Company Report
December 8, 2025

Strategy Advisors Inc.
Keita Fujino

FY08/25 Results: Achieved Net Income One Year Ahead of the Medium-Term Plan. Public Offering to Further Expand Business

Kasumigaseki Capital reported significant increases in both net sales and profits in FY08/25, with net sales increasing 46.9% YoY to ¥96.5 billion, operating profit increasing 2.2x to ¥18.9 billion and profit attributable to owners of parent increasing 2.0x to ¥10.25 billion. Net income achieved the target set out in the phase 1 medium-term management plan announced in 2021 one year ahead of schedule.

FY08/25 was characterized by many success fees resulting from fund formation opportunities such as Kasumigaseki Hotel REIT Investment Corporation, resulting in a significant increase of 9.5% in the gross profit margin to 37.8%. According to the company's disclosure, the total value of pipeline and AUM (Asset Under Management) increased to ¥663.6 billion, up ¥172 billion from the end of the previous fiscal year.

The company's forecast for FY08/26 is for net sales to increase 55.4 % YoY to ¥150.0 billion, operating profit to increase 40.0% to ¥26.5 billion and profit attributable to owners of parent to increase 61.0% to ¥16.5 billion. Net income has been raised from the initial forecast of ¥15.0 billion.

The company announced that it would carry out a public offering on October 24, 2025. This will result in a dilution of approximately 24% compared to before the offering. The total amount of approximately ¥34.5 billion raised will be used for property acquisitions and other purposes during FY08/26.

The company's winning formula, rooted in its corporate DNA, focuses on the demand-supply gap created by societal challenges to develop unique business models in growth markets. Its first-mover advantage remains unshaken across all three current core areas (hotels, logistics, healthcare), making sustained high profit growth highly probable. This forms the basis of its “achievable and meticulous management strategy,” fueling expectations for continued stock price appreciation. Furthermore, expectations for establishing similar winning patterns in new business areas like development of frozen and chilled warehouses in ASEAN and new regions overseas, along with hopes for diversifying the revenue structure through increased success fees and asset management income, could drive upward valuation.

With the rise in the stock price prior to the financing, the company's PER has risen out of the bottom of its historical PER range; but considering that the company has historically maintained a high PER compared to its peers,

Stock Price & Trading Volume (1-Year)

Source: Strategy Advisors.

Key Indicators

Stock Price (12/5/25)	7,940
52-Week High (10/22/25)	10,060
52-Week Low (4/7/25)	4,795
All-Time High (10/22/25)	10,060
All-Time Low (12/26/18)	297
Number of Shares Issued	23.8
Market Capitalization	188.7
EV (¥bn)	235.1
Equity Ratio (FY08/25, %)	29.7
ROE (FY08/25, %)	32.5
PER (FY08/26 CoE, x)	11.5
PBR (FY08/25, x)	4.3

Note: High and low prices are based on closing prices. A 1-for-2 stock split was conducted in September 2025. The stock price is Adjusted accordingly.
Source: Strategy Advisors.

reflecting its high profit growth potential, its current valuation is by no means high compared to its historical range or its peers. We will need to monitor the progress towards achieving the FY08/26 earnings forecast for the time being, but we expect the stock price to rise further as the above equity story becomes more realistic.

Japanese GAAP - Consolidated

FY	Sales (¥mn)	YoY (%)	Operating Profit (¥mn)	YoY (%)	Ordinary Profit (¥mn)	YoY (%)	Net Income (¥mn)	YoY (%)	EPS (¥)	DPS (¥)
FY08/22	20,780	45.4	2,141	61.2	1,732	67.0	1,018	28.3	66.4	15.0
FY08/23	37,282	79.4	4,442	107.4	4,119	137.8	2,050	101.4	126.6	30.0
FY08/24	65,685	76.2	8,537	92.2	7,860	90.8	5,020	144.8	270.8	85.0
FY08/25	96,501	46.9	18,933	121.8	17,134	118.0	10,250	104.2	520.4	120.0
FY08/26 CoE	150,000	55.4	26,500	40.0	24,000	40.1	16,500	61.0	692.9	165.0

Note: A 1:2 stock split was conducted in September 2021. EPS and DPS are adjusted.
The company's EPS forecast for FY08/26 includes 4,000,000 shares added through the capital raising conducted in October 2025.
Source: Company Materials. Compiled by Strategy Advisors.

