

# MUGEN ESTATE (3299)

Consolidated Fiscal Year (Million Yen)	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
FY12/2021	33,956	2,342	1,770	1,276	53.25	15.00	986.47
FY12/2022	31,242	2,976	2,309	1,564	66.56	20.00	1,044.67
FY12/2023CoE	45,865	3,625	2,840	1,863	79.21	24.00	-
FY12/2022	YoY (8.0%)	27.1%	30.4%	22.6%	-	-	-
FY12/2023CoE	YoY 46.8%	21.8%	23.0%	19.1%	-	-	-

Source: Company Data, WRJ Calculation

## 1.0 Executive Summary (13 April 2023)


### Growth Rate of 30%

MUGEN ESTATE, running operations to purchase and resell secondhand real estate in Tokyo and the three surrounding prefectures, is implementing measures to continue growing from a long-term perspective, calling for CAGR of 30.5% in sales and 29.5% in earnings from FY12/2022 to FY12/2024. For the FY12/2022 results, the Company has seen a substantial improvement in gross profit margin as a result of focus on the profitability in light of the continued strengths in the real estate market, but sales have declined inevitably. Still, the Company was actively purchasing residential real estate for the sake of sales expansion in the near future and thus real estate for sale (inventory) has surged towards the end of the year. Meanwhile, the Company has aggressively hired new human resources, including those with immediate skills, who have been steadily deployed in sales offices, collectively 6 in the number, newly set up with an objective of enhancing capability to sell residential real estate. Consequently, sales of residential real estate are to surge as planned beforehand, while sales of investment-oriented real estate are running rather ahead, likely to result in performance for FY12/2023 marginally better than planned beforehand, according to the Company. By the way, it appears that the Company is to optimize the balance between profitability and sales expansion, considering the uncertainties in the real estate market. Meanwhile, the Company has cited that prospects for FY12/2024 have remained unchanged to date, but also that it will open a new sales office in Osaka this summer to aim at expansion on a geographical perspective.

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## 2.0 Company Profile

### Creating New Value in Real Estate

<b>Company Name</b>	MUGEN ESTATE Co., Ltd. <a href="#">Company HP</a> <a href="#">IR Information</a> <a href="#">Share Price (Japanese)</a>	 <b>MUGEN ESTATE</b>
<b>Established</b>	2 May 1990	
<b>Listing</b>	4 April 2022: Tokyo Stock Exchange Prime Market (ticker: 3299) 5 February 2016: Tokyo Stock Exchange 1st section 18 June 2014: Tokyo Stock Exchange Mothers	
<b>Capital</b>	¥2,552m (as of the end of December 2022)	
<b>No. of Shares</b>	24,361,000 shares, including 897,325 treasury shares (as of the end of Dec. 2022)	
<b>Main Features</b>	<ul style="list-style-type: none"> <li>● Operations in Tokyo and the three surrounding prefectures, i.e., Kanagawa, Saitama and Chiba</li> <li>● Solid capability to identify qualities of secondhand real estate and accumulation of knowhow</li> <li>● Purchase and resale via real estate brokers</li> </ul>	
<b>Segments</b>	I . Real Estate Trading Business (purchase and resale of secondhand real estate) II . Real Estate Leasing and Other Business (acquisition of income from lease)	
<b>Representatives</b>	Chairperson & Representative Director: Susumu Fujita President & Representative Director: Shinichi Fujita	
<b>Shareholders</b>	Susumu Fujita 19.90%, Shinichi Fujita 10.66%, Dream Come True Co., Ltd. 7.25%, Master Trust Bank of Japan, T. 5.51% (as of the end of December. 2022, but for treasury shares)	
<b>Head Office</b>	Chiyoda-ku, Tokyo, JAPAN	
<b>No. of Personnel</b>	Consolidated: 295, Parent: 221 (as of the end of December 2022)	

Source: Company Data

## 3.0 Corporate Philosophy

### MUGEN - Making Dreams Come True -

The Company is running operations to purchase and resell secondhand real estate in Tokyo and the three surrounding prefectures, i.e., Kanagawa, Saitama and Chiba. By the way, the secondhand real estate purchased is resold as “revitalized real estate” after the enhancement of asset value through so-called VALUE UP (renovation, etc.) to be implemented during the period of being held as real estate for sale (inventory) by the Company. Meanwhile, on 14 February 2022, the Company announced Second Midterm Management Plan (FY12/2022 to FY12/2024) and revealed that it has come up with new corporate philosophy on this occasion, going “our new dream, based on the idea of growing and continuing our business 50 or 100 years from now: renewed corporate philosophy, to bring together the power of the MUGEN Estate Group, to take on the challenge of the next leap forward.”

#### New Corporate Philosophy



Source: Company Data

#### Motto and Mission

The Company raises Motto of “MUGEN - Making Dreams Come True -,” going “the corporate motto of our group is an expression of our desire to help customers make their dream of buying a home come true” and “by making customers' dreams come true, we also aim to achieve development as a company and realize the aspirations of our stakeholders,” while also going “the company name, MUGEN ESTATE, derives from the *MUGEN* in our corporate motto,” at the same time. With respect to Mission, the Company goes “creating new value in real estate and taking on challenges to enrich the lives of all, making their dreams come true.”

## **Value**

Meanwhile, the Company raises Value, i.e., “pursuing speed”, “taking on challenges inexhaustibly,” “the linking of diverse talents”, “looking ahead” and “fulfilling our responsibilities.” Further, the Company advocates Value in depth as follows: “let’s overwhelm others with speed - because speed is one of our competitive advantages,” “let’s remain willing to take on challenges at all times to achieve personal development - because it is by overcoming challenges that we can make dreams come true,” “let’s work together by taking advantage of our individual expertise - because it is by combining our respective strengths that we can achieve great things,” “let’s look ahead whenever we take action - because it is by understanding a person’s real intention that we can enable them to feel secure and win their trust” and “let’s fulfill our responsibilities for all of our stakeholders with the spirit of Sampo Yoshi (good for the seller, good for the buyer and good for society) – because it is by fulfilling our responsibilities sincerely, one by one, that we can achieve things and win trust.”

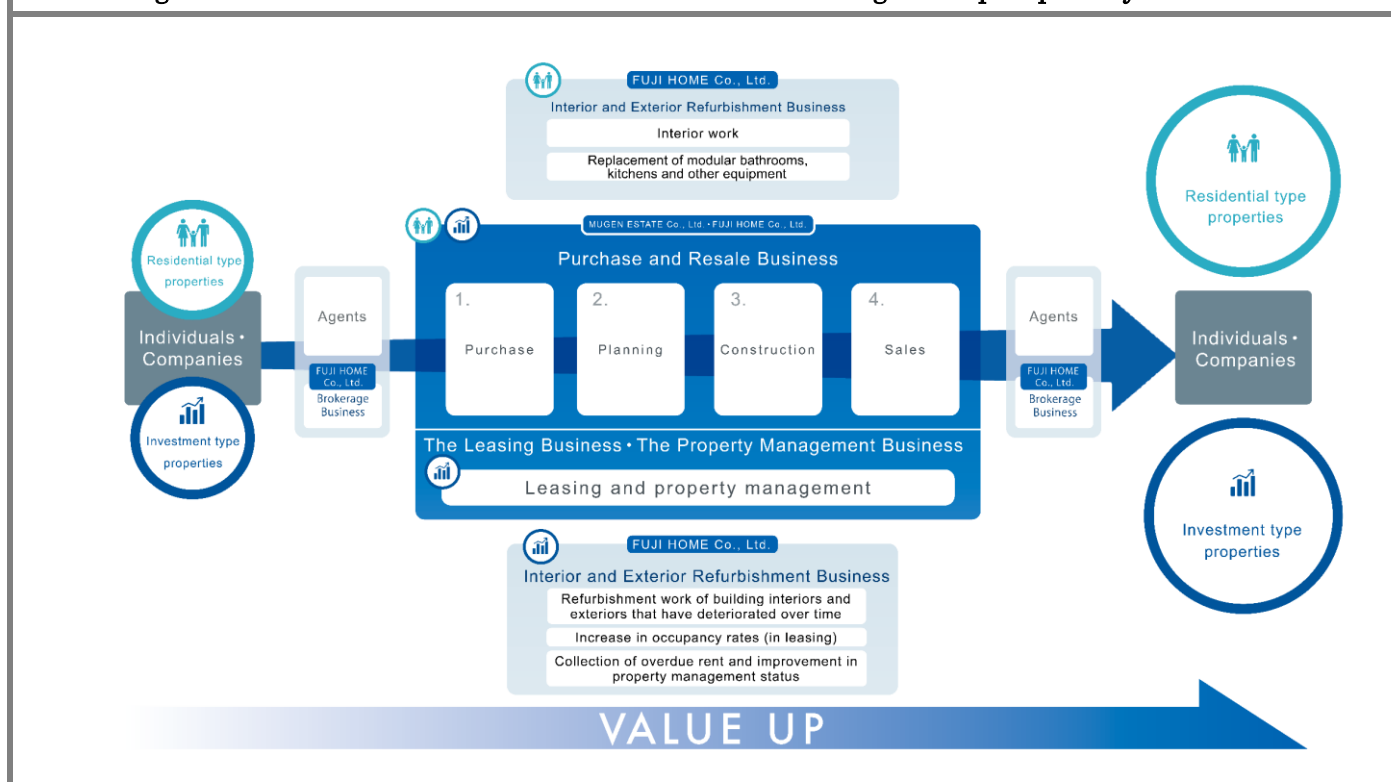
## **ESG and SDGs**

At the same time, the Company “copes with an array of social issues held by real estate industry, represented by global warming, aging population combined with the diminishing number of children, abandoned house and aged housing stock by means of running own operations, which is to realize a sustainable improvement of corporate value.” In other words, the Company is actively promoting ESG initiatives and is committed to pursuing sustainability as advocated in the Sustainable Development Goals (SDGs). For example, Goal 11-1 of the SDGs goes “by 2030, all people should be able to live in adequate and safe housing at affordable prices and have access to basic services.” In order to achieve this target, the Company appears to be actively engaged in providing “revitalized real estate” that has the characteristics corresponding to this target.

