

## 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		46,139	4,632	3,860	2,522	107.22	43.00	-
FY12/2022	YoY	(8.0%)	27.1%	30.4%	22.6%	-	-	-
FY12/2023CoE	YoY	47.7%	55.6%	67.2%	61.2%	-	-	-
Consolidated Half Year (Million Yen)		Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent	EPS (Yen)	DPS (Yen)	BPS (Yen)
Q1 to Q2 FY12/2022		14,006	1,093	793	588	-	-	-
Q3 to Q4 FY12/2022		17,236	1,883	1,516	976	-	-	-
Q1 to Q2 FY12/2023		26,247	3,303	2,918	1,929	-	-	-
Q3 to Q4 FY12/2023CoE		19,892	1,329	942	593	-	-	-
Q1 to Q2 FY12/2023	YoY	87.4%	202.2%	267.8%	228.1%	-	-	-
Q3 to Q4 FY12/2023CoE	YoY	15.4%	(29.4%)	(37.9%)	(39.2%)	-	-	-

Source: Company Data, WRJ Calculation

### 1.0 Executive Summary (29 September 2023)


#### Midterm Mgt Plan to Be Met

MUGEN ESTATE, running operations of purchase and resale for secondhand real estate mainly in the Tokyo metropolitan area, has shown steady performance toward achieving its Second Midterm Management Plan (FY12/2022 to FY12/2024), announced on 14 February 2022, which is calling for CAGR of 16.2% in sales and 28.7% in earnings during the relevant period. For Q1 to Q2 FY12/2023, sales of residential real estate (mainly purchase and resale of secondhand condos on a unit-by-unit basis), on which the Company has been focusing, expanded rapidly, while sales of investment real estate (mainly purchase and resale of secondhand condos on a block-by-block basis) also increased sharply, having generated a substantial sales-increase effect for earnings. The latest FY12/2023 Company forecasts are said to be conservative for H2, but the forecasts are going for a full-year performance better than assumptions of the midterm management plan. As for trends in real estate for sale (inventory), the Company sees remaining value of residential real estate continuing to rise steady and thus a high level persisting for the Company as a whole. Meanwhile, the Company is seeing days for inventory turnover consistently declining, due partly to the firmness of real estate market with which it is confronted. Now, the Company is trying to further cut back on days for inventory turnover or raise inventory turnover with an objective of further pursuing efficiency.

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## 2.0 Company Profile

### Creating New Value in Real Estate

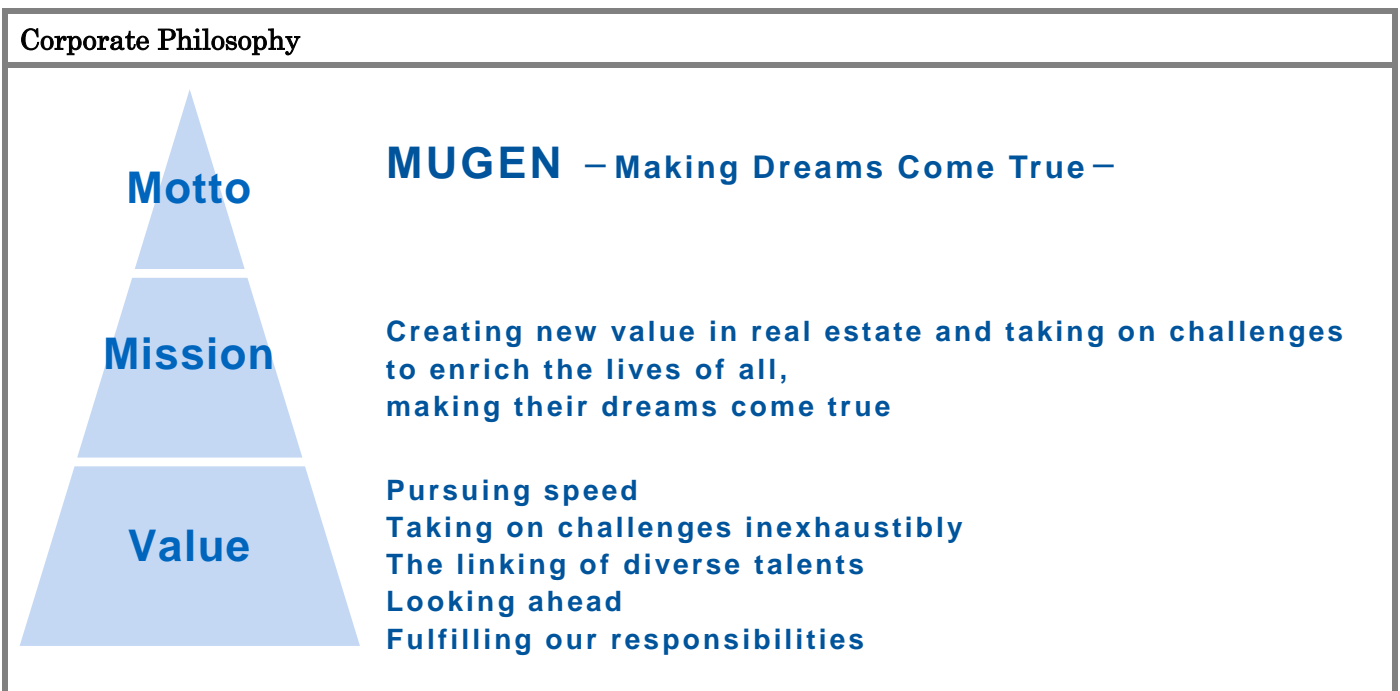
<b>Company Name</b>	MUGEN ESTATE Co., Ltd. <a href="#">Company HP</a> <a href="#">IR Information</a> <a href="#">Share Price (Japanese)</a>	 <b>MUGEN ESTATE</b>
<b>Established</b>	2 May 1990	
<b>Listing</b>	20 October 2023 (scheduled): Tokyo Stock Exchange Standard Market 4 April 2022: Tokyo Stock Exchange 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 June 2023)	
<b>No. of Shares</b>	24,361,000 shares, including 798,325 treasury shares (as of the end of June 2023)	
<b>Main Features</b>	<ul style="list-style-type: none"> <li>● Operations mainly in the Tokyo metropolitan area (Tokyo, Kanagawa, Saitama and Chiba by prefecture)</li> <li>● Solid capability to identify quality of secondhand real estate and accumulation of knowhow</li> <li>● Purchase and resale of properties via real estate brokers</li> </ul>	
<b>Segments</b>	I . Real Estate Trading Business (mainly purchase and resale of secondhand real estate) II . Real Estate Leasing and Other Business (mainly acquisition of income from lease)	
<b>Representatives</b>	Chairperson & Representative Director: Susumu Fujita President & Representative Director: Shinichi Fujita	
<b>Shareholders</b>	Susumu Fujita 19.64%, Shinichi Fujita 8.99%, Dream Come True Co., Ltd. 7.21%, Celanese Co., Ltd. 4.24%, Master Trust Bank of Japan, T. 3.49% (as of the end of June 2023, but for treasury shares)	
<b>Head Office</b>	Chiyoda-ku, Tokyo, JAPAN	
<b>No. of Personnel</b>	Consolidated: 344, Parent: 265 (as of the end of June 2023)	

Source: Company Data

## 3.0 Corporate Philosophy

### MUGEN - Making Dreams Come True -

The Company is running operations of purchase and resale for secondhand real estate mainly in the Tokyo metropolitan area (Tokyo, Kanagawa, Saitama and Chiba by prefecture). The secondhand real estate purchased is sold as revitalized real estate after the enhancement of asset value via interior/exterior work, implemented during the period of being held as real estate for sale (inventory) by the Company. At the same time, the Company claims that it focuses on purchase of real estate, where there is a plenty of room to do so by means of making the best use of own solid capability to identify quality of secondhand real estate, which is one of the strengths with the Company. Meanwhile, on 14 February 2022, the Company announced its Second Midterm Management Plan (FY12/2022 to FY12/2024) and revealed that it had 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.”



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 dreams 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*, i.e., the 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.”

