

### **FY2025 Second Quarter Financial Results**

June 30, 2025





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- a. Financial result summary
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#### 3. Summary of Discussion with Shareholders etc. (Q&A)

- a. Our perception of stock price
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- a. Summary of our Mid-Term Plan (Excerpt from FY2024 Financial Results)
- b. Our business

For further detail, please see our Mid-Term Plan "Find the Value 2026" and newly published "Fact Book".



## Financial result summary

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## Topics of the Mid-Term Plan

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#### **FY2025 Forecast**

P.24~

## Our perception of stock price

P.29~

#### Both revenue & profit reached a record high in Q2 YTD.

Significant increase in # of units sold & robust sales of high-priced condos drove profit growth.

#### The current progress is extremely favorable.

■ Progress rates: Sales **52.6**%, Operating profit **63.8**%, Net profit **70.6**%

Business strategy: Favorable KPI progress drives strong results.

Financial strategy: Equity Ratio was improved to 25+% thanks to Approx. JPY 0.7bn capital increase.

IR strategy: Establishing a robust investor relationship.

Pursuing profit growth by +10% (YoY) & record-high operating profit.

#### Accelerating condo purchase toward profit growth from FY2026 onwards.

- Continue our basic purchase strategy; mainly focus on owner-change condos in urban areas.
- Anticipate increase in consumption tax (SG&A) due to rising unit price (purchase) and borrowing costs (non-operating expenses) with an increase debt.

#### Our stock price rose by +70% since the Mid-term plan period.

We understand the positive response to our mid-term plan's upward revision and favorable financial results.

#### We see rooms for further valuation improvement on a NAV basis.

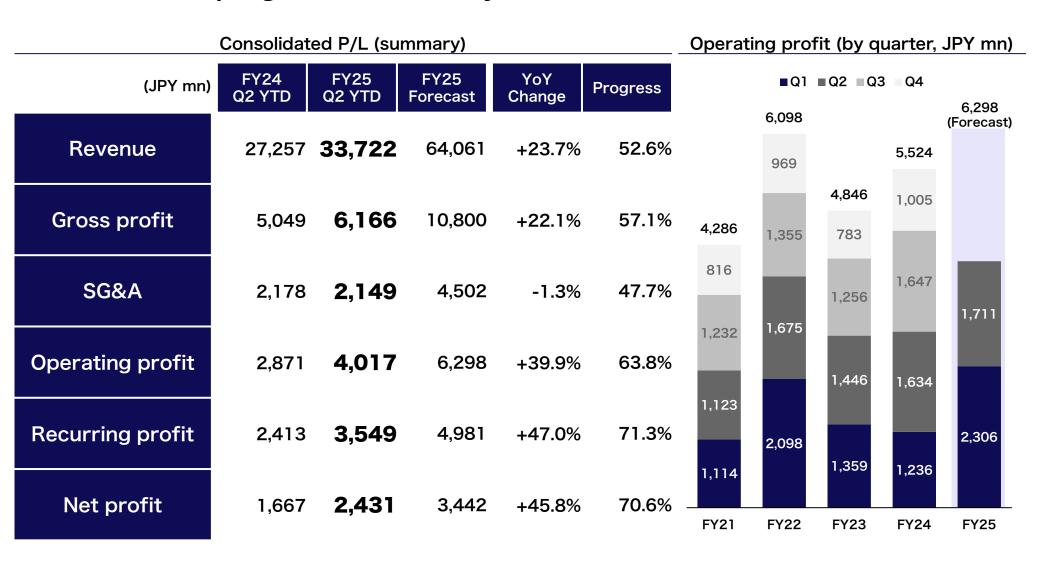
 Aim to further enhance valuation by improving PER and eliminating undervaluation on a NAV basis.



# FY2025 Second Quarter Financial Result Summary

a. Financial result summary

- Both revenue & profit reached a record high in Q2 YTD.
- The current progress is extremely favorable.

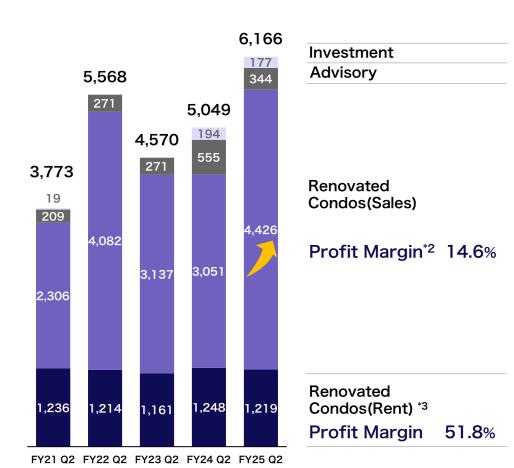


#### Significant profit increase in Renovated condominium segment (Sales) drove record-high earnings.

Revenue and gross profit (by segment)

(JI	PY mn)	FY24 Q2 YTD	FY25 Q2 YTD	YoY Change
Revenue		27,257	33,722	+23.7%
Renovated condom business	ninium	25,716	32,843	+27.7%
R	ent	2,277	2,351	+3.3%
S	ales	23,439	30,492	+30.1%
Investment busines	ss	883	426	-51.8%
Advisory business		656	452	-31.1%
Gross profit		5,049	6,166	+22.1%
Renovated condom business	inium	4,299	5,645	+31.3%
Re	ent	1,248	1,219	-2.3%
Sa	ales*1	3,051	4,426	+45.1%
Investment busines	s	194	177	-9.1%
Advisory business		555	344	-38.0%

Gross profit (by segment, JPY mn)

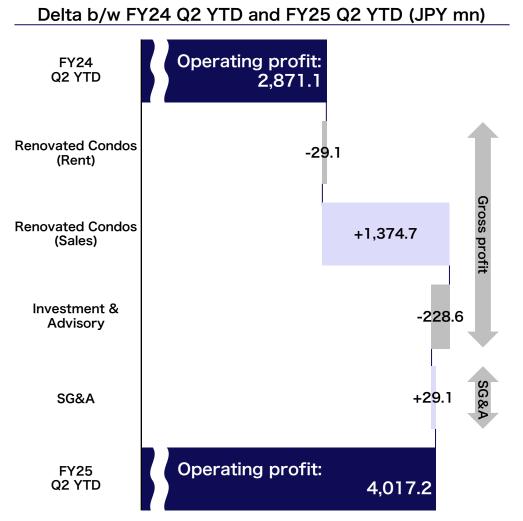


<sup>\*2</sup> Profit margin excluding MTM loss (JPY 32.9mn)

<sup>\*3</sup> Depreciation for properties have been recorded as costs since FY23.

<sup>\*1</sup> Including mark-to-market (MTM) loss (FY24 Q2 YTD: JPY 68.4mn / FY25 Q2 YTD: JPY 32.9mn)

 Success of back to owner-change condos and sales of high-priced renovated vacant condos drove profit growth.



#### Main reasons

#### **Renovated Condos (Rent)**

■ Increase in depreciation costs (FY24 Q2 YTD: JPY -108.3mn -> FY25 Q2 YTD: JPY -155.2mn, JPY -46.9mn)

#### **Renovated Condos (Sales)**

- Renovated OC condos\*1: Increasing sales volume through active sales efforts
  - (FY24 Q2 YTD: 178 units -> FY25 Q2 YTD: 236 units, JPY +523.8mn)
- Other OC condos\*2: Increase in # of condos sold thanks to diversifying exit strategies
  - (FY24 Q2 YTD : 69 units -> FY25 Q2 YTD : 277 units, JPY +384.7mn)
- Renovated vacant condos\*3: Increase in profit margin thanks to the sales of high-priced condos
  - (FY24 Q2 YTD: 8.1% -> FY25 Q2 YTD: 10.3%, JPY +312.8mn)

#### **Other Gross Profit**

- Investment: Decrease in gains from whole building sale (FY24 Q2 YTD: JPY 59.3mn -> FY25 Q2 YTD: JPY 15.2mn, JPY -44.0mn)
- Advisory: Decrease of one-time consulting fees (JPY -212.5mn)

#### SG&A

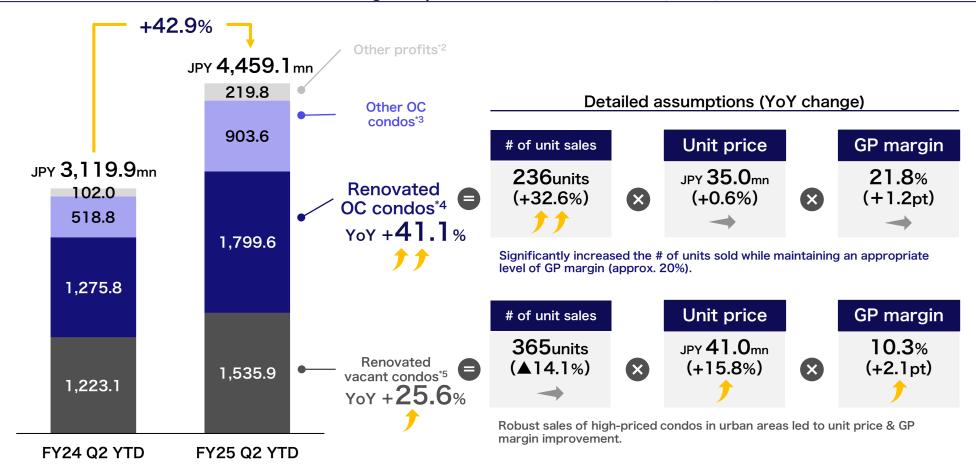
- Personnel expenses
  - (FY24 Q2 YTD: JPY -960.7mn -> FY25 Q2 YTD: JPY -1,104.8mn, JPY -144.1mn)
- Consumption tax
- (FY24 Q2 YTD: JPY -668.9mn -> FY25 Q2 YTD: JPY -417.2mn, JPY +251.6mn)
- Other expenses
- (FY24 Q2 YTD: JPY -549.0mn -> FY25 Q2 YTD: JPY -627.5mn, JPY -78.4mn)
- \*2 Purchase as an owner-change condo and sell it while it is still with tenants
- \*3 Purchase as a vacant condo, renovate and sell it

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<sup>\*1</sup> Purchase as an owner-change condo, renovate it after the tenant's leave, and then sell it

 Expand profits by increasing the number of units sold of owner-change condos which have relatively high profit margin.