## **Environment / Social / Governance**

With respect to Environment, the Company expressed its support for the TCFD’s recommendations in December 2022, which was followed by a disclosure based on the TCFD’s recommendations in February 2023, where the Company stated that it recognized the calculation of Scope 3 and the setting of target as urgent issues. With respect to Social, the Company has formulated “human resources vision,” “desired personality profile,” and “human resources policy” in order to establish a human resources strategy linked to the management strategy. In other words, the Company is to create new value for society by means of turning out human resources who are on the level and tenacious with a solid preparedness and a feature to come round diverse values one another. With respect to Governance, the Company set up Sustainability Committee as a voluntary body of the Board of Directors on 14 July 2022. The committee will deliberate and study the Company’s sustainability issues, including climate changes, while formulating an overall plan for sustainability activities, monitoring progress and evaluating the progress achieved.

## The Strength to Provide Valuable “Revitalized Real Estate” through Group Capability



Source: Company Data

### Provision of Valuable "Renovated Real Estate" through Group Capability

The Company states that the own strength lies in the provision of valuable “revitalized real estate” through group capability. In other words, the Company runs operations to purchase and resell secondhand real estate with a comprehensive set of operations through its subsidiaries under management and a variety of real estate brokers. For example, the Company purchases and resells residential real estate, where it basically purchases secondhand condos sectionally owned by individuals on a unit basis via real estate brokers and implements so-called VALUE UP (renovation, etc.) by its subsidiaries for the sake of reselling afresh to individuals via real estate brokers.

By means of working closely together with diverse real estate brokers, the Company has built a system that gathers the latest information on all types of secondhand condos, including information of those prior to being listed on REINS, which is one of the factors that differentiate the Company from its trades in the market. By the way, REINS is a computer network system operated by the Real Estate Information Network System, which is designated by the Minister of Land, Infrastructure, Transport and Tourism. It is named after the initial letters of Real Estate Information Network System, which is the common name of the organization and the system.

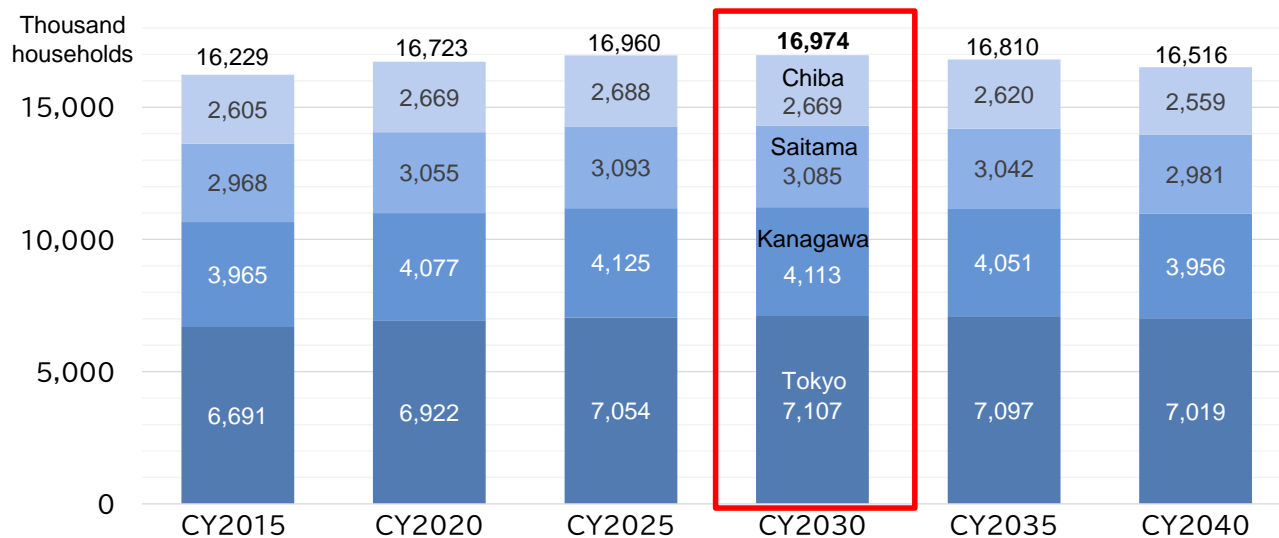
As above-mentioned, the Company differentiates itself from its trades by means of dealing with extensive properties, including those of less than ¥10m in terms of prices per unit as well as those of ¥500m to ¥1,000m at the same time, for example. Meanwhile, with respect to the Company's purchase and resale of investment-oriented real estate, it basically purchases secondhand condos owned by corporations and/or affluent individuals as real estate to generate income on a single building basis via real estate brokers, which are to be resold to corporations and/or affluent individuals after all those processes as above-mentioned. At the end of the day, the Company is able to offer the best solutions for all kinds of needs because it has access to the latest information on all types of secondhand condos in Tokyo and the three surrounding prefectures, i.e., Kanagawa, Saitama and Chiba, where it is running the operations.

Meanwhile, the Company states that the content of so-called VALUE UP (renovation, etc.) by subsidiaries is as follows. For the FY12/2022 results, the Company saw inventory turnover of 0.66 times = 12-month sales on the Real Estate Trading Business side / (real estate for sales in the previous year + that of the current year) / 2. In light of this, it is implied that it takes some 18 months for purchased real estate to be resold in the latest weighted average. In terms of comparison between investment-oriented real estate and residential real estate, it is often the case, generally speaking, that it takes rather longer for investment-oriented real estate to do so, while it does actually depend on features of each property in both of the real estate, implying a variety of period for each. The process of VALUE UP is carried out during the relevant period and the content also depends on features of each property.

For example, with respect to investment-oriented real estate, basically, only the rooftop, exterior walls and entrances are subject to VALUE UP. The Company here deals in real estate to generate income and each unit of such secondhand condos is usually operated as real estate to generate income beyond a certain level. In other words, each unit is occupied by its own residents, so there is basically no VALUE UP within each unit. However, if there is a vacant unit that is not occupied, various types of VALUE UP, including restoration to the original condition, are implemented, while the extent of VALUE UP is determined inevitably on a case-by-case basis, according to the Company. There are some property old enough to achieve an extensive VALUE UP through full renovation, while others require only limited renovation. On the other hand, with respect to residential real estate, the various approaches described above are generally applied, as the Company deals in properties that are not occupied in the first place.

## Real Estate Market in Tokyo Metropolitan Area: The Number of Households

### Future Estimate of the Number of Households in Tokyo Metropolitan Area

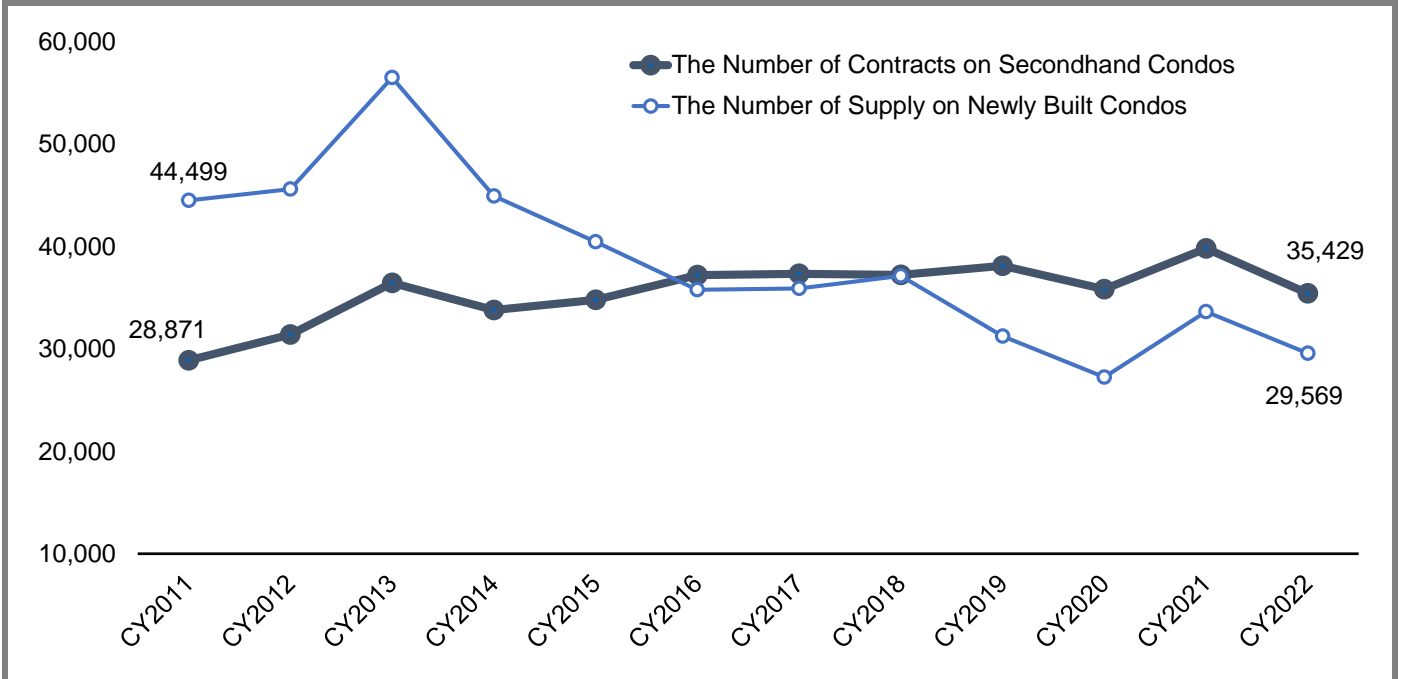


Source: Company Data

### Future Estimate of the Number of Households in Tokyo Metropolitan Area

According to the Company's estimate, the number of households in Tokyo and the three surrounding prefectures, i.e., Kanagawa, Saitama and Chiba, where the Company is running its operations, will be on the rise towards CY2025 / CY2030, although Japan's population will be on the decline. For the CY2015 results, the number of households equated to 16.2m and 16.7m for the CY2020 results, which is estimated to be followed by an increase up to some 17.0m for CY2025 and some 17.0m (up 0.08% from CY2025) for CY2030. Meanwhile, for CY2035 / CY2040, the number of households is estimated to decline, but just marginally, i.e., 16.8m for CY2035 and 16.5m for CY2040.

### Real Estate Market in Tokyo Metropolitan Area: The Number of Contracts on Secondhand Condos



Source: Company Data

#### The Number of Contracts on Secondhand Condos in the Tokyo Metropolitan Area

Meanwhile, with respect to secondhand condos, which are the mainstay merchandises for the Company, in Tokyo and the three surrounding prefectures, i.e., Kanagawa, Saitama and Chiba, the Company is going for the number of contracts concluded to see an ever-increasing trend from a long-term perspective. In fact, the number has been seeing an underlying trend of ever-increasing from CY2011 to CY2022. In contrast, the number of supply on newly built condos has been seeing an underlying trend of ever-decreasing during the relevant period.