## **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.”

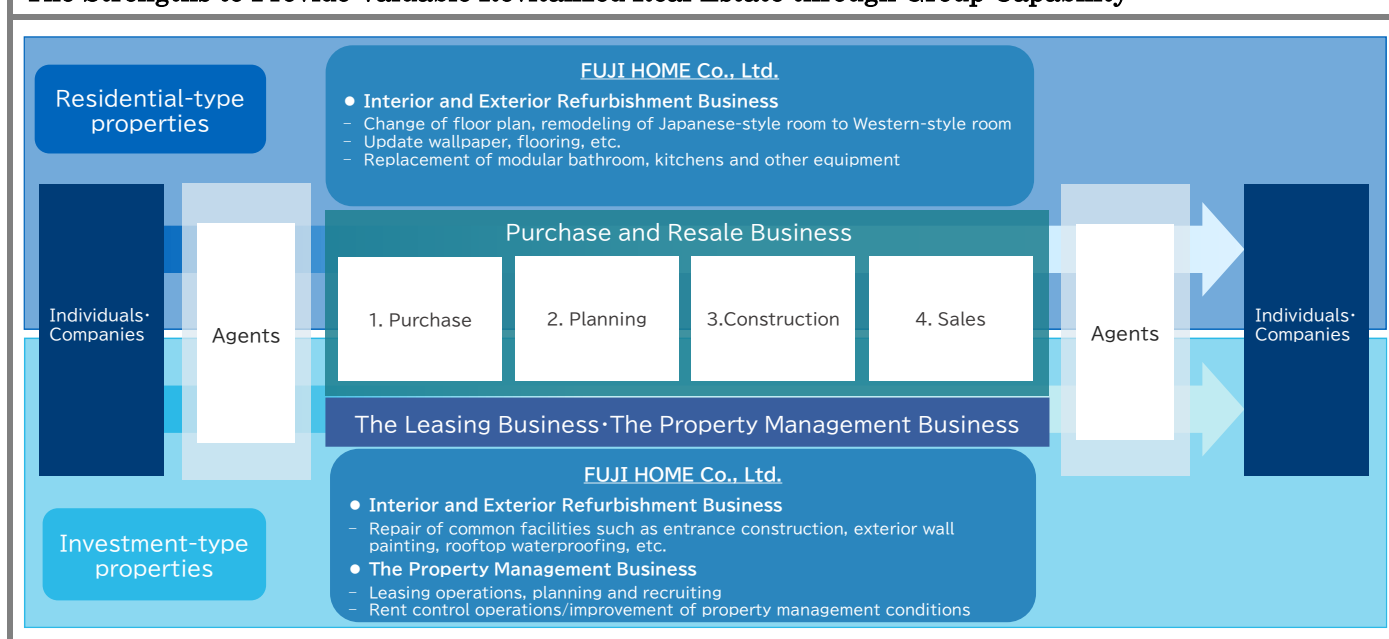
## **ESG and SDGs**

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 goal, the Company appears to be actively engaged in providing revitalized real estate that has the characteristics corresponding to this goal.

## **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 Strengths to Provide Valuable Revitalized Real Estate through Group Capability



Source: Company Data

### Provision of Valuable Revitalized Real Estate through Group Capability

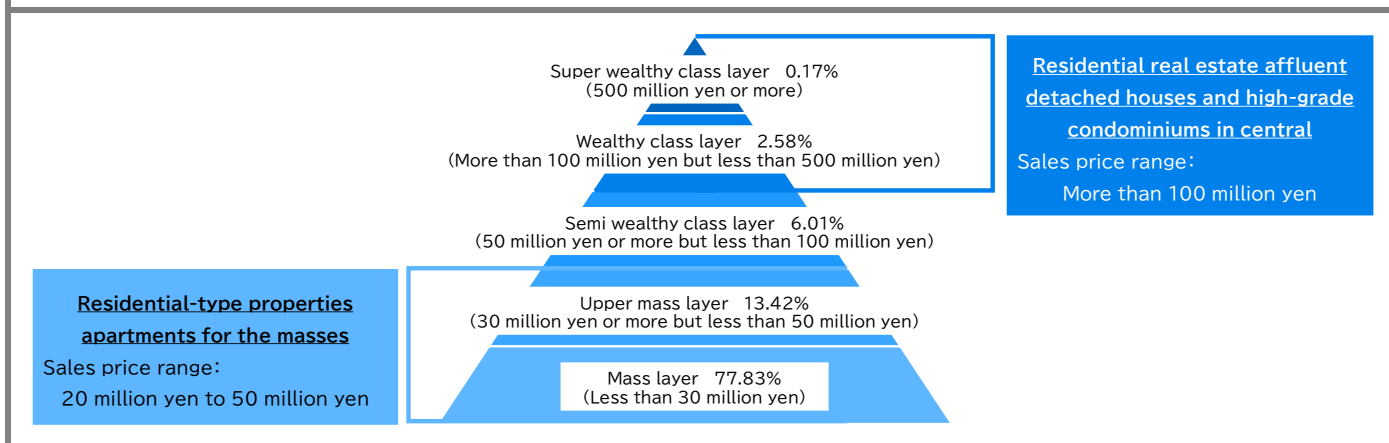
The Company states that one of its strengths is to provide valuable revitalized real estate through its group capability. In other words, the Company is able to run operations of purchase and resale for residential real estate and investment real estate all at once by means of taking advantage of real estate brokers and FUJI HOME (100% subsidiary). With respect to the operations of purchase and resale for residential real estate, the Company is basically involved with purchase for secondhand condos sectionally owned by individuals (mainly on a unit-by-unit basis) and sale to individuals, while secondhand condos owned by corporates and/or affluent people on a block-by-block basis and sale to corporates and affluent people, respectively, for the operations of investment real estate.

The operations of purchase and resale for both of residential real estate and investment real estate are conducted through a variety of real estate brokers with whom the Company has developed a close working relationship, while FUJI HOME (100% subsidiary) enhances asset value of all those properties purchased via interior/exterior work implemented during the period of being held as real estate for sale (inventory), generating the key aspect of value creation by the Company, which is the background for the reason why the properties provided by the Company with the market is regarded as valuable revitalized real estate. By the way, it appears that the period for the holdings of properties on a weighted average basis equates some 14 months collectively for residential real estate and investment real estate, when based on our estimates of 422 days ( $\approx 14$  months) for inventory turnover as of the end of the Q2 FY12/2023 results.

Interior work for residential real estate, which is said to be held as inventory for a rather shorter period of time, basically comprises “change of floor plan and refurbishment of a Japanese-style room to a Western-style room,” “renewal of wallpaper, wood floor, etc.” and “replacement of facilities such as bathtub, toilet bowl, unit kitchen, etc.” By the way, as the mainstay objects of purchase and resale for residential real estate are secondhand condos owned by individuals on a unit-by-unit basis, the Company is hardly involved with exterior work, basically requiring to be conducted on a block-by-block basis. At the same time, the Company suggests that it has a policy to decide the specific contents and conduct actual interior work, accessing an extent to realize the most favorable cost effectiveness in light of general needs.

With respect to investment real estate, which is said to be held as inventory for a rather longer period of time with inhabitants holding over, the Company implements exterior work, basically comprising “refurbishment of co-ownership facilities such as work on entrance, exterior wall painting and rooftop water proofing.” Meanwhile, it appears that the Company is hardly involved with interior work as the existing inhabitants hold over. At the same time, the fact that they hold over leads to acquisition of income from lease for the Company during the period of properties held as inventory, because the Company holds those of generating income at the end of the day. In order to enhance such income, the Company is keenly in charge of administration of all those properties, i.e., “leasing, planning and recruiting” and “rent administration & improvement of administrative conditions,” through FUJI HOME (100% subsidiary).

## Residential Real Estate: Purchase and Resale of Any Secondhand Condos

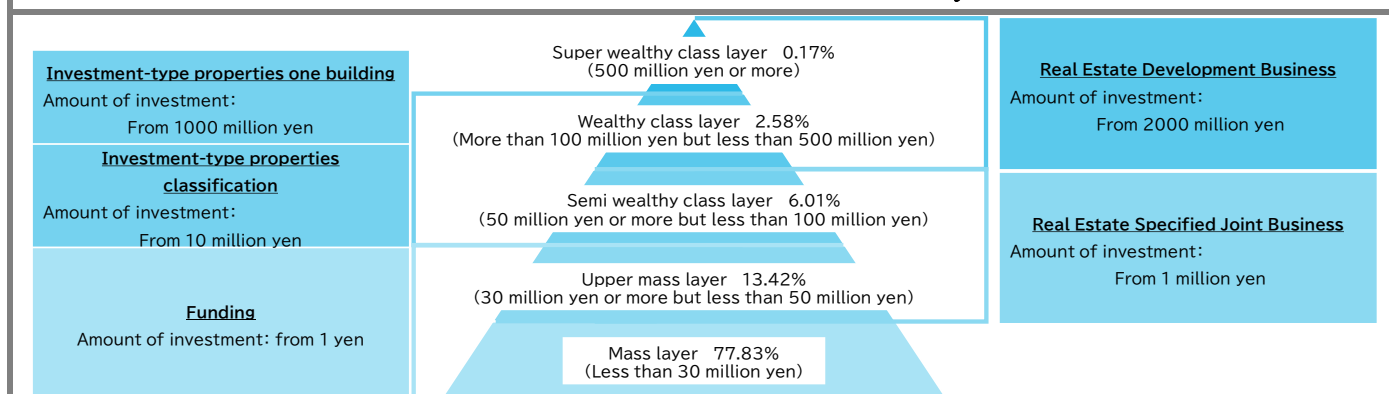


Source: Company Data / a) percent of households (%) equates number of households, divided by all households, multiplied by 100 (as of CY2021), b) number shown in parentheses: retained amount of net financial assets and c) estimates by NRI based on data from the revenue, MIC, Health Ministry, National Institute of Population and Social Security Research, Tokyo Stock Exchange and its proprietary questionnaire investigations

According to the Company, it has established a scheme to gather the latest information on any secondhand condos, including that of having not been quoted on REINS yet, located in the Tokyo Metropolitan area (Tokyo, Kanagawa, Saitama and Chiba by prefecture) where it intensively runs its operations, through a variety of real estate brokers with whom the Company has developed a close working relationship. In other words, the Company develops operations of purchase and resale for mass-layer-oriented condos (retail prices per unit: ¥20m to ¥50m) as well as wealthy-class-layer-oriented detached housings located in the heart of the city and/or high-grade condos (retail prices per unit: ¥100m or more), i.e., so extensively, which is one of the distinguished features with the Company. As mentioned earlier, with respect to the operations of purchase and resale of residential real estate, the Company is basically involved with purchase for secondhand condos sectionally owned by individuals (mainly on a unit-by-unit basis) and sale to individuals, while the Company is also involved with the operations for affluent-people-oriented detached housings located in the heart of the city as well.

