

Sansei Landic (TYO: 3277)

FY12/2024 1Q sales increased while profits decreased, but the result exceeded the company's forecasts. A new medium-term plan is awaited.

◆ Summary of FY12/2024 1Q results: sales up and profits down in line with expectations

Sansei Landic announced its FY12/2024 1Q results on 13 May 2024, with increased sales and decreased profit YoY. Sales were 7.20 billion yen (+11% YoY), operating income was 570 million yen (-49% YoY), ordinary income was 490 million yen (-52% YoY), and net income attributable to owner of parent was 320 million yen (-52% YoY), representing a significant decline in profit. Profit margins were depressed by an increase in the sales mix of Old unutilized properties (which have relatively low profit margins) compared to Leasehold land. However, this performance was better than planned.

The company's forecasts for the first half and full year and the dividend forecast for the current year have not been revised. These do not surprise. The company's sales, operating income, and ordinary income exceeded those of the same period two years ago, which endorses that the company's business is performing steadily.

◆ FY12/2024 company forecast: no change

As mentioned earlier, the company's 2Q and full-year forecasts for FY12/2024 have not been revised. As 1Q progress vis-a-vis the full-year plan is not remarkably high, we want to see whether sales and purchases will remain steady by quarter.

The company will start paying an interim dividend from this financial year. This decision is thought to be based on the fact that the company can now generate quarterly profits with a small margin of fluctuation. This is, therefore, positively evaluated. It will be interesting to see whether this will trigger an increase in new long-term shareholders.

◆ Share price trend: announcement of new medium-term plan awaited

The company's share price has fluctuated between 950 yen and 1,100 yen since autumn last year. Although PER and PBR are not overdone, investors will likely wait for catalysts to turn the share price higher, especially as this year's results will stagnate against the rapid earnings growth in FY12/2023.

Therefore, in addition to the quarterly progress of purchases and sales, the announcement of the next medium-term plan is awaited. If the company's distinctive growth strategy is presented, the stock market will become more aware of its stable and difficult-to-imitate growth capacity, and PBR above 1x could come into sight.

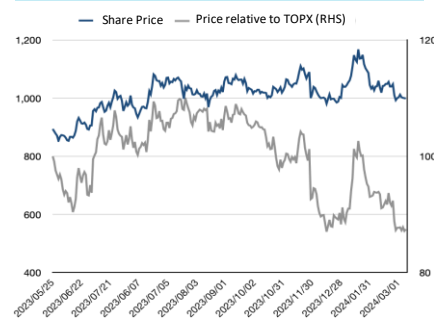
1Q financial results update

Real estate

As of 13 June, 2024

Share price (6/12)	¥1,044
52weeks high/low	¥1,172/850
Avg Vol (3 month)	30.5 ^{thou} shrs
Market Cap	¥8.96 bn
Enterprise Value	¥20.54 bn
PER (24/12 CE)	8.9 X
PBR (23/12 act)	0.7 X
Dividend Yield (24/12 CE)	3.83 %
ROE (23/12 act)	10.2 %
Operating margin (23/12)	9.3 %
Beta (5Y Monthly)	0.66
Shares Outstanding	8.241 ^{mn} shrs
Listed market	TSE Standard

Share price performance



	1 mo.	3 mo.	12 mo.
Share price	-5.8%	-1.4%	11.7%
Relative share price	-6.8%	-4.3%	-12.6%

Points of interest

Operates a real estate rights adjustment business nationwide. Captures stable profit opportunities in niche markets. Recovered from the aftermath of COVID-19 and delivering record-high profits. Preparing a medium-term plan starting in FY2025.

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	23,269	49.8	2,155	46.7	1,765	37.5	1,182	11.6	143.79	33.00
2024/12 (CE)	23,700	1.9	1,800	-16.5	1,500	-15.0	1,000	-15.5	121.35	40.00
2023/12 1Q	6,486	45.9	1,118	150.0	1,045	151.6	683	82.2	83.48	0.00
2024/12 1Q	7,206	11.1	570	-49.0	492	-52.9	328	-52.0	39.82	0.00



◇FY12/2024 1Q results summary: Sales increased while profits declined YoY, but the results were in line with expectations

Sansei Landic announced its FY12/2024 1Q results on 13 May 2024, with an increase in sales and a decrease in profit with sales of 7.20 billion yen (+11% YoY), operating income of 570 million yen (-49% YoY), ordinary income of 490 million yen (-52% YoY) and net income attributable to owner of parent of 320 million yen (-52% YoY). The profit decline was notable. On YoY, the profit margins were depressed due to an increase in the sales mix of Old unutilized properties (with relatively low profit margins) compared to Leasehold land. However, as shown in the table below, this performance exceeded the company plan.

