 and are characterized by separate terms for the right to use the land (lessee) and the right to own the land (land ownership right, or lessor). Multiple rights existing on one piece of property can deprive the freedom of both the landowner (lessor) and the lessee, leading to an undervaluation of the real estate. Despite a readiness on behalf of landowners to sell and lessees to buy, there are often long-standing disputes and it is this incongruity that provides the underlying rationale for Sansei Landic's business model.

Sansei Landic acquires the land and merges all the separate rights to create value. Once Sansei Landic becomes the landlord, the company does value-added modifications such as extending roads, subdividing plots and other related activities. In around 90% of the cases, the land rights are then sold to the tenants (who are now in a better position to renovate or sell their own property), while the remainder are sold to third-parties.

Status in which the right to use land and the right to own land are separately set



Source: compiled by Sessa Partners from company's IR materials

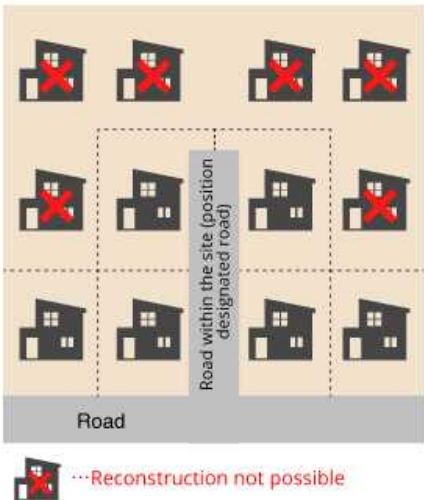
Example of leasehold land adjustment in action

In the ideal scenario, Sansei Landic adds value to tenant, landholder and themselves. Some of the leasehold land cannot be rebuilt because it does not adjoin a road, and various rights-of-way adjustments are required to sell the land. By carefully negotiating with the tenants, Sansei Landic is able to sell the land. Approximately 60-70% of land with leasehold interest is sold to the leaseholders within one year of purchase, the rest are sold later

Profile Location: City A in Kanagawa Prefecture Area: 1,000 m² Number of land lease right holders: 12

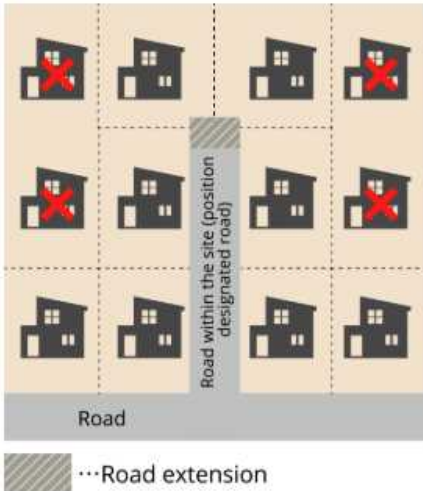
At the time of purchase by SANSEI LANDIC

Of the 12 lots of leased land, the six that are not in contact with the road are not eligible for reconstruction (low value as a property)
SANSEI LANDIC purchases the leasehold land as is from the landowner



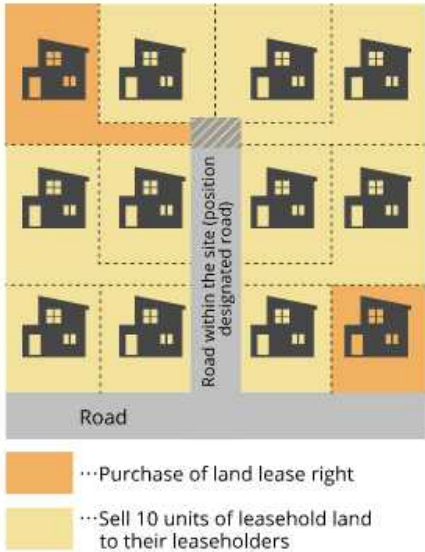
Rights adjustment (1)

After conducting detailed measurements, discuss with the local authorities and extend the road within the site. Two out of six units become eligible for reconstruction



Rights adjustment (2)

As a result of subdivision, all lots come into contact with the road and all 12 units become eligible for reconstruction. (Significantly increases the value of the property)



Land owner



Successful in liquidating (selling) leasehold land for which numerous land lease holders exist and adjustment is difficult