Table of Contents

1. FY08/25 Results Overview

Net Income Achieved the Target of the Medium-Term Management Plan Announced in 2021 One Year Ahead of Schedule

Kasumigaseki Capital reported a significant increase in both net sales and profits in its FY08/25 financial results, with net sales increasing 46.9% YoY to ¥96.50 billion, operating profit increasing 2.2x to ¥18.93 billion and profit attributable to owners of parent increasing 2.0x to ¥10.25 billion.

In the phase 1 medium-term management plan, which ends in FY08/26, the company set a target of ¥10 billion in net income for FY08/26 when it was originally established in 2021, so it has achieved this target one year ahead of schedule.

Sales were 101.6% of the company's full-year forecast for FY08/25 at the start of the fiscal year and operating profit was 114.8%. The higher-than-expected operating profit was large since the company was able to secure tenants at higher-than-market rent when it set up a long-term investment fund focused on frozen and chilled warehouses in Q3, which resulted in the company receiving more success fees than expected.

Figure 1. Summary of FY08/25 Financial Results

(¥mn)	08/24 Actual	**08/25 Actual**	**YoY**	08/25 CoE	**08/26 CoE**	**YoY**
Net Sales	65,685	**96,501**	**46.9%**	95,000	**150,000**	**55.4%**
Gross Profit	18,559	**36,436**	**96.3%**	-	**-**	**-**
Gross Profit Margin	28.3%	**37.8%**	**-**	-	**-**	**-**
Operating Profit	8,537	**18,933**	**121.8%**	16,500	**26,500**	**40.0%**
OP Margin	13.0%	**19.6%**	**-**	17.4%	**17.7%**	**-**
Ordinary Profit	7,860	**17,134**	**118.0%**	15,000	**24,000**	**40.1%**
Profit Attributable to Owners of Parent	5,020	**10,250**	**104.2%**	10,000	**16,500**	**61.0%**
EPS (¥)	270.8	**520.4**	**92.1%**	507.1	**834.9**	**60.4%**

Source: Company Materials. Compiled by Strategy Advisors.

Total Business Scale as of the End of FY08/25 Was ¥663.6 billion

AUM (under construction/completed) increased by 28.6% from ¥306.1 billion at the end of FY08/24 to ¥394.1 billion at the end of FY08/25. In addition, as of the end of FY08/25, the total business scale, including the pipeline (land secured) of ¥269.5 billion, was ¥663.6 billion (an increase of ¥172 billion from the end of the previous fiscal year). This was close to the AUM target of ¥700 billion at the end of FY08/26 in the medium-term management plan.

All 3 Major Businesses Have Transitioned to the Management Phase

A notable event in FY08/25 was the transition to the management phase in the 3 main businesses of hotel, logistics and healthcare. In the hotel business, Kasumigaseki Hotel REIT Investment Corporation (asset size: ¥49.2bn, AUM: 15 properties), which Japan's first listed developer-sponsored REIT specializing in hotels, was established. In the logistics business, one of the largest private placement funds in Japan focused on frozen and chilled warehouses was established (asset size: ¥82bn, AUM: 8 properties).

In the healthcare business, the company transitioned to the management phase following the sale to Mori Trust (asset size: ¥15bn, AUM: 6 properties).

This means that the company has completed its envisioned business model for each of its 3 main businesses and it can be said that the foundation for accelerating property development in the future has been established.

A Significant Increase in Success Fees Led to a Significant Expansion in Gross Profit and a Significant Increase in the Gross Profit Margin

Gross profit of ¥36.43 billion was a significant increase of 96.3 % compared to the previous period and the gross profit margin was 37.8 %, a significant increase of 9.5% from 28.3 % in the previous period. By quarter, it fluctuated between 42.3% in Q1, 32.6% in Q2, 51.8% in Q3 and 33.2% in Q4; presumably due to significant contributions from the launch of a long-term investment fund focused on frozen and chilled warehouses in Q3 and success fees associated with the formation of Kasumigaseki Hotel REIT Investment Corporation in Q4.