Consequently, it has been the case that the number of contracts concluded on secondhand condos exceeding the number of supply on newly build condos from CY2019 to CY2022, having had gone through the period from CY2016 to CY2018, in which the two were generally in competition. Prior to this, the number of supply on newly build condos was larger than the number of contracts concluded on secondhand condos as seen at the stage of CY2011. Meanwhile, the Company suggests that the supply on newly built condos means the supply of secondhand condos to be generated for the future. In light of this, the Company believes that the supply of secondhand condos is likely to rise consistently and steadily even in a phase for the number of households to gradually decline, while looking to demand to remain firm above a certain level. At the end of the day, in the mainstay market to which the Company is facing, there will an ever-increasing trend from a long-term perspective for supply and demand with respect to the mainstay merchandises, implying a good opportunity for the Company to continuously expand sales. On top of this, it appears that the Company is trying to achieve a growth rather faster than the market by means of leveraging the above-mentioned competitive advantages.



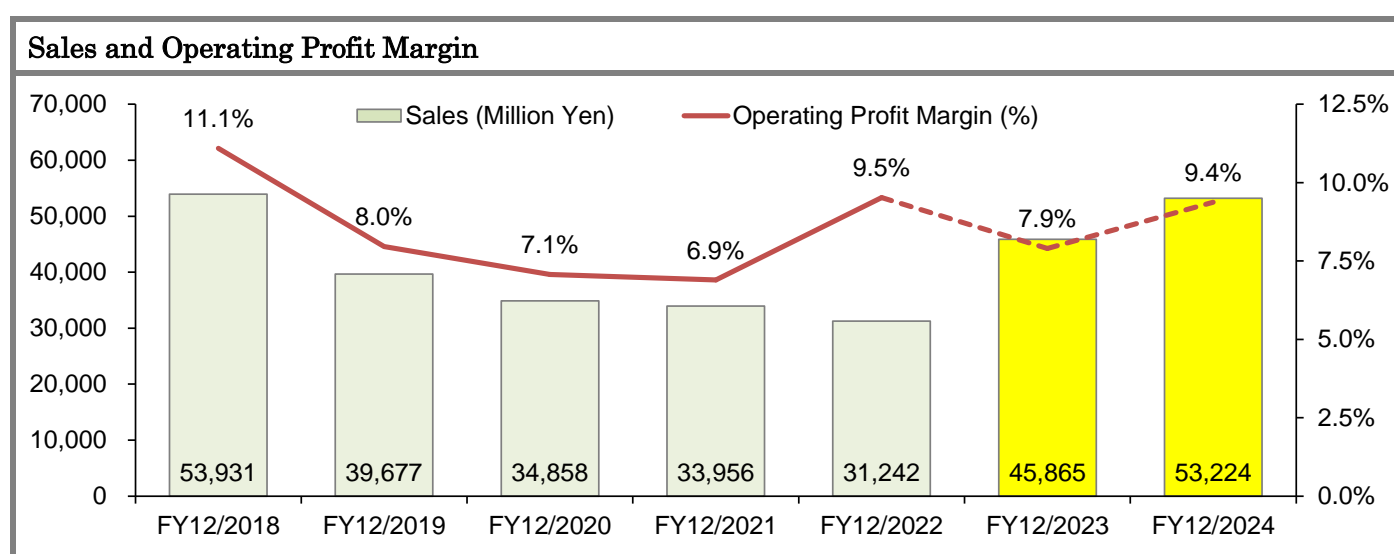
## Company History

Date	Events
May 1990	Founded
August 1997	Established FUJI HOME Co., Ltd. (consolidated subsidiary)
July 2005	Registered as a first-class architect's office
May 2010	Change from the Building Lots and Buildings Transaction license to the Minister of Land, Infrastructure, Transport and Tourism license
June 2010	Established Yokohama branch
June 2014	Listed on Tokyo Stock Exchange Mothers
January 2015	Established Shinjuku branch
February 2016	Listed on Tokyo Stock Exchange 1st section
June 2018	Obtained the Real Estate Specified Joint Enterprise license from Tokyo Metropolitan Government
August 2018	Established MUGEN Funding Co., Ltd. (consolidated subsidiary)
May 2020	Moved head office to Otemachi, Chiyoda-ku, Tokyo
May 2020	Moved Shinjuku branch to Nihonbashiamacho, Chuo-ku, Tokyo
May 2020	Established Nihonbashi branch in Nihonbashiamacho, Chuo-ku, Tokyo
July 2020	Integrated Nihonbashi branch into the head office
September 2021	Set up Kitasenju sales office in Senju, Adachi-ku, Tokyo
October 2021	Set up Funabashi sales office in Honmachi, Funabashi-city, Chiba-prefecture
November 2021	Set up Ogikubo sales office in Ogikubo, Suginami-ku, Tokyo
November 2021	Set up Akabane sales office in Akabane, Kita-ku, Tokyo
December 2021	Set up Ikebukuro sales office in Nishi-Ikebukuro, Toshima-ku, Tokyo
April 2022	Moved from Tokyo Stock Exchange 1st section to Prime Market
December 2022	Set up Kamata sales office in Kamata, Ohta-ku, Tokyo

## 4.0 Recent Trading and Prospects

### FY12/2022

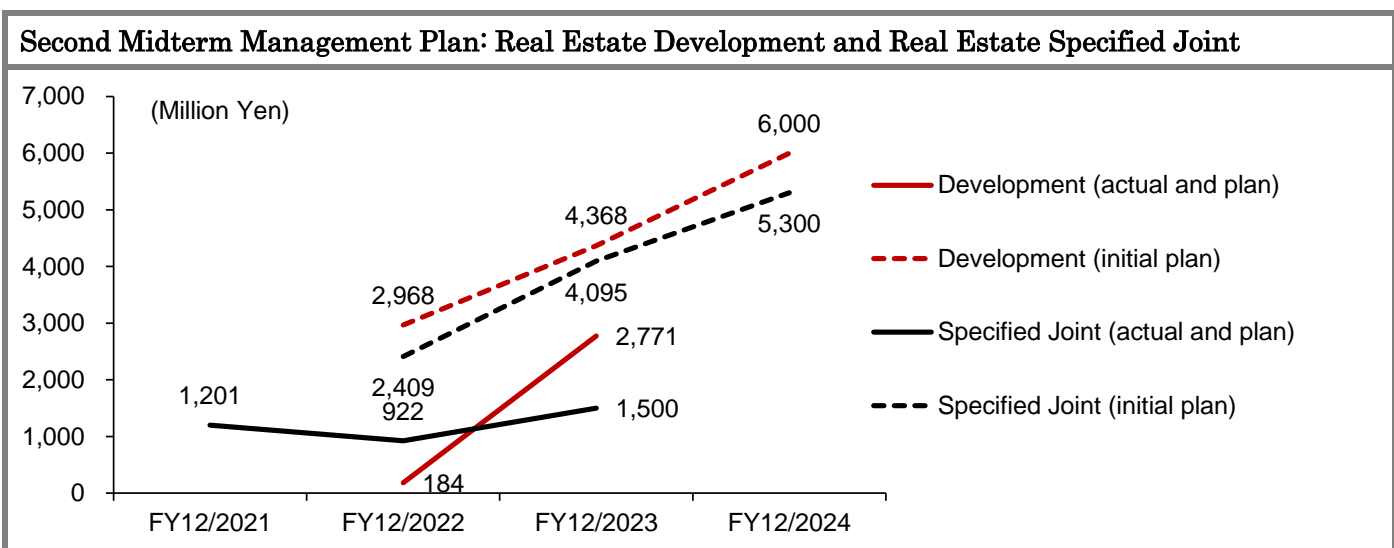
For FY12/2022, sales came in at ¥31,242m (down 8.0% YoY), operating profit ¥2,976m (up 27.1%), recurring profit ¥2,309m (up 30.4%) and profit attributable to owners of parent ¥1,564m (up 22.6%). Meanwhile, gross profit came in at ¥7,150m (up 23.5%) and SG&A expenses ¥4,173m (up 21.1%), implying gross profit margin of 22.9% (up 5.8% points) and SG&A ratio of 13.4% (up 3.2% points), having resulted in operating profit margin of 9.5% (up 2.6% points). For FY12/2023, Company is going for prospective sales of ¥45,865m, operating profit of ¥3,625m and operating profit margin of 7.9%, while ¥53,224m, ¥4,991m and 9.4%, respectively, for FY12/2024. When setting the FY12/2022 results as the point of origin, the Company is calling for CAGR of 30.5% in sales and 29.5% in earnings towards FY12/2024.



Source: Company Data, WRJ Calculation

### Real Estate Trading Business (purchase and resale of secondhand real estate)

On the Real Estate Trading Business side, the mainstay, sales came in at ¥29,016m (down 8.9%), segment profit ¥4,051m (up 29.9%) and segment profit margin 14.0% (up 4.2 % points) for FY12/2022, having accounted for 92.9% of sales for the Company as a whole and 83.8% in segment profit, which implies that the Company's performance hinges on this segment. Meanwhile, with respect to existing domains of operations, sales of investment-oriented real estate came in at ¥16,941m (down 19.8%) and ¥10,856m (up 15.8%) for residential real estate. At the same time, with respect to new domains of operations, sales of real estate development (development of condos, mainly that of generating income in Tokyo) and real estate specified joint (structuring and sale of small-lot real estate products, distributing income to investors in accordance with the Real Estate Specified Joint Business Act) saw sales of ¥184m (versus nil for the previous year) and sales of ¥922m (down 23.2%), respectively. For real estate development, the Company saw 5 new buildings completed and only one sold. By the way, the Company is directly involved with operations such as land acquisition, planning, design, construction supervision, leasing and sale, while construction is outsourced. Meanwhile, for real estate specified joint, AUM (Assets Under Management) stood at ¥2,540m as of the end of the year.