Land lease right holder

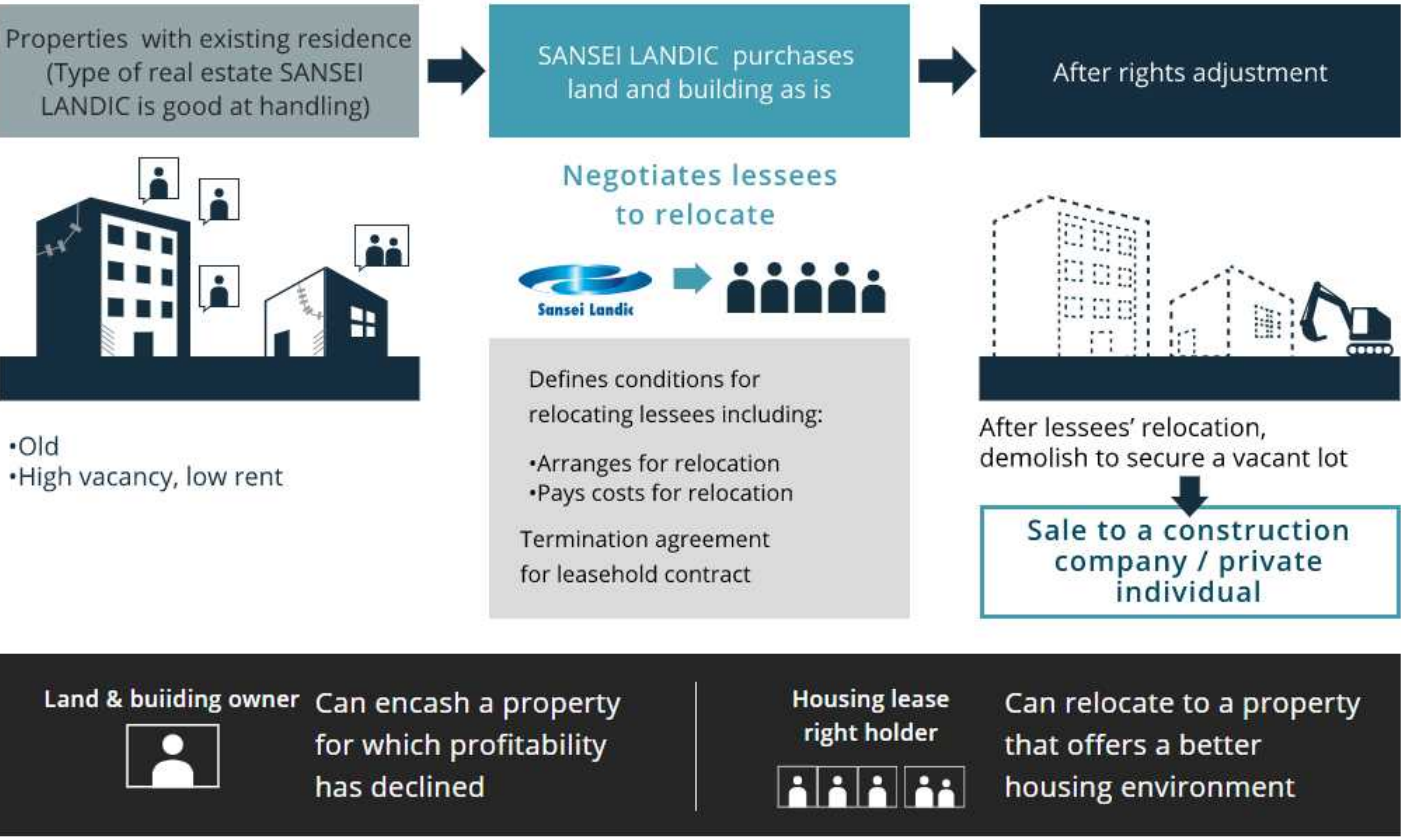


All land lease right holders acquire the ownership right that allows reconstruction, resulting in increased value of the asset

Source: compiled by Sessa Partners from company's IR materials

Occupied apartment building / Old unutilized properties

In Japan, there are many old apartment blocks that have been poorly maintained, have low occupancy rates and suffer from depressed rental yields. Sansei Landic specializes in acquiring these sorts of properties that have a dearth of interested buyers. The company offers favorable terms and conditions to tenants after the property is acquired, including relocation expenses, and then moves them into an alternative property. Once the housing units are all vacant and have been transferred to Sansei Landic, the building is demolished to secure a vacant lot for sale to a property developer or another third-party. Once again, Sansei Landic is able to utilize its negotiation skills to align the individual property rights and realize the underlying asset value of the land.



Source: compiled by Sessa Partners from company's IR materials

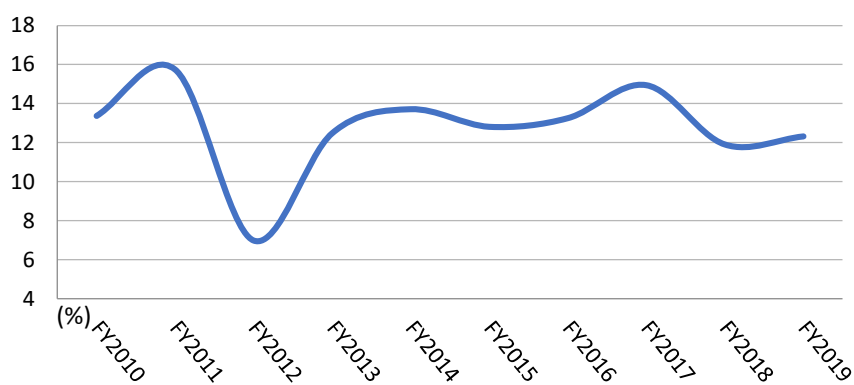
How is Sansei Landic positioned to benefit?

Sansei Landic looks well positioned to benefit from the structural growth in leasehold land adjustments. Given Japan's well-known demographic headwinds, the market for land lease adjustments looks primed for years of growth. In addition, given the rather complex nature of this business, competition remains scarce and Sansei Landic has been able to secure high, stable gross margins and consistent double-digit returns on equity.