By the way, “REINS” represents a computer network system operated by the Real Estate Information Network System, which is designated by the Minister of Land, Infrastructure, Transport and Tourism. The term is named after the initial letters of Real Estate Information Network System, which is used as the common name of the organization and the system.

## Investment Real Estate to Provide Diverse Investors with Extensive Objects to Invest in

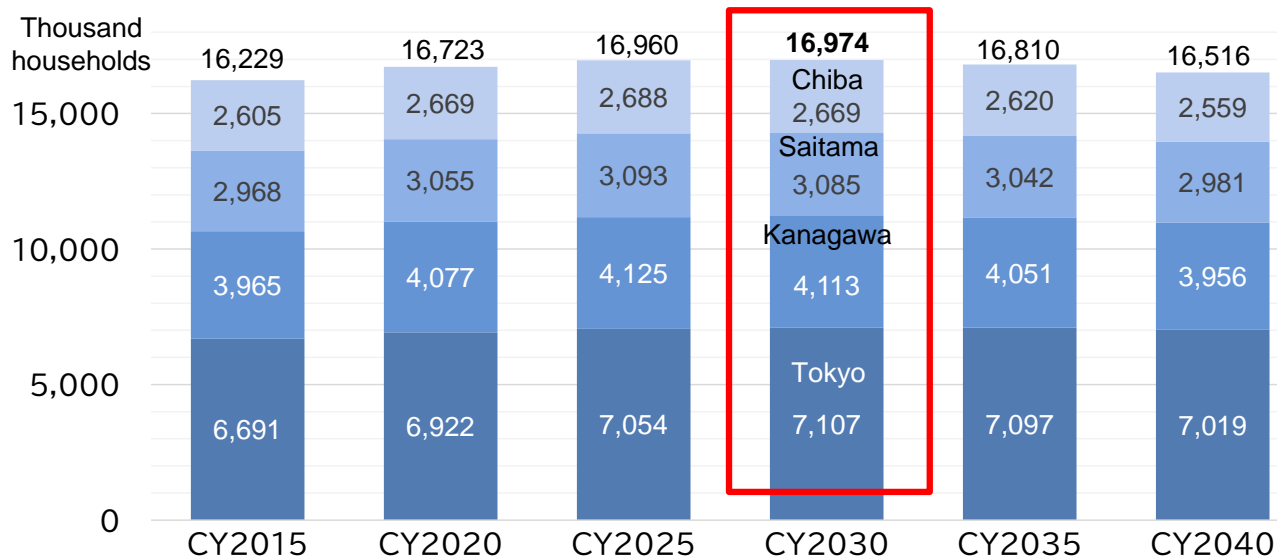


Source: Company Data / a) percent of households (%) equates number of households, divided by all households, multiplied by 100 (as of CY2021), b) number shown in parentheses: retained amount of net financial assets and c) estimates by NRI based on data from the revenue, MIC, Health Ministry, National Institute of Population and Social Security Research, Tokyo Stock Exchange and its proprietary questionnaire investigations

Meanwhile, the same is true for investment real estate, according to the Company, i.e., that it provides diverse investors of wide range of the layers with extensive objects to invest in. As mentioned earlier, the Company is basically involved with purchase and resale for secondhand condos owned by corporates and/or affluent people on a block-by-block basis and sale to corporates and affluent people (investment value per unit: some ¥100m or more), while providing the upper mass layer with sectionally-owned ones (investment value per unit: ¥10m or more) as objects to invest in at the same time. Further, the Company also provides the mass layer with crowdfunding (investment value per unit: ¥1 or more) as objects to invest in. The Company raises funds by means of crowdfunding, based on a business alliance with [funds company limited](#) to run online marketplace of collecting loan funds. In addition to an aspect of diversification of fundraising, the Company finds a meaning in an aspect for this to work as adverting toward the mass layer. By the way, the Company has started up new operations of real estate development and real estate specified joint, representing those of planning, development and sale for properties mainly of rented condos and/or commercial buildings and those of sale for real estate in small lots based on Real Estate Specified Joint Enterprise Act, respectively, while the Company provides the wealthy class layer with them as objects to invest in.



## Predictions Regarding the Number of Households in the Tokyo Metropolitan Area



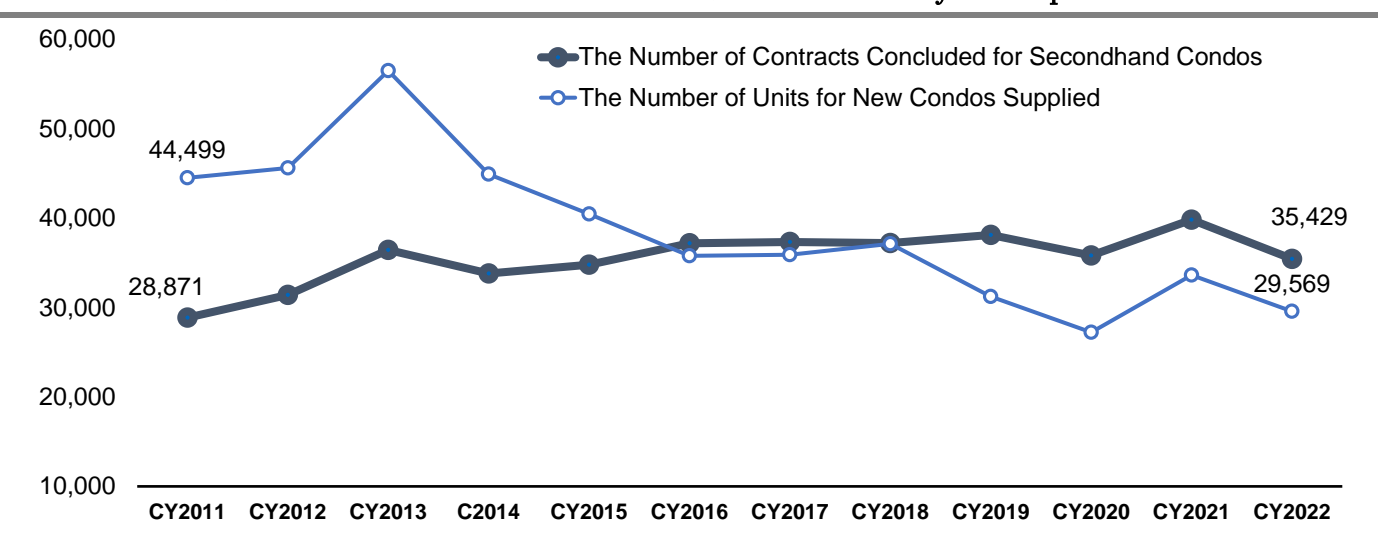
Source: Company Data / extracted and made up from data of National Institute of Population and Social Security

Research: Predictions Regarding the Number of Households in Japan by Prefecture (April 2019)

### Predictions Regarding the Number of Households in the Tokyo Metropolitan Area

According to the Company's estimate, the number of households in the Tokyo Metropolitan area (Tokyo, Kanagawa, Saitama and Chiba by prefecture) where the Company intensively runs its operations, will be on the rise toward CY2025 / CY2030, although Japan's population will be on the decline. For the CY2015 results, the number of households equated 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.

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



Source: Company Data / a) the number of contracts concluded for secondhand condos: REINS, b) the number of units for new condos supplied: Real Estate Economy Institute Co.

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

With respect to secondhand condos in the Tokyo Metropolitan area (Tokyo, Kanagawa, Saitama and Chiba by prefecture), which are the mainstay merchandises for the Company, the number of contracts concluded is estimated 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 units for new condos supplied has been seeing an underlying trend of ever-decreasing during the relevant period.

Consequently, although it was the case that the number of units for new condos supplied far exceeded the number of units for new condos supplied for CY2011, it has been the case that the number of contracts concluded for secondhand condos was exceeding the number of units for new condos supplied from CY2019 to CY2022, having had gone through the period from CY2016 to CY2018 in which the two were generally in competition. Meanwhile, there is an aspect for new condos supplied to end up with a corresponding increase in the number of secondhand condos supplied in the future. In light of this, the Company states that the number of contracts conclude for secondhand condos is likely to continue seeing an underlying trend of ever-increasing, even in the phase for the number of households to diminish gradually, while anticipating for a strength in demand for such properties to more than a certain level.

At the end of the day, in the mainstay market with which the Company is confronted, there will an ever-increasing trend from a long-term perspective for both 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.