Source: Company Data, WRJ Calculation

Compared with assumptions of Second Midterm Management Plan (FY12/2022 to FY12/2024), announced on 14 February 2022, sales of real estate development and real estate specified joint have fallen short of to a large extent. At the initial stage, the Company was going for prospective sales of ¥2,968m with respect to real estate development and ¥2,409m with respect to real estate specified joint. Meanwhile, given a substantial shortfall for the FY12/2022 results, prospective sales for both have been revised down, collectively by ¥4,192m for FY12/2023. More importantly, however, prospective sales of investment-oriented real estate for FY12/2023 have been revised up by no less than ¥5,745m and thus it is suggested that prospective sales for the Company as a whole are now expected to be rather larger than previously expected. Meanwhile, the Company has stated not to revise prospects for FY12/2024 at the moment.

According to the Company, sales of both have fallen short of to a large extent, because of the prevailing impact of hikes in material prices and personnel expenses, while suffering from delayed enhancement of personnel at the same time. For FY12/2023, the Company expects no major changes in the situation of hiking raw material prices and personnel expenses and thus it will conservatively make progress with purchase for real estate development with the utmost emphasis on economic efficiency. The Company says that it will keep away from purchasing small properties, while focusing on those with which it may cut back on costs to some extent. For FY12/2023, the Company is expected see collective four buildings completed, based in Omotesando, Ikebukuro, Jujo, etc., while planning to sell 7 buildings.

For real estate specified joint, meanwhile, the Company saw the third project The Setagaya all units sold at the time of application as of the end of January 2023, while planning to launch the fourth project The Minamishinozaki Nursing Home (tentative name). With respect to operations here, the Company suffered from delayed enhancement of personnel, but currently shows a stance of actively hiring in order to enhance its capability of purchasing properties for sale. However, this has not been assumed in the Company's purchase plan to date.

### Real Estate Leasing and Other Business (acquisition of income from lease)

On the Real Estate Leasing and Other Business side, sales came in at ¥2,226m (up 5.3%), segment profit ¥780m (up 6.1%) and segment profit margin 35.1% (up 0.3 % points) for FY12/2022, having accounted for 7.1% of sales for the Company as a whole and 16.2% in segment profit. The bulk of sales here are of income from lease on investment-oriented real estate held as real estate for sale (inventory) for a certain period. On top of residential real estate on which the Company focuses, purchasing associated with investment-oriented real estate also increased and thus real estate for sales (inventory) for FY12/2022, having resulted in increase in sales and earnings to an extent corresponding to the latter as far as we could see.

### Analysis of Changes in Operating Profit

For FY12/2022, the Company enforced sales activities to place the utmost emphasis on the pursuit of profitability on the mainstay Real Estate Trading Business side (purchase and resale of secondhand real estate), having inevitably resulted in a decline in sales but a major improvement in gross profit margin. According to the Company's analysis of changes in operating profit, sales declined to have brought in net decrease by ¥462m and gross profit margin improved to have brought in net increase by ¥1,824m

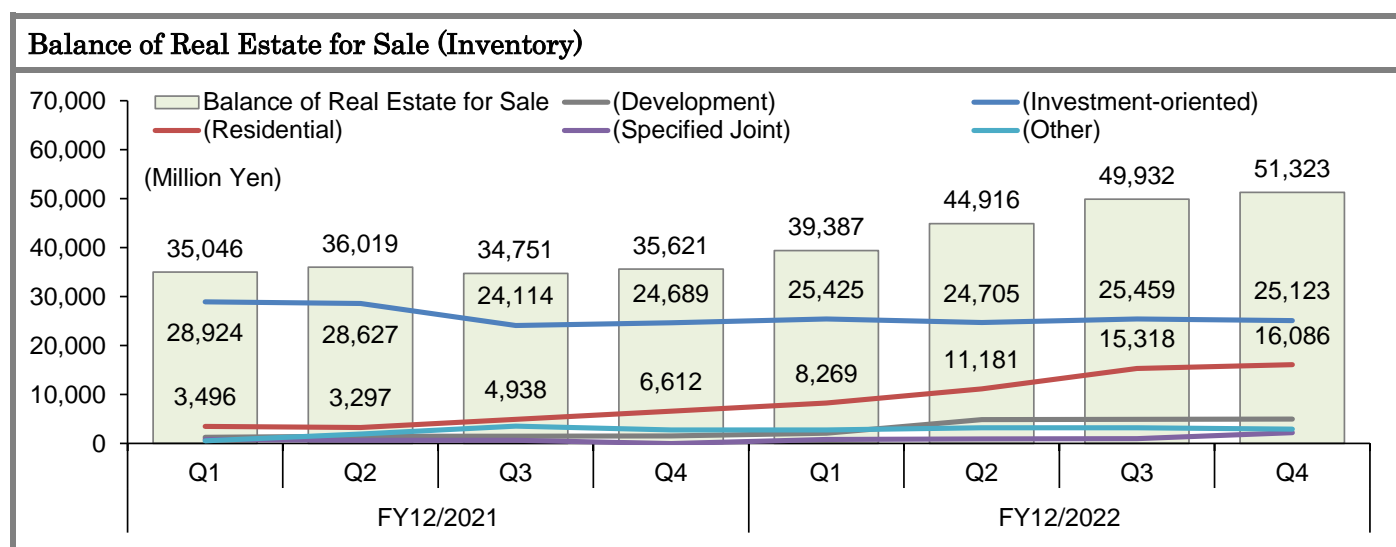
Analysis of Changes in Operating Profit			
(Million Yen)	FY12/2022	FY12/2023	FY12/2024
Sales	31,242	45,865	53,224
Gross Profit	7,150	8,714	9,447
SG&A Expenses	4,173	5,089	4,456
<b>Operating Profit</b>	<b>2,976</b>	<b>3,625</b>	<b>4,991</b>
Changes of Gross Profit due to Changes of Sales	(462)	+3,346	-
Changes of Gross Profit Margin	+1,824	(1,782)	-
Changes of Personnel Expenses	(496)	(633)	-
Changes of Ad. Expenses and Sales Commissions	(31)	(373)	-
Changes of Taxes and Dues	(191)	+281	-
Changes of Other SG&A Expenses	(7)	(189)	-
<b>Changes in Operating Profit</b>	<b>+634</b>	<b>+649</b>	<b>+1,366</b>
Gross Profit Margin	22.9%	19.0%	17.7%
SG&A Ratio	13.4%	11.1%	8.4%
<b>Operating Profit Margin</b>	<b>9.5%</b>	<b>7.9%</b>	<b>9.4%</b>

Source: Company Data, WRJ Calculation

At the same time, personnel expenses increased to have brought in net decrease by ¥496m, as the Company has been actively hiring for the sake of enhancement of own capability in sales for the near future. With respect to a part of the operations, the Company was experiencing a continued difficulty in hiring as mentioned earlier, but it has been favorably hiring as an overall picture, e.g., the number of personnel, on a consolidated basis, stood at 295 as of the end of FY12/2022, which was larger than the planned number of 267, implying even an unexpected firmness. Elsewhere, taxes and dues increased to have brought in net decrease by ¥191m. According to the Company, the consumption tax it pays on property purchase was expanding rapidly. The Company plans to expand sales of residential real estate in the near future and has made significant progress in purchasing residential real estate in advance of this future expansion. Accordingly, the Company's real estate for sale (inventory) has also increased significantly. At the end of the day, the Company saw net increase by ¥634m over the previous year in operating profit. In a sense, the Company has succeeded in its measures on sales activities to emphasize profitability in light of the fact that it saw a steady increase in earnings, having more than compensated for effect on decreased sales and contribution of expenses to promote sales for the future or those of frontloaded investment.

For FY12/2022, the Company saw net increase by ¥634m over the previous year in operating profit, which is to be followed by net increase by ¥649m for FY12/2023 and then net increase by ¥1,366m for FY12/2024. With respect to the former, the Company reveals the analysis as below, while no further analysis with respect to the latter. Still, it appears that the latter assumes surging sales of real estate development and real estate specified joint as a factor of net increase in operating profit.

For FY12/2023, the Company is going for a substantial increase in sales, which is to bring in net increase by ¥3,346m. Meanwhile, the Company is to optimize the balance between profitability and sales expansion, resulting in lowered gross profit margin, which is expected to bring in net decrease by ¥1,782m. Meanwhile, the Company maintains its measure to hire actively, increasing personnel expenses, which is expected to bring in net decrease by ¥633m. Elsewhere, surging sales are to substantially increase sales commissions the Company pays to real estate brokers, which is expected to bring in net decrease by ¥373m. Lastly, the Company expects the consumption taxes it receives will increase in line with increased sales, cutting back on taxes and dues, which is expected to bring in net increase by ¥281m.



Source: Company Data, WRJ Calculation

The Company has been laying out a policy to focus on the purchase and resale of residential real estate for some time and thus made a remarkable progress with the purchase mainly associated with this, having resulted in real estate for sale (inventory) of ¥51,323m as of the end of FY12/2022, up no less than ¥15,701m (44.1%) from the equivalent as of the end of FY12/2021. For FY12/2023, the Company is to be in the process of selling such real estate for sale (inventory).

In fact, for FY12/2021, the Company opened new sales offices in some areas of Tokyo and the three surrounding prefectures where it runs the operations, i.e., Funabashi, Kitasenju, Akabane, Ikebukuro and Ogikubo, all in charge of purchase and resale of residential real estate in each local area. Further, the Company opened another one in Kamata for FY12/2022, having begun additional efforts to strengthen its capability of purchase and resale via local real estate brokers in new area. Meanwhile, the Company has been actively hiring with an objective of deploying acquired personnel to all those sales offices, etc. According to the Company, this has been making progress in reality for a wealth of human resources, including those with immediate skills. Meanwhile, the Company plans to open a sales office in Osaka this summer in order to expand its operations regionally.

