

Sansei Landic (TYO: 3277)

**Significant increase in sales and profits.
The company revised up its forecasts.**

◇ **Summary of 1Q results for FY12/2023: Significant increase in sales and profit and upward revision of forecasts.**

1Q results showed a significant increase in sales and profits, with sales of Leasehold land and Old unutilised properties increasing by more than 50% YoY. At the same time, the company upwardly revised up its 2Q and full-year forecasts. As in the previous year, purchase volume remained strong, and inventories reached a new record high.

The company's share price has increased since bottoming out at 802 yen on 13 January 2023. It temporarily hit a yearly high (at that time) of 927 yen before and after the announcement of financial results. In addition to abundant inventories, the strong property market has been a tailwind for the company's good performance.

As part of the company's review of its shareholder return policy, it has announced that it will pay a special dividend for the performance of FY12/2023 instead of abolishing its shareholder benefit plan. This should be received favourably, particularly by institutional investors.

◇ **Financial results for 1Q FY12/2023: Sales up 45.9%, operating profit 2.5 times higher YoY.**

Sales and profits significantly increased, with sales rising 45.9% YoY, to 6,486 million yen and operating profit growing by 150.0% to 1,118 million yen. Quarterly net income attributable to shareholders of the parent company rose 82.2% YoY to 683 million yen. Operating profit reached a record high on a quarterly basis.

As for sales by business segment, there was a significant increase in both Leasehold land (+50.9% YoY) and Old unutilised properties (+76.4% YoY). Since the 3Q of the previous year, the purchase volume of both segments has increased substantially, and inventories have built up, which has contributed to the significant increase in sales in the 1Q of the current fiscal year.

In BS, properties for sale increased by 746 million yen to 24,404 million yen from the end of FY12/2022. Around 90% of the properties were purchased within the last two years and are scheduled to be sold in the current or next financial year or later. Interest-bearing debt decreased by 337 million yen from the end of FY12/2022, as short-term borrowings increased by 602 million yen, while long-term borrowings decreased by 939 million due to the sale of large properties. Total assets increased by 650 million yen to 29,626 million yen. At the end of 1Q, the equity ratio was 39.0%, up 0.9 percentage points.

➤ **Real Estate Sales business trends**

The company will operate with a single segment of Real Estate Sales business from this year following the transfer at the end of March 2022 of all shares in One's Life Home Co., Ltd., which runs a construction business. In 1Q FY12/2022, the construction business was included in sales. Sales of Real Estate Sales business alone increased by 53.6% YoY.

1Q financial results update

Real estate

As of 23 June, 2023

Share price(22/6)	¥913
52weeks high/low	¥934/800
Avg Vol (3 month)	23.9 thou shrs
Market Cap	¥7.83 bn
Enterprise Value	¥20.00 bn
PER (23/12 CE)	8.31 X
PBR (22/12 act)	0.65 X
Dividend Yield (23/12 CE)	3.50 %
ROE (TTM)	12.42 %
Operating margin (TTM)	12.18 %
Beta (5Y Monthly)	0.53
Shares Outstanding	8.584 mn shrs
Listed market	TSE Standard

Stock price performance



	1 mo.	3 mo.	12 mo.
Stock price	2.4%	9.9%	2.2%
Relative stock price	-3.7%	-6.4%	-17.6%