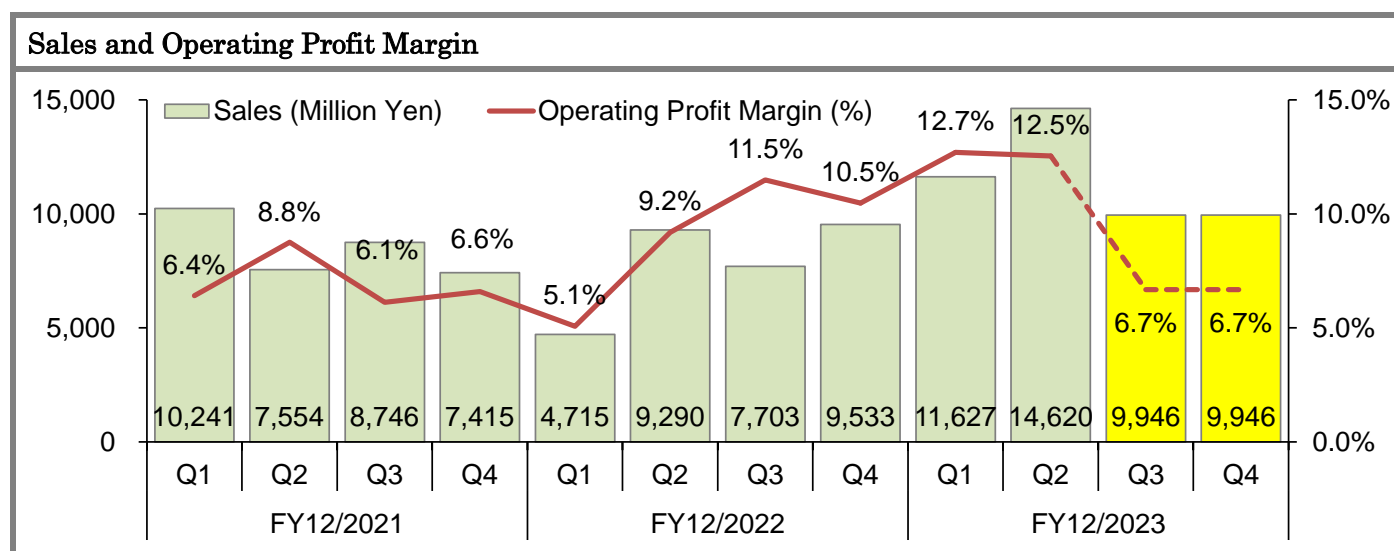
## Company History

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 the 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
May 2023	Set up Osaka sales office in Toyosaki, Kita-ku, Osaka-city

## 4.0 Recent Trading and Prospects

### Q1 to Q2 FY12/2023

For Q1 to Q2 FY12/2023, sales came in at ¥26,247m (up 87.4% YoY), operating profit ¥3,303m (up 202.2%), recurring profit ¥2,918m (up 267.8%) and profit attributable to owners of parent ¥1,929m (up 228.1%). Meanwhile, gross profit came in at ¥5,893m (up 93.7% / net increase: ¥2,850m) and SG&A expenses ¥2,589m (up 32.8% / net increase: ¥640m), implying gross profit margin of 22.5% (up 0.7% points) and SG&A ratio of 9.9% (down 4.1% points), having resulted in operating profit margin of 12.6% (up 4.8% points).



Source: Company Data, WRJ Calculation (Q3 and Q4 FY12/2023: H2 Company forecasts, pro rata)

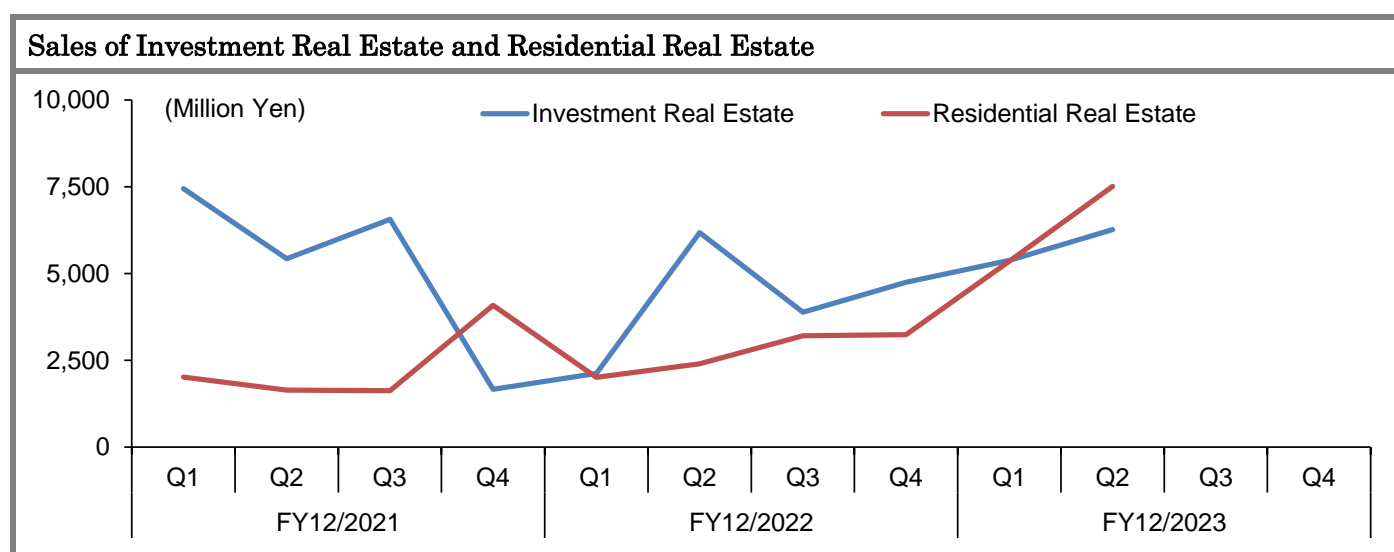
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The net increase in gross profit of ¥2,850m comprised that of ¥2,659m from increase in sales and ¥190m from improvement in gross profit margin, while the net increase in SG&A expenses of ¥640m comprised that of ¥272m from increase in personnel costs, ¥259m from increase in advertising expenses and sales commissions, ¥28m from increase in taxes and other public charges and ¥79m from increase in other expenses. That is to say, the Company has been aggressively contributing expenses to drive sales short-term as well as from a long-term perspective, but an outstanding momentum has been generated for earnings as a substantial sales-increase effect has far more than compensated for the increase in all those expenses.

Meanwhile, the latest FY12/2023 Company forecasts, announced on 18 July 2023, are going for prospective sales of ¥46,139m (up 47.7% YoY), operating profit of ¥4,632m (up 55.6%) and operating profit margin of 10.0% (up 0.5% points), assuming sales of ¥19,982m (up 15.4% YoY), operating profit of ¥1,329m (down 29.4%) and operating profit margin of 6.7% (down 4.2 % points) for H2. In other words, the Company saw progress rate of 56.9% in sales and 71.3% in operating profit for Q1 to Q2, implying a high progress rate for earnings in particular and thus a prospect that earnings are to remarkably adjust for H2. More importantly, however, the Company has stated that the assumptions for H2 are conservative in a word.

### Real Estate Trading Business (95.7% of sales, 91.4% of segment profit)

For Q1 to Q2, the Company saw sales of ¥25,121m (up 94.4%), segment profit ¥4,001m (up 147.6%) and segment profit margin of 15.9% (up 3.4% points) on the mainstay Real Estate Trading Business side (mainly purchase and resale of secondhand condos), having accounted for the bulk of the Company's sales and earnings. By the way, sales comprised ¥11,654m (up 40.4%) of investment real estate (mainly purchase and resale of secondhand condos on a block-by-block basis) and ¥12,871m (up 191.7%) of residential real estate (mainly purchase and resale of secondhand condos on a unit-by-unit basis) in principle. At the same time, sales on the Real Estate Trading Business side also included those of real estate development having come in at ¥285m (versus nothing during the same period of the previous year), real estate specified joint ¥246m (up 63.2%) and other ¥64m (up 8.0%).

