

Sansei Landic (TYO: 3277)

The July-September period was fine. The Company looks more likely to achieve its full-year earnings targets.

◇ **FY12/2024 3Q financial highlights:** The sales for the year's second half are progressing ahead of schedule.

Sansei Landic's (hereafter referred to as 'the Company') financial results for 3Q FY12/2024, announced on 12 November, 2024, showed a YoY revenue increase and decreased profits. However, since earnings are growing ahead of the Company's financial forecasts for the year's second half, the financial results give a sense of security about the full-year results.

Specifically, sales were 21.35 billion yen (+9% YoY), operating income was 1.81 billion yen (-22% YoY), ordinary income was 1.58 billion yen (-21% YoY), and net profit attributable to owner of parent was 1.05 billion yen (-20% YoY). In the same period of the previous year, sales and profits increased sharply, and this year's targets are a high hurdle to clear. However, actual results are progressing ahead of the sales schedule for the year's second half, and revenue has increased. In addition, the level of profits is also high compared to the previous period. This is taken as a positive sign.

Looking at the breakdown of sales results, the proportion of the Leasehold land segment increased YoY, which has contributed positively to gross profit. However, due to some low-profitability projects involving Old unutilized properties in the first half, gross profit decreased despite the increase in revenue, and operating income declined.

Cumulative purchases totaled 13.07 billion yen (-4% YoY) and are on track to meet the annual purchase plan of 15.8 billion yen. The efforts to strengthen systematic sales to major suppliers are paying off. Looking at the composition of purchases, while there was a significant increase in purchases of Old unutilized properties and Freehold, there was a significant YoY decrease in purchases of Leasehold land, but purchases of approximately 2 billion yen are expected in the 4Q. As a result, the Company has stated that the total purchases for FY12/2024 will likely approach the actual results for FY12/2023 (18.6 billion yen). Furthermore, the Company has mentioned that it will not change its cautious stance on purchases and will not make any unreasonable purchases.

On the balance sheet, the sales of Old unutilized properties has progressed, and the balance of property for sale has decreased compared to the end of the previous fiscal year. In response to this, borrowings have also been reduced.

◇ **Full-year financial forecast : No change from the initial plan**

There are no changes to the full-year financial forecasts or dividends. Sales are 23.7 billion yen (+1% YoY), operating income is 1.8 billion yen (-16%), ordinary income is 1.5 billion yen (-15%), and net profit attributable to owner of parent is 1 billion yen (-15%). The dividend per share is 41 yen (an increase of 8 yen; the 11th consecutive year of an increase). The acquisition of treasury stock is scheduled to be carried out in stages from 2025 onwards.

The progress ratio against the full-year plan shows that the Company has already achieved its profit targets. As mentioned earlier, this is because the progress in the year's second half has been faster than expected. It is somewhat disappointing that the Company has not revised its full-year forecast upwards this time, but there is no need to view this negatively, as it is expected that sales in the 4Q will be more subdued than in the 3Q, and profits will also level off.

◇ **Share price trend and future highlights**

The share price has been hovering from 950 to 1,000 yen since the announcement of the 2Q results and the new medium-term plan on August 9. The share price is not overheated, with a forecast PER of around 8 times, a PBR of 0.64 times, and a forecast dividend yield of around 4.2%. As the Company's stable growth trajectory becomes clearer and management becomes more conscious of the cost of capital and the share price, we believe the share price will realize an upside.

From this perspective, the points to watch for in the near term are whether the total amount of purchases for the full year of FY12/2024 will steadily increase and approach the FY12/2023 result (18.6 billion yen), whether the content of these purchases will generally be high-quality projects, whether the Company will further strengthen its foundations in the core existing businesses, i.e., Leasehold land and Old unutilized properties, when and how will the business potential of derivative businesses and regional revitalization businesses be visualized, and how the Company will implement the acquisition of treasury stock and strengthen its shareholder return measures. We look forward to the announcement of the FY12/2024 financial results.