Points of interest

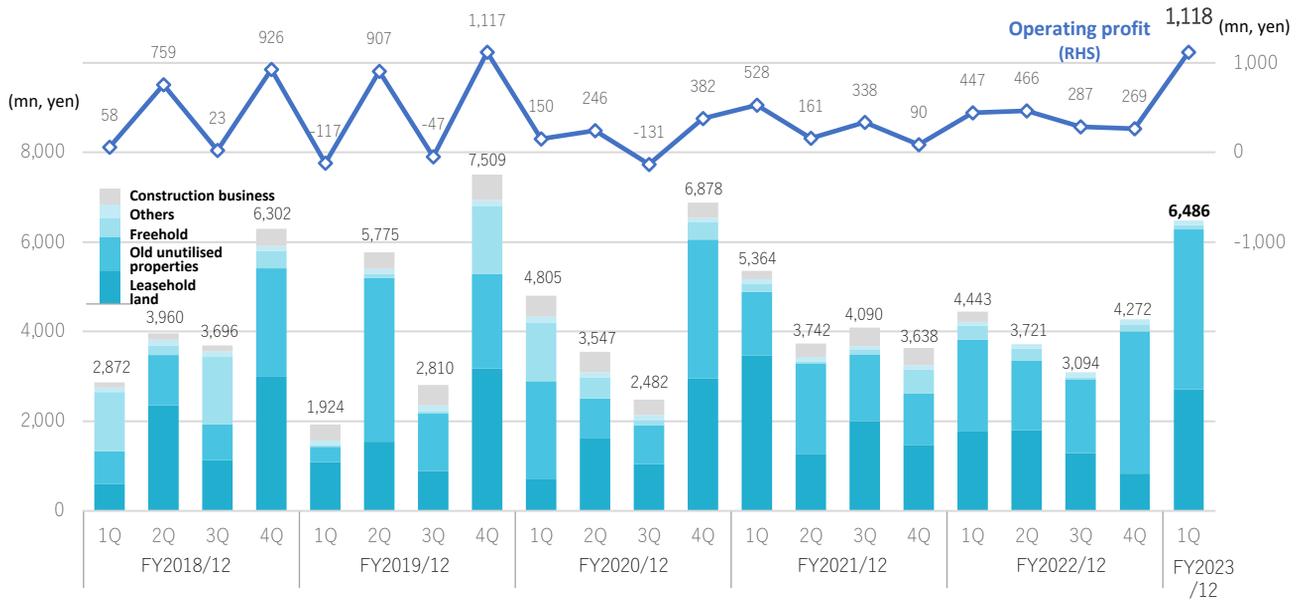
The company operates a nationwide property rights adjustment business, realising stable revenue opportunities in niche markets. It is recovering from the impact of Covid-19 on its operations. The medium-term plan targets an operating profit of 1.8 billion yen for FY12/2024, with the management aiming at TSE Prime listing.

This report is made at the request of Sansei Landic. For details, refer to the disclaimer on the last page.

JPY, mn	Net sales	YoY	Oper. profit	YoY	Ord. profit	YoY	Profit ATOP	YoY	EPS (¥)	DPS (¥)
		%		%		%		%		
2019/12	18,020	7.1	1,860	5.4	1,758	7.0	1,158	15.1	137.08	23.00
2020/12	17,774	-1.4	847	-54.5	709	-59.7	357	-69.1	42.34	25.00
2021/12	16,836	-5.3	1,117	31.9	999	40.9	609	70.5	73.56	26.00
2022/12	15,513	-7.7	1,469	31.5	1,283	28.4	1,060	73.9	129.61	28.00
2023/12 (Prev. CE)	17,119	10.2	1,594	8.5	1,305	1.7	836	-21.1	102.68	29.00
2023/12 (Revised CE)	20,500	32.0	1,700	15.7	1,400	9.1	900	-15.1	109.55	32.00
2022/12 1Q	4,444	-17.2	447	-15.4	415	-17.4	375	16.1	45.51	-
2023/12 1Q	6,486	45.9	1,118	150.0	1,045	151.6	683	82.2	83.48	-



Quarterly sales and operating profit



Source: Omega Investment from company materials

Leasehold land : Sales were 2,707 million yen (+50.9%). Sales grew 50% YoY, backed by solid purchases in the recent time. This was also significantly higher than planned, exceeding the company estimate by 64.7%. The number of contracts increased by 17.4% to 101. Sales of Leasehold land in the Tokyo metropolitan area were robust. As a result, the profit margin also exceeded expectations.