In addition, when sales is classified by revenue portfolio, gains from land sales were approximately ¥21.3 billion (+86.8% from the previous period, accounting for 58.5% of gross profit) , recurring revenue was approximately ¥4.7 billion (+30.5% from the previous period, accounting for 12.9%) and success fees were approximately ¥10.4 billion (3.0x the previous period, accounting for 28.6%), with the contribution of success fees expanding significantly.

Based on the company's press release, the properties that contributed to gross profit are considered to be as shown in Figure 2.

Figure 2. Major Properties That Are Thought to Have Contributed to Gross Profit

	Release	Event	Business
FY08/25 Q1	2024/11/15	Land Sale for Hotel Development Site in Yufuin, Oita	Hotel
	2024/11/26	Sale for 3 Hotel Mid- Inn Property (Meguro-Ekimae, Kawasaki-Ekimae and Kuramae-Ekimae)	Hotel
	2024/11/29	Land Sale of Hotel Rebranding Project in Naka-ward, Nagoya	Hotel
FY08/25 Q2	2024/12/19	Land Sale of Nagasaki Hotel Rebranding Project	Hotel
	2025/1/27	Land Sale for Healthcare Facility Development Site in Suginami-ward, Tokyo	Healthcare
	2025/2/14	Sales of 4 Hotel Development Sites (Nagoya Marunouchi Hotel Project, Kanazawa Katamachi Hotel Project, Asahikawa Hotel Project and Ujiyamada Hotel Project	Hotel
	2025/2/28	Majestic Vistas (1 Room) House for Sale in Dubai	Overseas
	2025/2/28	Land Sale for Logistics Facility Development Site in Koshigaya, Saitama	Logistics
FY08/25Q3	2025/3/27	The Royal Atlantis (1 Room) House for Sale in Dubai	Overseas
	2025/3/28	LOGI FLAG TECH Hachinohe I Project to Enter Management Phase and Conclusion of Asset Management Contract (Success Fees)	Logistics
	2025/5/29	Land Sale for Hotel Development Site in Shibuya-ward, Tokyo	Hotel
	2025/5/30	Launches Long-Term Fund Focused on Frozen & Chilled Warehouses (Success Fees) 8 Properties (5 Frozen & Chilled Warehouses, 2 Three-Temperature Zone Warehouses and 1 Automated Frozen Warehouse)	Logistics
FY08/25Q4	2025/6/13	Majestic Vistas (1 Room) House for Sale in Dubai	Overseas
	2025/6/27	Land Sale for Healthcare Facility Development Site in Minato ward, Tokyo	Healthcare
	2025/7/4	Majestic Vistas (1 Room) House for Sale in Dubai	Overseas
	2025/7/15	Land Sale for Hotel Development Site in Atami City, Shizuoka	Hotel
	2025/7/31	Sales of 6 Hospice Residences (1) Wakabacho, Chofu City, Tokyo, (2) Mukaihara, Itabashi- ward, Tokyo, (3) Minami-Motomachi, Shinjuku- ward, Tokyo, (4) Shimo-Shakujii, Nerima- ward, Tokyo, (5) Minami- ward, Sapporo City, Hokkaido, and (6) Chuo- ward, Sapporo City, Hokkaido	Healthcare
	2025/8/5	Land Sale for Hotel Development Sites for 2 Hotels (Asakusa Kaminarimon Project, Shimane Izumo Hotel Project)	Hotel
	2025/8/12	Sale of Kobe Rebranding Hotel, Project Assets	Hotel
	2025/8/14	15 Hotel Properties Enter Management Phase under Listed REIT (fav Hida Takayama, fav Takamatsu, fav Kumamoto, fav Ise, fav Hiroshima Stadium, fav Hakodate, fav Kagoshima Chuo, fav Hiroshima Heiwadori, and fav TOKYO Nishi-Nippori)	Hotel
	2025/8/22	Land Sale for Hotel Development Site for Osaka Honmachi Hotel Project	Hotel
	2025/8/25	Land Sale for Hotel Development Site for Ginza 8 Hotel Project	Hotel
	2025/8/27	Land Sale for Hotel Development Sites for Matsuyama Ichiban-cho Project	Hotel
		Sales of Roppongi Rebranding Hotel, Project Assets	Hotel
		Land Sale for Healthcare Facility Development in Asahi ward, Yokohama City, Kanagawa	Healthcare
	2025/8/28	Land Sale for Hotel Development Site for Sendai Aobadori Hotel Project	Hotel
	2025/8/29	Land Sale for Logistics Facility Development Site in Kobe City, Kobe	Logistics