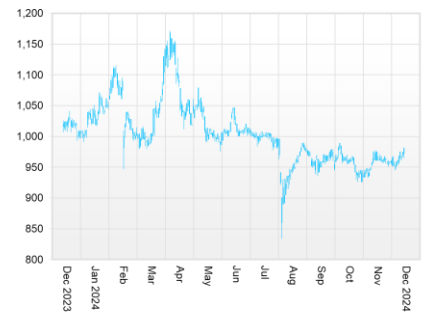
3Q results update

Real estate

As of December 16, 2024

Share price (12/13)	¥981
52weeks high/low	¥834/1,172
Avg Vol (3 month)	12.2 thou shrs
Market Cap	¥8.42 bn
Enterprise Value	¥19.3 bn
PER (24/12 CE)	8.1 X
PBR (23/12 act)	0.6 X
Dividend Yield (24/12 CE)	4.2 %
ROE (23/12 act)	10.2 %
Operating margin (23/12)	9.3 %
Beta (5Y Monthly)	0.43
Shares Outstanding	8.584 mn shrs
Listed market	TSE Standard

Share price



%	1M%	3M%	12M%
Share price	0.82	2.29	-4.66
Japan TSE TOPIX	1.41	6.82	16.63

Points of interest

The immediate focus is on whether achieving the full-year forecast will be more certain due to the progress of good purchases. From a medium-term perspective, how the strengthening of the existing business base will drive the financial figures, when and how the business potential of the derivative and regional revitalization business will become visible, and when additional shareholder return measures will be presented.

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

Company profile

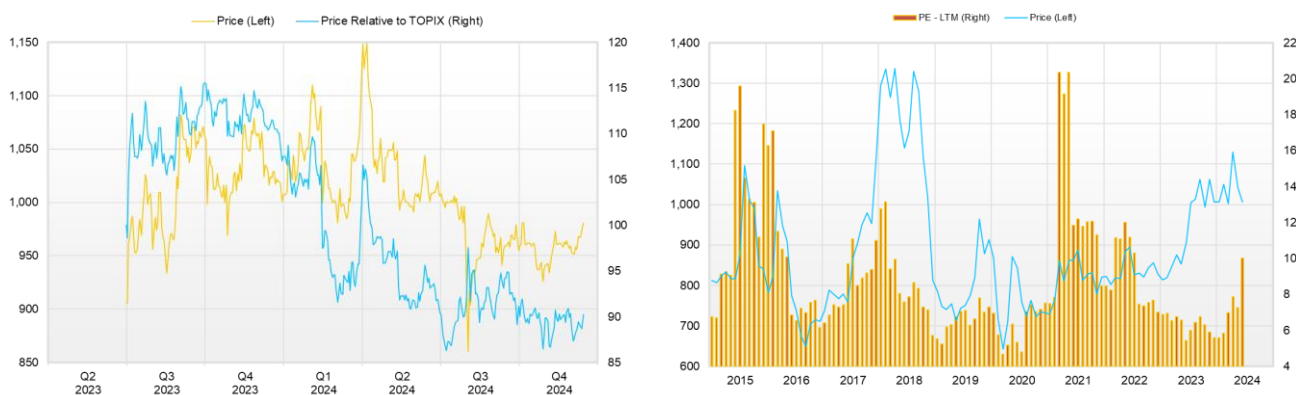
Sansei Landic Co., Ltd. operates a real estate rights adjustment business. The Company makes a profit by adjusting the rights to properties it has purchased, mainly leasehold land and old unutilized properties, and then reselling them. It has captured stable profit opportunities in niche markets. In August 2024, the Company announced a new medium-term plan covering the period from August 2024 to fiscal 2027. ROE and PBR are expected to improve due to the growth strategy and improved capital efficiency.

Key financial data

Unit: million yen	2019/12	2020/12	2021/12	2022/12	2023/12	2024/12 CE
Sales	18,020	17,775	16,836	15,533	23,269	23,700
EBIT (Operating Income)	1,861	847	1,118	1,469	2,155	1,800
Pretax Income	1,759	712	1,004	1,270	1,756	1,500
Net Profit Attributable to Owner of Parent	1,159	358	609	1,060	1,183	1,000
Cash & Short-Term Investments	4,134	4,330	5,361	3,837	3,770	
Total assets	19,294	20,071	20,051	28,977	30,976	
Total Debt	7,203	8,342	8,108	16,399	16,879	
Net Debt	3,069	4,012	2,747	12,562	13,109	
Total liabilities	9,399	10,004	9,749	17,921	18,899	
Total Shareholders' Equity	9,895	10,067	10,302	11,056	12,077	
Net Operating Cash Flow	-420	-917	1,705	-9,268	-12	
Capital Expenditure	304	304	304	304	304	
Net Investing Cash Flow	-71	-288	-51	-267	-766	
Net Financing Cash Flow	984	953	-608	7,971	303	
Free Cash Flow	-446	-923	1,682	-9,282	-291	
ROA (%)	6.42	1.82	3.04	4.32	3.95	
ROE (%)	12.32	3.58	5.98	9.93	10.23	
EPS (Yen)	137.1	42.3	73.6	129.6	143.8	121.4
BPS (Yen)	1,170.2	1,192.9	1,249.5	1,356.8	1,465.5	
Dividend per Share (Yen)	23.00	25.00	26.00	28.00	33.00	41.00
Shares Outstanding (Million Shares)	8.46	8.47	8.47	8.49	8.58	

