

“Smooth Land Reclamation”

- Building Win-Win-Win Relationships among All Concerned Parties -

■ History of SANSEI LANDIC

SANSEI LANDIC is a real estate company established in 1976, soon to celebrate its 40th Anniversary. Initially, the Company was mainly engaged in real estate brokering and leasing. In 1991, after the collapse of the economic bubble, the Company, while exploring businesses that were less influenced by economic conditions, began handling the real estate rights adjustment, a business associated with leasehold land, responding to landowners with will to sell land, and purchasing land that come with a land lease right holder, a potential buyer. This rights adjustment business has grown and become the Company’s core business today.

Starting with the launch of the Osaka Branch Office in 2002, Sansei Landic opened seven branches throughout the nation in Sapporo, Sendai, Yokohama, Nagoya and Fukuoka.

Sansei Landic went public on JASDAQ in December 2011, followed by its listing on the second section of the Tokyo Stock Exchange in January 2014, and stepped up to the first section of the Tokyo Stock Exchange in December 2014.

■ Management Philosophy

With moderation, austerity and persistence at the core of its management philosophy, the Company aims at securing stable management style by focusing on moving forward at the reasonable level of force to remain persistent permanently.

The name Sansei Landic is a combination of Sansei (three stars) and Landic. Sansei reflects our wish to have stakeholders, i.e., all persons connected with the Company, continue to shine. This wish is based on the management vision of the Company as being the “forerunner in the real estate rights adjustment business” and the “aim of achieving WIN-WIN-WIN

relationships with all stakeholders.” Landic originates from “Land” (signifying real estate).

■ Business Activities

The Company engages in two principal business areas:

- (i) the real estate sales business (Sansei Landic) – procurement and sales of real estate properties that involve rights adjustments relating to leasehold land, properties with existing residence and other pieces of real estate based on the former Act on Land and Building Leases, and
- (ii) the construction business (One’s Life Home) – custom designed homes, planning, designing, constructing, renovating, rehabilitating and reformed homes and its management.

■ What is rights adjustment?

To better understand Sansei Landic’s business, consider a relationship between a cup and a saucer. While a cup alone is useful and so is a saucer, the value maximizes if they are used together as one. Our business offers higher value by combining cups (land lease right) and saucers (leasehold land) that are separately used.

* Ref. Figure 1 (What is rights adjustment?)



■ What is leasehold land?

With respect to a piece of real estate for which the right to use the land (land lease right) and the right to own the land (land ownership right) are under separate terms, the right to own the land belongs to the owner of the leasehold land offered to the lessee. Multiple rights existing on one piece of property can deprive the freedom of both the lessor (landowner) and the lessee (land lease right holder), causing each party to render asset devaluation.

Such properties exist due to the traditional practices and laws (under the former Act on Land and Building Leases) relating to the leasing of land and buildings in Japan. Many of these properties originated before 1980 and are characterized by the rights of the lessee being better protected than land owners compared to other countries with similar laws. Today, more than one million households in the country are land lease right holders, and the market is significant and diverse.

Landowners (lessors) feel the need to sell since land would not be returned semi-permanently anyway and the revenue generated remains low. Meanwhile, land lease right holders (lessees) have the desire to own the leased land. However, due to various human relationship factors; discontent; and / or a lack of understanding over many years, it has been difficult to close sales and purchase deals or resolve issues between the parties.

Sansei Landic acquires the leasehold land and merges all the separate rights into one in order to recover the devalued real estate which otherwise can generate higher revenue.

■ Rights adjustment for leasehold land

Assume the case illustrated in Ref. Figure 3 (Rights adjustment for leasehold land). Sansei Landic first purchases the leasehold land “as is” from the landowner and becomes the landlord. Under the law in Japan, the condition is such that unless a piece of land is in contact for 2 meters with a road which is no less than 4 meters wide, no new building can be built on the land. In Ref. Figure 3, ○ (yes) or × (no) signifies the possibility of reconstruction of a building at the time when the land is purchased by the Company. At the time of purchase, reconstruction is not possible for half of the pieces of land.

First, Sansei Landic conducts measurements and holds meetings with the local authorities to extend the road. By this, two households have become eligible for reconstruction (rights adjustment (1)).