#### Breakdown of gross profit in renovated condos (Sales)\*1



 <sup>\*1</sup> Excluding mark-to-market (MTM) loss (FY24 Q2 YTD: JPY 68.4mn / FY25 Q2 YTD: JPY 32.9mn)
 \*2 Dividend income from funds etc.

<sup>\*3</sup> Purchase as an owner-change condo and sell it while it is still with tenants

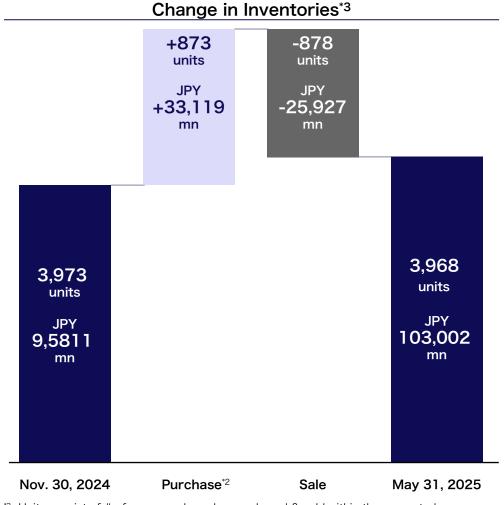
<sup>\*4</sup> Purchase as an owner-change condo, renovate it after the tenant's leave, and then sell it

<sup>\*5</sup> Purchase as a vacant condo, renovate and sell it

- Strong progress in property purchase led to the MTP goal of JPY 100bn in inventory ahead of plan.
- Equity ratio exceeded the goal of 25% thanks to the capital increase of approx. JPY 0.7bn (discussed later) etc.

**Consolidated BS (Summary)** 

(JPY mn)	Nov. 30, 2024	May 31, 2025	Change
Current assets	99,532	108,270	+8.8%
Cash and deposits	1,904	3,462	+81.8%
Inventories*1	95,811	103,002	+7.5%
Fixed assets	3,227	3,944	+22.2%
Total assets	102,760	112,215	+9.2%
Short-term liabilities	16,065	14,443	-10.1%
Long-term liabilities	61,195	69,156	+13.0%
Shareholder's equity	25,441	28,542	+12.2%
Equity Ratio	24.8%	25.4%	+0.7%



<sup>&</sup>lt;sup>\*1</sup> All owned condominiums (with or without tenants) and income-generated whole building <sup>\*2</sup> Including increase in book value through renovation

<sup>\*3</sup> Units consist of # of pre-owned condos purchased & sold within the renovated condo business



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# FY2025 Second Quarter Financial Result Summary

b. Topics of the Mid-Term Plan

## Business strategy topics

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## Financial strategy topics

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## IR strategy topics

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#### Back to owner-change condos

■ % of units (OC): Purchase 53%, Sales 58% / Exceeding the full-year plan in both purchase & sale.

#### Market share expansion in urban areas

■ # of condos purchased in urban areas: 70% / Favorable sales progress in urban areas.

#### Improve efficiency (shorten sales turnover)

■ Days for commercialization: 89, Days for sales: 109 / Sales turnover period is getting shortened thanks to inventory management leveraging data and logic.

#### **Shortening OC turnover period**

■ Drastic increase in the # of units sold and revenue through diversified exit strategies of OC condos contributed to significantly shorten the OC turnover period.

#### Aggressive growth investment

- Expanding property investment as growth investment.
- Condo purchases are progressing favorably at a high pace (JPY 33.4bn) against the annual plan (JPY 50-55bn).

#### Third-party allotment and capital and business alliance

- Approx. JPY 0.7bn of equity financing strengthened our financial foundation and enabled for further growth investments.
- By accelerating fund formation with DBJ, we aim to maximize corporate value through the diversification of financing methods etc.

#### Formation of a securitization fund

 Formed the first securitization fund during the MTP period (sold trust beneficiary rights for 116 units of our pre-owned condos w/tenants at JPY 2.4bn.)

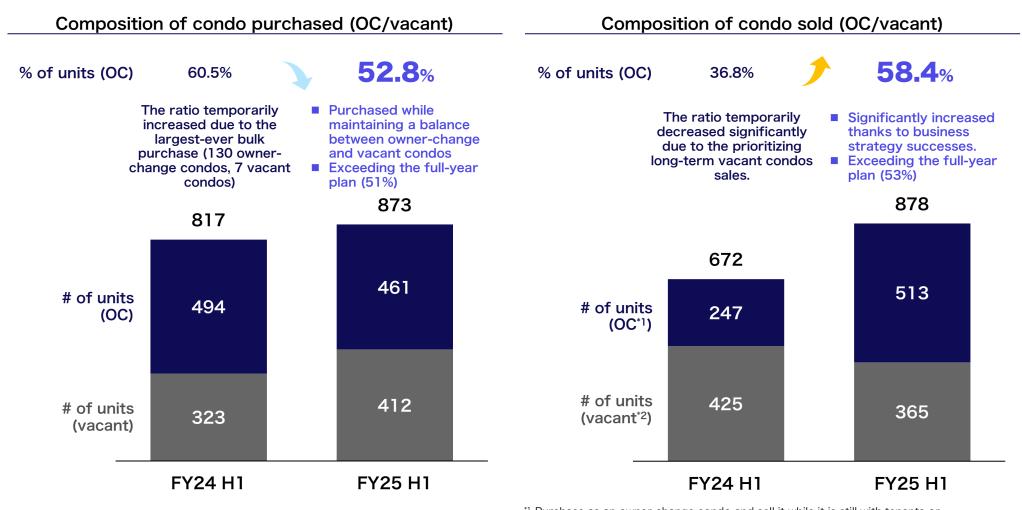
#### Shareholder returns

 Aiming for 40% of total shareholder return, already resolved JPY 0.3bn buyback in Feb. (in progress) and JPY 30.0 DPS (forecast) in FY2025.

#### Active dialogue with shareholders

- Doubled # of lonl meeting w/domestic institutional investors and analysts.
- Conducted EU non-deal roadshow and had nine 1 on 1 meetings in UK & Austria.
- Participated in three IR seminars for individual investors.

- % of owner-change condos in both purchases and sales exceeded the full-year plan.



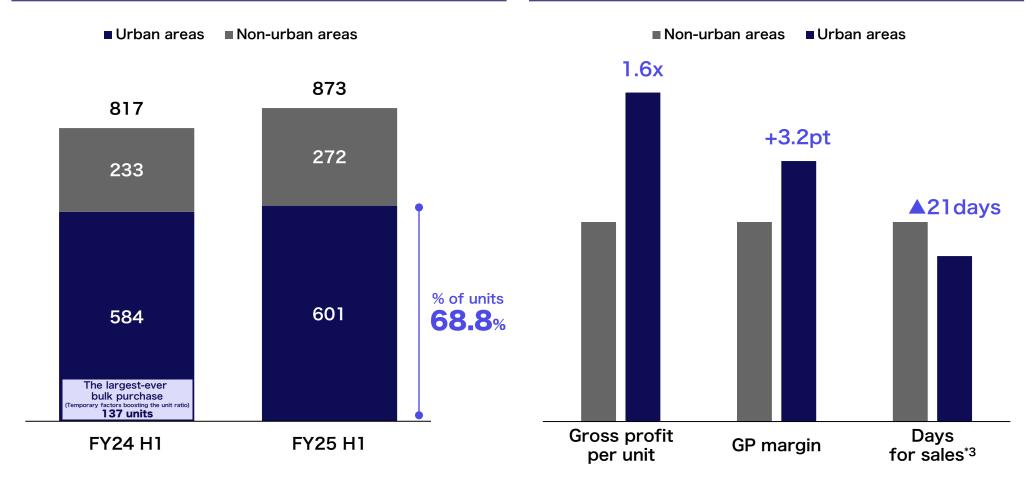
<sup>&</sup>lt;sup>\*1</sup> Purchase as an owner-change condo and sell it while it is still with tenants or purchase as an owner-change condo, renovate it after the tenant's leave, and then sell it

<sup>\*2</sup> Purchase as a vacant condo, renovate and sell it

- The % of units purchased in urban areas in H1 hit 70% thanks to active condo purchasing in that area.
- Thanks to the solid demand, pre-owned condos in urban areas are selling faster

with higher prices.
# of condos purchased in urban areas\*1 and non-urban areas\*2

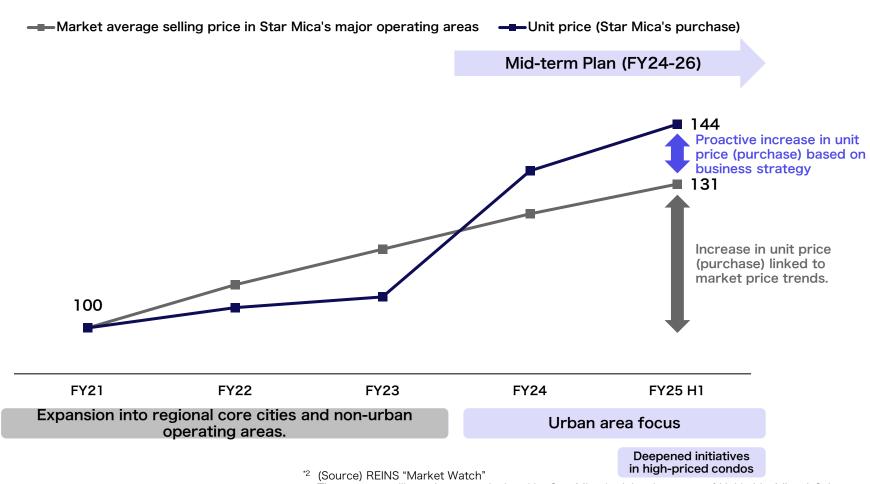
Comparison of sales performance in urban\*1 and non-urban\*2 areas (FY2025 H1 results)



<sup>&</sup>lt;sup>\*1</sup> Urban areas: Cities where our branches are located (Tokyo is consisted of 23 wards) <sup>\*2</sup> Non-urban areas: Areas in which we purchased pre-owned condos, excluding urban areas <sup>\*3</sup> Start date of sales listing ~ End date of sales listing (Contract date)

 Since FY2024, we have actively increased unit prices (purchase) by focusing on urban area and driving initiatives in high-priced condos.