Old unutilised properties: Sales recorded 3,571 million yen (+76.4%). Old unutilised properties have performed well, particularly in western Japan. The benefits of the reinforced sales structure in the region in recent years are becoming apparent. Sales came in 18.1% above the plan. The number of projects was 23, a significant increase of 130.0% YoY. Profits also erred on the upside.

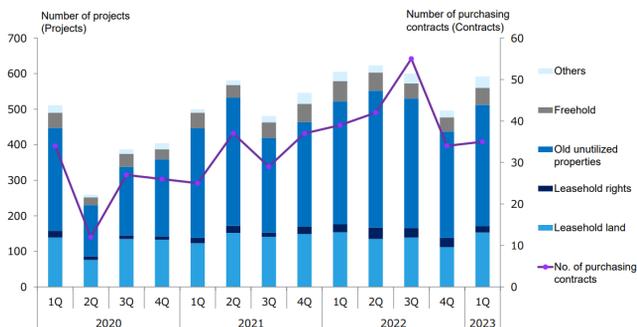
Freehold: Sales were 101 million yen (-67.9%). Due to changes in the timing of property sales, sales, and profits were below forecasts and lower YoY.

➤ **Purchase of real estate for sales: Significant increase in purchases of Leasehold land, reaching a record high**

Purchases in Real Estate Sales business increased significantly by 71.3% YoY, recording 5,063 million yen. Since 3Q FY12/2022, the purchase has remained high, exceeding 5 billion yen on a quarterly basis. This includes 3,486 million yen for Leasehold land (up 170.5%), 1,455 million yen for Old unutilised properties (up 5.2%), and 121 million yen for Freehold (down 57.1%). Purchasing of Leasehold land was particularly strong, with a record quarterly figure. Properties for sales also registered a record quarterly purchase.

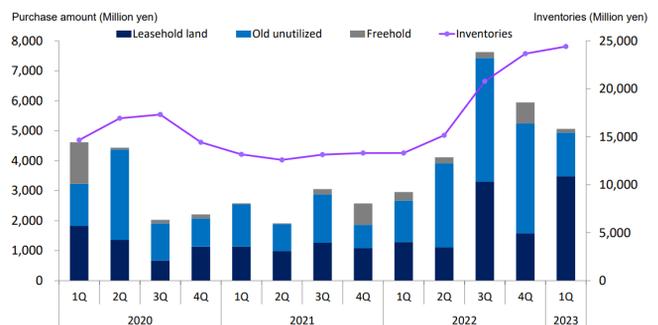
This is attributed to 1) the strong property market in recent years (see left-hand chart on the following page); 2) the expansion of large properties requiring a rights adjustment period of more than one year after risk management; and 3) the success of the strategic expansion of areas, which has led to a significant increase in purchases.