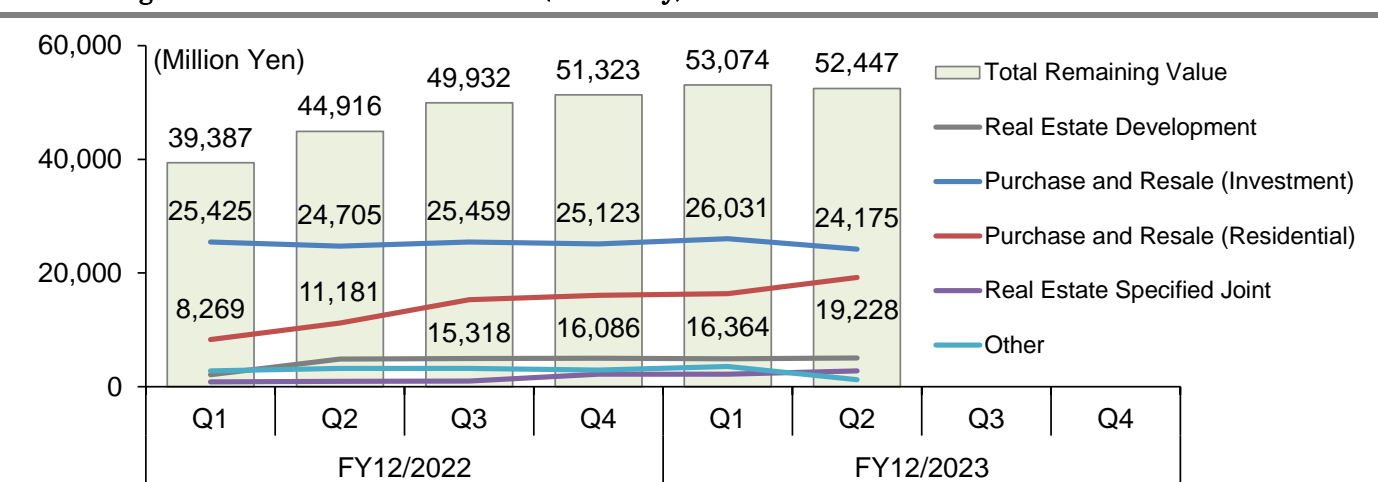


Source: Company Data, WRJ Calculation

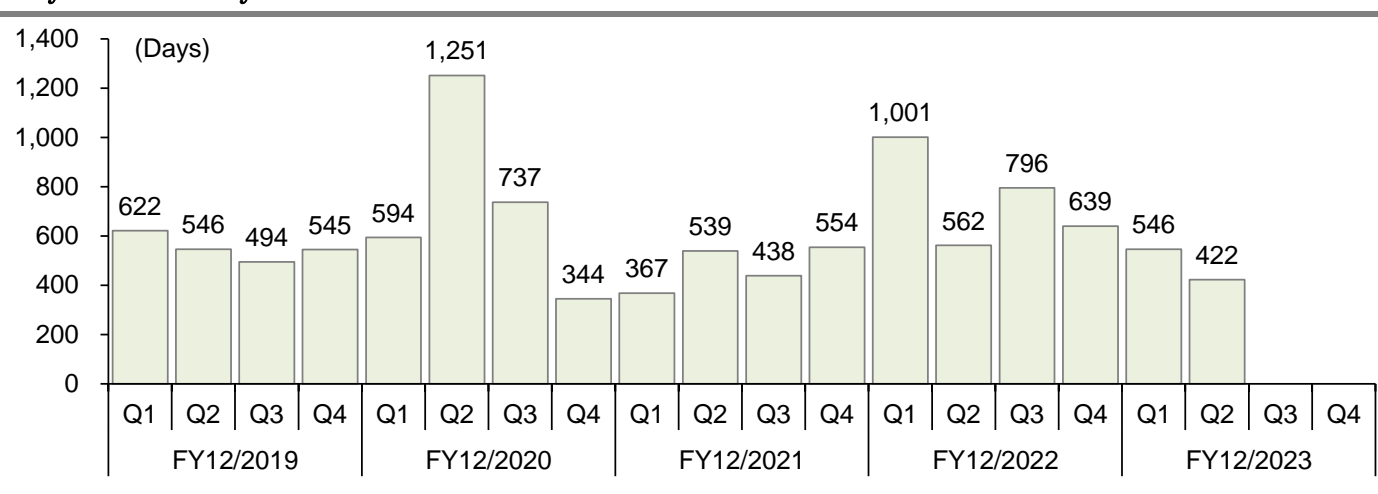
The significant increase in sales of investment real estate and residential real estate is attributed to the following factors: a rebound from slump in sales during the same period of the previous year due to concentration of management resources on purchase, a continued strength (since FY12/2022) of real estate market with which the Company is confronted, a success of its aggressive sales activities and a strength of sales for high-priced properties. For residential real estate on which the Company has been focusing for some time, sales have surged in particular as a result of incremented sales representatives allocated at every sales office newly set up in the major locations. With respect to investment real estate, the Company has been seeing a strength in sales of high-priced properties whose investment value equates ¥300m or more per unit. According to the Company, the sentiment is now enhanced a lot in the market for investment real estate, as foreign investors are resuming investment after the Corona disaster. Furthermore, yen's depreciation is also said to be stimulating foreign investors' appetite for investment.

For real estate development, the Company saw sales for a block out of ones completed for FY12/2022, while having seen two blocks newly completed for Q1 to Q2. For real estate specified joint, the Company saw sales associated with Setagaya Project fully booked, while having begun promotions of sales associated with Edogawa Project since May 2023.

## Remaining Value of Real Estate for Sale (Inventory)



## Days for Inventory Turnover



Source: Company Data, WRJ Calculation

For Q1 to Q2, the Company implemented purchase equating as much as ¥18,142m (down 10.8%), collectively, having comprised ¥6,334m (down 7.6%) of investment real estate, ¥11,076m (up 11.4%) of residential real estate, nothing (versus ¥2,500m during same period of the previous year) of real estate development and ¥732m (down 29.1%) of real estate specified joint. With respect to investment real estate, it appears the Company has been taking a rather cautious stance in purchase because the sentiment is firm in particular as mentioned earlier, while being proactive for residential real estate given the background of steadily having built a system to expand sales for the future. Following the establishment of new sales offices in the major locations, the Company is making progress in assigning sales representatives hired through its aggressive recruitment (both new graduates and mid-career hires) to each new sales office. The number of the Company's sales representatives stood at 80 as of the end of FY12/2021, 104 as of the end of FY12/2022 and 140 as of the end of Q2 FY12/2023, while the Company plans to further increase the number toward the end of FY12/2023.

For real estate development, the Company has failed to purchase anything as the Company has been propelling purchase with an emphasis on economic efficiency in light of soaring material prices and labor costs, although it has concluded some contracts to purchase for Q1 to Q2. For real estate specified joint, the Company has implemented purchase on one project after an assessment of its profitability.

On the other hand, the remaining value of real estate for sale (inventory) has remained high, although days for inventory turnover has continued to decline steadily. It appears that this is accounted for by a balancing out with the above-mentioned purchase. We estimate days for inventory turnover by the definition to equate total remaining value of real estate for sale and that of work-in-progress as of term end, divided by cost of sales during the appropriate quarter, multiplied by 365 and divided by four, i.e., 422 days ( $\cong$  14 months) as of the end of Q2 FY12/2023, having come down to almost the lowest level in the past and thus implying that the Company is seeing an efficiency relatively higher than the past for the operations of purchase and resale.

According to the Company's disclosure, inventory turnover stood at 0.84 times as of the end of Q2 FY12/2023, which is up no less than 0.17 times, when compared with 0.66 times as of the end of FY12/2022. Meanwhile, the Company has a target to raise inventory turnover up to 1.50 times or more as one the policies to pursue efficiency with its Second Midterm Management Plan (FY12/2022 to FY12/2024), announced on 14 February 2022. As noted above, the Company has seen an efficiency relatively higher than the past for the operations of purchase and resale to date, but the Company is trying to get at efficiency even higher as targeted. By the way, the Company defines inventory turnover (times) equating twelve-month sales on the Real Estate Trading Business side in the appropriate period, divided by collective real estate for sale in the previous-and-appropriate period and divided by two for the said data.

#### **Real Estate Leasing and Other Business (4.3% of sales, 8.6% of segment profit)**

On the Real Estate Leasing and Other Business side (mainly acquisition of income from lease), sales came in at ¥1,126m (up 4.2%), segment profit ¥374m (up 2.3%) and segment profit margin 33.2% (down 0.3% points). The inventory of investment real estate, which generates income from lease, has remained at roughly the same level as in the same period of the previous year and sales and segment profit have shown similar trends.

## 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		Net Chg.
(Million Yen)	12/2022	12/2022	12/2022	12/2022	12/2023	12/2023	12/2023	12/2023		
<b>Sales</b>	<b>4,715</b>	<b>14,006</b>	<b>21,709</b>	<b>31,242</b>	<b>11,627</b>	<b>26,247</b>	-	-	-	<b>+12,241</b>
Cost of Sales	3,618	10,963	16,723	24,092	8,922	20,354	-	-	-	+9,391
Gross Profit	1,096	3,043	4,986	7,150	2,704	5,893	-	-	-	+2,850
SG&A Expenses	856	1,949	3,008	4,173	1,233	2,589	-	-	-	+640
<b>Operating Profit</b>	<b>239</b>	<b>1,093</b>	<b>1,978</b>	<b>2,976</b>	<b>1,470</b>	<b>3,303</b>	-	-	-	<b>+2,210</b>
Non Operating Balance	(139)	(300)	(487)	(667)	(191)	(385)	-	-	-	(85)
<b>Recurring Profit</b>	<b>100</b>	<b>793</b>	<b>1,491</b>	<b>2,309</b>	<b>1,279</b>	<b>2,918</b>	-	-	-	<b>+2,125</b>
Extraordinary Balance	-	-	-	(31)	-	(1)	-	-	-	(1)
Profit before Income Taxes	100	793	1,491	2,278	1,279	2,917	-	-	-	+2,124
Total Income Taxes	(8)	205	473	713	433	988	-	-	-	+783
<b>Profit Attributable to Owners of Parent</b>	<b>108</b>	<b>588</b>	<b>1,017</b>	<b>1,564</b>	<b>845</b>	<b>1,929</b>	-	-	-	<b>+1,341</b>
Sales YoY	(54.0%)	(21.3%)	(18.2%)	(8.0%)	+146.6%	+87.4%	-	-	-	-
Operating Profit YoY	(63.5%)	(17.1%)	+6.7%	+27.1%	+513.0%	+202.2%	-	-	-	-
Recurring Profit YoY	(80.6%)	(24.5%)	+3.4%	+30.4%	-	+267.8%	-	-	-	-
Profit Attributable to Owners of Parent YoY	(68.8%)	(20.3%)	(5.0%)	+22.6%	+676.7%	+228.1%	-	-	-	-
Gross Profit Margin	23.3%	21.7%	23.0%	22.9%	23.3%	22.5%	-	-	-	+0.7%
SG&A Ratio	18.2%	13.9%	13.9%	13.4%	10.6%	9.9%	-	-	-	(4.1%)
Operating Profit Margin	5.1%	7.8%	9.1%	9.5%	12.7%	12.6%	-	-	-	+4.8%
Recurring Profit Margin	2.1%	5.7%	6.9%	7.4%	11.0%	11.1%	-	-	-	+5.5%
Profit Attributable to Owners of Parent Margin	2.3%	4.2%	4.7%	5.0%	7.3%	7.3%	-	-	-	+3.2%
Total Income Taxes / Profit before Income Taxes	(8.0%)	25.9%	31.7%	31.3%	33.9%	33.9%	-	-	-	+8.0%