Our unit price (purchase)\*1 and market average selling price in major operating areas.\*2 (Index, FY2021=100)



<sup>\*1</sup> Average of pre-owned condos purchased for renovated condo business

Key

purchase

strategies

The average selling price was calculated by Star Mica (weighted average of Hokkaido, Miyagi, Saitama, Chiba, Tokyo, Kanagawa, Kyoto, Osaka, Hyogo, and Fukuoka prefectures).

- Completed the largest-ever bulk purchase (137 units) in March 2024.
- Sold 53 units as of FY2025 Q2.

#### **Property Overview**



Location: # of purchase: **71** units Chuo-ku, Tokyo (Total # of units: 624units)



Location: # of purchase: **26** units Ota-ku, Tokyo (Total # of units: 216units)

c. Park Heights Azusawa

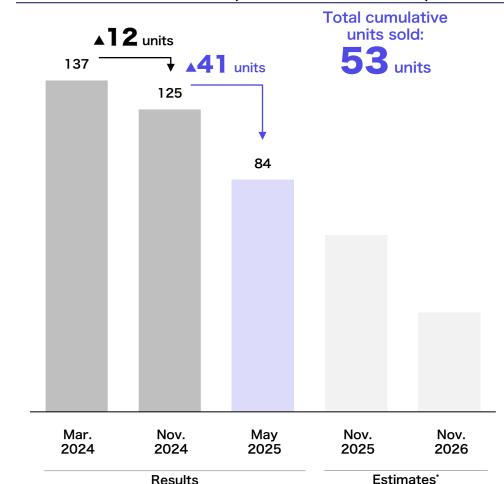
Location: # of purchase: **24** units Itabashi-ku, Tokyo (Total # of units: 271 units)

d. Sanno Garden Heights

Location: # of purchase: 10 units
Ota-ku, Tokyo (Total # of units: 132units)

e. Sakuragaoka Flat

Location: # of purchase: **6** units Setagaya-ku, Tokyo (Total # of units: 226units) # of units hold (results and estimates)



\* Estimates based on the total cumulative units sold and the remaining lease term of the properties as of May 31, 2025







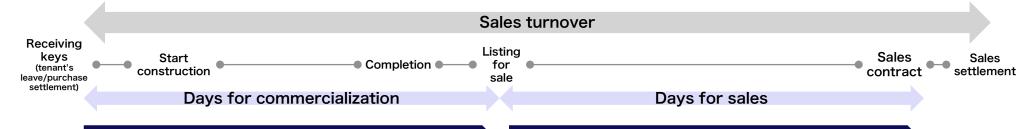


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Total: **137** 

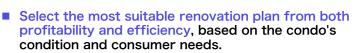
units

#### Sales turnover period is getting shortened thanks to inventory management leveraging data and logic.



#### <Days for commercialization> 115 113 (days) 101 89 Improved by shortening the number of days from key receipt to start of construction while maintaining & improving construction quality

Renovation



FY23

H1

■ By streamlining / standardizing planning and improving operations such as construction applications, the number of days from receiving the keys to starting construction has been reduced.

FY23

H2

FY24

H1

#### Sales



- Promote the acquisition of condos with high liquidity based on Plan-Do-Check-Action such as data analysis of longterm/loss-record condos.
- Formulate sales plans using data such as past sales records and nearby competing inventory, and promote disciplined inventory management by visualizing inventory status.

Performance Trends

FY22

H1

FY22

H2

Initiative

FY25

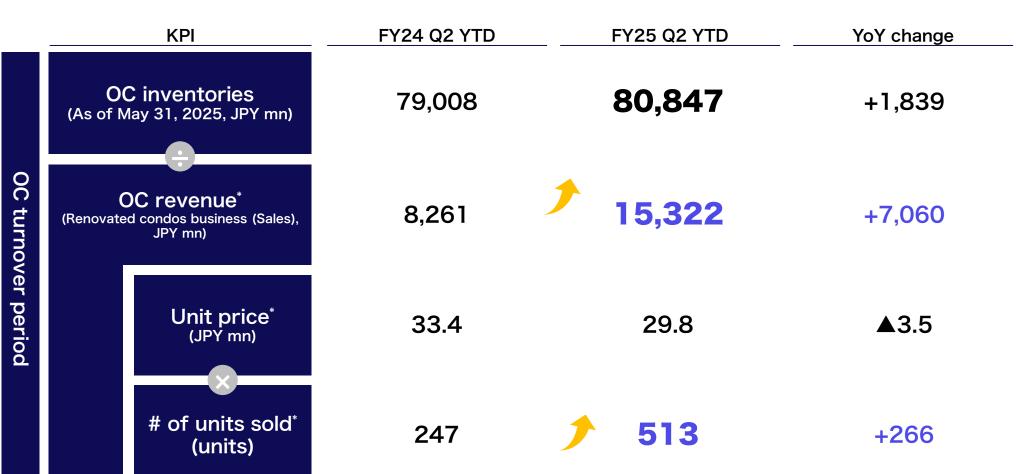
H1

FY24

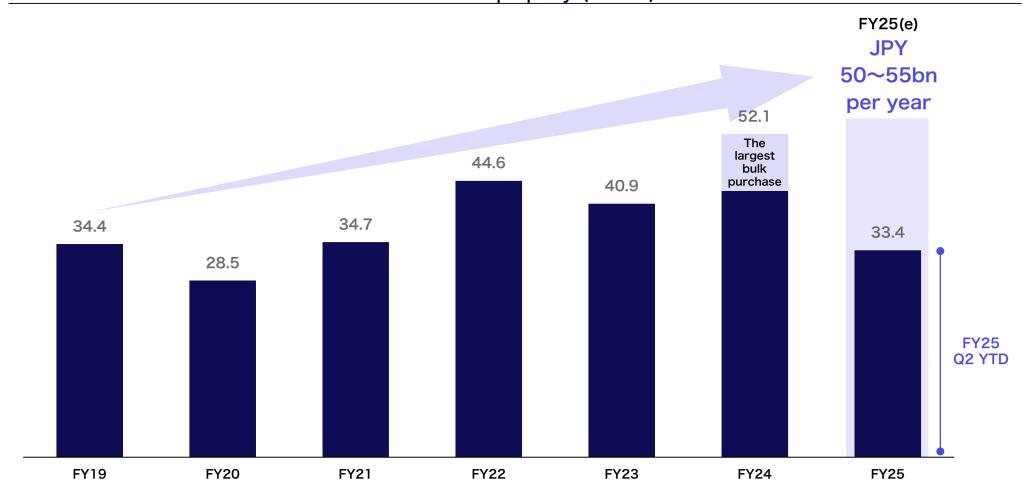
**H2** 

- Diversifying exit strategies of OC condos doubled the # of OC units sold.
- Increased revenue is significantly shortening the OC turnover period.

#### Sales progress of owner-change condominiums



- Aligned with our capital allocation policy, expanding property investment as growth investment.



- Overview of the financing
- business
  alliance
- **Expected effects**

- Approx. JPY 0.7bn of equity financing strengthened our financial foundation and enabled for further growth investments.
- By accelerating fund formation with DBJ, we aim to maximize corporate value through the diversification of financing methods etc.

Overview and expected effects of the capital and business alliance

Reference: Fund utilization image when maximizing utilized cash

By leveraging the approx. JPY 0.7bn raised while maintaining

Amount: Approx. JPY 0.7bn

Method: Third-party allotment

Allottee: Development Bank of Japan Inc. (DBJ)

■ Dilution rate: 2.28%

In order to form securitization funds within a new framework jointly developed with DBJ, DBJ will provide…

- Support to form new funds
- Investment in the securitization funds

Towards maximizing corporate value,

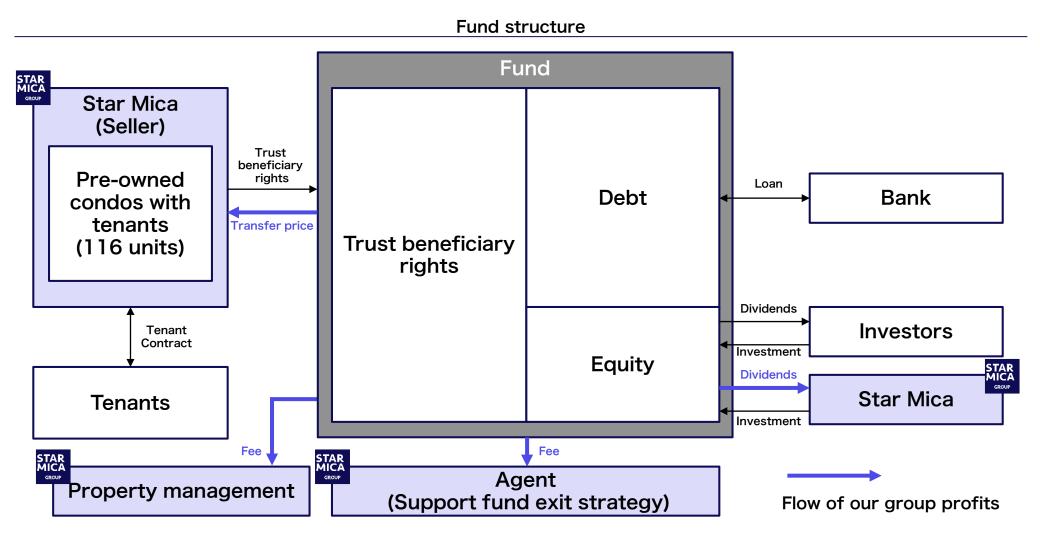
- Expected effects (short term)
  - Further growth investment through capital increase
  - Improved balance sheet turnover through continuous fund formation
- **■** Expected effects (mid-long term)
  - Advanced real estate portfolio management
  - Diversification of financing methods through the development of the private placement market
  - Future expansion of fund business

financial discipline, would be possible up to approx. JPY 2.5bn in additional property purchases. Amount of debt **JPY** finance raised if 2.1 Approx. borrowed with 4.0x leverage on JPY 2.5bn bn JPY 0.7bn in property purchase funds Purchase of pre-**JPY** owned condos to be incorporated 0.4 JPY into securitization bn funds 0.7 **JPY** bn Equity investment 0.3 in securitization funds