Non-cyclical business

The leasehold land business is far less exposed to the broader economy than the overall real estate market. Typically, land rights issues come to the fore at times of inheritance, whereby benefactors may be looking to divest assets for tax planning purposes. Moreover, as the buyers of the land rights tend to be the tenants, they stand to benefit from the valuation uplift from purchasing the fully repackaged rights. Moreover, as the average deal size tends to be relatively small (~¥10mn) and a manageable outlay for individual buyers, the business is generally immune to the economic cycle. The result is highlighted by the stable returns on equity that the company has chalked up over the past several years.

ROE Trend

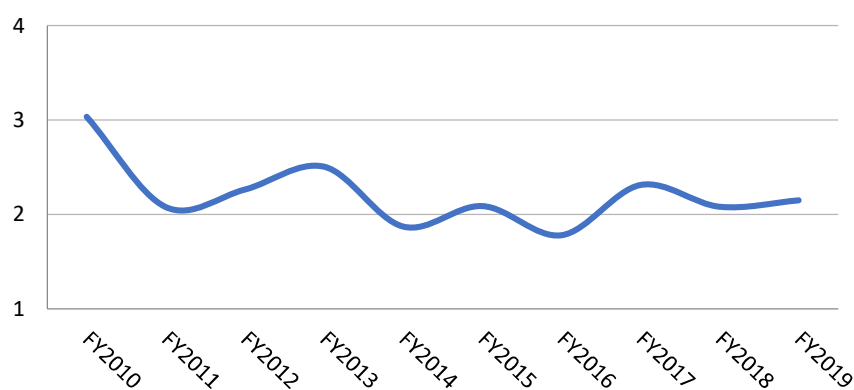


Source: SPEEDA

Niche market with limited competition

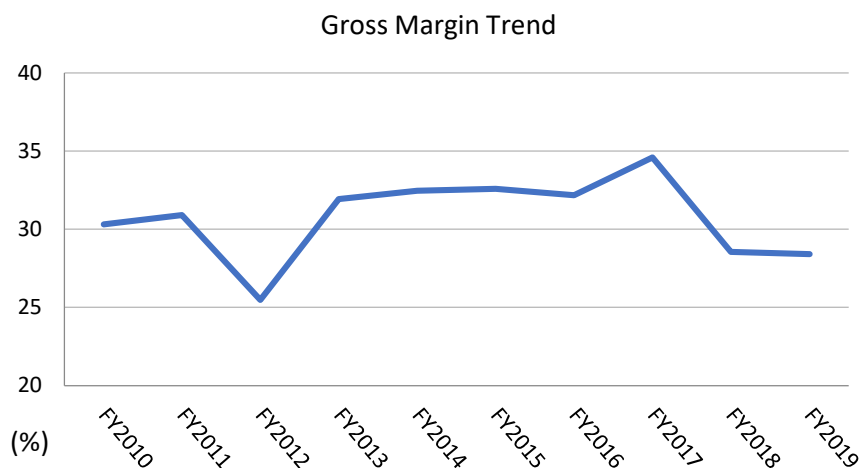
Due to the nature of the market, there are few competitors. On the one hand, it can be difficult for small property companies to obtain bank lending for these low collateral value rights. Sansei Landic boasts a strong balance sheet with stable financial leverage, enabling the company to opportunistically acquire assets.

Financial Leverage (Asset/Equity)



Source: SPEEDA

On the other hand, larger companies are inactive, given the cumbersome rights negotiation process and lack of any scale benefits. This leaves Sansei Landic in a rather attractive position, where they can secure gross margins of around 30% on this business.

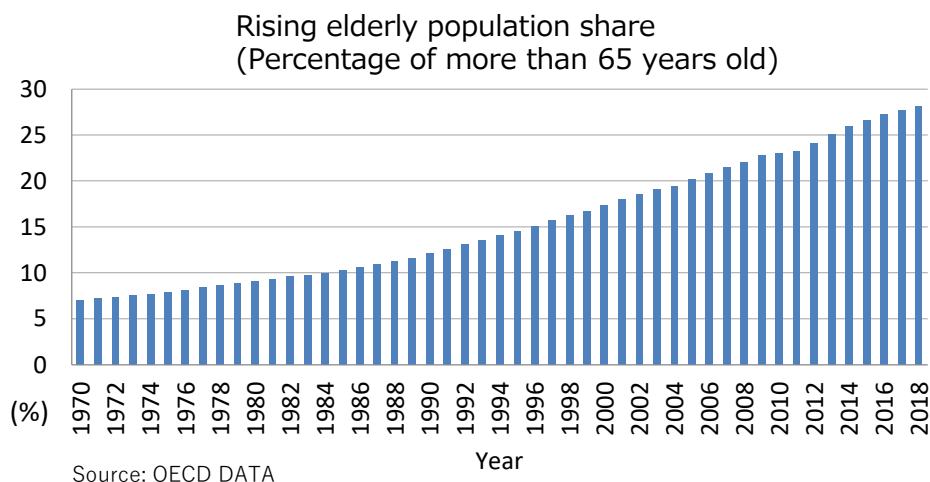


Source: SPEEDA

Structural growth

Sansei Landic believes that there are around 870,000 leaseholds in Japan today that could be considered as the addressable market. Given that the company has closed just over 8,000 deals since 1991, the market remains largely untapped. With the current level of human resources, management believe that they could complete around four hundred deals per year. In short, there is a long runway of growth.