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		Net Chg.
(Million Yen)	12/2022	12/2022	12/2022	12/2022	12/2023	12/2023	12/2023	12/2023		
<b>Sales</b>	<b>4,715</b>	<b>9,291</b>	<b>7,703</b>	<b>9,533</b>	<b>11,627</b>	<b>14,620</b>	-	-	-	<b>+5,329</b>
Cost of Sales	3,618	7,345	5,760	7,369	8,922	11,432	-	-	-	+4,087
Gross Profit	1,096	1,947	1,943	2,164	2,704	3,189	-	-	-	+1,242
SG&A Expenses	856	1,093	1,059	1,165	1,233	1,356	-	-	-	+263
<b>Operating Profit</b>	<b>239</b>	<b>854</b>	<b>885</b>	<b>998</b>	<b>1,470</b>	<b>1,833</b>	-	-	-	<b>+979</b>
Non Operating Balance	(139)	(161)	(187)	(180)	(191)	(194)	-	-	-	(33)
<b>Recurring Profit</b>	<b>100</b>	<b>693</b>	<b>698</b>	<b>818</b>	<b>1,279</b>	<b>1,639</b>	-	-	-	<b>+946</b>
Extraordinary Balance	-	-	-	(31)	-	(1)	-	-	-	(1)
Profit before Income Taxes	100	693	698	787	1,279	1,638	-	-	-	+945
Total Income Taxes	(8)	213	268	240	433	555	-	-	-	+342
<b>Profit Attributable to Owners of Parent</b>	<b>108</b>	<b>480</b>	<b>429</b>	<b>547</b>	<b>845</b>	<b>1,084</b>	-	-	-	<b>+604</b>
Sales YoY	(54.0%)	+23.0%	(11.9%)	+28.6%	+146.6%	+57.4%	-	-	-	-
Operating Profit YoY	(63.5%)	+29.2%	+65.4%	+104.1%	+513.0%	+114.6%	-	-	-	-
Recurring Profit YoY	(80.6%)	+29.8%	+78.1%	+149.4%	-	+136.5%	-	-	-	-
Profit Attributable to Owners of Parent YoY	(68.8%)	+23.4%	+28.4%	+166.8%	+676.7%	+125.8%	-	-	-	-
Gross Profit Margin	23.3%	21.0%	25.2%	22.7%	23.3%	21.8%	-	-	-	+0.9%
SG&A Ratio	18.2%	11.8%	13.7%	12.2%	10.6%	9.3%	-	-	-	(2.5%)
Operating Profit Margin	5.1%	9.2%	11.5%	10.5%	12.7%	12.5%	-	-	-	+3.3%
Recurring Profit Margin	2.1%	7.5%	9.1%	8.6%	11.0%	11.2%	-	-	-	+3.8%
Profit Attributable to Owners of Parent Margin	2.3%	5.2%	5.6%	5.7%	7.3%	7.4%	-	-	-	+2.2%
Total Income Taxes / Profit before Income Taxes	(8.0%)	30.7%	38.4%	30.5%	33.9%	33.9%	-	-	-	+3.1%

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)	12/2022	12/2022	12/2022	12/2022	12/2023	12/2023	12/2023	12/2023	12/2023	Net Chg.
Real Estate Trading	4,175	12,925	20,052	29,016	11,067	25,121	-	-	-	+12,196
Real Estate Leasing and Other	540	1,080	1,657	2,226	560	1,126	-	-	-	+46
<b>Sales</b>	<b>4,715</b>	<b>14,006</b>	<b>21,709</b>	<b>31,242</b>	<b>11,627</b>	<b>26,247</b>	-	-	-	<b>+12,241</b>
Real Estate Trading	438	1,616	2,751	4,051	1,757	4,001	-	-	-	+2,385
Real Estate Leasing and Other	186	362	584	780	182	374	-	-	-	+12
<b>Segment Profit</b>	<b>624</b>	<b>1,978</b>	<b>3,335</b>	<b>4,831</b>	<b>1,939</b>	<b>4,375</b>	-	-	-	<b>+2,397</b>
Adjustment	(384)	(885)	(1,357)	(1,854)	(468)	(1,071)	-	-	-	(186)
<b>Operating Profit</b>	<b>239</b>	<b>1,093</b>	<b>1,978</b>	<b>2,976</b>	<b>1,470</b>	<b>3,303</b>	-	-	-	<b>+2,210</b>
Real Estate Trading	10.5%	12.5%	13.7%	14.0%	15.9%	15.9%	-	-	-	+3.4%
Real Estate Leasing and Other	34.4%	33.5%	35.2%	35.1%	32.5%	33.2%	-	-	-	(0.3%)
Adjustment	(8.1%)	(6.3%)	(6.3%)	(5.9%)	(4.0%)	(4.1%)	-	-	-	+2.2%
<b>Operating Profit Margin</b>	<b>5.1%</b>	<b>7.8%</b>	<b>9.1%</b>	<b>9.5%</b>	<b>12.6%</b>	<b>12.6%</b>	-	-	-	<b>+4.8%</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)	12/2022	12/2022	12/2022	12/2022	12/2023	12/2023	12/2023	12/2023	12/2023	Net Chg.
Real Estate Trading	4,175	8,750	7,127	8,964	11,067	14,054	-	-	-	+5,304
Real Estate Leasing and Other	540	540	577	569	560	566	-	-	-	+26
<b>Sales</b>	<b>4,715</b>	<b>9,291</b>	<b>7,703</b>	<b>9,533</b>	<b>11,627</b>	<b>14,620</b>	-	-	-	<b>+5,329</b>
Real Estate Trading	438	1,178	1,135	1,300	1,757	2,244	-	-	-	+1,066
Real Estate Leasing and Other	186	176	222	196	182	192	-	-	-	+16
<b>Segment Profit</b>	<b>624</b>	<b>1,354</b>	<b>1,357</b>	<b>1,496</b>	<b>1,939</b>	<b>2,436</b>	-	-	-	<b>+1,082</b>
Adjustment	(384)	(501)	(472)	(497)	(468)	(603)	-	-	-	(102)
<b>Operating Profit</b>	<b>239</b>	<b>854</b>	<b>885</b>	<b>998</b>	<b>1,470</b>	<b>1,833</b>	-	-	-	<b>+979</b>
Real Estate Trading	10.5%	13.5%	15.9%	14.5%	15.9%	16.0%	-	-	-	+2.5%
Real Estate Leasing and Other	34.4%	32.6%	38.5%	34.4%	32.5%	33.9%	-	-	-	+1.3%
Adjustment	(8.1%)	(5.4%)	(6.1%)	(5.2%)	(4.0%)	(4.1%)	-	-	-	+1.3%
<b>Operating Profit Margin</b>	<b>5.1%</b>	<b>9.2%</b>	<b>11.5%</b>	<b>10.5%</b>	<b>12.6%</b>	<b>12.5%</b>	-	-	-	<b>+3.3%</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 12/2022	Q2 12/2022	Q3 12/2022	Q4 12/2022	Q1 12/2023	Q2 12/2023	Q3 12/2023	Q4 12/2023		
Cash and Deposit	14,539	17,836	16,651	17,754	18,033	18,450	-	-	-	+614
Accounts Receivables	27	23	32	23	44	39	-	-	-	+16
Real Estate for Sale	39,206	44,759	49,739	51,116	52,874	52,234	-	-	-	+7,475
Real Estate for Sale in Process	479	438	498	517	553	644	-	-	-	+206
Other	731	642	629	764	760	539	-	-	-	(103)
<b>Current Assets</b>	<b>54,982</b>	<b>63,698</b>	<b>67,549</b>	<b>70,174</b>	<b>72,264</b>	<b>71,906</b>	-	-	-	<b>+8,208</b>
Tangible Assets	7,596	7,604	7,569	6,430	6,397	6,373	-	-	-	(1,231)
Intangible Assets	91	92	89	84	82	80	-	-	-	(12)
Investments and Other Assets	715	624	679	698	720	738	-	-	-	+114
<b>Fixed Assets</b>	<b>8,403</b>	<b>8,320</b>	<b>8,338</b>	<b>7,213</b>	<b>7,201</b>	<b>7,192</b>	-	-	-	<b>(1,128)</b>
<b>Deferred Assets</b>	<b>43</b>	<b>66</b>	<b>62</b>	<b>60</b>	<b>54</b>	<b>49</b>	-	-	-	<b>(17)</b>
<b>Total Assets</b>	<b>63,429</b>	<b>72,086</b>	<b>75,950</b>	<b>77,448</b>	<b>79,520</b>	<b>79,148</b>	-	-	-	<b>+7,062</b>
Accounts Payables	436	472	583	495	472	625	-	-	-	+153
Short Term Debt	5,793	6,120	6,005	6,023	9,091	9,745	-	-	-	+3,625
Current Portion of Bonds Payable	865	1,007	3,052	3,091	3,068	3,095	-	-	-	+2,088
Current Portion of Long-term Debt	3,882	4,791	6,806	6,520	5,926	3,589	-	-	-	(1,202)
Other	1,342	1,503	1,792	2,372	2,291	3,197	-	-	-	+1,694
<b>Current Liabilities</b>	<b>12,318</b>	<b>13,893</b>	<b>18,238</b>	<b>18,501</b>	<b>20,848</b>	<b>20,251</b>	-	-	-	<b>+6,358</b>
Bonds Payable	3,436	6,861	4,637	4,623	4,467	4,315	-	-	-	(2,546)
Long Term Debt	23,870	27,072	28,384	29,049	28,538	27,769	-	-	-	+697
Other	649	631	633	670	686	693	-	-	-	+62
<b>Fixed Liabilities</b>	<b>27,955</b>	<b>34,564</b>	<b>33,654</b>	<b>34,342</b>	<b>33,691</b>	<b>32,777</b>	-	-	-	<b>(1,787)</b>
<b>Total Liabilities</b>	<b>40,273</b>	<b>48,458</b>	<b>51,893</b>	<b>52,843</b>	<b>54,540</b>	<b>53,028</b>	-	-	-	<b>+4,570</b>
<b>Shareholders' Equity</b>	<b>23,063</b>	<b>23,535</b>	<b>23,964</b>	<b>24,511</b>	<b>24,887</b>	<b>26,027</b>	-	-	-	<b>+2,492</b>
Other	93	92	93	93	93	93	-	-	-	+1
<b>Net Assets</b>	<b>23,156</b>	<b>23,627</b>	<b>24,057</b>	<b>24,604</b>	<b>24,980</b>	<b>26,120</b>	-	-	-	<b>+2,493</b>
<b>Total Liabilities &amp; Net Assets</b>	<b>63,429</b>	<b>72,086</b>	<b>75,950</b>	<b>77,448</b>	<b>79,520</b>	<b>79,148</b>	-	-	-	<b>+7,062</b>
Equity Capital	23,063	23,535	23,964	24,511	24,887	26,027	-	-	-	+2,492
Interest Bearing Debt	37,846	45,851	48,884	49,306	51,090	48,513	-	-	-	+2,662
Net Debt	23,307	28,015	32,233	31,552	33,057	30,063	-	-	-	+2,048
Equity Ratio	36.4%	32.6%	31.6%	31.6%	31.3%	32.9%	-	-	-	-
Net Debt Equity Ratio	101.1%	119.0%	134.5%	128.7%	132.8%	115.5%	-	-	-	-
ROE (12 months)	4.5%	4.8%	5.2%	6.5%	9.6%	11.7%	-	-	-	-
ROA (12 months)	2.2%	2.3%	2.6%	3.3%	4.9%	5.9%	-	-	-	-
Days for Inventory Turnover	1,000	561	795	639	546	422	-	-	-	-
Quick Ratio	118%	129%	91%	96%	87%	91%	-	-	-	-
Current Ratio	446%	458%	370%	379%	347%	355%	-	-	-	-