Fund utilization image

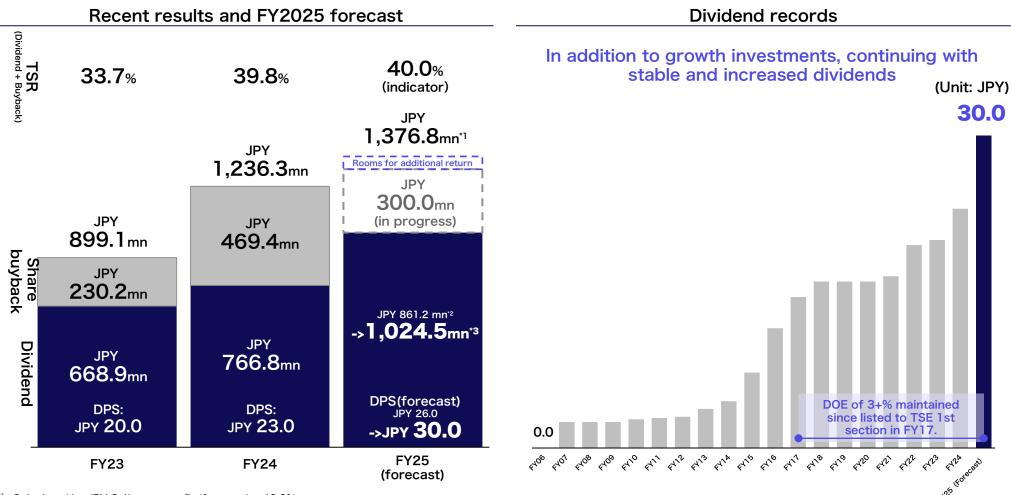
Amount raised

- Formed a securitization fund to improve our financial soundness and balance sheet turnover.
- Diversifying exit strategies of OC condos by selling trust beneficiary rights\* for 116 units of our pre-owned condos w/tenants at JPY 2.4bn.



<sup>\*</sup> The transfer price was recorded as revenue in renovated condominium business.

- In line with our Mid-Term Plan, we aim for 40% total shareholder return + growth investment.
- In addition to JPY 30.0 DPS (forecast) in FY2025, already resolved JPY 300mn buyback in Feb. (in progress)



<sup>\*1</sup> Calculated by JPY 3.4bn net profit (forecast) x 40.0%

<sup>&</sup>lt;sup>\*2</sup> Calculated by JPY26.0 DPS (initial forecast) x 33,124,411 shares (excluding treasury shares, as of the beginning of FY25)

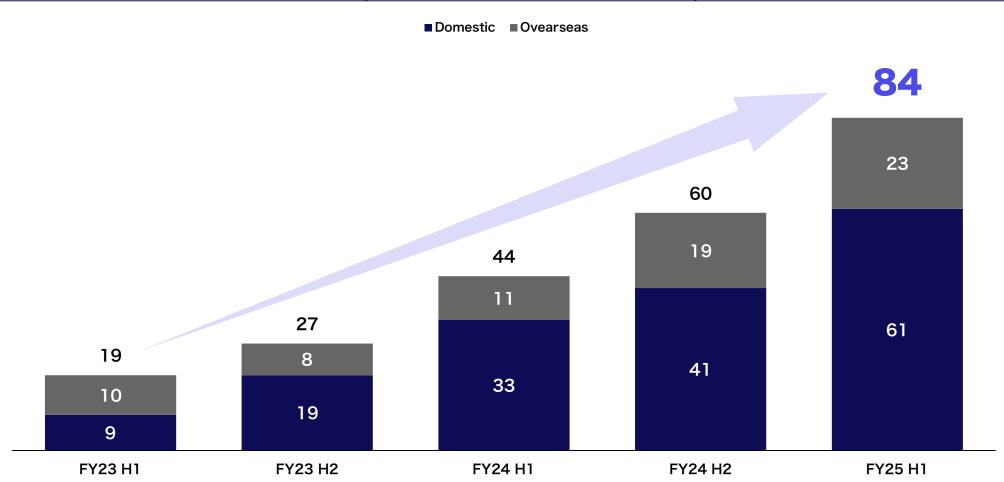
<sup>&</sup>lt;sup>\*3</sup> Calculated by JPY30.0 DPS (revised forecast) x 34,152,059 shares (excluding treasury shares, as of May 31, 2025)

- Convey our business policy & strategy to investors through archived financial results & 1on1 meetings.
- Actively met new potential investors through an EU non-deal roadshow (conducted nine lonl mtgs.) & IR seminars for individual investors.

mtgs.) & IR seminars for	idividual investors.		
Contents	Result	YoY Change	Topics
്റ് Financial results briefing	1	±O	<ul> <li>Conducted the FY24 full-year earnings and Mid-Term Plan briefing in January 2024 (<u>Archived video</u>)</li> </ul>
Seminar for individual investors	3	+2	<ul> <li>Participated in the following three IR seminars hosted by</li> <li>Kobe Investment Group Seminar (Apr.)</li> <li>KabuBerry (May)</li> <li>Shonan Investment Group Seminar (May)</li> </ul>
lon1 meetings with institutional investors and analysts (domestic)	61	+28	<ul> <li>Conducted meetings with 56 existing investors and five new investors</li> </ul>
lon1 meetings with institutional investors (overseas)	23	+12	<ul> <li>Conducted meetings with 11 existing investors and 12 new investors</li> <li>Conducted nine 1 on 1 meetings with institutional investors in UK &amp; Austria in April</li> </ul>

Steadily building strong relationships with both domestic & overseas institutional investors.









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## **FY2025 Forecast**

Pursue profit growth by +10% (YoY), record-high revenue, gross & operating profit.

### **FY25 Forecast**

Revenue
JPY 64.0bn

YoY +14.7%

Net profit
JPY 3.4bn

YoY +10.8%

Gross profit
JPY 10.8bn

YoY +10.0%

EPS\*
JPY 102.0

Operating profit

JPY 6.2<sub>bn</sub>

YoY +14.0%

ROE 13.0<sub>%</sub>

## **Business** strategy

Back to owner-change condos

Market share expansion in urban areas

Restructure of renovation operation

Shorter sales turnover (Disciplined inventory management)

### Fund business development

(Strengthen our exit strategies of owner-change condos)



 Purchase: Driven by favorable profit, further accelerating purchase align with our business strategies.

Purchase

Sales: Actively selling high-priced urban condos supported by solid demand.

Consolidated P/L (Q2 YTD progress)

	Consolidated 1/L (QZ 11D progress)					
	FY25 Q2 YTD (JPY mn)	Progress (%)				
Revenue	33,722	<b>52.6</b> %				
Renovated condos (Rent)	2,351	52.6%				
Renovated condos (Sales)	30,492	53.8%				
Investment business	426	21.6%				
Advisory business	452	48.2%				
<b>Gross profit</b>	6,166	<b>57.1%</b>				
Renovated condos (Rent)	1,219	52.4%				
Renovated condos (Sales)*	4,426	59.6%				
Investment business	177	54.9%				
Advisory business	344	47.4%				
SG&A	2,149	47.7%				
Personnel expenses	1,104	46.6%				
Consumption tax	417	57.5%				
Other expenses	627	44.6%				
Operating profit	4,017	63.8%				
Recurring profit	3,549	71.3%				
Net profit	2,431	70.6%				

Key points of FY2025 H2 outlook

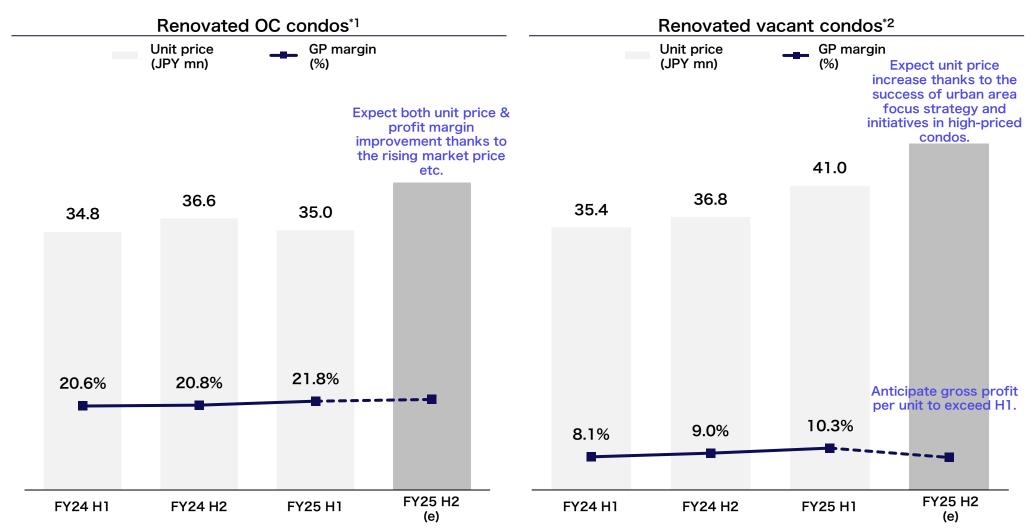
- Plan to purchase condos more aggressively as upfront investments for profit growth from FY2026 onwards.
- Continue our basic purchase strategy; mainly focus on owner-change condos in urban areas.
- Anticipate increase in consumption tax (SG&A) due to rising unit price (purchase) and borrowing costs (non-operating expenses) with an increase debt.

- In line with the MTP business strategies, plan to actively sale high-priced renovated condos in urban areas.
- Considering the formation of a new securitization fund.

<sup>\*</sup> Including mark-to-market (MTM) loss



- Renovated OC: Assuming current sales progress as planned, unit price and GP margin are expected to increase.
- Renovated vacant: GP per unit is expected to exceed H1 thanks to the increase in unit price.