Source: Omega Investment from company data, rounded to the nearest whole number.

Share price





FY12/24 3Q financial result

As mentioned above, profits decreased while revenue increased YoY in the 3Q of FY12/2024. However, profits were higher than the level of the year before last. Please check the following.

Financial Results

Sansei Landic 

- Sales and profits are progressing significantly above plan

(Unit: Million yen)

	22/3Q	23/3Q	24/3Q		
	Results	Results	Plan	Results	Difference
Net sales	11,261	19,464	17,282	21,350	+4,067
Gross profit	3,840	5,605	4,097	5,153	+1,055
SG&A	2,640	3,272	3,170	3,342	+172
Operating income	1,200	2,332	927	1,811	+883
Ordinary income	1,071	2,019	690	1,589	+898
Net income attributable to owners of parent	909	1,326	462	1,057	+595

2

Source: Company materials

Sales by Business Segment

Sansei Landic 

(Unit: Million yen)

	22/3Q	23/3Q	24/3Q		
	Results	Results	Plan	Results	Vs. plan
Real Estate Sales business	11,039	19,464	17,273	21,350	+23.6%
Leasehold land	4,871	6,640	7,389	7,719	+4.5%
Old unutilized properties	5,229	11,317	8,544	12,158	+42.3%
Freehold	630	1,213	1,010	1,133	+12.1%
Others	306	292	328	339	+3.3%

- Leasehold land
Both sales and profits exceeded plans
YoY +16.2%
- Old unutilized properties
Sales exceeded plans significantly, and so did the profits
YoY +7.4%
- Freehold
Profits and profit margins were significantly above plans
YoY -6.7%

4

Source: Company materials



FY12/24 3Q financial result (contd.)

Purchases by Business Segment



(Unit: Million yen)

	21/3Q	22/3Q	23/3Q	24/3Q	
	Results	Results	Results	Results	YoY
Real Estate Sales business	7,544	14,694	13,679	13,075	-4.4%
Leasehold land	3,388	5,700	8,410	4,262	-49.3%
Old utilized properties	3,915	8,314	4,546	6,464	+42.2%
Freehold	240	678	722	2,348	+224.9%

■ Purchases

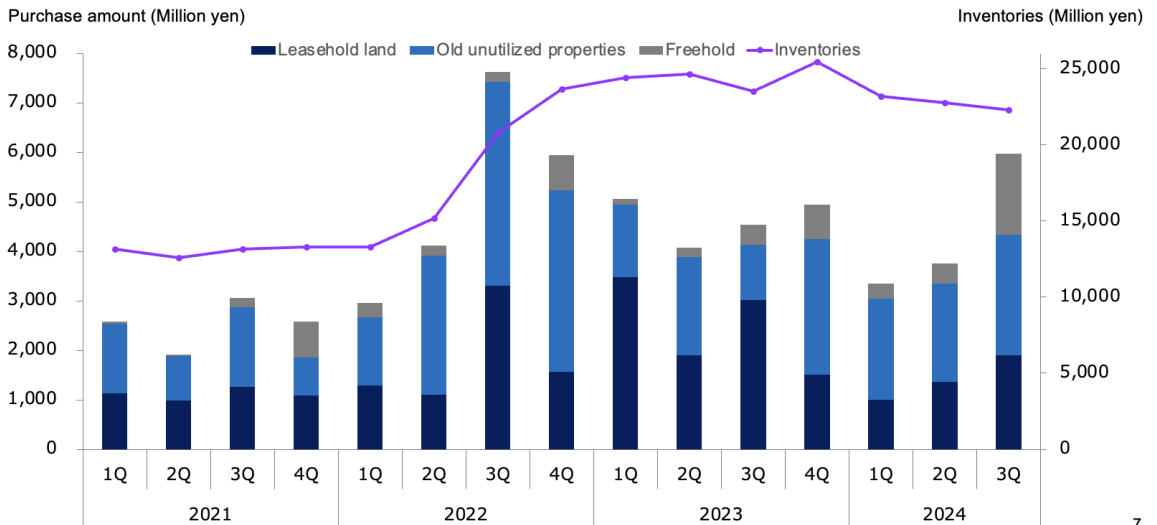
Annual purchase plan: 15.8 billion yen
Purchases of old unutilized properties and freehold increased
Although the purchase of leasehold land decreased YoY, we expect to purchase over 2 billion yen in 4Q and achieve a high level of land purchases.