Project numbers and purchase contracts



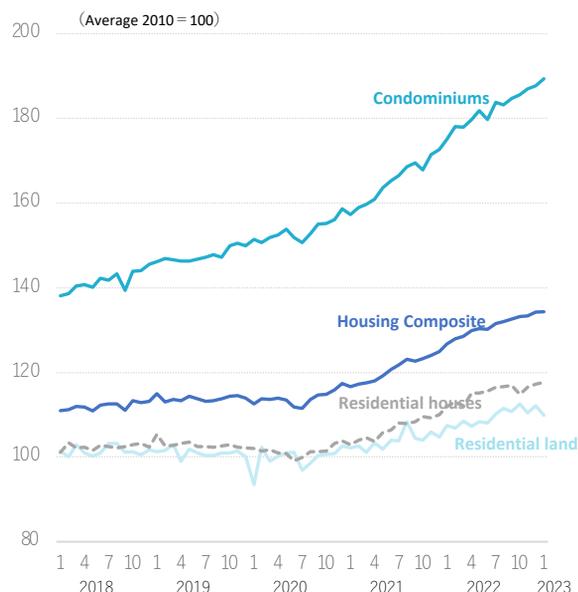
Source: company materials

Purchase and Inventory



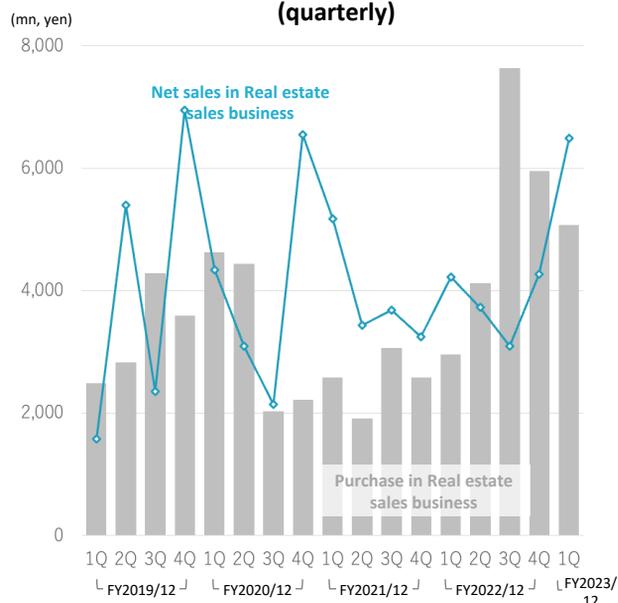


Property price index (residential)



Source: Omega Investment, based on Ministry of Land, Infrastructure, Transport and Tourism data.

Real estate sales and purchases (quarterly)



Source: Omega Investment from company materials

The company continues to purchase properties cautiously, looking to increase its inventory to sell them in the next financial year or later. Around 90% of the properties were purchased within the last two years. The company schedules to sell them in the current or next financial year or later.

The above right-hand chart shows the trend of purchases and sales in Real Estate Sales business. Purchases were low from 3Q FY12/2020 as a result of a slowdown in sales activities due to COVID-19 but had been recovering since the outset of FY12/2022. In particular, the company has been significantly increasing its purchase since the 3Q of FY12/2022, the benefits of which have kicked in the 1Q results.

◇ Forecasts for FY12/2023: Significant upward revisions for both 1H and a full year.

The company has revised up its 1H and full-year forecasts for FY12/2023 in light of its 1Q performance and the current situation. See the table below for revised 1H forecasts. This is a significant upward revision of 33.0% for sales and more than 50% for operating income. YoY, sales are expected to increase by 40% and operating income by 50%. Regarding the 1Q progress ratios vs company forecasts, profit is notably fast, suggesting the likelihood of a further upward revision.

Revision of the consolidated forecast for 2Q (accumulative) FY12/2023.

JPY, mn	Net sales	Oper. profit	Ord. profit	Profit ATOP	EPS (¥)
Previous forecast (A)	8,649	913	747	484	59.44
Revised forecast (B)	11,500	1,400	1,250	800	97.47
Change (B - A)	2,850	486	502	315	-
Percentage change (%)	33.0	53.2	67.3	65.2	-
Actual results for 2Q FY12/2022	8,165	913	832	713	86.67
Revised forecast, YoY (%)	40.8	53.3	50.2	12.2	12.2
Progress ratio as at 1Q (%)	56.4	79.9	83.6	85.4	-

Source: company materials

See table on next page for revised full-year forecasts. This is an upward revision of 19.7% and 6.6% for sales and operating income, respectively. YoY, sales and operating income are expected to grow by 32.0% and 15.7%, respectively. As of 1Q, the company has made about 30% progress in terms of sales and about 2/3 in terms of operating income. As already mentioned, the company's real estate inventory has built up significantly, and given that the real estate market remains strong, the revised estimates look achievable.



Revised full-year consolidated forecasts for FY12/2023.