There are no revisions to the company's forecasts for the first half and full year and the dividend forecast for the current year. These do not surprise. The company's sales, operating income, and ordinary income exceeded those of the same period two years ago, which endorses that the company's business is performing steadily.

【Profit trends】

Financial Results



- Sales and profits are progressing well above the forecasts

(Unit: Million yen)

	22/1Q	23/1Q	24/1Q		
	Results	Results	Plan	Results	Difference
Net sales	4,444	6,486	5,265	7,206	+1,941
Gross profit	1,297	2,166	1,404	1,685	+280
SG&A	850	1,048	1,035	1,115	+79
Operating income	447	1,118	369	570	+200
Ordinary income	415	1,045	293	492	+199
Net income attributable to owners of parent	375	683	198	328	+129

Source: Omega Investment from company materials

【Sales trends】

① Sales Results

Classification	Number of contracts	YoY (%)	Sales (Million yen)	YoY (%)
Leasehold land	77	-23.8	2,120	-21.7
Old unutilized properties	29	+26.1	4,891	+37.0
Freehold	3	-25.0	93	-7.7
Other real estate sales business	—	—	101	-4.9
Total	109	-14.8	7,206	+11.1

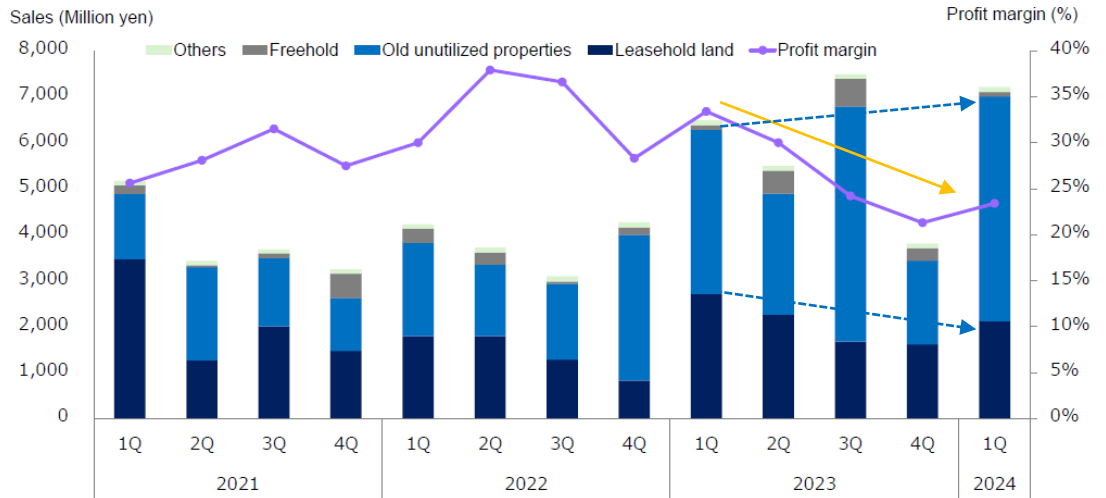
(Note) 1. "Number of contracts" indicates the number of transactions.

2. "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."

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

Source: Omega Investment from company materials

【Sales trends and gross margins】



Source: Omega Investment from company materials

Purchases fell by 33% YoY to 3.35 billion yen. While Old unutilized properties grew substantially, purchases of Leasehold land were weak, partly in the absence of the purchases of large properties in the previous year. However, the company mentioned that purchases of Leasehold land are progressing in line with expectation. In addition, the total purchase value increased over the same period two years ago.