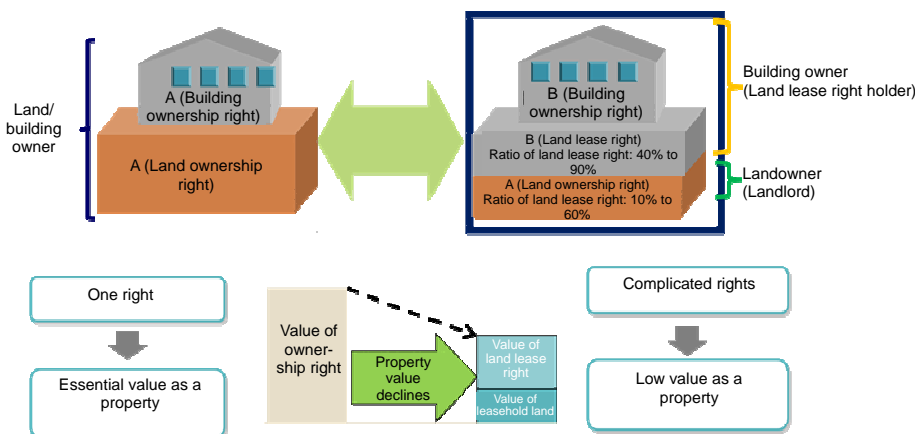
Next, we negotiate with the right holders and short-plot the land into lots so that every lot is in contact with the road (rights adjustment (2)).

After the value of the entire piece of land is increased, Sansei Landic sells the leasehold land to land lease right holders. If holders want to sell their land lease rights, we purchase the land lease rights and combine them to restore the essential value of the real estate piece.

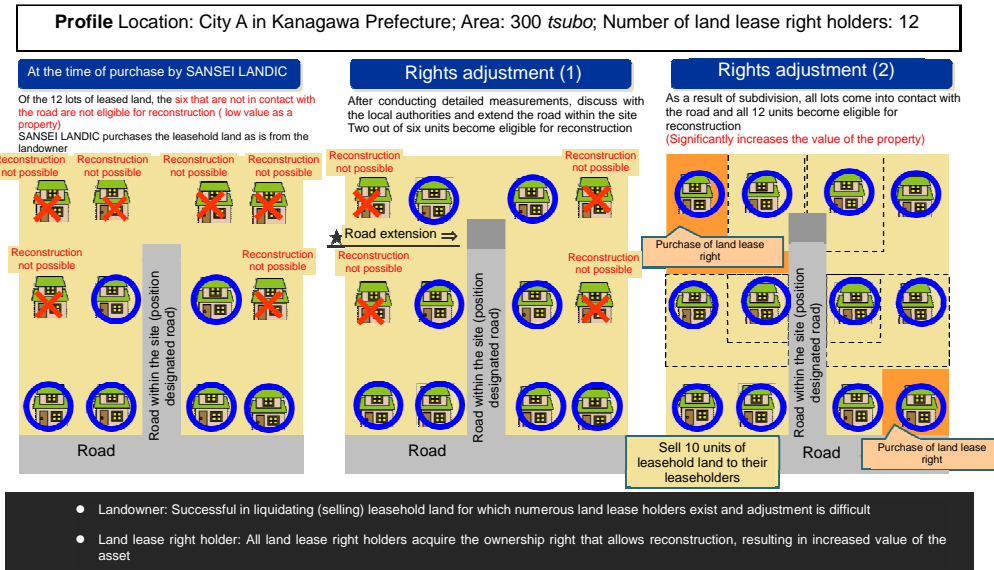
A period of about a year is required to complete the rights adjustments and for resale. Normally, 80% are sold to land lease right holders, and the Company acquires the remaining land lease rights for resale to third parties including other real estate companies. In some cases, we retain the right and collect rent, and sell the land in the medium-to-long term.

Ref. Figure 2 (What is leasehold land?)

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



*** Ref. Figure 3 (Rights adjustment for leasehold land)**



➔ A business model that allows SANSEI LANDIC's profit-generating opportunity to provide the landowner as well as the land lease right holder with added value, resulting in establishing a win-win-win relationship among the three parties