JPY, mn	Net sales	Oper. profit	Ord. profit	Profit ATOP	EPS (¥)
Previous forecast (A)	17,119	1,594	1,305	836	102.68
Revised forecast (B)	20,500	1,700	1,400	900	109.55
Change (B - A)	3,380	105	94	63	-
Percentage change (%)	19.7	6.6	7.3	7.6	-
Actual results for FY12/2022	15,533	1,469	1,283	1,060	129.61
Revised forecast, YoY (%)	32.0	15.7	9.1	-15.1	-15.4
Progress ratio as at 1Q (%)	31.6	65.8	74.6	75.9	-

Source: company materials

◇ New shareholder return policy announced: shareholder benefit plans to be abolished and special dividends to be paid.

In conjunction with the announcement of its 1Q results, the company announced a new shareholder return policy. The shareholder benefit plan, which was previously in place, will be discontinued with the last distribution to shareholders as at end-June 2023. Instead, the company plans to pay a special dividend of 3 yen a share in addition to the ordinary dividend of 29 yen for the performance of FY12/2023. From FY12/2024 onwards, the company states it will further fulfil its shareholder return policy and may consider interim dividends and share buybacks.

Given that individual shareholders have favoured the company's shareholder benefit plan, some investors may be disappointed, but it is in line with fairness and the demands of institutional investors.

The planned dividend for FY2023 is 29 yen of ordinary dividend plus a special dividend of 3 yen, for a total of 32 yen a share. This will mark the 10th consecutive year of dividend increases since 2013.

◇ Share price: Remains cheap, considering growth expectations for the next fiscal year and beyond

The company's share price temporarily reached a yearly high (at that time) of 927 yen around the announcement of the financial results. The share price has been hovering around 900 yen since then, bottoming out at 802 yen on 13 January 2023. The strong results and the upward earnings revisions have solidified the uptrend. In addition to an abundant inventory of both Leasehold land and Old unutilised properties, the property market is expected to remain strong for some time to come, which will also support good results and should prove positive for the share price.

Meanwhile, PBR of the company's shares is 0.65, well below 1x and the average of the past five years (diagram below on the next page). In addition to the company's strong performance, it has also shown a proactive attitude towards new shareholder return measures, and we expect the market to re-evaluate the company's performance.

5-year stock price move





Share price compared to TOPIX (last three years)



Historical PBR (last five years)



Financial data (quarterly)