【Purchasing trends】

(Unit: Million yen)

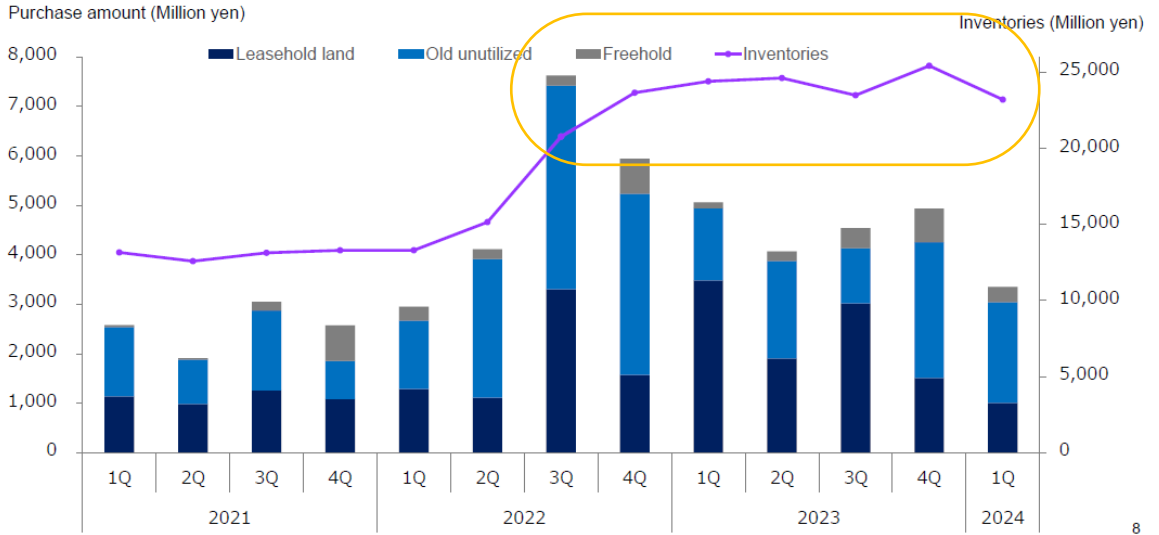
	22/1Q	23/1Q	24/1Q	
	Results	Results	Results	YoY
Real Estate Sales business	2,956	5,063	3,352	-33.8%
Leasehold land	1,289	3,486	1,005	-71.2%
Old utilized properties	1,383	1,455	2,040	+40.2%
Freehold	283	121	306	+152.7%

■ Purchases
Annual purchase plan: 15.8 billion yen
 Significant increase in purchases of Old unutilized properties
 Purchases of Leasehold land were steady despite a YoY decline, as the previous year saw a substantial increase due to the purchase of large properties.

Source: Omega Investment from company materials

As discussed above, sales fell YoY in the quarter under review, and purchase volumes also declined YoY. However, as is shown next, inventories have remained high since 4Q 2022, and the business is performing well.

【Changes in purchases and inventories】



Source: Omega Investment from company materials

◇ Forecasts for FY12/2024: no change. Commencement of interim dividend.

As mentioned earlier, the company's 2Q and full-year forecasts for FY12/2024 have not been revised. As 1Q progress against the full-year plan is not remarkably high, we are interested to see whether sales and purchases will remain steady from quarter to quarter going forward.

In addition, the company will start paying an interim dividend from this financial year. This should be understood as confidence that the company has laid the foundations to generate profit each quarter. It will be interesting to see whether this will increase the number of new shareholders who are willing to hold the shares for the long term.

【Financial forecasts】

FY12/24 Business Forecasts



Consolidated financial forecast for FY12/2024 (January 1, 2024 - December 31, 2024)