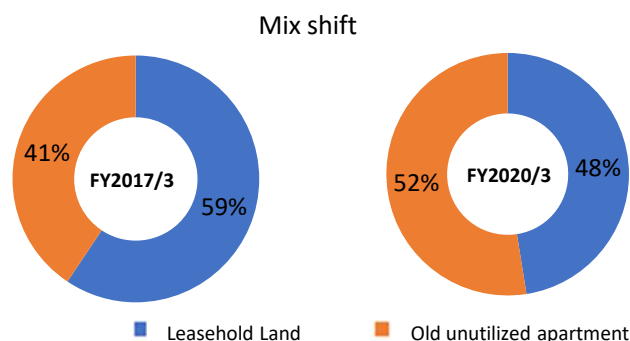
The demographic situation in Japan is a powerful tailwind for the company to be able to acquire properties from aging landlords. Combined with high inheritance taxes, there is an abundance of social and economic incentives to resolve the land and tenant rights.



Source: OECD DATA

Optionality from unutilized property

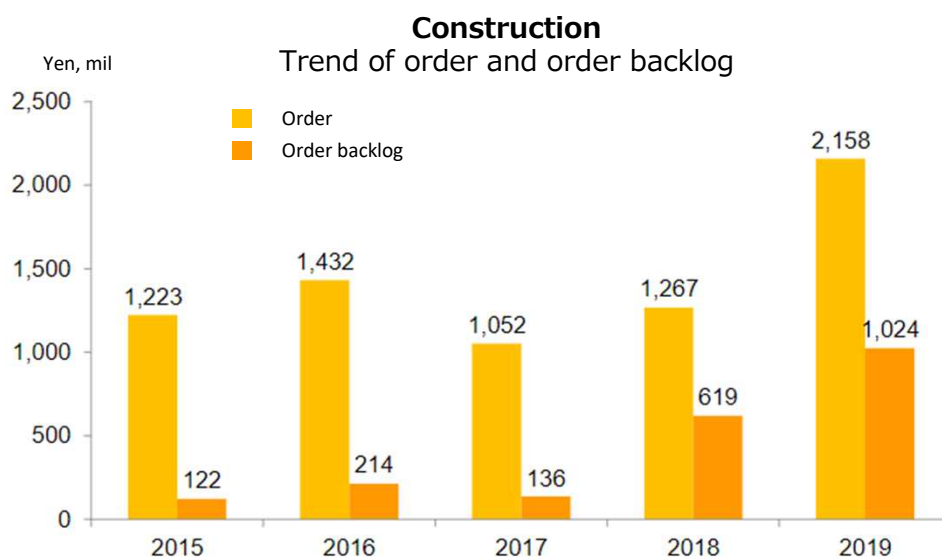
Purchasing properties with existing residences (old unutilized apartments) is a more cyclical business than leasehold land area. The larger size of these deals allows management to be more opportunistic and seek higher returns when the economy is strong, while scaling back when conditions deteriorate. Over the past several years, management has taken advantage of the boost from Abenomics to lift the proportion of sales from unutilized properties.



Source: compiled by Sessa Partners from company's IR materials

Potential turnaround in the construction segment

In addition to the core business of rights adjustments, Sansei Landic operates a small construction business, One's Life Home, that specializes in designing custom houses. One's Life takes on around 40 custom detached houses per year and around 100 renovation projects. Given the small size of One's Life, the subsidiary has repeatedly struggled with profitability. Management has closed-down underperforming showrooms and relocated the Head Office in a bid to control costs. Meanwhile, efforts to boost the top line by strengthening advertising and online marketing, have spurred an increase in the order backlog from ¥619m in December 2018 to ¥1,024m in December 2019. The profit was breakeven in Q2 recovering from the loss of ¥87m in previous financial year.



Source: compiled by Sessa Partners from company's IR materials

The COVID-19 Impact

Sansei Landic has been severely impacted by COVID-19, both in terms of the share price and earnings contraction. In late July, the company revised down its FY12/20 full year guidance, cutting sales targets from ¥21.5bn to ¥16.7bn, and Operating Profit from ¥1.7bn to ¥0.6bn.

From a share price perspective, the stock was trading at around ¥900 at the start of the year, and then lost value during the broad market sell off to reach ¥600 by late March. With the broader equity market recovery, the stock price reclaimed much of its losses by June. However, COVID had already impacted operations, especially the critical face to face negotiations that were severely restricted for the land lease business. Similarly in the Old Housing Business, delays in negotiations to vacate properties as well as contract delays, have had a negative impact. With these segments constituting the bulk of Sansei Landic's operations, the company revised down for the full year and consequently, the share price has declined to below ¥700, and 0.6x PBR.

COVID-19 actions, and 2QFY12/20 results.