FY (¥mn)	2020/12				2021/12				2022/12				2023/12
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q
[Sales by segment]													
Net sales	4,807	3,546	2,481	6,938	5,365	3,744	4,089	3,637	4,444	3,721	3,094	4,272	6,486
Year-on-year basis	149.7%	-38.6%	-11.7%	-7.6%	11.6%	5.6%	64.8%	-47.6%	-17.2%	-0.6%	-24.3%	17.4%	45.9%
Real estate sales business	4,339	3,092	2,137	6,543	5,171	3,434	3,679	3,244	4,222	3,721	3,094	4,272	6,486
Year-on-year basis	175.3%	-42.7%	-9.2%	-5.7%	19.2%	11.1%	72.1%	-50.4%	-18.3%	8.3%	-15.9%	31.7%	53.6%
Sales composition ratio	90.3%	87.2%	86.2%	94.3%	96.4%	91.7%	90.0%	89.2%	95.0%	100.0%	100.0%	100.0%	100.0%
Leasehold land	719	1,613	1,044	2,950	3,464	1,267	2,003	1,474	1,793	1,794	1,284	832	2,707
Year-on-year basis	-33.8%	4.3%	17.4%	-7.1%	381.4%	-21.5%	91.9%	-50.0%	-48.2%	41.6%	-35.9%	-43.6%	51.0%
Sales composition ratio	15.0%	45.5%	42.1%	42.5%	64.6%	33.8%	49.0%	40.5%	40.3%	48.2%	41.5%	19.5%	41.7%
Old unutilised properties	2,180	897	872	3,101	1,419	2,025	1,488	1,151	2,024	1,556	1,649	3,170	3,571
Year-on-year basis	520.6%	-75.5%	-32.0%	-47.1%	-34.9%	125.8%	70.6%	-62.9%	42.6%	-23.2%	10.8%	175.4%	76.4%
Sales composition ratio	45.4%	25.3%	35.1%	44.7%	26.4%	54.1%	36.4%	31.6%	45.5%	41.8%	53.3%	74.2%	55.1%
Freehold	1,305	465	106	395	191	46	101	526	315	266	49	157	101
Year-on-year basis	4560.7%	428.4%	92.7%	-74.2%	-85.3%	-90.1%	-4.7%	33.2%	64.9%	478.3%	-51.5%	-70.2%	-67.9%
Sales composition ratio	27.1%	13.1%	4.3%	5.7%	3.6%	1.2%	2.5%	14.5%	7.1%	7.1%	1.6%	3.7%	1.6%
Others	133	117	116	97	96	95	88	94	89	105	112	114	106
Year-on-year basis	21.5%	12.5%	-7.9%	-23.0%	-28.3%	-18.8%	-24.1%	-3.1%	-7.3%	10.5%	27.3%	21.3%	19.1%
Sales composition ratio	2.8%	3.3%	4.7%	1.4%	1.8%	2.5%	2.2%	2.6%	2.0%	2.8%	3.6%	2.7%	1.6%
Construction business	468	455	343	395	194	309	409	392	222	-	-	-	-
Year-on-year basis	34.1%	19.8%	-24.9%	-30.1%	-58.4%	-32.1%	19.3%	-0.8%	14.0%	-	-	-	-
Sales composition ratio	9.7%	12.8%	13.8%	5.7%	3.6%	8.3%	10.0%	10.8%	5.0%	-	-	-	-
[Statements of income]													
Net sales	4,807	3,546	2,481	6,938	5,365	3,744	4,089	3,637	4,444	3,721	3,096	4,272	6,486
Cost of sales	3,865	2,557	1,934	5,431	4,020	2,756	2,945	2,745	3,146	2,310	1,963	3,066	4,320
Gross profit	942	989	548	1,507	1,344	986	1,143	892	1,297	1,411	1,132	1,206	2,166
SG&A expenses	792	744	678	925	816	826	805	802	850	946	845	937	1,084
Operating income	150	245	-131	382	528	160	338	90	447	466	287	269	1,118
Non-operating income	9	5	51	5	12	8	8	6	7	7	6	7	8
Non-operating expenses	55	63	60	10	37	40	34	39	39	55	54	64	80
Ordinary income	103	188	-140	298	502	128	311	56	415	417	239	212	1,045