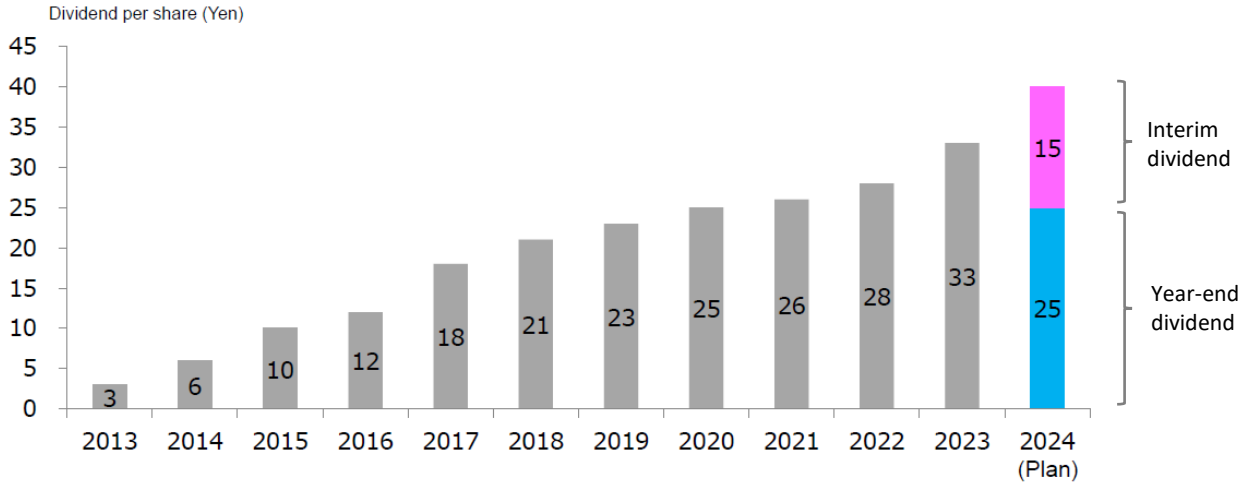
(Unit: million yen)

	2020	2021	2022	2023	2024 (Plan)	Pct. change
Net sales	17,774	16,836	15,533	23,269	23,700	+1.9%
Operating income	847	1,117	1,469	2,155	1,800	-16.5%
Ordinary income	709	999	1,283	1,765	1,500	-15.0%
Net income attributable to owners of parent	357	609	1,060	1,182	1,000	-15.5%
EPS (Yen)	42.34	73.56	129.61	143.79	121.35	-15.6%
Dividend (Yen)	25	26	28	33	40	—

- Record sales and profits were registered for 2023 due to aggressive sales ahead of schedule and the inclusion of large properties, as uncertainty in the real estate market was increasing
- In 2024, the company plans higher sales over 2023. In terms of profit, a YoY decrease is planned due to better-than-expected performance in 2023 and a conservative profit margin projection for 2024
- Dividend is expected to increase by 7 yen to 40 yen, marking the 11th consecutive fiscal year of dividend increase

Source: Omega Investment from company materials

【Dividend per share】



Source: Omega Investment from company materials



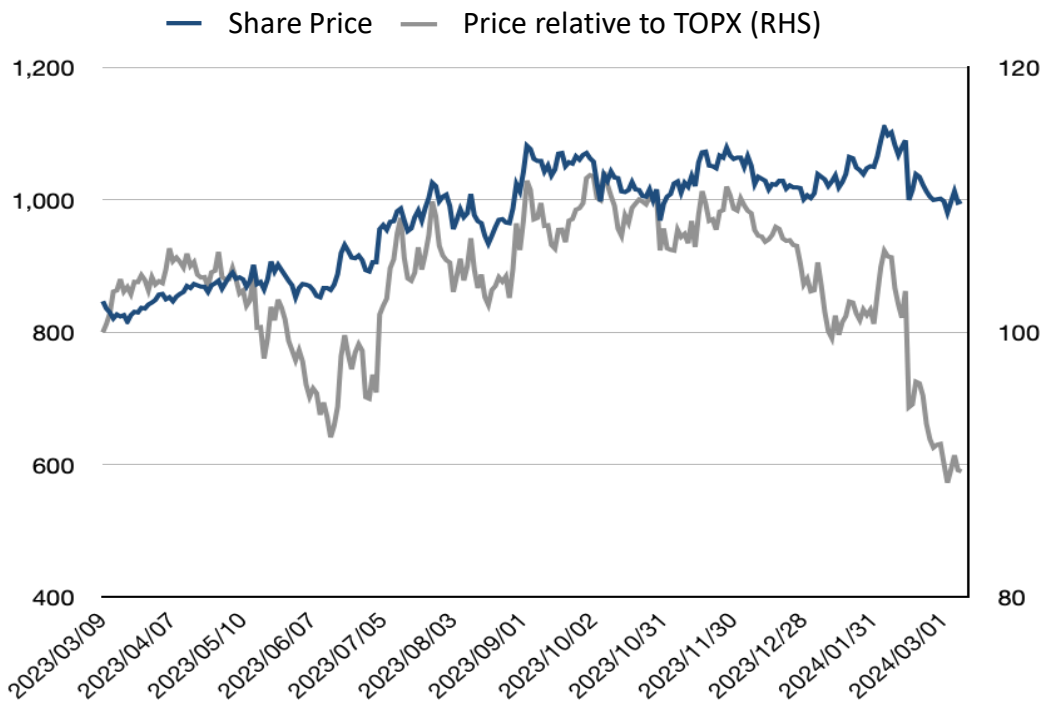
◇ Share price trend: announcement of new medium-term plan awaited

Since autumn 2023, the company's share price has fluctuated between 950 yen and 1,100 yen. PER and PBR are not overdone, and the start of the interim dividend suggests that the business base has been strengthened. Therefore, as long as the earnings remain steady, the share price is unlikely to fall significantly below the above range.