Source: Company Materials. Compiled by Strategy Advisors.

Hotel Business: Saw Accelerated Sales in Q4, While Properties Transitioning to REITs Management Phase Are Expected to Contribute to Earnings in FY08/26

In the hotel business, there were constant sales of development land and other assets from Q1 to Q3 and sales accelerated in Q4. In addition, 15 hotel properties entered the management phase at Kasumigaseki Hotel REIT Investment Corporation on August 14, 2025, and it appears that fund setup fees were earned. As it is near the end of the fiscal year, contributions to FY08/25 will be limited, but from FY08/26 onwards, asset management fees, which will be earned continuously once the company enters the management phase, are expected to contribute.

Furthermore, the company will also be entrusted with the management of the hotels it develops, even after they begin operations and is working to streamline operations by utilizing digital transformation services and minimizing staff. Naturally, these hotels are expected to be more profitable than other hotels and investors can expect higher returns than investing in other hotels. Kasumigaseki Hotel REIT Investment Corporation, which incorporates these hotels, is also expected to receive a relatively high evaluation.

Logistics Business: in Addition to Selling Land, Some Projects Have Entered the Management Phase

In the logistics business, contributions came from the sale of development sites in Koshigaya City, Saitama Prefecture (Q2) and Kobe City, Hyogo Prefecture (Q4), as well as success fees (Q3) associated with the establishment of the Cold Storage Fund No. 1, a fund focused on frozen and chilled warehouses that began operations in May 2025. Furthermore, the automated cold storage warehouse in Hachinohe City, Aomori Prefecture, moved into the management phase on March 28, 2025, and it appears that a fund setup fee was earned (this marks the first time an automated cold storage warehouse has entered the management phase). Additionally, ongoing asset management fees earned since entering the management phase are expected to contribute starting from Q3.

Healthcare Business: Sales of Land and Hospice Housing Contributed to Results

In the healthcare business, in addition to the contribution from the sale of a development site in Suginami Ward in Q2, the company sold sites for healthcare facility development in Minato Ward, Tokyo and Yokohama City, Kanagawa Prefecture, as well as 6 hospice housing properties in Q4.

Overseas Business: Sales of 4 Residences in Dubai

Regarding overseas business, there were sales of one residence in Dubai in Q2, one in Q3 and two in Q4.

SG&A Expenses Increased Significantly, Mainly Due to Personnel Expenses & Advertising Expenses

SG&A expenses totaled ¥17.5 billion, an increase of ¥7.48 billion (74.6%) from the previous fiscal year. The increase appears to have been mainly due to personnel expenses and advertising expenses.

Personnel expenses are due to an increase in personnel associated with the expansion of business operations, as evidenced by the fact that the number of consolidated employees in FY08/25 increased by 291 from the end of the previous fiscal year to 727. Advertising expenses appear to be primarily due to promotions and branding such as hotel commercials, promotions for the "COLD X NETWORK" frozen storage service business launched at the

Tokorozawa automated frozen warehouses and also participation in events such as exhibitions.

As the company's end customers are individuals for hotels and healthcare, and a wide range of shippers and transport companies for logistics, these advertising and promotional activities are expected to be effective in expanding its business.

Foreign Exchange Loss Occurred

A foreign exchange loss of -¥160 million was recorded as a non-operating expense (compared to a foreign exchange gain of ¥300 million in FY08/24). The foreign exchange gain/loss was mainly due to the revaluation of assets in Dubai using the exchange rate at the end of the quarter, but since the foreign exchange loss for the cumulative Q3 was -¥420 million, it is estimated that the yen strengthened towards the end of Q3, widening the foreign exchange loss, but weakened towards the end of FY08/25, narrowing the scope of the loss.