Extraordinary income	0	0	0		3	0	0	0	19	0	0	1	-
Extraordinary expenses	0	0	0			0	0				8	7	-
Loss before income taxes	103	188	-140	298	506	128	311	56	435	399	231	205	1,045
Total income taxes	36	72	-49	295	183	48	166	-4	59	60	36	54	361
Net income	67	114	-90	176	323	79	145	61	375	338	196	151	683
[Balance Sheets]													
Current assets	18,816	20,798	20,577	19,040	17,554	17,371	18,769	18,968	19,018	21,579	26,379	27,929	28,392
Property for sale	14,655	16,923	17,312	14,424	13,493	12,586	13,134	13,301	13,304	15,152	20,775	23,657	24,404
Non-current assets	1,188	1,164	1,197	1,030	951	1,054	1,081	1,082	1,124	1,099	1,129	1,047	1,233
Tangible assets	451	449	443	306	291	290	293	301	317	313	314	299	312
Investments and other assets	668	653	691	655	595	703	732	730	761	743	769	701	873
Total assets	20,004	21,962	21,774	20,071	18,505	18,425	19,849	20,051	20,134	22,678	27,508	28,976	29,626
Current liabilities	9,883	7,767	7,699	5,772	5,517	7,540	8,633	8,731	8,153	8,871	11,168	12,606	13,658
Short-term borrowings	7,729	6,352	6,676	4,463	4,272	6,105	7,171	7,367	5,025	5,057	6,960	10,192	11,151
Non-current liabilities	345	4,303	4,274	4,232	2,919	792	976	1,017	1,525	3,114	5,453	5,314	4,405
Long-Term Borrowings		3,958	3,929	3,879	2,570	483	683	740	1,260	2,827	5,153	5,033	4,093
Total liabilities	10,228	12,071	11,973	10,004	8,436	8,332	9,609	9,749	9,679	11,985	16,622	17,920	18,064
Total net assets	9,776	9,891	9,801	10,067	10,070	10,093	10,240	10,301	10,463	10,692	10,886	11,056	11,561
Total shareholders' equity	9,776	9,891	9,801	10,067	10,070	10,093	10,240	10,297	10,459	10,688	10,882	11,052	11,562
Capital stock	818	818	818	818	818	820	820	820	821	822	824	833	860
Legal capital reserve	779	779	779	779	779	781	781	781	782	785	786	796	823
Retained earnings	8,174	8,289	8,200	8,465	8,577	8,656	8,802	8,863	9,023	9,362	9,557	9,708	10,164
Stock acquisition right	4	4	4	4	4	4	4	4	4	3	3	3	-
Total liabilities and net assets	20,004	21,962	21,774	20,071	18,505	18,425	19,849	20,051	20,134	22,678	27,508	28,976	29,626
[Statements of cash flows]													
Cash flow from operating activities		-3,683		-916		2,110		1,704		1,184		-9,267	
Loss before income taxes		291		712		635		1,003		833		1,269	
Cash flow from investing activities		-9		-287		-26		-51		-205		-266	
Cash flow from financing activities		3,021		952		-2,129		-608		-559		7,971	
Net increase in cash and cash equiv.		-671		-251		-46		1,045		420		-1,563	
Cash and cash equiv. at beginning of period		3,958		3,958		3,707		3,707		4,752		4,752	
Cash and cash equiv. at end of period		3,287		3,707		3,661		4,752		5,173		3,188	