However, the company forecasts net income to decline (partly due to the absence of the particularly solid earnings of the previous year), so there is a lack of positive share price catalysts.

For the share price to move upwards again, on top of steady quarterly results for the current financial year in terms of both purchases and profit and loss, the forthcoming new medium-term plan must present a growth strategy that fully demonstrates the company's strengths. With domestic interest rates likely to rise, the property market could face headwinds. As per the company, investors' attention will likely dium-term plan to see whether it will use its business platform and wealth of knowledge to strengthen its position in the industry firmly.

According to the company, a new medium-term plan may be announced sooner rather than waiting until the end of FY12/2024. We would await it with great interest.



Financial data (quarterly)

	2022/12				2023/12				2024/12			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
[Sales by segment]												
Net sales	4,444	3,721	3,094	4,272	6,486	5,494	7,484	3,805	7,206			
Year-on-year basis	-17.2%	-0.6%	-24.3%	17.4%	45.9%	47.6%	141.9%	-10.9%	11.1%			
Real estate sales business	4,222	3,721	3,094	4,272	6,486	5,493	7,484	3,806	7,206			
Year-on-year basis	-18.3%	8.3%	-15.9%	31.7%	53.6%	47.6%	141.8%	-10.9%	11.1%			
Sales composition ratio	95.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%			
Leasehold land	1,793	1,794	1,284	832	2,707	2,259	1,674	1,613	2,120			
Year-on-year basis	-48.2%	41.6%	-35.9%	-43.6%	51.0%	25.9%	30.4%	93.9%	-21.7%			
Sales composition ratio	40.3%	48.2%	41.5%	19.5%	41.7%	41.1%	22.4%	42.4%	29.4%			
Old unutilized properties	2,024	1,556	1,649	3,170	3,571	2,633	5,113	1,821	4,891			
Year-on-year basis	42.6%	-23.2%	10.8%	175.4%	76.4%	69.2%	210.1%	-42.6%	37.0%			
Sales composition ratio	45.5%	41.8%	53.3%	74.2%	55.1%	47.9%	68.3%	47.9%	67.8%			
Freehold	315	266	49	157	101	504	603	279	93			
Year-on-year basis	64.9%	478.3%	-51.5%	-70.2%	-67.9%	89.5%	1140.8%	77.7%	-7.7%			
Sales composition ratio	7.1%	7.1%	1.6%	3.7%	1.6%	9.2%	8.1%	7.3%	1.2%			
Others	89	105	112	114	105	97	90	96	101			
Year-on-year basis	-7.3%	10.5%	27.3%	21.3%	19.1%	-8.6%	-19.6%	-15.8%	-4.9%			
Sales composition ratio	2.0%	2.8%	3.6%	2.7%	1.6%	1.7%	1.2%	2.5%	1.4%			
Construction business	222	-	-	-	-	-	-	-	-			
Year-on-year basis	14.0%	-	-	-	-	-	-	-	-			
Sales composition ratio	5.0%	-	-	-	-	-	-	-	-			
[Statements of income]												
Net sales	4,444	3,721	3,096	4,272	6,486	5,494	7,484	3,805	7,206			