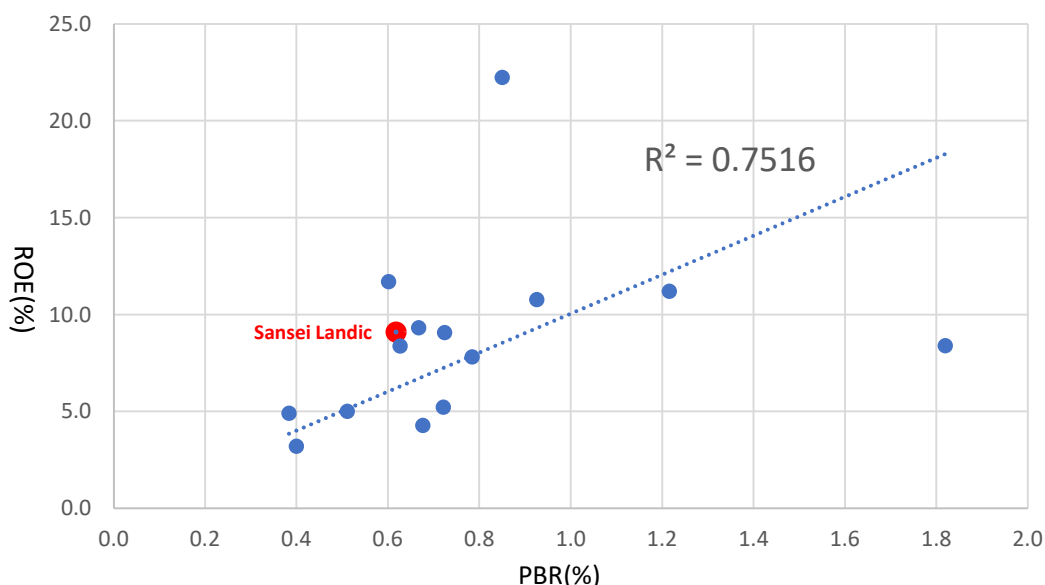
Management has taken a safety-first approach, instituting measures to preserve the safety of both staff and clients. The measures range from restricting in person meetings to more proactive use of email and online meetings, however, sales activities which need person-to-person negotiations are exceptional for now. The restrictions took their toll on 2Q earnings, which were announced on August 12, 2020. First half sales rose 8.5% to ¥8.4bn but fell below the company's initial guidance of ¥9.8bn, while operating profit was ¥0.40bn, down 50% YoY, and below planned ¥0.52bn. Of note, the decision to take on additional ¥3.9bn of long-term debt, seems prudent to secure financial resources to weather the COVID-19 storm.

What's Next? Looking for Normalization

COVID-19 has clearly impacted the company's near-term outlook and this has now been reflected in the revised full year guidance. There is no way to predict the end of COVID-19 but the company's strong balance sheet will ensure that the company can bounce back relatively quickly. The biggest constraint on the business currently is the lack of in-person negotiations. Less restriction on social distancing would likely catalyze the share price to trade back towards book value. We believe that the given the company's normalized ROE of over 10% deserves a richer PB multiple than the current 0.6x. In addition to a recovery in the core business, the company has identified certain growth drivers in its mid-term plan that have yet to be fully reflected in the share price.

Comparison versus real estate players

ROE vs PBR



Source: compiled by Sessa Partners from SPEEDA

The chart above plots the correlation between ROE and PBR among similar companies. As there are few companies with similar business models, we have compared them with SPEEDA's Real Estate Sector/Renovation (15 companies, market capitalization of more than 1 billion yen, less than 100 billion yen). We considered them as similar companies in a broader sense of the word from the perspective of buying assets and reselling them with added value. It would not be a surprise if Sansei Landic, with its 9.1% ROE, had a P/B ratio of around 1x.

Broader real estate peers
EV/IC vs ROIC and PBR vs ROE

Ticker	Name	Market Cap Yen, mil	IC Yen, mil	EV/IC X	ROIC %	P/BV X	ROE %
3277	Sansei Landic Co., Ltd	6,131	16,720	0.8	5.9	0.6	9.1
3244	Samty Co., Ltd	51,767	208,518	0.9	2.3	0.7	5.2
8923	Tosei Corporation	45,669	114,430	0.9	3.4	0.8	7.8
8934	Sun Frontier Fudousan Co., Ltd	39,931	100,144	0.8	5.2	0.6	8.4
2975	Star Mica Holdings Co., Ltd	23,296	74,254	1.1	1.3	1.2	11.2
8844	Cosmos Initia Co., Ltd	12,649	100,004	0.8	1.7	0.4	3.2
3299	Mugen Estate Co., Ltd	11,596	55,895	0.8	2.7	0.5	5
3264	Ascot Corporation	8,312	23,988	0.8	5.7	0.7	9.3
3294	E'grand Co., Ltd	4,472	13,314	0.8	5.8	0.6	11.7
8940	Intellex Co., Ltd	4,278	30,614	0.8	2.5	0.4	4.9
3236	Properst Co., Ltd	3,820	17,980	1	6.3	0.9	22.2
9820	MT Genex Corporation	2,899	1,648	0.9	10.4	0.9	10.8
4437	gooddays Holdings, Inc.	2,873	1,023	2.3	7.3	1.8	8.4
3497	Legal Corporation	2,645	42,225	1	4.3	0.7	4.3
3297	TOUBUJYUHAN CO.,LTD.	2,303	4,165	0.8	6.4	0.7	9.1
	Median	6,131	30,614	0.8	5.2	0.7	8.4