#### FY12/2022 Company Forecasts and Actual Results

Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
FY12/2022CoE	14-Feb-22	Q4 Results	38,847	2,624	2,066	1,314
FY12/2022CoE	13-May-22	Q1 Results	38,847	2,624	2,066	1,314
FY12/2022CoE	4-Aug-22	Q2 Results	38,847	2,624	2,066	1,314
FY12/2022CoE	14-Nov-22	Q3 Results	38,847	2,624	2,066	1,314
FY12/2022Act	14-Feb-23	Q4 Results	31,242	2,976	2,309	1,564
		Amount of Gap	(7,605)	352	243	250
		Rate of Gap	(19.6%)	13.4%	11.8%	19.0%
FY12/2022CoE	14-Feb-22	Q4 Results	38,847	2,624	2,066	1,314
FY12/2022Act	14-Feb-23	Q4 Results	31,242	2,976	2,309	1,564
		Amount of Gap	(7,605)	352	243	250
		Rate of Gap	(19.6%)	13.4%	11.8%	19.0%
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q1 to Q2 FY12/2022CoE	14-Feb-22	Q4 Results	-	-	-	-
Q1 to Q2 FY12/2022CoE	13-May-22	Q1 Results	-	-	-	-
Q1 to Q2 FY12/2022Act	4-Aug-22	Q2 Results	14,006	1,093	793	588
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Q1 to Q2 FY12/2022CoE	14-Feb-22	Q4 Results	-	-	-	-
Q1 to Q2 FY12/2022Act	4-Aug-22	Q2 Results	14,006	1,093	793	588
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q3 to Q4 FY12/2022CoE	14-Feb-22	Q4 Results	-	-	-	-
Q3 to Q4 FY12/2022CoE	13-May-22	Q1 Results	-	-	-	-
Q3 to Q4 FY12/2022CoE	4-Aug-22	Q2 Results	24,841	1,531	1,273	726
Q3 to Q4 FY12/2022CoE	14-Nov-22	Q3 Results	24,841	1,531	1,273	726
Q3 to Q4 FY12/2022Act	14-Feb-23	Q4 Results	17,236	1,883	1,516	976
		Amount of Gap	(7,605)	352	243	250
		Rate of Gap	(30.6%)	23.0%	19.1%	34.4%
Q3 to Q4 FY12/2022CoE	14-Feb-22	Q4 Results	-	-	-	-
Q3 to Q4 FY12/2022Act	14-Feb-23	Q4 Results	17,236	1,883	1,516	976
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-

Source: Company Data, WRJ Calculation

## Income Statement (Cumulative / Quarterly)

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1 to Q4	Net Chg.
(Million Yen)	12/2021	12/2021	12/2021	12/2021	12/2022	12/2022	12/2022	12/2022	12/2022	Net Chg.
<b>Sales</b>	<b>10,241</b>	<b>17,795</b>	<b>26,541</b>	<b>33,956</b>	<b>4,715</b>	<b>14,006</b>	<b>21,709</b>	<b>31,242</b>	<b>31,242</b>	<b>(2,714)</b>
Cost of Sales	8,774	14,913	22,221	28,168	3,618	10,963	16,723	24,092	24,092	(4,076)
Gross Profit	1,466	2,882	4,320	5,788	1,096	3,043	4,986	7,150	7,150	+1,362
SG&A Expenses	809	1,563	2,466	3,445	856	1,949	3,008	4,173	4,173	+728
<b>Operating Profit</b>	<b>657</b>	<b>1,318</b>	<b>1,853</b>	<b>2,342</b>	<b>239</b>	<b>1,093</b>	<b>1,978</b>	<b>2,976</b>	<b>2,976</b>	<b>+634</b>
Non Operating Balance	(141)	(268)	(411)	(572)	(139)	(300)	(487)	(667)	(667)	(95)
<b>Recurring Profit</b>	<b>516</b>	<b>1,050</b>	<b>1,442</b>	<b>1,770</b>	<b>100</b>	<b>793</b>	<b>1,491</b>	<b>2,309</b>	<b>2,309</b>	<b>+539</b>
Extraordinary Balance	-	6	6	6	-	-	-	(31)	(31)	(37)
Profit before Income Taxes	516	1,056	1,448	1,776	100	793	1,491	2,278	2,278	+502
Total Income Taxes	167	318	377	500	(8)	205	473	713	713	+213
<b>Profit Attributable to Owners of Parent</b>	<b>348</b>	<b>737</b>	<b>1,071</b>	<b>1,276</b>	<b>108</b>	<b>588</b>	<b>1,017</b>	<b>1,564</b>	<b>1,564</b>	<b>+288</b>
Sales YoY	+10.1%	+24.8%	+21.4%	(2.6%)	(54.0%)	(21.3%)	(18.2%)	(8.0%)	(8.0%)	-
Operating Profit YoY	+18.8%	+62.3%	+30.6%	(5.0%)	(63.5%)	(17.1%)	+6.7%	+27.1%	+27.1%	-
Recurring Profit YoY	+36.8%	+129.2%	+58.6%	(0.8%)	(80.6%)	(24.5%)	+3.4%	+30.4%	+30.4%	-
Profit Attributable to Owners of Parent YoY	+38.5%	+121.0%	-	+113.0%	(68.8%)	(20.3%)	(5.0%)	+22.6%	+22.6%	-
Gross Profit Margin	14.3%	16.2%	16.3%	17.0%	23.2%	21.7%	23.0%	22.9%	22.9%	+5.8%
SG&A Ratio	7.9%	8.8%	9.3%	10.1%	18.2%	13.9%	13.9%	13.4%	13.4%	+3.2%
Operating Profit Margin	6.4%	7.4%	7.0%	6.9%	5.1%	7.8%	9.1%	9.5%	9.5%	+2.6%
Recurring Profit Margin	5.0%	5.9%	5.4%	5.2%	2.1%	5.7%	6.9%	7.4%	7.4%	+2.2%
Profit Attributable to Owners of Parent Margin	3.4%	4.1%	4.0%	3.8%	2.3%	4.2%	4.7%	5.0%	5.0%	+1.2%
Total Income Taxes / Profit before Income Taxes	32.4%	30.1%	26.0%	28.2%	(8.0%)	25.9%	31.7%	31.3%	31.3%	+3.1%

Income Statement	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
(Million Yen)	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q4	Net Chg.
(Million Yen)	12/2021	12/2021	12/2021	12/2021	12/2022	12/2022	12/2022	12/2022	12/2022	Net Chg.
<b>Sales</b>	<b>10,241</b>	<b>7,554</b>	<b>8,746</b>	<b>7,415</b>	<b>4,715</b>	<b>9,291</b>	<b>7,703</b>	<b>9,533</b>	<b>9,533</b>	<b>+2,118</b>
Cost of Sales	8,774	6,139	7,308	5,947	3,618	7,345	5,760	7,369	7,369	+1,422
Gross Profit	1,466	1,416	1,438	1,468	1,096	1,947	1,943	2,164	2,164	+696
SG&A Expenses	809	754	903	979	856	1,093	1,059	1,165	1,165	+186
<b>Operating Profit</b>	<b>657</b>	<b>661</b>	<b>535</b>	<b>489</b>	<b>239</b>	<b>854</b>	<b>885</b>	<b>998</b>	<b>998</b>	<b>+509</b>
Non Operating Balance	(141)	(127)	(143)	(161)	(139)	(161)	(187)	(180)	(180)	(19)
<b>Recurring Profit</b>	<b>516</b>	<b>534</b>	<b>392</b>	<b>328</b>	<b>100</b>	<b>693</b>	<b>698</b>	<b>818</b>	<b>818</b>	<b>+490</b>
Extraordinary Balance	-	6	-	-	-	-	-	(31)	(31)	(31)
Profit before Income Taxes	516	540	392	328	100	693	698	787	787	+459
Total Income Taxes	167	151	59	123	(8)	213	268	240	240	+117
<b>Profit Attributable to Owners of Parent</b>	<b>348</b>	<b>389</b>	<b>334</b>	<b>205</b>	<b>108</b>	<b>480</b>	<b>429</b>	<b>547</b>	<b>547</b>	<b>+342</b>
Sales YoY	+10.1%	+52.2%	+15.2%	(43.0%)	(54.0%)	+23.0%	(11.9%)	+28.6%	+28.6%	-
Operating Profit YoY	+18.8%	+155.2%	(11.9%)	(53.3%)	(63.5%)	+29.2%	+65.4%	+104.1%	+104.1%	-
Recurring Profit YoY	+36.8%	+559.3%	(13.1%)	(62.6%)	(80.6%)	+29.8%	+78.1%	+149.4%	+149.4%	-
Profit Attributable to Owners of Parent YoY	+38.5%	+374.4%	-	(67.5%)	(68.8%)	+23.4%	+28.4%	+166.8%	+166.8%	-
Gross Profit Margin	14.3%	18.7%	16.4%	19.8%	23.2%	21.0%	25.2%	22.7%	22.7%	+2.9%
SG&A Ratio	7.9%	10.0%	10.3%	13.2%	18.2%	11.8%	13.7%	12.2%	12.2%	(1.0%)
Operating Profit Margin	6.4%	8.8%	6.1%	6.6%	5.1%	9.2%	11.5%	10.5%	10.5%	+3.9%
Recurring Profit Margin	5.0%	7.1%	4.5%	4.4%	2.1%	7.5%	9.1%	8.6%	8.6%	+4.2%
Profit Attributable to Owners of Parent Margin	3.4%	5.1%	3.8%	2.8%	2.3%	5.2%	5.6%	5.7%	5.7%	+3.0%
Total Income Taxes / Profit before Income Taxes	32.4%	28.0%	15.1%	37.5%	(8.0%)	30.7%	38.4%	30.5%	30.5%	(7.0%)

Source: Company Data, WRJ Calculation

### Segmented Information (Cumulative/Quarterly)

Segmented Information	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	Q1	Q1 to Q2	Q1 to Q3	Q1 to Q4	YoY	
(Million Yen)	12/2021	12/2021	12/2021	12/2021	12/2022	12/2022	12/2022	12/2022	12/2022	Net Chg.
Real Estate Trading	9,668	16,721	24,960	31,842	4,175	12,925	20,052	29,016		(2,826)
Real Estate Leasing and Other	573	1,074	1,581	2,113	540	1,080	1,657	2,226		+113
<b>Sales</b>	<b>10,241</b>	<b>17,795</b>	<b>26,541</b>	<b>33,956</b>	<b>4,715</b>	<b>14,006</b>	<b>21,709</b>	<b>31,242</b>		<b>(2,714)</b>
Real Estate Trading	771	1,584	2,404	3,119	438	1,616	2,751	4,051		+932
Real Estate Leasing and Other	207	380	552	736	186	362	584	780		+44
<b>Segment Profit</b>	<b>979</b>	<b>1,964</b>	<b>2,956</b>	<b>3,855</b>	<b>624</b>	<b>1,978</b>	<b>3,335</b>	<b>4,831</b>		<b>+976</b>
Adjustment	(321)	(646)	(1,102)	(1,513)	(384)	(885)	(1,357)	(1,854)		(341)
<b>Operating Profit</b>	<b>657</b>	<b>1,318</b>	<b>1,853</b>	<b>2,342</b>	<b>239</b>	<b>1,093</b>	<b>1,978</b>	<b>2,976</b>		<b>+634</b>
Real Estate Trading	8.0%	9.5%	9.6%	9.8%	10.5%	12.5%	13.7%	14.0%		+4.2%
Real Estate Leasing and Other	36.1%	35.4%	34.9%	34.8%	34.4%	33.5%	35.2%	35.1%		+0.2%
Adjustment	(3.1%)	(3.6%)	(4.2%)	(4.5%)	(8.1%)	(6.3%)	(6.3%)	(5.9%)		(1.5%)
<b>Operating Profit Margin</b>	<b>6.4%</b>	<b>7.4%</b>	<b>7.0%</b>	<b>6.9%</b>	<b>5.1%</b>	<b>7.8%</b>	<b>9.1%</b>	<b>9.5%</b>		<b>+2.6%</b>