Cost of sales	3,146	2,310	1,963	3,066	4,320	3,859	5,681	3,067	5,520			
Gross profit	1,297	1,411	1,132	1,206	2,166	1,636	1,803	737	1,685			
SG&A expenses	850	946	845	937	1,084	1,097	1,127	879	1,115			
Operating profit	447	466	287	269	1,118	538	675	-176	570			
Non-operating profit	7	7	6	7	8	6	20	-6	10			
Non-operating expenses	39	55	54	64	80	165	88	86	88			
Ordinary income	415	417	239	212	1,045	378	595	-253	492			
Extraordinary income	19	0	0	1	0	0	0	0	0			
Extraordinary expenses	-	-	8	7	0	0	8	1	0			
Loss before income taxes	435	399	231	205	1,045	378	586	-253	492			
Total income taxes	59	60	36	54	361	122	199	-109	164			
Net income	375	338	196	151	683	255	387	-142	328			
[Balance Sheets]												
Current assets	19,018	21,579	26,379	27,929	28,392	29,382	29,233	29,522	28,172			
Property for sale	13,304	15,152	20,775	23,657	24,404	24,623	23,490	25,365	23,202			
Non-current assets	1,124	1,099	1,129	1,047	1,233	1,394	1,399	1,455	2,314			
Tangible assets	317	313	314	299	312	529	520	516	1,357			
Investments and other assets	761	743	769	701	873	817	836	891	902			
Total assets	20,134	22,678	27,508	28,976	29,626	30,777	30,632	30,976	30,487			
Current liabilities	8,153	8,871	11,168	12,606	13,658	16,133	16,375	15,746	15,394			
Short-term borrowings	7,170	5,058	7,603	11,366	11,968	13,975	14,470	13,973	14,121			
Non-current liabilities	1,525	3,114	5,453	5,314	4,405	2,810	2,035	3,153	2,959			
Long-Term Borrowings	1,260	2,828	5,153	5,033	4,093	2,545	1,791	2,905	2,665			
Total liabilities	10	11,968	16,622	17,920	18,064	18,943	18,411	18,899	18,354			
Total net assets	10,463	10,692	10,886	11,056	11,561	11,833	12,220	12,077	12,133			
Total shareholders' equity	10,459	10,688	10,882	11,052	11,562	11,833	12,220	12,077	12,133			
Capital stock	821	822	824	833	860	860	860	861	860			
Legal capital reserve	782	785	786	796	823	824	824	825	824			
Retained earnings	9,023	9,362	9,557	9,708	10,164	10,419	10,807	10,664	10,719			
Stock acquisition right	4	3	3	3	-	-	-	-	-			
Total liabilities and net assets	20,134	22,678	27,508	28,976	29,626	30,777	30,632	30,976	30,487			
[Statements of cash flows]												
Cash flow from operating activities		1,184		-9,267		911			-12			
Loss before income taxes		833		1,269		1,423			1,756			
Cash flow from investing activities		-205		-266		-655			-766			
Cash flow from financing activities		-559		7,971		-56			303			
Net increase in cash and cash equiv.		420		-1,563		200			0			
Cash and cash equiv. at beginning of period		4,752		4,752		3,188			-475			
Cash and cash equiv. at end of period		5,173		3,188		3,839			3,189			