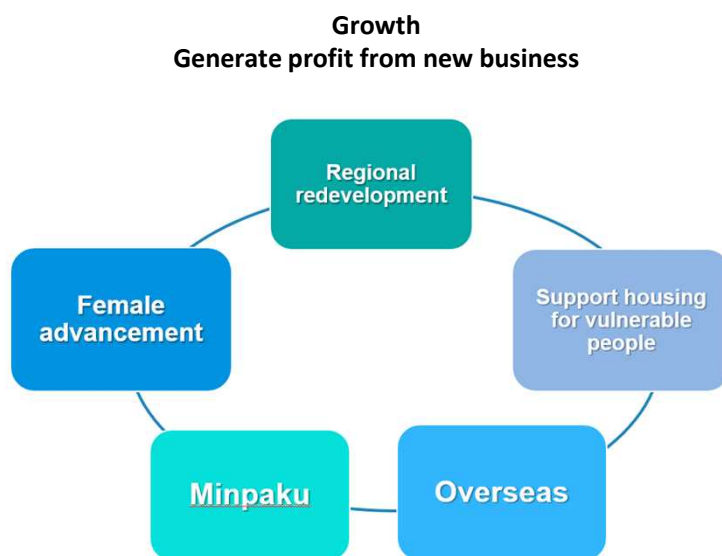
Source: compiled by Sessa Partners from SPEEDA

Growth Initiatives in the MTP

Sansei Landic's Mid Term Plan (2018-2020) is premised on three main pillars:

- Growth (promotion of new businesses to address real estate related issues; expansion of business profitability)
- Stability (stable growth of existing businesses)
- Returns (returns of profits to shareholders, society and employees)

The company has identified the following areas to pursue growth: Regional Redevelopment, Support Housing for the Vulnerable, Female Advancement, Minpaku and Overseas.



Source: company's IR material

Regional Redevelopment supports land rights realignment in areas that have seen a fall in population due to demographic changes. As such, many local governments are faced with the problem of vacant houses and Sansei Landic could utilize its skill set and knowledge base to revitalize certain areas. Under this recent initiative, which was launched in July 2019, the company has so far contacted 24 local governments, with a view to explaining the business, and gaining an understanding of specific local circumstances. We think that regional redevelopment looks like a sensible extension of the current business model and offers a potentially attractive and profitable opportunity.

Approach to local revitalization



Source: company's IR material

Housing Support will collaborate with partners to support the vulnerable within society. The project to support the vulnerable in housing is working with partners such as private accommodation companies and guarantee companies. The elderly and disabled are often turned away from signing a lease, and the company's unique skills in negotiating real estate rights have helped the company acquire properties.

Female Advancement focus "easy application for maternity and childcare leave" and "smooth return" from those leaves. Also, the management offers leading positions to female to drive start-up businesses.

The **Minpaku** business, using empty rooms in private residences, started in 2016. While this is one way to effectively use existing properties, it not clear what experience management has in operating such a service or whether COV-19 could eliminate the potential of the business.

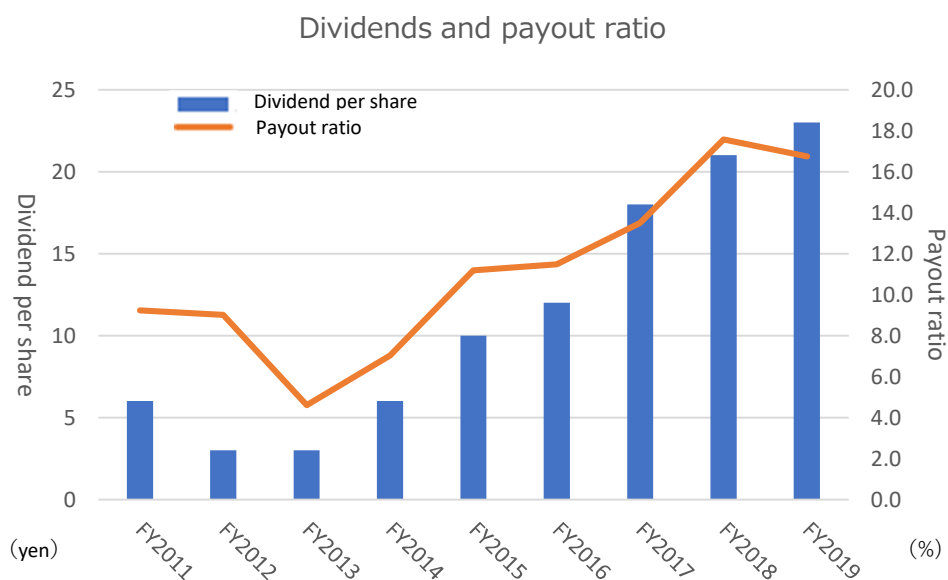
Ideas to expand the business model **overseas** remain in the conceptual stage and we are skeptical that Sansei Landic's knowledge base would be readily portable to different countries given myriad local regulations.