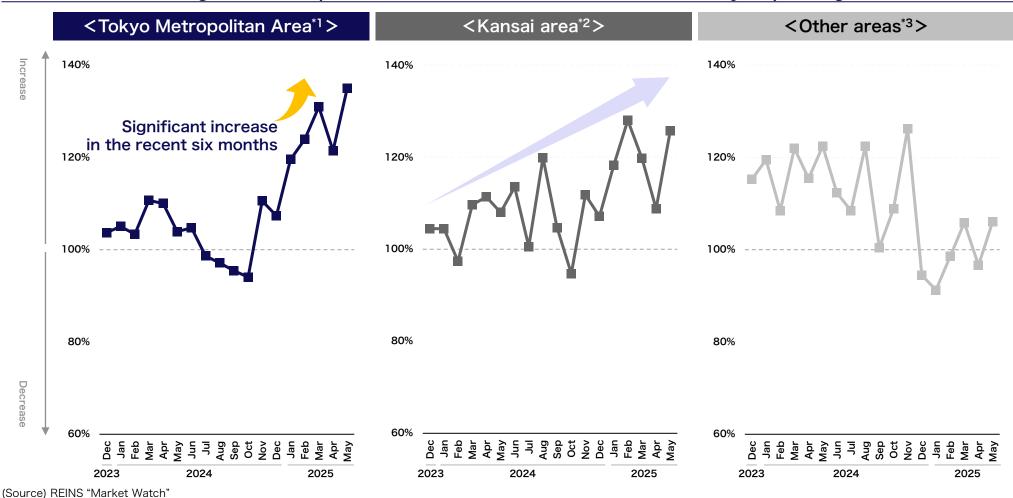


<sup>\*1</sup> Purchase as an owner-change condo, renovate it after the tenant's leave, and then sell it

<sup>\*2</sup> Purchase as a vacant condo, renovate and sell it

- The pre-owned condo market is robust through increasing # of transactions.
- We expect this market trend would be continued given no signs of stagnation in the short-term.

YoY change in the # of pre-owned condominium transactions in our major operating areas





3

# Summary of Discussion with Shareholders etc. (Q&A)

a. Our perception of stock price

## Historical stock price

P.31~

## PBR decomposition

P.33~

## NAV-based valuation

P.36~

## Our stock price rose by +70% since the Midterm plan period.

- We understand the positive response to our mid-term plan's upward revision and favorable financial results.
- Significantly outperforming TOPIX & the sector average from FY2025.

PBR currently above 1.0x and ROE continues to over 12.0%.

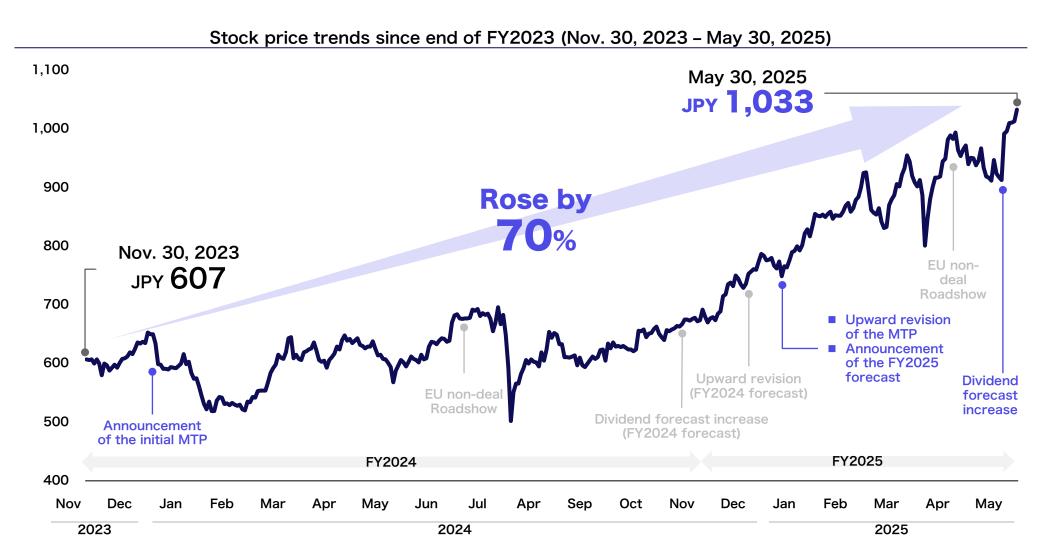
## PER remains low and we see significant rooms for PER improvement.

- Star Mica's PER: 10.0x, Avg of the real estate sector: 14.3x
- Our business model is very stable even during recessions as we survived the financial crisis with minimal profit declines.
- Aim to improve PER by achieving EPS growth targets, fostering growth expectations, and emphasizing the stability value.

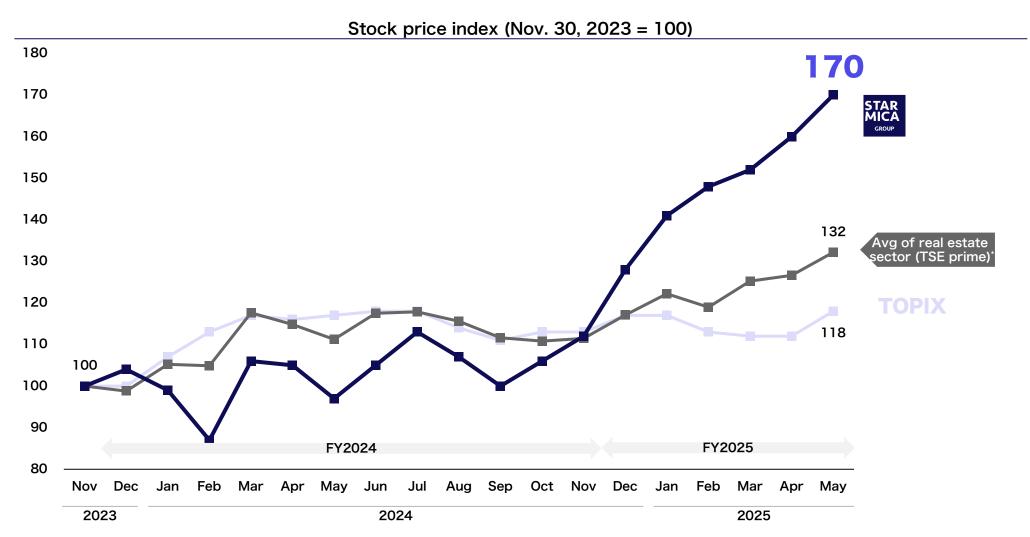
## We see rooms for further valuation improvement on a NAV basis.

- Stock price: JPY 1,033, P/NAV=1.0x: approx. 1,400 (estimate)
- We believe our unrealized gain (realized approx. 30% annually) can be added to our valuation.

 Stock price rose by +70% compared to the end of FY2023, just prior to our MTP period.

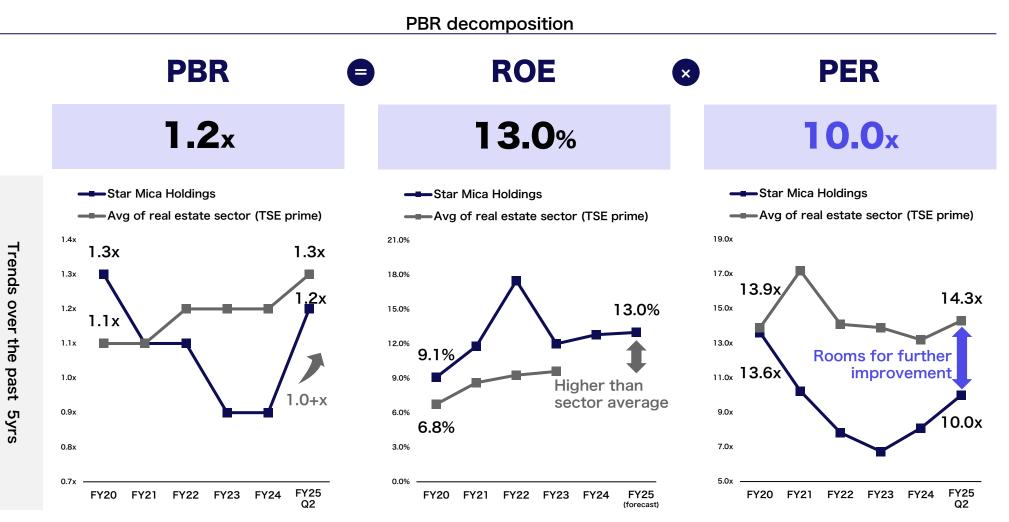


- Significantly outperforming TOPIX & the sector average from FY2025.



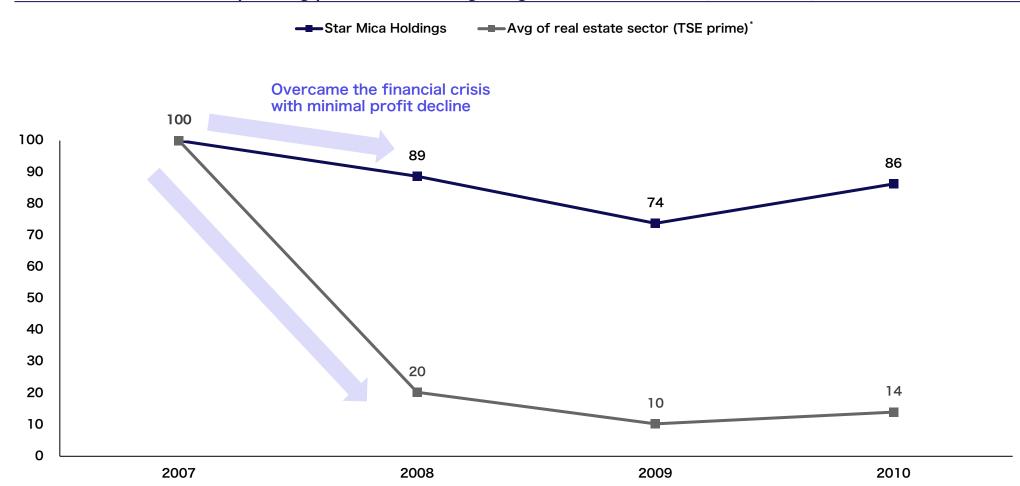
Calculated based on the share prices of 49 real estate companies listed on the TSE Prime as of May 31, 2025; comparison of closing prices on Nov. 30, 2023

- PBR currently above 1.0x and ROE continues to over 12.0%.
- PER remains low and we see significant rooms for PER improvement.



 Our business model is very stable even during recessions as we survived the financial crisis with minimal profit declines.