Segmented Information	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	YoY	
(Million Yen)	12/2021	12/2021	12/2021	12/2021	12/2022	12/2022	12/2022	12/2022	12/2022	Net Chg.
Real Estate Trading	9,668	7,053	8,239	6,882	4,175	8,750	7,127	8,964		+2,082
Real Estate Leasing and Other	573	501	507	532	540	540	577	569		+37
<b>Sales</b>	<b>10,241</b>	<b>7,554</b>	<b>8,746</b>	<b>7,415</b>	<b>4,715</b>	<b>9,291</b>	<b>7,703</b>	<b>9,533</b>		<b>+2,118</b>
Real Estate Trading	771	813	820	715	438	1,178	1,135	1,300		+585
Real Estate Leasing and Other	207	173	172	184	186	176	222	196		+12
<b>Segment Profit</b>	<b>979</b>	<b>985</b>	<b>992</b>	<b>899</b>	<b>624</b>	<b>1,354</b>	<b>1,357</b>	<b>1,496</b>		<b>+597</b>
Adjustment	(321)	(325)	(456)	(411)	(384)	(501)	(472)	(497)		(86)
<b>Operating Profit</b>	<b>657</b>	<b>661</b>	<b>535</b>	<b>489</b>	<b>239</b>	<b>854</b>	<b>885</b>	<b>998</b>		<b>+509</b>
Real Estate Trading	8.0%	11.5%	10.0%	10.4%	10.5%	13.5%	15.9%	14.5%		+4.1%
Real Estate Leasing and Other	36.1%	34.5%	33.9%	34.6%	34.4%	32.6%	38.5%	34.4%		(0.1%)
Adjustment	(3.1%)	(4.3%)	(5.2%)	(5.5%)	(8.1%)	(5.4%)	(6.1%)	(5.2%)		+0.3%
<b>Operating Profit Margin</b>	<b>6.4%</b>	<b>8.8%</b>	<b>6.1%</b>	<b>6.6%</b>	<b>5.1%</b>	<b>9.2%</b>	<b>11.5%</b>	<b>10.5%</b>		<b>+3.9%</b>

Source: Company Data, WRJ Calculation



## Balance Sheet (Quarterly)

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 12/2021	Q2 12/2021	Q3 12/2021	Q4 12/2021	Q1 12/2022	Q2 12/2022	Q3 12/2022	Q4 12/2022		
Cash and Deposit	17,371	17,348	18,392	17,565	14,539	17,836	16,651	17,754	+189	
Accounts Receivables	12	19	21	19	27	23	32	23	+4	
Real Estate for Sale	34,912	35,885	34,617	35,463	39,206	44,759	49,739	51,116	+15,653	
Real Estate for Sale in Process	405	375	498	630	479	438	498	517	(113)	
Other	547	471	479	727	731	642	629	764	+37	
<b>Current Assets</b>	<b>53,247</b>	<b>54,098</b>	<b>54,007</b>	<b>54,404</b>	<b>54,982</b>	<b>63,698</b>	<b>67,549</b>	<b>70,174</b>	<b>+15,770</b>	
Tangible Assets	3,856	3,817	6,992	7,614	7,596	7,604	7,569	6,430	(1,184)	
Intangible Assets	81	79	77	85	91	92	89	84	(1)	
Investments and Other Assets	544	544	605	631	715	624	679	698	+67	
<b>Fixed Assets</b>	<b>4,482</b>	<b>4,441</b>	<b>7,676</b>	<b>8,331</b>	<b>8,403</b>	<b>8,320</b>	<b>8,338</b>	<b>7,213</b>	<b>(1,118)</b>	
<b>Deferred Assets</b>	<b>43</b>	<b>44</b>	<b>44</b>	<b>41</b>	<b>43</b>	<b>66</b>	<b>62</b>	<b>60</b>	<b>+19</b>	
<b>Total Assets</b>	<b>57,774</b>	<b>58,585</b>	<b>61,728</b>	<b>62,778</b>	<b>63,429</b>	<b>72,086</b>	<b>75,950</b>	<b>77,448</b>	<b>+14,670</b>	
Accounts Payables	223	284	342	361	436	472	583	495	+134	
Short Term Debt	2,236	2,015	3,609	4,739	5,793	6,120	6,005	6,023	+1,284	
Current Portion of Bonds Payable	780	842	792	727	865	1,007	3,052	3,091	+2,364	
Current Portion of Long-term Debt	5,484	4,030	3,836	4,982	3,882	4,791	6,806	6,520	+1,538	
Other	1,412	1,369	1,156	1,359	1,342	1,503	1,792	2,372	+1,013	
<b>Current Liabilities</b>	<b>10,135</b>	<b>8,540</b>	<b>9,735</b>	<b>12,168</b>	<b>12,318</b>	<b>13,893</b>	<b>18,238</b>	<b>18,501</b>	<b>+6,333</b>	
Bonds Payable	3,172	3,300	3,265	3,219	3,436	6,861	4,637	4,623	+1,404	
Long Term Debt	21,092	22,968	24,591	23,192	23,870	27,072	28,384	29,049	+5,857	
Other	660	667	694	652	649	631	633	670	+18	
<b>Fixed Liabilities</b>	<b>24,924</b>	<b>26,935</b>	<b>28,550</b>	<b>27,063</b>	<b>27,955</b>	<b>34,564</b>	<b>33,654</b>	<b>34,342</b>	<b>+7,279</b>	
<b>Total Liabilities</b>	<b>35,059</b>	<b>35,476</b>	<b>38,285</b>	<b>39,232</b>	<b>40,273</b>	<b>48,458</b>	<b>51,893</b>	<b>52,843</b>	<b>+13,611</b>	
<b>Shareholders' Equity</b>	<b>22,627</b>	<b>23,016</b>	<b>23,350</b>	<b>23,453</b>	<b>23,063</b>	<b>23,535</b>	<b>23,964</b>	<b>24,511</b>	<b>+1,058</b>	
Other	87	93	92	93	93	92	93	93	0	
<b>Net Assets</b>	<b>22,714</b>	<b>23,109</b>	<b>23,442</b>	<b>23,546</b>	<b>23,156</b>	<b>23,627</b>	<b>24,057</b>	<b>24,604</b>	<b>+1,058</b>	
<b>Total Liabilities &amp; Net Assets</b>	<b>57,774</b>	<b>58,585</b>	<b>61,728</b>	<b>62,778</b>	<b>63,429</b>	<b>72,086</b>	<b>75,950</b>	<b>77,448</b>	<b>+14,670</b>	
Equity Capital	22,627	23,016	23,350	23,453	23,063	23,535	23,964	24,511	+1,058	
Interest Bearing Debt	32,764	33,155	36,093	36,859	37,846	45,851	48,884	49,306	+12,447	
Net Debt	15,393	15,807	17,701	19,294	23,307	28,015	32,233	31,552	+12,258	
Equity Ratio	39.2%	39.3%	37.8%	37.4%	36.4%	32.6%	31.6%	31.6%	-	
Net Debt Equity Ratio	68.0%	68.7%	75.8%	82.3%	101.1%	119.0%	134.5%	128.7%	-	
ROE (12 months)	3.1%	4.4%	7.5%	5.6%	4.5%	4.8%	5.2%	6.5%	-	
ROA (12 months)	3.0%	3.7%	3.6%	2.8%	2.2%	2.3%	2.6%	3.3%	-	
Days for Inventory Turnover	367	538	438	553	1,000	561	795	639	-	
Quick Ratio	172%	203%	189%	145%	118%	129%	91%	96%	-	
Current Ratio	525%	633%	555%	447%	446%	458%	370%	379%	-	

Source: Company Data, WRJ Calculation

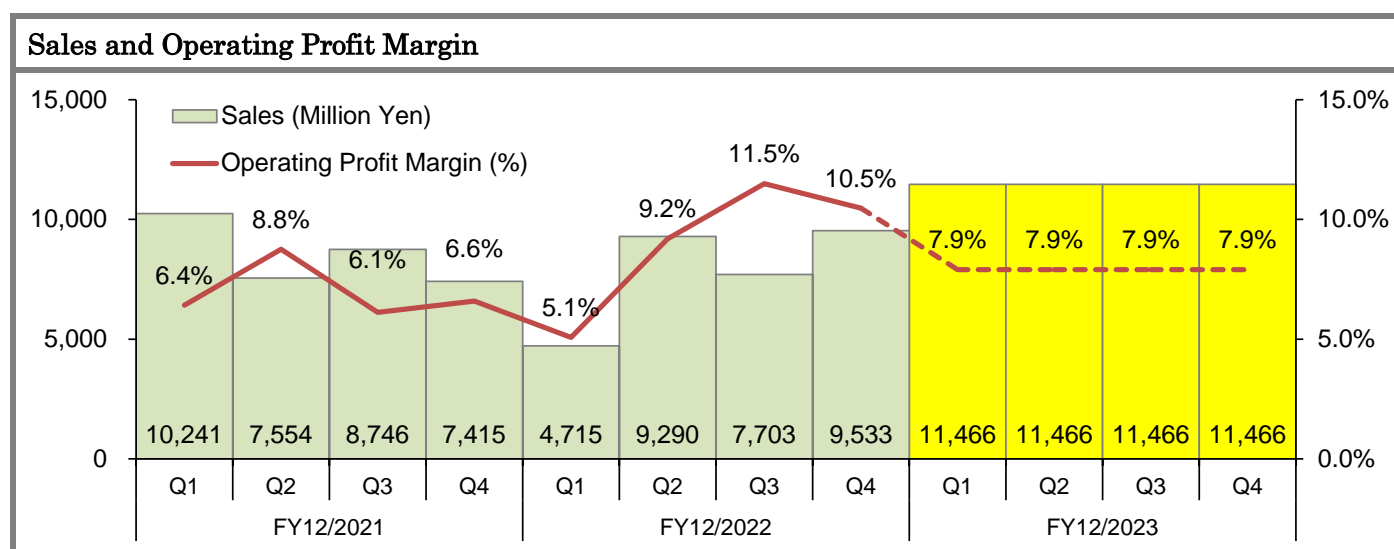
## Cash Flow Statement (Cumulative)