Governance: Well aligned with shareholders

Sansei Landic has a traditional Japanese Audit and Supervisory Board (Kansayaku) system, which is typical for smaller Japanese companies. The Board comprises of eight members, two of whom are CPA and tax accountant. The current President, Mr. Takashi Matsuzaki, joined Sansei Landic in 1993 and has served as the President since 2003. In the aftermath of the collapse of the economic bubble, Mr. Matsuzaki has been instrumental in shifting the business model away from its roots in real estate broking to the current tenant rights adjustment model. He owns around 1.3mn shares, or 15.5% of the company. Generally, management's alignment with shareholders is high, with other executives owning reasonably large amounts of stock by Japanese standards. Perhaps one contentious issue is that despite the company seeking to promote female advancement as one of its core growth drivers, there are currently no women on the Board of Directors.

Shareholder returns

Over the past six years, Sansei Landic has grown the dividend and maintained a reasonable payout ratio.



Source: compiled by Sessa Partners from SPEEDA

Consolidated Statements of Income

J-GAAP	FY2014/12	FY2015/12	FY2016/12	FY2017/12	FY2018/12	FY2019/12
JPY mn, %	Annual	Annual	Annual	Annual	Annual	Annual
Total Revenue	10,444	11,568	12,300	13,099	16,833	18,020
Total Cost of Sales	7,055	7,798	8,344	8,566	12,028	12,902
Cost of Sales	7,055	7,798	8,344	8,566	12,028	12,902
Gross Profit	3,389	3,769	3,957	4,532	4,805	5,119
Gross Margin	32.4	32.6	32.2	34.6	28.5	28.4
Selling, General and Administrative Expenses	2,184	2,470	2,510	2,770	3,039	3,258
Operating Profit	1,205	1,300	1,446	1,762	1,766	1,861
Operating Profit Margin	11.5	11.2	11.8	13.5	10.5	10.3
Non-Operating Income	14	15	15	12	28	42
Interest and Dividends Income	2	1	0	0	0	0
Non-Operating Expenses	174	118	133	106	150	144
Interest Expenses	98	99	83	85	125	116
Ordinary Profit	1,044	1,196	1,329	1,669	1,643	1,759
Ordinary Profit Margin	10	10.3	10.8	12.7	9.8	9.8
Extraordinary Gains/Losses				3	-104	
Extraordinary Gain				97		
Extraordinary Loss				94	104	
Pretax Profit	1,044	1,196	1,329	1,672	1,539	1,759
Pretax Profit Margin	10	10.3	10.8	12.8	9.1	9.8
Income Taxes	418	472	475	561	533	600
Income Taxes - Current	418	468	443	622	536	606
Income Taxes - Deferred	0	4	32	-61	-3	-6
Net Profit A.O.P.	626	724	854	1,111	1,007	1,159
Net Profit	626	724	854	1,111	1,007	1,159
Net Profit Margin (A.O.P.)	6	6.3	6.9	8.5	6	6.4
Comprehensive Income	626	724	854	1,111	1,007	1,159
Comprehensive Income A.O.P.	626	724	854	1,111	1,007	1,159
(Others)						
EBIT	1,140	1,294	1,412	1,757	1,664	1,875
EBITDA	1,279	1,405	1,532	1,833	1,822	1,912
EBITDA Margin	12.2	12.1	12.5	14	10.8	10.6
(Detail of Expenses)						
Total Payroll	877	946	992	1,027	1,126	1,216