Source: Company materials

Changes in the Amount of Purchases and Inventories



- Purchases are progressing smoothly. Although inventory levels are decreasing due to progress in sales activities, they remain high



Source: Company materials

Financial data (quarterly basis)

Unit: million yen	2022/12		2023/12				2024/12		
	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q
(Income Statement)									
Sales	3,096	4,272	6,486	5,494	7,485	3,804	7,207	5,785	8,358
Year-on-year	-24.3%	17.4%	45.9%	47.6%	141.8%	-11.0%	11.1%	5.3%	11.7%
Cost of Goods Sold (COGS)	1,964	3,065	4,320	3,858	5,681	3,067	5,521	4,228	6,448
Gross Income	1,132	1,207	2,166	1,635	1,803	737	1,686	1,558	1,910
Gross Income Margin	36.6%	28.2%	33.4%	29.8%	24.1%	19.4%	23.4%	26.9%	22.9%
SG&A Expense	845	938	1,048	1,097	1,128	914	1,115	1,102	1,125
EBIT (Operating Income)	287	269	1,118	539	676	-177	571	455	785
Year-on-year	-15.1%	197.7%	150.0%	15.6%	135.5%	-165.8%	-49.0%	-15.5%	16.2%
Operating Income Margin	9.3%	6.3%	17.2%	9.8%	9.0%	-4.7%	7.9%	7.9%	9.4%
EBITDA	297	286	1,145	559	692	-161	587	476	806
Pretax Income	231	205	1,046	378	587	-254	493	369	728
Consolidated Net Income	196	151	684	256	387	-144	328	245	485
Minority Interest	0	0	0	0	0	0	0	0	0
Net Income ATOP	196	151	684	256	387	-144	328	245	485
Year-on-year	34.7%	145.2%	82.2%	-24.4%	97.9%	-195.1%	-52.0%	-4.0%	25.2%
Net Income Margin	6.3%	3.5%	10.5%	4.7%	5.2%	-3.8%	4.6%	4.2%	5.8%
(Balance Sheet)									
Cash & Short-Term Investments	4,979	3,837	3,569	4,266	5,388	3,770	4,479	4,988	4,728
Total assets	27,509	28,977	29,627	30,777	30,632	30,976	30,487	30,561	29,940
Total Debt	12,757	16,399	16,061	16,520	16,262	16,879	16,787	16,211	15,595
Net Debt	7,778	12,562	12,493	12,254	10,874	13,109	12,308	11,223	10,867
Total liabilities	16,622	17,921	18,064	18,944	18,412	18,899	18,354	18,163	17,173
Total Shareholders' Equity	10,886	11,056	11,563	11,833	12,220	12,077	12,133	12,398	12,768
(Profitability %)									
ROA	4.10	4.32	5.50	4.81	5.08	3.95	2.75	2.66	3.02
ROE	9.19	9.93	12.43	11.42	12.79	10.23	6.98	6.74	7.32
(Per-share) Unit: JPY									
EPS	24.1	18.6	83.5	31.0	47.0	-17.4	39.8	29.7	58.6
BPS	1,340.3	1,356.8	1,406.1	1,435.9	1,482.9	1,465.5	1,472.3	1,501.2	1,542.9
Dividend per Share	26.00	28.00	28.00	28.00	28.00	33.00	33.00	33.00	33.00
Shares Outstanding (Million shares)	8.48	8.49	8.58	8.58	8.58	8.58	8.58	8.58	8.58

Source: Omega Investment from company materials

Financial data (full-year basis)