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 12/2022	Q1 to Q2 12/2022	Q1 to Q3 12/2022	Q1 to Q4 12/2022	Q1 12/2023	Q1 to Q2 12/2023	Q1 to Q3 12/2023	Q1 to Q4 12/2023		
Operating Cash Flow	-	(8,042)	-	(11,491)	-	2,006	-	-	-	+10,048
Investing Cash Flow	-	(185)	-	(157)	-	(128)	-	-	-	+57
<b>Operating Cash Flow and Investing Cash Flow</b>	<b>-</b>	<b>(8,227)</b>	<b>-</b>	<b>(11,648)</b>	<b>-</b>	<b>1,878</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>+10,105</b>
Financing Cash Flow	-	8,399	-	11,847	-	(1,266)	-	-	-	(9,665)

Source: Company Data, WRJ Calculation

## FY12/2023 Company Forecasts

FY12/2023 Company forecasts, announced on 18 July 2023, have remained unchanged, going for prospective sales of ¥46,139m (up 47.7% YoY), operating profit of ¥4,632m (up 55.6%), recurring profit of ¥3,860m (up 67.2%) and profit attributable to owners of parent of ¥2,522m (up 61.2%), while operating profit margin of 10.0% (up 0.5% points). Compared with initial Company forecasts, announced on 14 February 2023, the Company has revised up its forecasts by ¥274m (0.6%) in sales, ¥1,007m (27.8%) in operating profit, ¥1,020m (35.9%) in recurring profit and ¥659m (35.4%) in profit attributable to owners of parent. By the way, the Company has set a long-term payout ratio target of 40% or more and it has revised up its planned annual dividend from ¥32.00 to ¥43.00, implying payout ratio of 40.1%, as a result of the above-mentioned upward revision for profit attributable to owners of parent or the dividend resource.

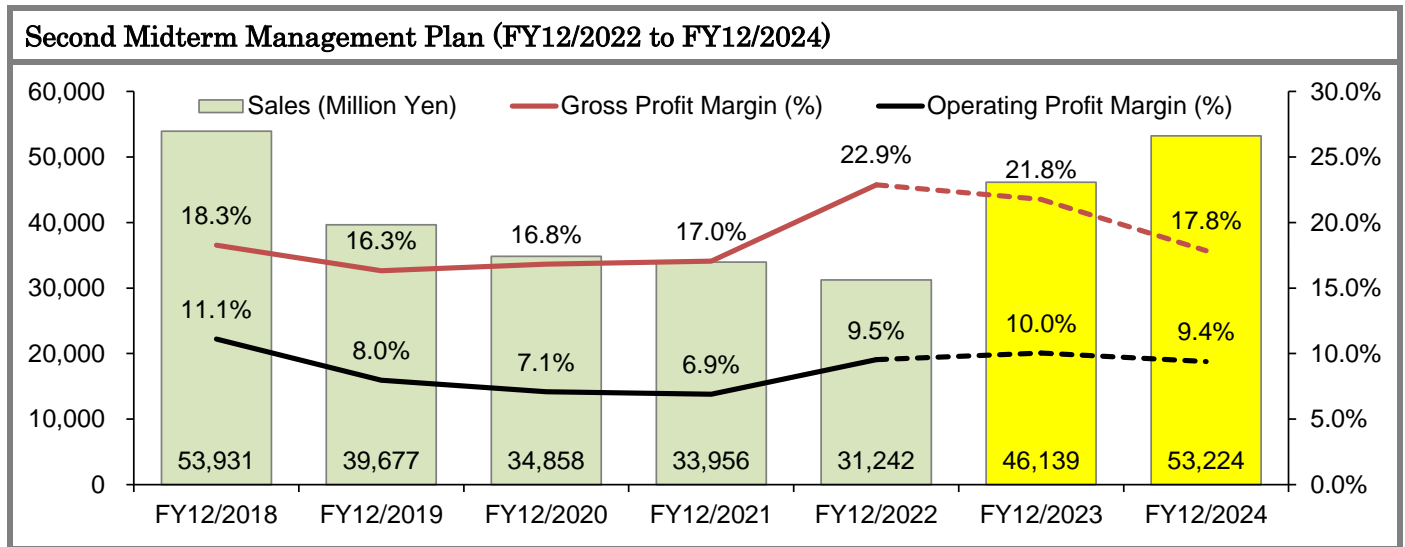
### FY12/2023 Company Forecasts and Actual Results