Source: Omega Investment from company materials

Financial data

FY (¥mn)	2011/12	2012/12	2013/12	2014/12	2015/12	2016/12	2017/12	2018/12	2019/12	2020/12	2021/12	2022/12
[Statements of income]												
Net sales	8,042	9,475	9,187	10,443	11,567	12,300	13,098	16,833	18,020	17,774	16,836	15,533
YoY change (%)	8.5	17.8	-3.0	13.7	10.8	6.3	6.5	28.5	7.1	-1.4	-5.3	-7.7
Cost of sales	5,557	7,061	6,254	7,055	7,798	8,344	8,566	12,028	12,902	13,788	12,467	10,485
Gross profit	2,485	2,415	2,934	3,389	3,769	3,957	4,532	4,805	5,119	3,986	4,368	5,047
SG&A expenses	1,735	1,898	2,014	2,184	2,470	2,510	2,770	3,039	3,258	3,139	3,250	3,578
Operating income	750	517	920	1,205	1,300	1,446	1,762	1,766	1,861	847	1,117	1,469
YoY change (%)	14.5	31.0	77.9	30.9	7.9	11.3	21.9	0.2	5.4	-54.5	31.9	31.5
Operating income margin (%)	9.3	5.5	10.0	11.5	11.2	11.8	13.5	10.5	10.3	4.8	6.6	9.5
Non-operating income	135	5	12	14	15	15	12	28	42	88	34	26
Non-operating expenses	138	85	122	174	118	133	106	150	144	226	152	212
Ordinary income	747	437	810	1,044	1,196	1,329	1,669	1,643	1,759	709	999	1,283
Extraordinary income	54	23					97			32	3	20
Extraordinary expenses	4	17					94	104		29		33
Loss before income taxes	797	443	810	1,044	1,196	1,329	1,672	1,539	1,759	712	1,003	1,269
Total income taxes	353	209	354	418	472	475	561	533	600	355	394	209
Net income attributable to owner of parent	444	233	456	626	724	854	1,111	1,007	1,159	358	609	1,060
YoY change (%)	47.6	47.5	95.4	37.5	15.6	17.9	30.2	-9.4	15.1	-69.1	70.5	73.9
Margin (%)												
[Balance Sheets]												
Current assets	5,251	6,257	8,023	7,836	10,366	9,749	15,874	15,745	18,094	19,040	18,968	27,929
Property for sale	3,698	4,834	6,346	5,166	7,699	6,877	11,863	11,678	13,493	14,424	13,301	23,657
Non-current assets	834	836	895	957	1,031	1,083	1,042	1,032	1,199	1,030	1,082	1,047
Tangible assets	136	135	569	603	572	591	467	458	456	306	301	299
Investments and other assets	612	622	226	258	383	405	494	505	669	655	730	701
Total assets	6,085	7,093	8,919	8,793	11,398	10,833	16,916	16,777	19,294	20,071	20,050	28,976
Current liabilities	2,663	3,098	4,587	3,165	4,910	3,751	8,430	6,160	9,047	5,772	8,731	12,606
Short-term borrowings	1,733	2,095	3,362	2,094	3,778	2,624	7,076	4,728	7,203	4,462	5,544	10,192
Non-current liabilities	181	562	465	367	453	226	479	1,710	351	4,232	1,017	5,314
Long-Term Borrowings	147	526	419	320	180	88	364	1,320		3,879	740	5,033
Total liabilities	2,845	3,660	5,051	3,531	5,363	3,977	8,909	7,869	9,399	10,004	9,748	17,920
Total net assets	3,241	3,433	3,868	5,262	6,034	6,856	8,006	8,908	9,894	10,066	10,301	11,056
Total shareholders' equity	3,241	3,433	3,868	5,262	6,034	6,852	8,002	8,904	9,890	10,062	10,297	11,052
Capital stock	257	257	257	661	710	720	788	811	814	818	820	833
Legal capital reserve	218	218	218	622	671	681	749	772	775	779	781	796
Retained earnings	2,766	2,958	3,393	3,978	4,654	5,451	6,464	7,320	8,302	8,465	8,863	9,708
Stock acquisition right						4	4	4	4	4	4	3
Total liabilities and net assets	6,085	7,093	8,919	8,793	11,398	10,833	16,916	16,777	19,294	20,071	20,050	28,976
Equity ratio (%)	53.3	48.4	43.4	59.8	52.9	63.3	47.3	53.1	51.3	50.1	51.4	38.1
[Statements of cash flows]												
Cash flow from operating activities	970	-953	-664	1,761	-1,451	1,611	-3,666	1,617	-420	-917	1,704	-9,267
Loss before income taxes	797	443	810	1,044	1,196	1,329	1,672	1,539	1,759	712	1,003	1,269
Cash flow from investing activities	127	-15	-175	-111	-116	-184	107	-64	-71	-288	-51	-266
Cash flow from financing activities	-877	692	1,136	-612	1,588	-1,278	4,667	-1,495	984	953	-608	7,971
Issuance of shares	406			800	97	21	37	45	6	9		
Net increase in cash and cash equiv.	219	-276	296	1,039	22	150	1,108	58	493	-251	1,045	-1,563
Cash and cash equiv. at beginning of period	850	1,069	793	1,089	2,128	2,150	2,299	3,407	3,465	3,959	3,707	4,752
Cash and cash equiv. at end of period	1,069	793	1,089	2,128	2,150	2,299	3,407	3,465	3,959	3,707	4,752	3,188
Free cash flow	1,097	-968	-839	1,650	-1,567	1,427	-3,559	1,553	-491	-1,205	1,653	-9,533

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