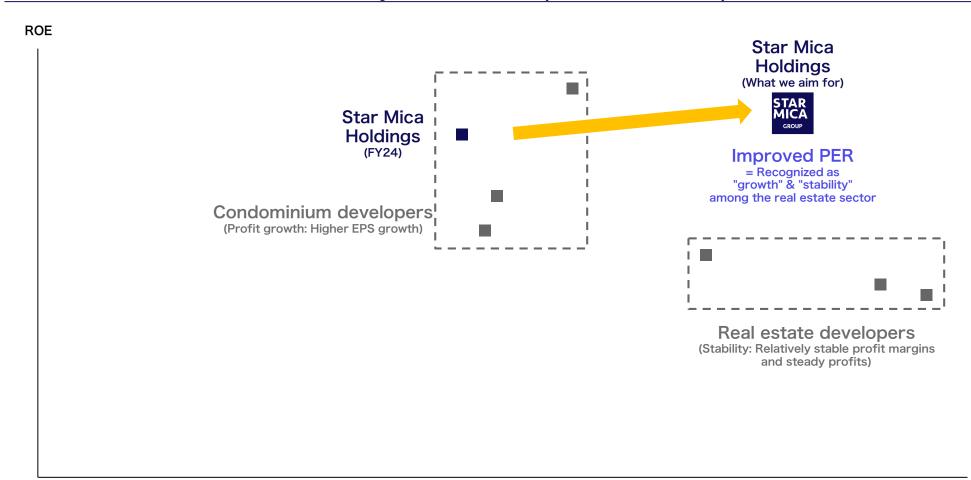
Operating profit Index during the global financial crisis (2007 = 100)



Calculated by 32 TSE Prime companies in the real estate sector which financial data as of 2007 is available.

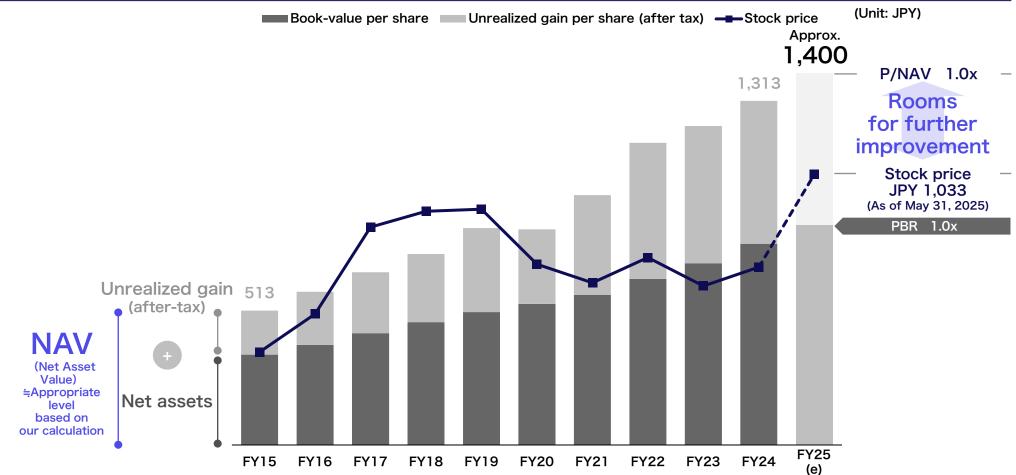
 Aim to improve PER by achieving EPS growth targets, fostering growth expectations, and emphasizing the stability value.

Valuation of major real estate companies listed to TSE prime\*



We see rooms for further valuation improvement on a NAV basis.





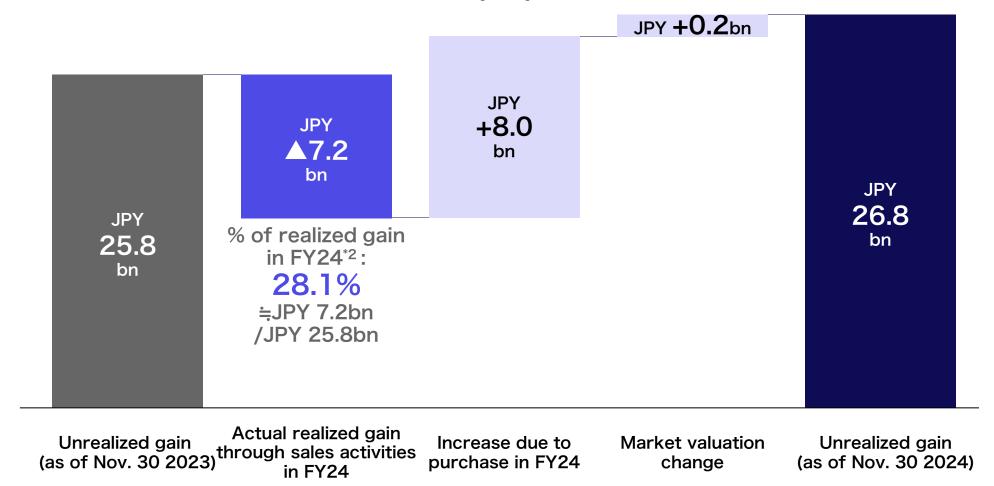
<sup>1</sup> NAV per share = (Unrealized profit after tax (as of the end of each fiscal period x (1 - effective tax rate)) + book value of net assets as of the end of each quarter)

/ Number of shares at the end of each quarter (excluding treasury stock)

FY25 estimates are calculated by the predictable unrealized gain & net assets as of May 31, 2025.

<sup>\*2</sup> Closing prices for each quarter

- Achieved 30% of unrealized profit through sales activities.
- Unrealized gains increased by JPY 1.0bn thanks to property purchases & valuation increases of our owned properties.

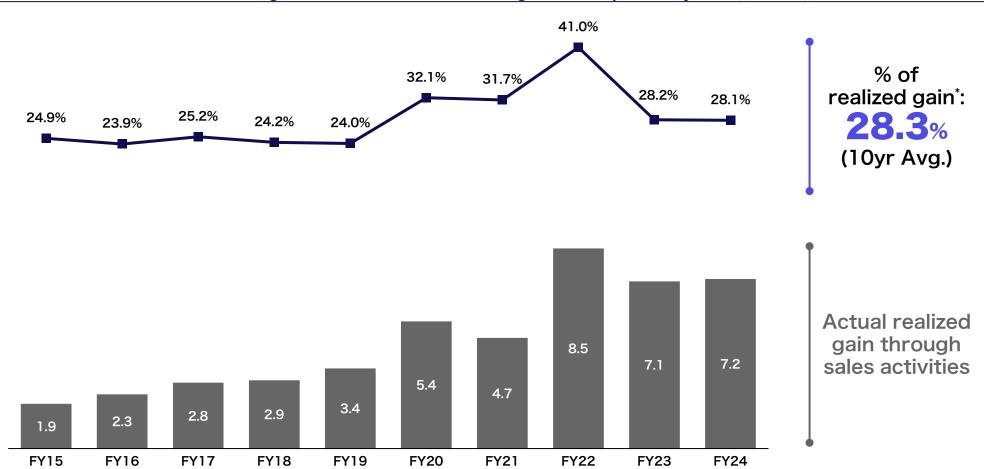


<sup>\*1</sup> Estimated sales – Book value – Estimated cost (Property agent cost etc.)

<sup>&</sup>lt;sup>\*2</sup> % of realized gain in each fiscal year = Actual realized gain through sales activities in each fiscal year / Unrealized gain as of the end of previous fiscal year.

- The ratio of realized gain is stable at 30% per year.

#### Realized gain amount & % of realized gain in the past 10 years (JPY bn)



<sup>%</sup> of realized gain in each fiscal year = Actual realized gain through sales activities in each fiscal year / Unrealized gain as of the end of previous fiscal year.



3

# Summary of Discussion with Shareholders etc. (Q&A) b. Q&A



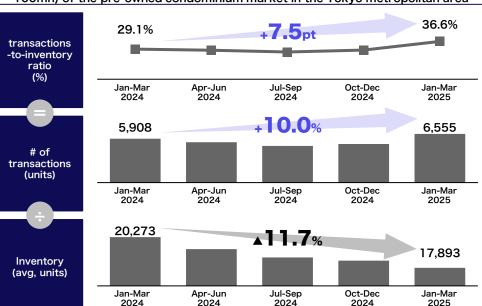
Can you pass on the increase in unit prices (purchase) to sales prices?

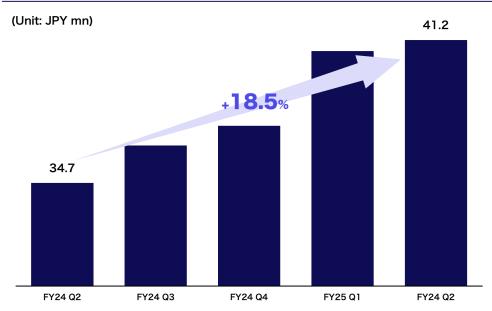


- We see the market demand is still strong with the fact that the inventory of mid-price range (unit price over JPY 30mn, up to JPY 100mn) including our main renovated condos for sale is decreasing in the pre-owned condominium market in the Tokyo metropolitan area
- We recognize the market environment is robust as both the transactions-to-inventory ratio and # of transactions are increasing
- Star Mica's sales: Secured total gross profit through increasing unit prices (sales)
  - Among the renovated condos sold, vacant condos largely consist of those purchased after an increase in purchase unit prices due to enhanced urban area focus and deepened initiatives in high-priced condos
  - Over the past year, unit prices (sales) rose, and gross profit also increased year-on-year
  - The increase in unit prices (sales) is progressing as planned thanks to changes in the composition of condos sold (price range, area, year built, etc.)
  - In the short term, we anticipate a further rise in unit prices (sales) and the gross profit per unit is expected to increase

Market environment: Mid-price range (unit price over JPY 30mn, up to JPY 100mn) of the pre-owned condominium market in the Tokyo metropolitan area\*2

## Star Mica's sales: Unit prices (sales) of the renovated vacant condominiums





Key points from Q&A sessions with institutional investors, individual investors, analysts, and media personnel since January 2024, focusing on particularly noteworthy topics

(Source) REINS "Market Watch" The average balance of inventory is calculated by averaging the # of inventory units at the end of each period

## Updated

Why can you continuously purchase attractive properties?