Source: SPEEDA

Consolidated Balance Sheets

J-GAAP JPY mn, %	FY2014/12 Annual	FY2015/12 Annual	FY2016/12 Annual	FY2017/12 Annual	FY2018/12 Annual	FY2019/12 Annual
Total Assets	8,793	11,398	10,833	16,916	16,777	19,294
Current Assets	7,836	10,366	9,749	15,874	15,745	18,095
Cash Cash Equivalents And Short-term Investments	2,276	2,254	2,435	3,558	3,594	4,134
Cash & Cash Equivalents	2,276	2,254	2,435	3,558	3,594	4,134
Accounts Receivables	91	151	143	108	121	115
Inventories	5,180	7,706	6,901	11,873	11,691	13,550
Finished Goods and Merchandise	5,167	7,699	6,878	11,864	11,678	13,494
Other Inventories	13	6	23	9	13	56
Deferred Tax Assets - Current	141	138	110	159	150	
Allowance for Doubtful Accounts - Assets	-5	-7	-10	-13	-15	-27
Non-Current Assets	957	1,031	1,083	1,042	1,032	1,199
Property, Plant & Equipment (PPE)	603	572	591	467	458	456
Lands	2	2	1	1	1	1
Construction In Progress	45				6	
Intangible Assets	96	76	88	81	69	74
Investments and Other Assets	258	383	405	494	505	669
Investment Securities (inc. Subsidiaries and Affiliates)	0	81	81	51	0	0
Investment Securities	0	81	81	51	0	0
Long-Term Loans	0					
Deferred Tax Assets - Non-Current	32	30	26	39	51	207
Allowance for Doubtful Accounts - Fixed	-41	-41	-41	-41	-41	-41
Total Liabilities	3,531	5,363	3,977	8,909	7,869	9,399
Current Liabilities	3,165	4,910	3,751	8,430	6,160	9,047
Trade Payables	452	471	440	396	491	598
Short-Term Debt	2,094	3,778	2,624	7,076	4,728	7,203
Short-Term Borrowings	1,958	3,630	2,427	6,948	4,589	7,010
Current Portion of Long-term Debt	137	148	197	128	139	193
Current Portion of Long-Term Borrowings	82	103	157	108	139	193
Current Portion of Straight Bonds	55	45	40	20		
Asset Retirement Obligations - Current			3			
Non-Current Liabilities	367	453	226	479	1,710	351
Long-Term Debt	320	180	88	364	1,320	
Long-Term Borrowings	216	120	68	364	1,320	
Straight Bonds	105	60	20			
Asset Retirement Obligations - Non-Current	4	7	7	5		
Total Net Assets	5,262	6,034	6,856	8,006	8,908	9,895
Total Shareholders' Equity	5,262	6,034	6,856	8,006	8,908	9,895
Shareholders' Equity	5,262	6,034	6,852	8,002	8,903	9,891
Capital Stock	661	710	720	788	811	814
Capital Surplus	622	671	681	749	772	775
Retained Earnings	3,978	4,654	5,451	6,464	7,320	8,302
Treasury Stock	0	0	0	0	0	0
Share Warrants			4	4	4	4
(Supplemental data)						
Shareholders' Equity Ratio	59.84	52.94	63.29	47.33	53.1	51.29
ROE	13.71	12.82	13.25	14.95	11.91	12.33
ROA	7.07	7.17	7.68	8.01	5.98	6.43
ROIC	10.27	9.37	9.93	9.6	8.11	7.87
Interest-bearing Debt	2,414	3,958	2,712	7,439	6,048	7,203
D/E Ratio	0.46	0.66	0.4	0.93	0.68	0.73
Net D/E Ratio	0.03	0.28	0.04	0.48	0.28	0.31
Total Interest-Bearing Debt/EBITDA	1.89	2.82	1.77	4.06	3.32	3.77
Net Total Interest Bearing Debt/EBITDA	0.11	1.21	0.18	2.12	1.35	1.61
Accumulated Depreciation	229	253	244	202	217	172

Source: SPEEDA

Consolidated Statements of Cash Flows

J-GAAP	FY2014/12	FY2015/12	FY2016/12	FY2017/12	FY2018/12	FY2019/12
JPY mn, %	Annual	Annual	Annual	Annual	Annual	Annual
Cash Flows from Operating Activities	1,761	-1,451	1,611	-3,666	1,617	-420
Depreciation and Amortization - CF	74	105	86	71	56	51
Depreciation - CF	74	105	86	71	56	51
Gain/Loss on Valuation of Securities and Investment Securities				30	51	
Gain/Loss on Sale of PPE				-97	16	
Interest and Dividends Received - Operating CF	2	1	0	0	0	0
Interest Paid - Operating CF	-98	-100	-82	-86	-125	-118
Cash Flows from Investing Activities	-111	-116	-184	107	-64	-71
Payments for Purchases of Securities and Investment Securities		-81				
Payments for Purchases of Investment Securities		-81				
Purchases/Sales of PPE	-65	-40	-73	119	-32	-20
Payments for Purchases of PPE	-65	-40	-75	-26	-45	-26
Proceeds from Sales of PPE	0	0	2	145	13	6
Purchases/Sales of Intangible Assets	-26	-18	-36	-31	-22	-35
Payments for Purchases of Intangible Assets	-26	-18	-36	-31	-22	-35
Cash Flows from Financial Activities	-612	1,588	-1,278	4,667	-1,495	984
Proceeds from Short-Term Borrowings		1,672		4,521		2,421
Repayments of Short-Term Borrowings	-1,214		-1,203		-2,358	
Increase in Long-Term Debt	266	50	150	425	1,904	143
Proceeds from Long-Term Borrowings	266	50	150	425	1,904	143
Repayments of Long-Term Debt	-423	-181	-191	-216	-936	-1,407
Repayments of Long-Term Borrowings	-360	-126	-147	-176	-916	-1,407
Redemption of Bonds	-63	-55	-45	-40	-20	
Proceeds from Issuance of Stock	800	97	21	37	45	6
Cash Dividends Paid	-41	-48	-57	-98	-150	-177
Changes in Cash Flow	1,039	22	150	1,108	58	493
Cash & Cash Equivalent - Beginning	1,089	2,128	2,150	2,299	3,407	3,465
Cash & Cash Equivalent - Ending	2,128	2,150	2,299	3,407	3,465	3,959
Free Cash Flow (FCF)	1,650	-1,567	1,427	-3,559	1,553	-491

* To enable financial comparison between companies from different countries with different accounting standards, the financial items in this section are standardized.. Additionally, certain financial items such as Operating Profit, EBIT, EBITDA are derived figures.

Source: SPEEDA

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