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	YoY Net Chg.
	Q1 12/2021	Q1 to Q2 12/2021	Q1 to Q3 12/2021	Q1 to Q4 12/2021	Q1 12/2022	Q1 to Q2 12/2022	Q1 to Q3 12/2022	Q1 to Q4 12/2022		
Operating Cash Flow	-	5,519	-	3,307	-	(8,042)	-	(11,491)	(14,798)	
Investing Cash Flow	-	(168)	-	(1,218)	-	(185)	-	(157)	+1,061	
<b>Operating Cash Flow and Investing Cash Flow</b>	<b>-</b>	<b>5,351</b>	<b>-</b>	<b>2,089</b>	<b>-</b>	<b>(8,227)</b>	<b>-</b>	<b>(11,648)</b>	<b>(13,737)</b>	
Financing Cash Flow	-	(4,215)	-	(621)	-	8,399	-	11,847	+12,468	

Source: Company Data, WRJ Calculation

## FY12/2023 Company Forecasts

FY12/2023 Company forecasts (announced on 14 February 2023) are going for prospective sales of ¥45,865m (up 46.8% YoY), operating profit of ¥3,625m (up 21.8%), recurring profit of ¥2,840m (up 23.0%) and profit attributable to owners of parent of ¥1,863m (up 19.1%), while operating profit margin of 7.9% (down 1.6% points). At the same time, Company forecasts are going for planned annual dividend of ¥24.00 per share, implying payout ratio of 30.3%.



Source: Company Data, WRJ Calculation (quarters of FY12/2023: full-year Company forecasts pro rata)

On the mainstay Real Estate Trading Business side (purchase and resale of secondhand real estate), Company forecasts assume prospective sales of ¥43,372m (up 49.5%) and sales of ¥2,492m (up 12.0%) on the Real Estate Leasing and Other Business side (acquisition of income from lease). In other words, sales on the mainstay Real Estate Trading Business side will surge and thus drive earnings as mentioned earlier, more than compensating for net decrease to be brought in from lowered gross profit margin and increased expenses.

With respect to details on the mainstay Real Estate Trading Business side, Company forecasts are going for prospective sales of ¥20,649m (up 21.9%) for investment-oriented real estate and ¥18,151m (up 67.2%) for residential real estate. According to the Company, it plans to further increase the number of sales representatives deployed in sales offices in each area for the sake of further expanding sales of residential real estate. The number of sales representatives stood at 104, collectively, as of the end of FY12/2022, while the Company plans to increase the number up to 170 as of the end of FY12/2023. By the way, in April, the Company has hired new graduates as many as 33 in the number, out of which it has hired 21 as sales representatives, while planning mid-carrier hires of 45 by the end of the year, i.e., planning to hire collective 66 in the number. In light of the fact that the equivalent for the FY12/2022 results equated 24 in the number, it should be the case that the Company is rather accelerating its efforts to expand its capability of sales. However, the Company plans to keep its purchase at the same level as for the FY12/2022 results with respect to both investment-oriented real estate and residential real estate, while stating that it plans to place emphasis on raising turnover first of all in order to achieve increase in sales.

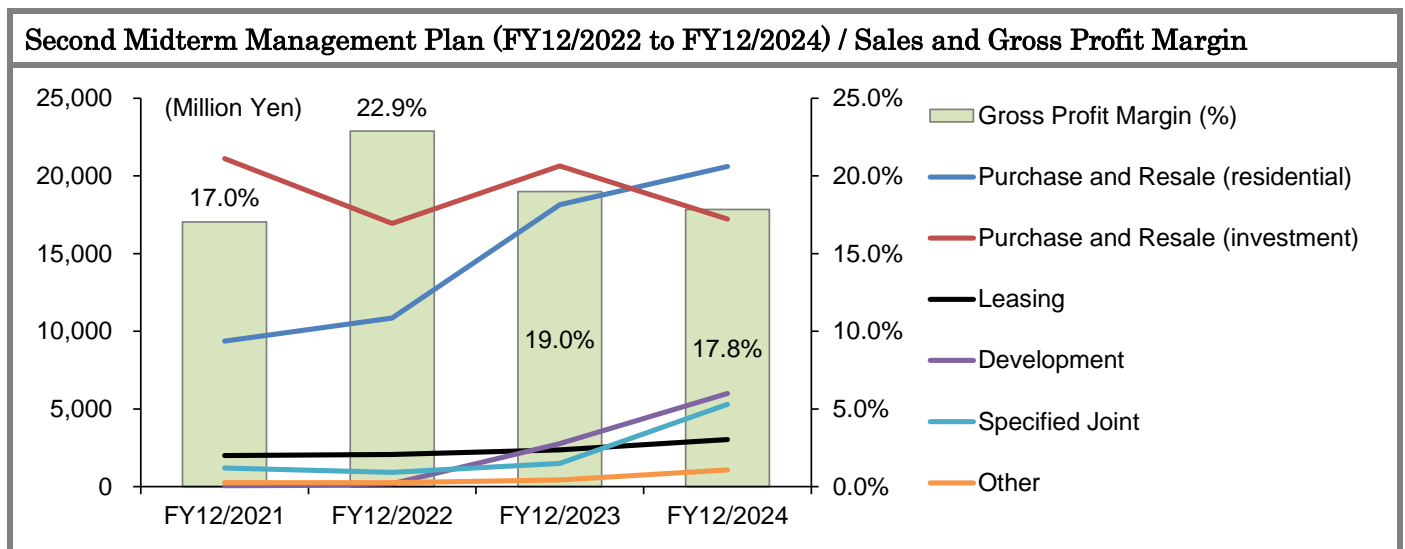
Meanwhile, Company forecasts are going for prospective sales of ¥2,771m (versus ¥184m in the previous year) for real estate development (development of condos, mainly that of generating income in Tokyo) and ¥1,500m (up 62.6%) for real estate specified joint (structuring and sale of small-lot real estate products, distributing income to investors in accordance with the Real Estate Specified Joint Business Act). With respect to both, the Company plans to focus on increasing sales, while planning to cut back on the purchase. In particular, the Company's plan assumes no purchase of land for the site of real estate development, although the Company will be trying to implement a careful selection of properties to purchase based on the estimated profitability of the deal.

With respect to shareholder returns, the Company advocates a basic policy of "continuing to pay dividend consistently, while simultaneously strengthening its financial position and enhancing its internal reserves to expand its business on a long-term basis," while targeting to achieve payout ratio of 30% or more on a recurring basis. For the FY12/2022 results, the Company implemented payment of annual dividend as much as ¥20.00 per share, implying payout ratio of 30.0%, which was in line with the target. This is scheduled to be followed by an increase by ¥4.00 up to ¥24.00, implying payout ratio of 30.3%, for FY12/2023, given a prospect that the Company is to see continued strengths in earnings. On top of this, the Company also considers a future opportunity of buying back shares and is now setting up a structure to flexibly do so.

While the Company is to provide the above-mentioned shareholder returns, it is also trying to pursue the best balance amongst growth, efficiency and soundness with an awareness to satisfy conditions for being listed on the prime market. For example, with respect to ROE, which is one of the most important criteria from a perspective of shareholders, the Company has set a target of achieving 11.0% or higher. Meanwhile, the Company shows a move towards achieving this in that it saw ROE of 6.5% for FY12/2022 and currently goes for ROE of 7.4% for FY12/2023.

## Long-Term Prospects

On 14 February 2022, the Company announced Second Midterm Management Plan (FY12/2022 to FY12/2024), calling for prospective sales of ¥53,224m, operating profit of ¥4,991m and operating profit margin of 9.4% for FY12/2024, the final year of the plan, as performance target, i.e., calling for CAGR of 16.2% in sales and 28.7% in earnings towards FY12/2024, when setting the FY12/2021 results as the point of origin. Thus, the plan is calling for improvement by 2.5% points for operating profit margin during the relevant period. Meanwhile, on 14 February 2023, the Company announced the results of FY12/2022, the first year of the plan, while having disclosed the state of progress of Second Midterm Management Plan (FY12/2022 to FY12/2024) at the same time, as well as revision for assumptions in light of the said state. Consequently, the Company is now calling for CAGR of 30.5% in sales and 29.5% in earnings towards FY12/2024, when setting the FY12/2022 results as the point of origin.



Source: Company Data, WRJ Calculation

With respect to the FY12/2022 results, the first year, sales have fallen short of assumptions by no less than ¥7,605m (19.6%), but gross profit was better by ¥475m (7.1%). For the operations of purchase and resale, sales of investment-oriented real estate were marginally better, but this was more than offset by shortfall in sales of residential real estate as a result of sales activities to focus on profitability. Further, sales have fallen short of a lot for new domains of operations, i.e., real estate development (development of condos, mainly that of generating income in Tokyo) and real estate specified joint (structuring and sale of small-lot real estate products, distributing income to investors in accordance with the Real Estate Specified Joint Business Act). However, the Company saw gross profit higher as above-mentioned, driven by sales activities to focus on profitability with respect to residential real estate. For FY12/2023, the second year of the plan, the Company is now going for sales better by ¥1,205m (2.7%) in terms of comparison with initial assumptions and by ¥873m (11.1%) for gross profit. While the details have already been provided, the same is true for assumptions for FY12/2024, which has remained unchanged.