■ Purchasing properties with existing residence

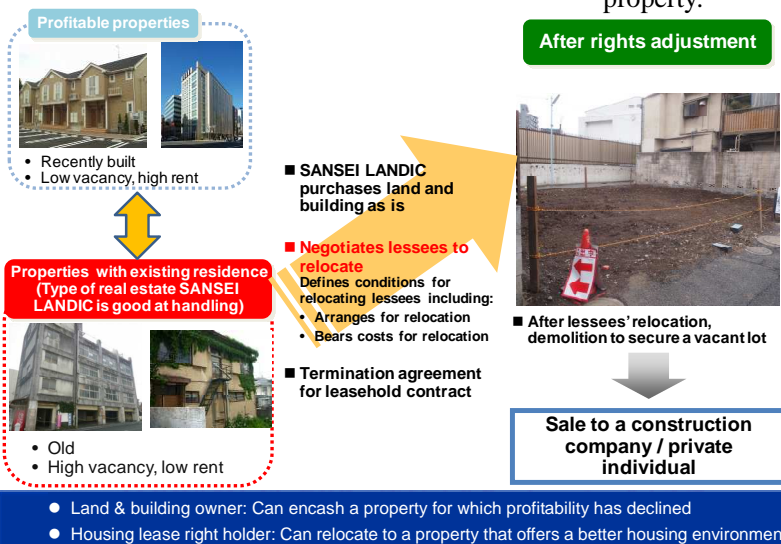
This is the process of purchasing an occupied apartment building, performing rights adjustments and reviving its value.

A new building with the potential to generate high income attracts many investors. Sansei Landic acquires old buildings with a number of vacant units and low rent. They attract a limited number of buyers.

After purchasing the property, Sansei Landic negotiates with residents (housing lease right holders) to have them move out to other locations by paying moving expenses. Once the housing units are all and have been transferred to Sansei Landic, we demolish the buildings to secure a vacant lot for sale to a construction company or another third party.

By taking a piece of real estate which initially unable to be used effectively because it was still occupied despite having a low occupancy rate due to deterioration of the property, which in turn was caused by a lack of adequate maintenance work, Sansei Landic performs rights adjustments to put the property into a condition which allows it to be used effectively, thereby heightening the value of the property.

*** Ref. Figure 4 (Rights adjustment for existing residence)**



➔ A business model that allows SANSEI LANDIC's negotiating skills to benefit both the land and building owner and the housing lease right holder, resulting in establishing a win-win-win relationship among the three parties

As in the case with leasehold land, it takes about one year to complete the rights adjustments for resale. For many of the housing lease right holders who are able to relocate from the old housing to another location offering better housing environment with moving expenses paid by Sansei Landic, it is rare that we face difficulties in receiving the transfer of property.

■ Strengths of SANSEI LANDIC

(1) Specializing in a niche market business in a segment of the real estate sector with limited players

Sansei Landic does not conduct advance negotiations with rights holders and can identify the circumstances of the other party, only after procuring the real estate. The Company faces the risk of holding unfavorable inventory, depending on the intent of the other party.

It is also difficult to obtain bank loans since these properties are low in collateral value. Given these circumstances surrounding this business, small and midsize firms are less likely to become competitors. Furthermore, since the Company targets residential properties which generate lower profit margins, considering the cumbersome procedures involved, because large companies cannot take advantage of their scale of economy, they see no significant benefits to enter the market. Since there are no competitors among the listed firms, corporations handling assets contact the Company with information on potential properties. (70% of properties procured are from real estate brokering companies and 30% are based on direct referrals from accountants, financial institutions and land owners.)

(2) Leverage of accumulated know-hows and high levels of communication skills to cater customers' needs

Sansei Landic has closed more than 8,000 deals since 1991. The Company maintains the know-how to respond to a broad range of issues. Employees with advanced communication skills, who can accurately ascertain the intent of the other parties, make consistent efforts in

negotiating and conducting mutually beneficial rights adjustments for all the parties concerned.

(3) Business development based on moderation and persistence

Leasehold land often tends to cause inheritance issues for landowners. Since such issues are influenced by people's lives and passing, they are usually not linked to economic conditions. Furthermore, since the majority of properties are resold to land lease right holders who can benefit from purchasing leasehold land, the sales procedure is not easily impacted by economic trends.

Meanwhile, since properties with existing residence are ultimately sold to third parties, the business have potential to grow with influence of economic conditions.

Sansei Landic's core business is handling leasehold land. When the economy is favorable, the Company actively engages in handling properties with existing residence but flexibly holds back when economic conditions deteriorate. We maintain a good balance in line with the circumstances in the operating environment to stably secure profits.

■ Future Prospects and President's Vision

In Japan, vested interests and the rights of individuals with respect to real estate are quite strong. The rights adjustment capabilities of Sansei Landic are essential for promoting the effective use of limited land, including redevelopment of areas with a high concentration of wood-frame buildings, promotion of earthquake-resistant building, both for developing an earthquake-proof town, or responding to increasing vacant housings across the country due to population aging.

Sansei Landic plans to increase net income by 50%, or to one billion yen, between 2014 and 2017 by expanding its existing businesses and generate profits over the three years starting in 2015. At the same time, we plan to extend our business activities to new areas to develop a base for future growth.