#### ■ Information Network: Advanced information gathering capabilities as an industry pioneer

- Since our business initiation, we have established a strong information network with real estate agencies as a pioneer in the family-type owner-change condo market which has limited buyers.
- We collect approx. 50k potential pre-owned condo offers for sale annually, and assess our information gathering as sufficient to achieve our purchase targets for each year

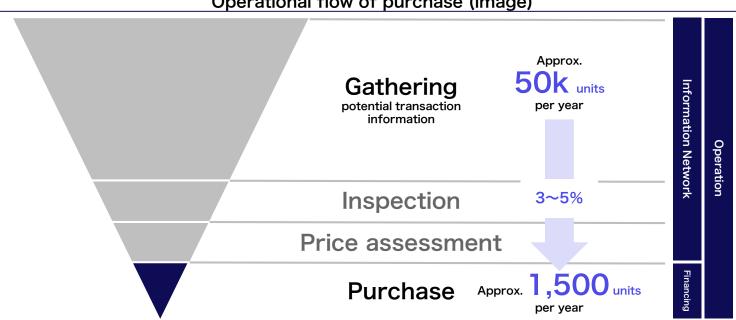
#### Operation: Systematization for rapid business execution

- We have internalized and systematized labor-intensive operations in each process from price assessment and on-site surveys to contract and settlement
- While the # of full-time employees in our purchasing and related departments is small at approx. 100, we stably execute around 1,500 purchase contracts and settlements annually

#### ■ Financing: Realization of long-term borrowing based on past track records

- Have considered various financing methods supported by 13,000+ transaction track records and secured long-term borrowings.
- Currently, we have raised over JPY approx. 80bn from approx. 50 financial institutions, which enabling fast and stable fund settlement.

#### Operational flow of purchase (image)



Key points from Q&A sessions with institutional investors, individual investors, analysts, and media personnel since January 2024, focusing on particularly noteworthy topics

# **Updated**

How the rising interest rates affects Star Mica's business?

#### Addressing rising borrowing rates as needed

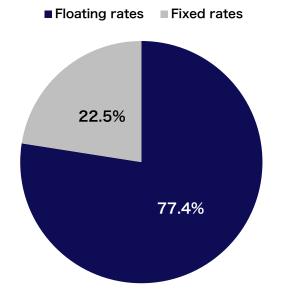
- The cost of borrowing from financial institutions in our group is influenced by interest rate fluctuations. To limit the impact on performance, we have been implementing interest rate fixes through measures such as interest rate swaps, in accordance with a disciplined hedging policy
- Additional interest rate swaps were entered into in April to in response to recent interest rate trends
- Going forward, we will continue to monitor financial conditions and respond flexibly

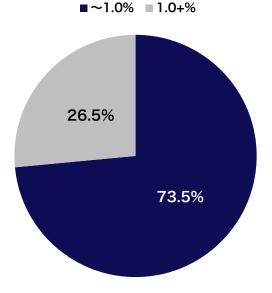
# ■ We believe unlikely to have a sharp rise in mortgage rate and will have little impact on consumer demand

- Approximately 80% of Japanese mortgage borrowers choose floating rates (linked to short-term interest rates) and their applicable interest rates are 1.0% or less\*<sup>2</sup>
- Some financial institutions are announcing revisions to their base interest rates for variable rates in line with the policy change, however, there has been no significant impact on our current sales activities
- The applied interest rate was increased by approx. 0.25% due to a rise in the benchmark interest rate, it is expected that up to 0.7 % of tax credit will still be applicable, therefore, we expect strong demand for housing purchase will continue
- The prices of our main sales condos are higher than those of our competitors and local home resale operators, targeting a different buyer demographics
- Even if interest rates were to rise, households would not be "unable to pay their loans"
- More affluent customers are increasing (dual-income households & seniors aim to buy 2nd house)

#### Interest rate type chosen by mortgage borrowers\*2

#### Applicable interest rates of mortgage loan\*2





<sup>\*1</sup> Key points from Q&A sessions with institutional investors, individual investors, analysts, and media personnel since January 2024, focusing on particularly noteworthy topics

<sup>\*2</sup> (Source) Japan Housing Finance Agency "Survey on the actual conditions of Mortgage Borrowers" (Oct. 2024 survey)

## **Updated**

Are there any reasons for the negative trend in operating cash flow?



- The properties held are classified as current assets (inventories) on the balance sheet, regardless of the type of properties
- We strategically purchase properties at a pace exceeding sales, which has resulted in a negative trend in operating cash flow

#### Possible to consider a proforma cash flow that regards owner-change condo purchases as investment activities

- Our purchased properties can be broadly categorized into two types: vacant condos that are quickly turned around from purchase to sale, and owner-change condos that are held until tenant leave, generating rent revenue, resulting in longer business cycles
- Considering the nature of upfront investment in purchasing owner-change condos, if we were to categorize it as an
  investment activity, we could segregate the changes in owner-change condos from "the increase or decrease in inventories"
  in consolidated cash flow statement as investment cash flow
- As FY25 is a transition period for strategic shifts, its proforma cash flow would be negative, however, we expect it would turn to be positive from FY26 onwards
  - In FY25, the balance of vacant condos increased due to the rise in unit prices (purchase), leading to a temporary negative proforma operating cash flow
  - Unit prices (sales) for vacant condos are increasing, and a positive balance is expected from FY26 onwards as the gap between purchase and sales prices would be shrinking

#### <Consolidated cash flow statement>

#### <(Reference) Proforma cash flow statement>

(JPY mn)	FY25 Q2 YTD	(JPY mn)	FY25 Q2 YTD
CF from operating activities	-5,067.4	CF from operating activities (proforma)	-2,036.0
Net profit before income taxes	3,549.4	Net profit before income taxes	3,549.4
Increase in inventories*2	-7,191.7	Decrease in vacant condos*2	-4,160.4
Others	-1,425.0	Others	-1,425.0
CF from investing activities	-140.4	CF from investing activities (proforma)	-3,171.7
-	-	Increase in owner-change condos etc.*2,3	-3,031.3
-	-	Others	-140.4
CF from financing activities	6,765.3	CF from financing activities	6,765.3
Borrowing from banks & proceeds from issuance of shares	7,179.4	Borrowing from banks & proceeds from issuance of shares	7,179.4
Dividends paid	-414.0	Dividends paid	-414.0
Share buyback	-	Share buyback	-

<sup>\*1</sup> Key points from Q&A sessions with institutional investors, individual investors, analysts, and media personnel since January 2024, focusing on particularly noteworthy topics

<sup>\*2</sup> The negative cash flow indicates that the purchase amount exceeded the sales amount, resulting in an increase in real estate balance

<sup>\*3</sup> Including the changes of whole buildings





# **APPENDIX**

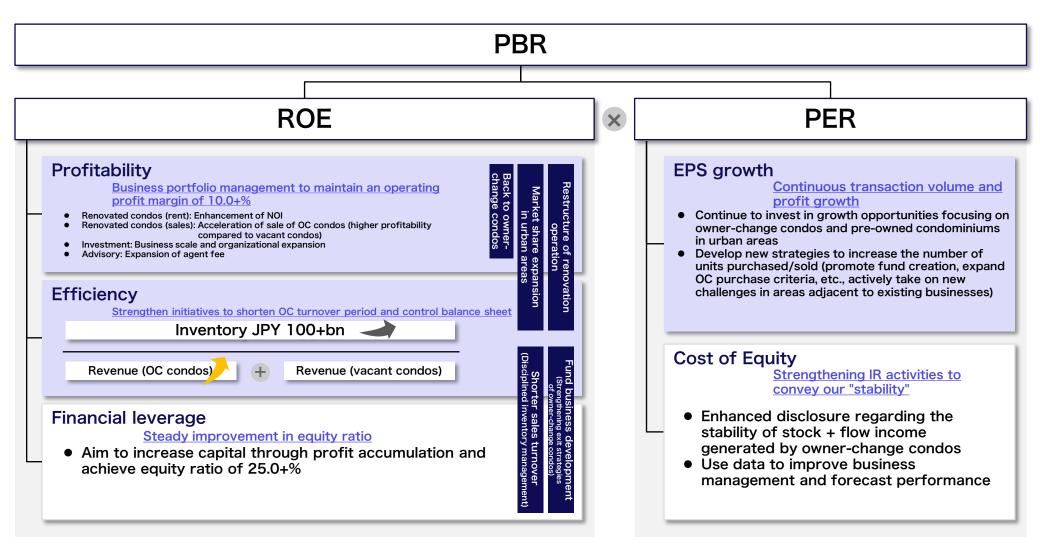
a. Summary of our Mid-Term Plan (Excerpt from FY2024 Financial Results)

For further detail, please see <u>FY2024 Financial Results</u> and <u>Mid-Term Plan "Find the Value 2026" (FY2024-2026)</u>.

Added / Revised our quantitative goals to clarify growth & efficiency improvement.



 To maximize corporate value, pursue profitability, efficiency and business growth with monitoring our cost of equity.



- Significantly shortened the inventory turnover in FY2024 by actively selling vacant condos with long-term holding.
- Aim to significantly improve the turnover of owner change condos by diversifying exit strategies based on holding period, etc.

Forecast of inventory turnover period (=inventory/revenue)

#### Overall turnover

Improve efficiency of overall trading with shortening OC turnover period as a key driver

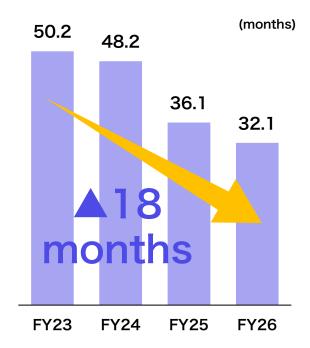
#### OC condo turnover

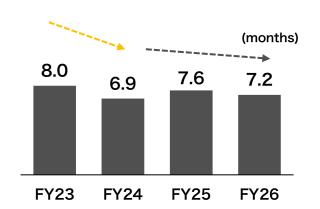
- In FY24, improved efficiency by actively selling long-term inventories (i.e. condos with low probability of tenant vacancy) while they were still with tenants
- From FY25 onwards, continue to improve turnover period including fund development

#### Vacant condos turnover

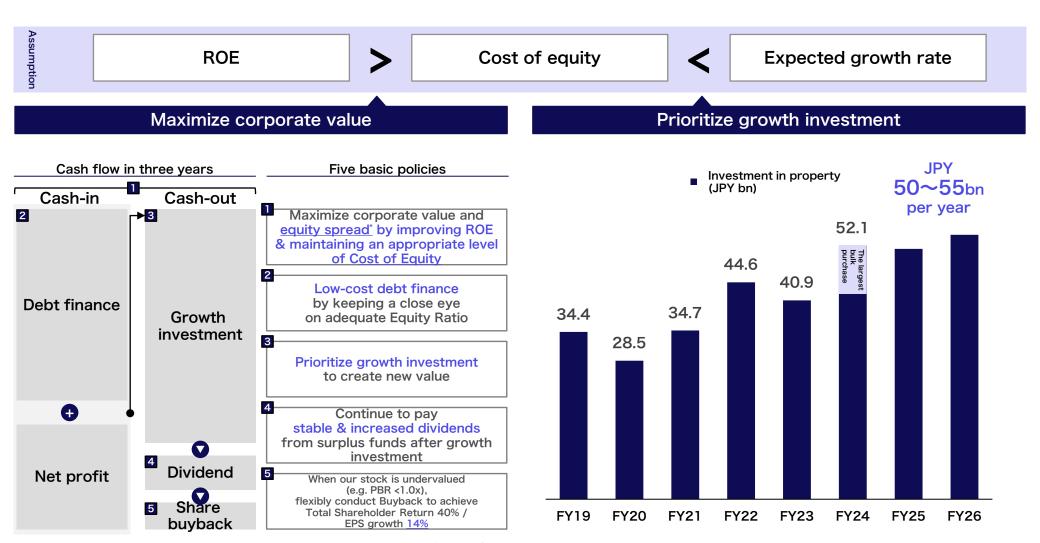
- In FY24, greatly shortened the turnover thanks to long-term inventory sales
- Going forward, we will maintain the current level balancing with profitability







- Actively allocate our capital to the growth investment considering the situation where our ROE & growth rates far exceed cost of capital.