Unit: million yen	2013/12	2014/12	2015/12	2016/12	2017/12	2018/12	2019/12	2020/12	2021/12	2022/12	2023/12
(Income Statement)											
Sales	9,189	10,446	11,569	12,300	13,099	16,833	18,020	17,775	16,836	15,533	23,269
Year-on-year	-3.0%	13.7%	10.8%	6.3%	6.5%	28.5%	7.1%	-1.4%	-5.3%	-7.7%	49.8%
Cost of Goods Sold	6,254	7,055	7,798	8,344	8,566	12,028	12,902	13,788	12,468	10,486	16,927
Gross Income	2,935	3,391	3,770	3,957	4,532	4,805	5,119	3,986	4,368	5,047	6,342
Gross Income Margin	31.9%	32.5%	32.6%	32.2%	34.6%	28.5%	28.4%	22.4%	25.9%	32.5%	27.3%
SG&A Expense	2,034	2,204	2,216	2,295	2,434	2,702	2,891	2,750	2,877	3,031	3,569
EBIT (Operating Income)	902	1,187	1,300	1,446	1,762	1,766	1,861	847	1,118	1,469	2,155
Year-on-year	74.3%	31.6%	9.6%	11.2%	21.9%	0.2%	5.4%	-54.5%	31.9%	31.5%	46.7%
Operating Income Margin	9.8%	11.4%	11.2%	11.8%	13.5%	10.5%	10.3%	4.8%	6.6%	9.5%	9.3%
EBITDA	968	1,260	1,406	1,532	1,833	1,822	1,912	896	1,161	1,517	2,236
Pretax Income	810	1,044	1,196	1,329	1,672	1,539	1,759	712	1,004	1,270	1,756
Consolidated Net Income	456	626	724	854	1,111	1,007	1,159	358	609	1,060	1,183
Minority Interest	0	0	0	0	0	0	0	0	0	0	0
Net Income ATOP	456	626	724	854	1,111	1,007	1,159	358	609	1,060	1,183
Year-on-year	95.4%	37.5%	15.6%	17.9%	30.2%	-9.4%	15.1%	-69.1%	70.5%	73.9%	11.6%
Net Income Margin	5.0%	6.0%	6.3%	6.9%	8.5%	6.0%	6.4%	2.0%	3.6%	6.8%	5.1%
(Balance Sheet)											
Cash & Short-Term Investments	1,186	2,276	2,254	2,435	3,558	3,594	4,134	4,330	5,361	3,837	3,770
Total assets	8,919	8,793	11,398	10,833	16,916	16,777	19,294	20,071	20,051	28,977	30,976
Total Debt	3,780	2,414	3,958	2,712	7,439	6,048	7,203	8,342	8,108	16,399	16,879
Net Debt	2,594	139	1,704	277	3,881	2,454	3,069	4,012	2,747	12,562	13,109
Total liabilities	5,051	3,531	5,363	3,977	8,909	7,869	9,399	10,004	9,749	17,921	18,899
Total Shareholders' Equity	3,868	5,262	6,034	6,856	8,006	8,908	9,895	10,067	10,302	11,056	12,077
(Cash Flow)											
Net Operating Cash Flow	-664	1,761	-1,451	1,611	-3,666	1,617	-420	-917	1,705	-9,268	-12
Capital Expenditure	97	91	58	111	57	66	61	21	40	28	304
Net Investing Cash Flow	-175	-111	-116	-184	107	-64	-71	-288	-51	-267	-766
Net Financing Cash Flow	1,136	-612	1,588	-1,278	4,667	-1,495	984	953	-608	7,971	303
Free Cash Flow	-714	1,697	-1,491	1,536	-3,692	1,572	-446	-923	1,682	-9,282	-291
(Profitability %)											
ROA	5.69	7.07	7.17	7.68	8.01	5.98	6.42	1.82	3.04	4.32	3.95
ROE	12.48	13.72	12.82	13.24	14.96	11.90	12.32	3.58	5.98	9.93	10.23
(Per-share) Unit: JPY											
EPS	66.0	90.2	90.1	104.9	134.4	119.6	137.1	42.3	73.6	129.6	143.8
BPS	560.5	664.8	744.2	841.3	958.0	1,054.5	1,170.2	1,192.9	1,249.5	1,356.8	1,465.5
Dividend per Share	3.00	6.00	10.00	12.00	18.00	21.00	23.00	25.00	26.00	28.00	33.00
Shares Outstanding (Million shares)	6.90	7.91	8.11	8.15	8.35	8.45	8.46	8.47	8.47	8.49	8.58

Source: Omega Investment from company materials



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