Consolidated Fiscal Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
FY12/2023CoE	14-Feb-23	Q4 Results	45,865	3,625	2,840	1,863
FY12/2023CoE	12-May-23	Q1 Results	45,865	3,625	2,840	1,863
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
FY12/2023CoE	18-Jul-23	Revision	46,139	4,632	3,860	2,522
		Amount of Gap	274	1,007	1,020	659
		Rate of Gap	0.6%	27.8%	35.9%	35.4%
FY12/2023CoE	4-Aug-23	Q2 Results	46,139	4,632	3,860	2,522
		Amount of Gap	0	0	0	0
		Rate of Gap	0.0%	0.0%	0.0%	0.0%
FY12/2023CoE	14-Feb-23	Q4 Results	45,865	3,625	2,840	1,863
FY12/2023CoE	18-Jul-23	Revision	46,139	4,632	3,860	2,522
		Amount of Gap	274	1,007	1,020	659
		Rate of Gap	0.6%	27.8%	35.9%	35.4%
Consolidated Half Year (Million Yen)	Date	Event	Sales	Operating Profit	Recurring Profit	Profit Attributable to Owners of Parent
Q1 to Q2 FY12/2023CoE	14-Feb-23	Q4 Results	-	-	-	-
Q1 to Q2 FY12/2023CoE	12-May-23	Q1 Results	-	-	-	-
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Q1 to Q2 FY12/2023CoE	18-Jul-23	Revision	-	-	-	-
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Q1 to Q2 FY12/2023Act	4-Aug-23	Q2 Results	26,247	3,303	2,918	1,929
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Q1 to Q2 FY12/2023CoE	14-Feb-23	Q4 Results	-	-	-	-
Q1 to Q2 FY12/2023CoE	18-Jul-23	Revision	-	-	-	-
		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 FY12/2023CoE	14-Feb-23	Q4 Results	-	-	-	-
Q3 to Q4 FY12/2023CoE	12-May-23	Q1 Results	-	-	-	-
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Q3 to Q4 FY12/2023CoE	18-Jul-23	Revision	-	-	-	-
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Q3 to Q4 FY12/2023CoE	4-Aug-23	Q2 Results	19,892	1,329	942	593
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-
Q3 to Q4 FY12/2023CoE	14-Feb-23	Q4 Results	-	-	-	-
Q3 to Q4 FY12/2023CoE	4-Aug-23	Q2 Results	19,892	1,329	942	593
		Amount of Gap	-	-	-	-
		Rate of Gap	-	-	-	-

Source: Company Data, WRJ Calculation

### Long-Term Prospects

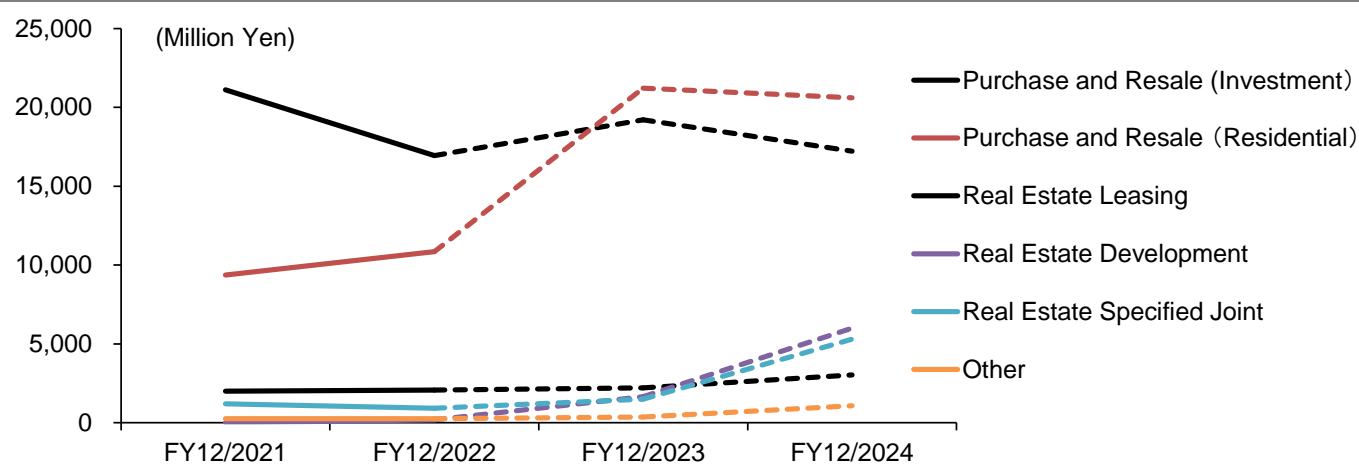
On 14 February 2022, the Company announced its Second Midterm Management Plan (FY12/2022 to FY12/2024), calling for prospective sales of ¥53,224m, operating profit of ¥4,991m and operating profit margin of 9.4% for FY12/2024, the final year of the plan, as performance target, implying CAGR of 16.2% in sales and 28.7% in earnings toward FY12/2024, when setting the FY12/2021 results as the point of origin. Thus, the plan is calling for improvement by 2.5% points in operating profit margin during the relevant period. So far, the performance target has remained unchanged.



Source: Company Data, WRJ Calculation

With respect to the FY12/2022 results, the first year, sales have fallen short of assumptions of the midterm management plan by no less than ¥7,605m (19.6%), but operating profit was better by ¥352m (13.4%). According to the Company, it has begun implementing a strategy of concentrating management resources on residential real estate with respect to the mainstay operations of purchase and resale in earnest for FY12/2022 and it was the case for the fiscal year under review that the bulk of the resources was allocated to purchase of properties on the expense of sales promotions as an aspect. On top of this, the Company had an aspect of having focused on profitability in its sales activities and sales were forced to have substantially fallen short of. However, the Company saw gross profit margin of 22.9% (up 5.9 % points YoY), which was consequently a fairly favorable achievement in terms of profitability.

## Second Midterm Management Plan (FY12/2022 to FY12/2024): Sales Breakdown



Source: Company Data, WRJ Calculation

For FY12/2023, the second year of the midterm management plan, the Company has been seeing performance as discussed, while the latest FY12/2023 Company forecasts, announced on 18 July 2023, are going for prospective sales higher by ¥1,479m (3.3%) and operating profit higher by ¥1,118m (31.8%), when compared with assumptions of the midterm management plan. The Company suggests that it is currently in the process of assessing its actual performance trends for H2 FY12/2023, which will be followed by the announcement on the degree of upward revision for FY12/2024 performance target based on the results of the assessment, as far as we could gather.

With respect to the operations of real estate development and real estate specified joint, it has been the case that sales have been falling short of assumptions of the midterm management plan and it appears being unlikely for the assumptions to be met for FY12/2024, the final year. However, all those negative factors have been far more than compensated for by unexpected strengths on sales in operations of purchase and resale most recently, which has a high potential to persist for FY12/2024.

For the operations of real estate development and real estate specified joint, there is an aspect that the Company makes a horizontal expansion by means of utilizing its expertise and knowhow, accumulated in the mainstay operations of purchase and resale, while the Company has begun to do so also region-wise most lately. On 11 May 2023, the Company announced that it was entering the western Japan area for the operations of purchase and resale, having newly opened Osaka sales office on the following day (12 May), which will serve as a bridgehead for the Company's operations in the local and surrounding areas. The Company suggests that this is a startup genuinely from scratch, possibly beginning to see sales as early as Q1 FY12/2024 in spite of the fact.

On 14 September 2023, by the way, the Company made an announcement ([document released in Japanese](#)) of progress on the project to fulfill the criteria of the listing on Prime Market and application of selecting the listing on Standard Market, having revealed its schedule to make a transition to Standard Market on 20 October 2023.

## 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>46,139</b>	<b>+14,897</b>
Cost of Sales	44,084	33,202	28,994	28,168	24,092	36,099	+12,007
Gross Profit	9,847	6,475	5,864	5,788	7,150	10,040	+2,890
SG&A Expenses	3,862	3,317	3,398	3,445	4,173	5,408	+1,235
<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>4,632</b>	<b>+1,656</b>
Non Operating Balance	(748)	(664)	(680)	(572)	(667)	(772)	(105)
<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>3,860</b>	<b>+1,551</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>2,522</b>	<b>+958</b>
Sales YoY	(15.2%)	(26.4%)	(12.1%)	(2.6%)	(8.0%)	+47.7%	-
Operating Profit YoY	(16.0%)	(47.2%)	(21.9%)	(5.0%)	+27.1%	+55.6%	-
Recurring Profit YoY	(19.2%)	(52.4%)	(28.4%)	(0.8%)	+30.4%	+67.2%	-
Profit Attributable to Owners of Parent YoY	(21.5%)	(49.7%)	(64.5%)	+113.0%	+22.6%	+61.2%	-
Gross Profit Margin	18.3%	16.3%	16.8%	17.0%	22.9%	21.8%	(1.1%)
SG&A Ratio	7.2%	8.4%	9.7%	10.1%	13.4%	11.7%	(1.6%)
Operating Profit Margin	11.1%	8.0%	7.1%	6.9%	9.5%	10.0%	+0.5%
Recurring Profit Margin	9.7%	6.3%	5.1%	5.2%	7.4%	8.4%	+1.0%
Profit Attributable to Owners of Parent Margin	6.2%	4.3%	1.7%	3.8%	5.0%	5.5%	+0.5%
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	43,790	+14,774
Real Estate Leasing and Other	3,234	3,275	2,992	2,113	2,226	2,348	+122
<b>Sales</b>	<b>53,931</b>	<b>39,677</b>	<b>34,858</b>	<b>33,956</b>	<b>31,242</b>	<b>46,139</b>	<b>+14,897</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>4,632</b>	<b>+1,656</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>10.0%</b>	<b>+0.5%</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%	-	-
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 12/2018	FY 12/2019	FY 12/2020	FY 12/2021	FY 12/2022	FY 12/2023	YoY 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	107.22	-
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	43.00	-
Per Share Data (After Adjustments for Split) (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.
Share Split Factor	1	1	1	1	1	1	-
Earnings Per Share	137.80	69.38	24.98	53.25	66.56	107.22	-
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	43.00	-
Payout Ratio	21.8%	43.2%	40.0%	28.2%	30.0%	40.1%	-

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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