Financial data (Full year)

	2013/12	2014/12	2015/12	2016/12	2017/12	2018/12	2019/12	2020/12	2021/12	2022/12	2023/12	2024/12(予)
[Statements of income]												
Net sales	9,187	10,443	11,567	12,300	13,098	16,833	18,020	17,774	16,836	15,533	23,269	23,700
YoY change (%)	-3.0	13.7	10.8	6.3	6.5	28.5	7.1	-1.4	-5.3	-7.7	49.8	1.9
Cost of sales	6,254	7,055	7,798	8,344	8,566	12,028	12,902	13,788	12,467	10,485	16,927	
Gross profit	2,934	3,389	3,769	3,957	4,532	4,805	5,119	3,986	4,368	5,047	6,342	
SG&A expenses	2,014	2,184	2,470	2,510	2,770	3,039	3,258	3,139	3,250	3,578	4,187	
Operating profit	920	1,205	1,300	1,446	1,762	1,766	1,861	847	1,117	1,469	2,155	1,800
YoY change (%)	77.9	30.9	7.9	11.3	21.9	0.2	5.4	-54.5	31.9	31.5	46.7	-16.5
Operating income margin (%)	10.0	11.5	11.2	11.8	13.5	10.5	10.3	4.8	6.6	9.5	9.3	7.6
Non-operating profit	12	14	15	15	12	28	42	88	34	26	28	
Non-operating expenses	122	174	118	133	106	150	144	226	152	212	419	
Ordinary income										166	272	
Extraordinary income	810	1,044	1,196	1,329	1,669	1,643	1,759	709	999	1,283	1,765	1,500
Extraordinary expenses	85.4	28.9	14.6	11.1	25.6	-1.6	7.1	-59.7	40.9	28.4	37.6	-15.0
Loss before income taxes	8.8	10.0	10.3	10.8	12.7	9.8	9.8	4.0	5.9	8.3	7.6	6.3
Total income taxes					97			32	3	20	0	
Net income attributable to owner of parent					94	104		29		33	9	
YoY change (%)	810	1,044	1,196	1,329	1,672	1,539	1,759	712	1,003	1,269	1,756	
Net income margin (%)	354	418	472	475	561	533	600	355	394	209	573	
	456	626	724	854	1,111	1,007	1,159	358	609	1,060	1,183	1,000
[Balance Sheets]	95.4	37.5	15.6	17.9	30.2	-9.4	15.1	-69.1	70.5	73.9	11.6	-15.5
Current assets	5.0	6.0	6.3	6.9	8.5	6.0	6.4	2.0	3.6	6.8	5.1	4.2
Property for sale												
Non-current assets												
Tangible assets	8,023	7,836	10,366	9,749	15,874	15,745	18,094	19,040	18,968	27,929	29,522	
Investments and other assets	6,346	5,166	7,699	6,877	11,863	11,678	13,493	14,424	13,301	23,657	25,365	
Total assets	895	957	1,031	1,083	1,042	1,032	1,199	1,030	1,082	1,047	1,455	
Current liabilities	569	603	572	591	467	458	456	306	301	299	516	
Short-term borrowings	226	258	383	405	494	505	669	655	730	701	891	
Non-current liabilities	8,919	8,793	11,398	10,833	16,916	16,777	19,294	20,071	20,050	28,976	30,976	
Long-Term Borrowings	4,587	3,165	4,910	3,751	8,430	6,160	9,047	5,772	8,731	12,606	15,746	
Total liabilities	3,362	2,093	3,776	2,622	7,074	4,726	7,203	4,463	7,368	11,366	13,973	
Total net assets	465	367	453	226	479	1,710	351	4,232	1,017	5,314	3,153	
Total shareholders' equity	419	316	175	84	362	1,320	0	3,879	740	5,033	2,905	
Capital stock	5,051	3,531	5,363	3,977	8,909	7,869	9,399	10,004	9,748	17,920	18,899	
Legal capital reserve	3,868	5,262	6,034	6,856	8,006	8,908	9,894	10,066	10,301	11,056	12,077	
Retained earnings	3,868	5,262	6,034	6,852	8,002	8,904	9,890	10,062	10,297	11,052	12,077	
Stock acquisition right	257	661	710	720	788	811	814	818	820	834	861	
Total liabilities and net assets	218	622	671	681	749	772	775	779	781	796	825	
Equity ratio (%)	3,393	3,978	4,654	5,451	6,464	7,320	8,302	8,465	8,863	9,709	10,664	
				4	4	4	4	4	4	3	0	
[Statements of cash flows]	8,919	8,793	11,398	10,833	16,916	16,777	19,294	20,071	20,050	28,976	30,976	
Cash flow from operating activities	43.4	59.8	52.9	63.3	47.3	53.1	51.3	50.1	51.4	38.1	39.0	
Loss before income taxes												
Cash flow from investing activities												
Cash flow from financing activities	-664	1,761	-1,451	1,611	-3,666	1,617	-420	-917	1,704	-9,267	-12	
Issuance of shares	810	1,044	1,196	1,329	1,672	1,539	1,759	712	1,003	1,269	1,756	
Net increase in cash and cash equiv.	-175	-111	-116	-184	107	-64	-71	-288	-51	-266	-766	
Cash and cash equiv. at beginning of period	1,136	-612	1,588	-1,278	4,667	-1,495	984	953	-608	7,971	303	
Cash and cash equiv. at end of period		800	97	21	37	45	6	9				
Free cash flow	296	1,039	22	150	1,108	58	493	-251	1,045	-1,563	-475	
[Statements of income]	793	1,089	2,128	2,150	2,299	3,407	3,465	3,959	3,707	4,752	3,188	2,714
Net sales	1,089	2,128	2,150	2,299	3,407	3,465	3,959	3,707	4,752	3,188	2,714	
YoY change (%)	-839	1,650	-1,567	1,427	-3,559	1,553	-491	-1,205	1,653	-9,533	-777	

Source: Omega Investment from company materials



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