Equity spread = ROE - Cost of equity



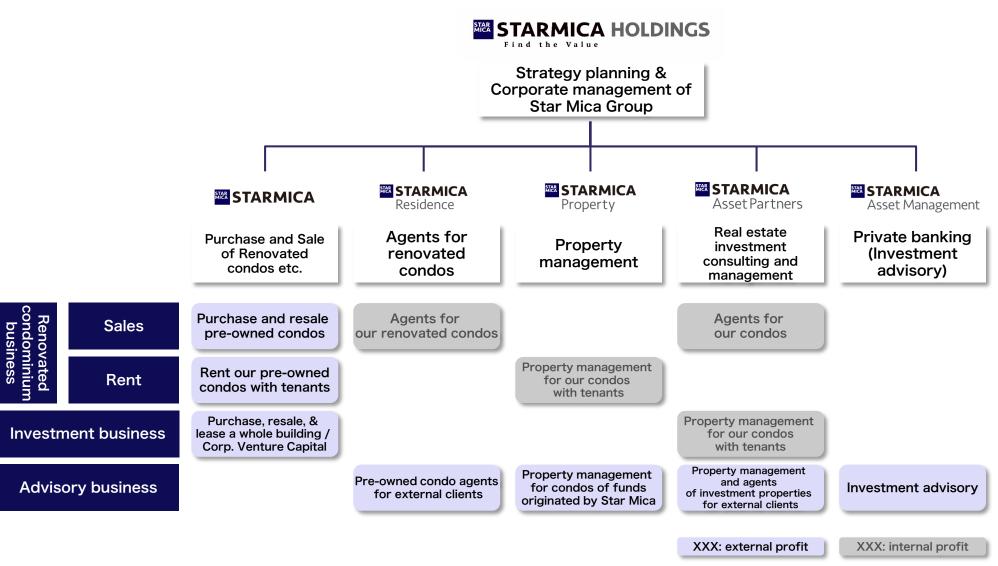


# **APPENDIX**

**b.** Our business



 Regard the condominium business as our core and aim to maximize profits across the entire group.





- Value chain creating value for society.

#### **Purchase**

- Purchase mainly family-type, owner-change condos.
- Create a market for owner-change condos where generally difficult to distribute and contribute to increasing the liquidity of real estate.

- Offer high quality renovated condos in major cities.
- Respond to variety of consumers' needs in our product design.

#### Sale

#### Manage and Hold

- Manage and hold the condos until tenant spontaneously vacates.
- Support tenants' comfortable life by our own property management solutions.

- Value-up of old properties to high quality in a short period of time.
- Realizing construction with full consideration for the environment "Keep what we can still use".

#### Renovation

 Steadily gain profit by investing in properties with high liquidity & solid demand.





# **Unit by Unit**

Purchase and sale of pre-owned condominiums





Owner-change\* Focus





**Family Type** 





**Metro Area Focus** 

5



**Renovated Condos** 

Neither new nor existing

# **Diversified Portfolio**

Located in major metropolitan areas in Japan

Price Arbitrage b/w Owner-

change & Vacant

& Vacant

Recurring Revenue from rent

Solid demand for residential use



- Purchase and sales transactions are mainly direct with consumers.
- Efficiently operating by balancing between in-house production and outsourcing.
  - Receive 30+k potential inquiries per vear for purchase
  - Over half of the purchase are from individual owners through real estate agents
  - Some part of our purchase are from corporate owners
- Over half of our condos in Tokyo metropolitan area are managed by property management subs
- Condos in regional areas are outsourced to external property management companies
- Internally handling quality related business such as renovation planning, specifications, and inspections
- Actual constructions of renovation are outsourced to external business partners
- Our sales main channel is through property agents to individual home
- 20% of transactions are directly through our internal real estate agent

**Purchase** 

Manage and Hold

Renovation

Sale

**Star Mica Group** STARMICA STARMICA STARMICA STARMICA **STARMICA STARMICA STARMICA** Asset Partners Residence Property Real Property Real Renovation companies estate management estate companies agents agents Our Our WEB site WEB site **Tenants** Carpen Interior Buyers for own Individual Corporate Investors -try work residential use Individual Corporate Existing condo owners (Seller) Existing condo owners (Buyer)



Successfully leading the expansion of the existing condo market by increasing purchase/sale transactions and inventories in our main renovated condo business.

<History of Renovated Condo Business (units) >

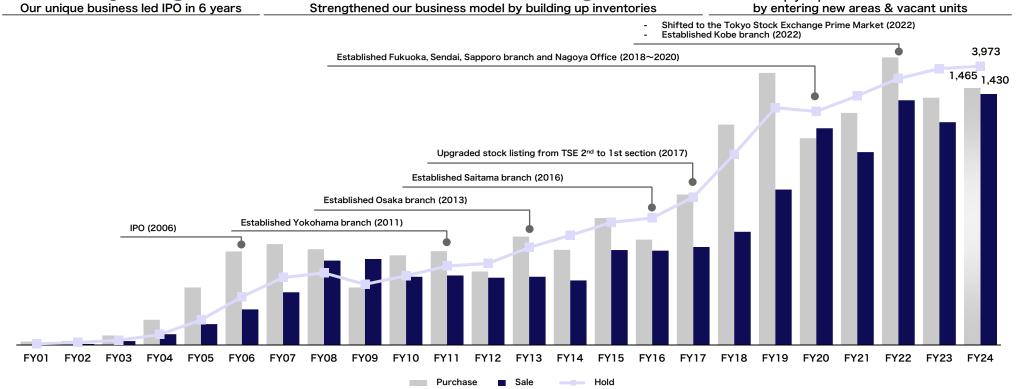
< Early stage >

< Establishment stage >

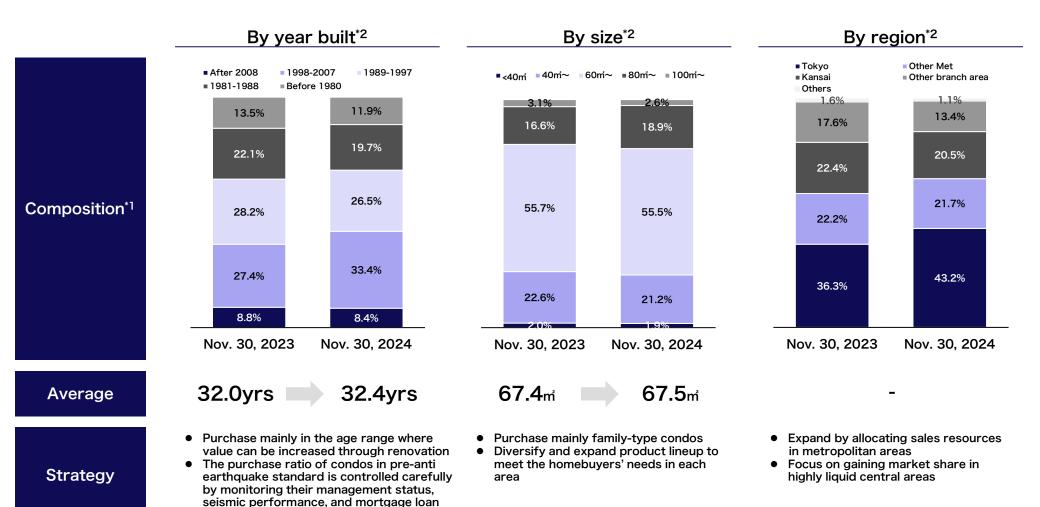
Strengthened our business model by building up inventories

< Expansion stage ~ Stable growth >

Sharply expanded # of transactions by entering new areas & vacant units



# - Well-diversified portfolio by accumulating on a unit-by-unit basis.



<sup>\*1</sup> Based on purchase price as of Nov. 30, 2024

trends

<sup>\*2</sup> Average year as of each year-ending

Company name	Star Mica Holdings Co., Ltd.		
Representative	President and CEO Masashi Mizunaga		
Date of incorporation	July 24, 1998		
Listing date	June 1, 2019		
Listed market	Tokyo Stock Exchange Prime Section (stock code: 2975)		
Shareholders' equity	JPY 28,542mn		
Group	Star Mica Co., Ltd., Star Mica Residence Co., Ltd., Star Mica Asset Management Co., Ltd., Star Mica Property Co., Ltd., Star Mica Asset Partners Co., Ltd.		
Offices	Tokyo head office (Minato-ku) Branches in Sapporo, Sendai, Yokohama, Osaka, Fukuoka		
Main Bank	MUFG Bank, Aozora Bank, Mizuho Bank, Sumitomo Mitsui Banking Corporation, Resona Bank, Sumitomo Mitsui Trust Bank		
Auditor	Grant Thornton Taiyo LLC		
Number of employees	218		
Businesses	Renovated Condominium Business, Investment Business, Advisory Business		

<sup>\*1</sup> Consolidated basis unless otherwise noted



# **STARMICA HOLDINGS**

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URL : https://www.starmica-holdings.co.jp/

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- The information in this presentation includes data believed by the company to be reliable and has been obtained from public sources believed to be reliable. However, the company makes no representation as to the accuracy or completeness of such information.
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