## 5.0 Financial Statements

### Income Statement

Income Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	12/2018	12/2019	12/2020	12/2021	12/2022	12/2023	Net Chg.
<b>Sales</b>	<b>53,931</b>	<b>39,677</b>	<b>34,858</b>	<b>33,956</b>	<b>31,242</b>	<b>45,865</b>	<b>+14,623</b>
Cost of Sales	44,084	33,202	28,994	28,168	24,092	37,151	+13,059
Gross Profit	9,847	6,475	5,864	5,788	7,150	8,714	+1,564
SG&A Expenses	3,862	3,317	3,398	3,445	4,173	5,089	+916
<b>Operating Profit</b>	<b>5,985</b>	<b>3,157</b>	<b>2,465</b>	<b>2,342</b>	<b>2,976</b>	<b>3,625</b>	<b>+649</b>
Non Operating Balance	(748)	(664)	(680)	(572)	(667)	(785)	(118)
<b>Recurring Profit</b>	<b>5,237</b>	<b>2,493</b>	<b>1,785</b>	<b>1,770</b>	<b>2,309</b>	<b>2,840</b>	<b>+531</b>
Extraordinary Balance	6	7	23	6	(31)	-	-
Profit before Income Taxes	5,243	2,500	1,808	1,776	2,278	-	-
Total Income Taxes	1,887	811	1,209	500	713	-	-
<b>Profit Attributable to Owners of Parent</b>	<b>3,356</b>	<b>1,688</b>	<b>599</b>	<b>1,276</b>	<b>1,564</b>	<b>1,863</b>	<b>+299</b>
Sales YoY	(15.2%)	(26.4%)	(12.1%)	(2.6%)	(8.0%)	+46.8%	-
Operating Profit YoY	(16.0%)	(47.2%)	(21.9%)	(5.0%)	+27.1%	+21.8%	-
Recurring Profit YoY	(19.2%)	(52.4%)	(28.4%)	(0.8%)	+30.4%	+23.0%	-
Profit Attributable to Owners of Parent YoY	(21.5%)	(49.7%)	(64.5%)	+113.0%	+22.6%	+19.1%	-
Gross Profit Margin	18.3%	16.3%	16.8%	17.0%	22.9%	19.0%	(3.9%)
SG&A Ratio	7.2%	8.4%	9.7%	10.1%	13.4%	11.1%	(2.3%)
Operating Profit Margin	11.1%	8.0%	7.1%	6.9%	9.5%	7.9%	(1.6%)
Recurring Profit Margin	9.7%	6.3%	5.1%	5.2%	7.4%	6.2%	(1.2%)
Profit Attributable to Owners of Parent Margin	6.2%	4.3%	1.7%	3.8%	5.0%	4.1%	(0.9%)
Total Income Taxes / Profit before Income Taxes	36.0%	32.4%	66.9%	28.2%	31.3%	-	-

Source: Company Data, WRJ Calculation

### Segmented Information

Segmented Information (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	12/2018	12/2019	12/2020	12/2021	12/2022	12/2023	Net Chg.
Real Estate Trading	50,697	36,401	31,866	31,842	29,016	43,372	+14,356
Real Estate Leasing and Other	3,234	3,275	2,992	2,113	2,226	2,492	+266
<b>Sales</b>	<b>53,931</b>	<b>39,677</b>	<b>34,858</b>	<b>33,956</b>	<b>31,242</b>	<b>45,865</b>	<b>+14,623</b>
Real Estate Trading	6,272	3,296	2,812	3,119	4,051	-	-
Real Estate Leasing and Other	1,166	1,183	1,103	736	780	-	-
<b>Segment Profit</b>	<b>7,439</b>	<b>4,480</b>	<b>3,916</b>	<b>3,855</b>	<b>4,831</b>	-	-
Adjustment	(1,454)	(1,322)	(1,450)	(1,513)	(1,854)	-	-
<b>Operating Profit</b>	<b>5,985</b>	<b>3,157</b>	<b>2,465</b>	<b>2,342</b>	<b>2,976</b>	<b>3,625</b>	<b>+649</b>
Real Estate Trading	12.4%	9.1%	8.8%	9.8%	14.0%	-	-
Real Estate Leasing and Other	36.1%	36.1%	36.9%	34.8%	35.1%	-	-
Adjustment	(2.7%)	(3.3%)	(4.2%)	(4.5%)	(5.9%)	-	-
<b>Operating Profit Margin</b>	<b>11.1%</b>	<b>8.0%</b>	<b>7.1%</b>	<b>6.9%</b>	<b>9.5%</b>	<b>7.9%</b>	<b>(1.6%)</b>

Source: Company Data, WRJ Calculation

## Balance Sheet

Balance Sheet (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 12/2018	FY 12/2019	FY 12/2020	FY 12/2021	FY 12/2022	FY 12/2023	YoY Net Chg.
Cash and Deposit	10,517	13,708	16,065	17,565	17,754	-	-
Accounts Receivables	22	23	16	19	23	-	-
Real Estate for Sale	51,635	49,887	41,337	35,463	51,116	-	-
Real Estate for Sale in Process	87	147	283	630	517	-	-
Other	1,058	602	236	727	764	-	-
<b>Current Assets</b>	<b>63,319</b>	<b>64,367</b>	<b>57,937</b>	<b>54,404</b>	<b>70,174</b>	-	-
Tangible Assets	2,366	3,068	3,838	7,614	6,430	-	-
Intangible Assets	83	83	83	85	84	-	-
Investments and Other Assets	954	944	583	631	698	-	-
<b>Fixed Assets</b>	<b>3,404</b>	<b>4,096</b>	<b>4,504</b>	<b>8,331</b>	<b>7,213</b>	-	-
<b>Deferred Assets</b>	<b>36</b>	<b>48</b>	<b>45</b>	<b>41</b>	<b>60</b>	-	-
<b>Total Assets</b>	<b>66,760</b>	<b>68,512</b>	<b>62,487</b>	<b>62,778</b>	<b>77,448</b>	-	-
Accounts Payables	400	467	216	361	495	-	-
Short Term Debt	3,213	2,236	2,050	4,739	6,023	-	-
Current Portion of Bonds Payable	754	1,154	860	727	3,091	-	-
Current Portion of Long-term Debt	4,142	6,950	6,192	4,982	6,520	-	-
Other	2,023	1,378	1,819	1,359	2,372	-	-
<b>Current Liabilities</b>	<b>10,532</b>	<b>12,185</b>	<b>11,137</b>	<b>12,168</b>	<b>18,501</b>	-	-
Bonds Payable	1,694	3,225	3,307	3,219	4,623	-	-
Long Term Debt	31,462	29,393	24,713	23,192	29,049	-	-
Other	965	868	724	652	670	-	-
<b>Fixed Liabilities</b>	<b>34,121</b>	<b>33,486</b>	<b>28,744</b>	<b>27,063</b>	<b>34,342</b>	-	-
<b>Total Liabilities</b>	<b>44,654</b>	<b>45,671</b>	<b>39,882</b>	<b>39,232</b>	<b>52,843</b>	-	-
<b>Shareholders' Equity</b>	<b>21,983</b>	<b>22,718</b>	<b>22,518</b>	<b>23,453</b>	<b>24,511</b>	-	-
Other	123	122	87	93	93	-	-
<b>Net Assets</b>	<b>22,106</b>	<b>22,840</b>	<b>22,605</b>	<b>23,546</b>	<b>24,604</b>	-	-
<b>Total Liabilities &amp; Net Assets</b>	<b>66,760</b>	<b>68,512</b>	<b>62,487</b>	<b>62,778</b>	<b>77,448</b>	-	-
Equity Capital	21,983	22,718	22,518	23,453	24,511	-	-
Interest Bearing Debt	41,265	42,958	37,122	36,859	49,306	-	-
Net Debt	30,748	29,250	21,057	19,294	31,552	-	-
Equity Ratio	32.9%	33.2%	36.0%	37.4%	31.6%	-	-
Net Debt Equity Ratio	139.9%	128.8%	93.5%	82.3%	128.7%	-	-
ROE (12 months)	16.3%	7.6%	2.6%	5.6%	6.5%	7.4%	-
ROA (12 months)	8.3%	3.7%	2.7%	2.8%	3.3%	-	-
Days for Inventory Turnover	428	550	523	467	782	-	-
Quick Ratio	100%	113%	144%	145%	96%	-	-
Current Ratio	601%	528%	520%	447%	379%	-	-

Source: Company Data, WRJ Calculation

## Cash Flow Statement

Cash Flow Statement (Million Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY 12/2018	FY 12/2019	FY 12/2020	FY 12/2021	FY 12/2022	FY 12/2023	YoY Net Chg.
Operating Cash Flow	(7,220)	3,276	10,981	3,307	(11,491)	-	-
Investing Cash Flow	(104)	(872)	(1,944)	(1,218)	(157)	-	-
<b>Operating Cash Flow and Investing Cash Flow</b>	<b>(7,324)</b>	<b>2,404</b>	<b>9,037</b>	<b>2,089</b>	<b>(11,648)</b>	-	-
Financing Cash Flow	4,534	712	(6,656)	(621)	11,847	-	-

Source: Company Data, WRJ Calculation

## Per Share Data

Per Share Data (Before Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	12/2018	12/2019	12/2020	12/2021	12/2022	12/2023	Net Chg.
No. of Shares FY End (thousand shares)	24,361	24,361	24,361	24,361	24,361	-	-
Net Profit / EPS (thousand shares)	24,354	24,330	23,979	23,962	23,498	-	-
Treasury Shares FY End (thousand shares)	0	282	382	586	897	-	-
Earnings Per Share	137.80	69.38	24.98	53.25	66.56	79.21	-
Earnings Per Share (Fully Diluted)	137.36	69.10	24.86	52.95	66.16	-	-
Book Value Per Share	902.41	943.48	939.11	986.47	1,044.67	-	-
Dividend Per Share	30.00	30.00	10.00	15.00	20.00	24.00	-
Per Share Data (After Adjustments for Split) (Yen)	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.Act	Cons.CoE	
	FY	FY	FY	FY	FY	FY	YoY
	12/2018	12/2019	12/2020	12/2021	12/2022	12/2023	Net Chg.
Share Split Factor	1	1	1	1	1	1	-
Earnings Per Share	137.80	69.38	24.98	53.25	66.56	79.21	-
Book Value Per Share	902.41	943.48	939.11	986.47	1,044.67	-	-
Dividend Per Share	30.00	30.00	10.00	15.00	20.00	24.00	-
Payout Ratio	21.8%	43.2%	40.0%	28.2%	30.0%	30.3%	-

Source: Company Data, WRJ Calculation

### Disclaimer

Information here is a summary of “IR Information” of the Company, compiled by Walden Research Japan, from a neutral and professional standing point, in the form of a report. “IR Information” of the Company comprises a) contents of our interview with the Company, b) contents of presentations for institutional investors, c) contents of timely disclosed information and d) contents of the homepage, etc.

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