The Increase in the Corporate Tax Burden Rate Was Due to an Irregular Increase in Q2. But it is Now at a Normal Level

The corporate tax rate rose to 33.8% from 32.7% in FY08/24. The increase from the previous fiscal year is due to a temporary rise in the corporate tax rate to 63.1% in Q2 due to changes in the profit composition of subsidiaries with different effective statutory tax rates. The corporate tax rate rose to 30.6% in Q3 and 32.3% in Q4 and has since returned to normal levels.

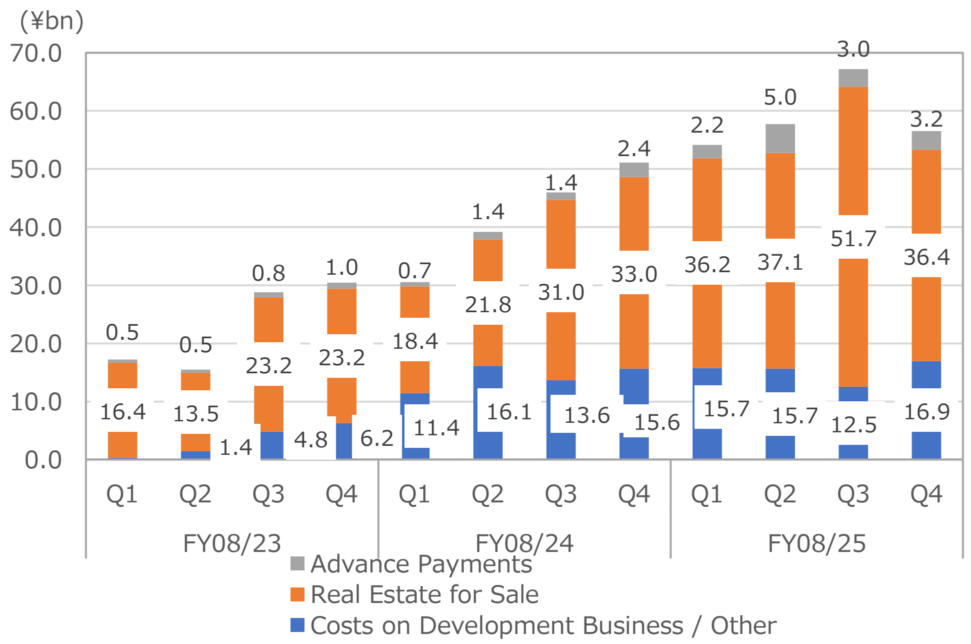
Inventories, Including the Actual Amount, Are Steadily Increasing

Inventories at the end of FY08/25 totaled ¥53.32 billion (including ¥36.38 billion in real estate for sale and ¥16.94 billion in expenditures for development projects, etc.). This is an increase of ¥4.65 billion from ¥48.67 billion at the end of FY08/24 (¥33.04 billion and ¥15.63 billion, respectively). In addition, advance payments, consisting of deposits paid for properties with a high probability of closing, were ¥4.56 billion, an increase of ¥1.33 billion from ¥3.23 billion at the end of FY08/24, which will likely support an increase in inventory going forward.

According to the company, of the ¥12.9 billion in tangible fixed assets at the end of FY08/25, ¥9 billion was effectively real estate for sale. This arises from renovating hotels, where the land and building are purchased together, but the company sells the land to speed up capital recovery and keeps the remaining building in its possession during the development period. As the building is also intended to be sold after development, it can essentially be considered inventory assets.

Furthermore, the company's disclosed pipeline and AUM amounted to ¥663.6 billion at the end of FY08/25, 35.0% increase from the end of FY08/24, an increase of ¥172 billion. Considering this together with the company's release, it can be inferred that the acquisition of development land and subsequent development are proceeding smoothly.

Figure 3. Changes in Inventory & Advance Payments (by Quarter)



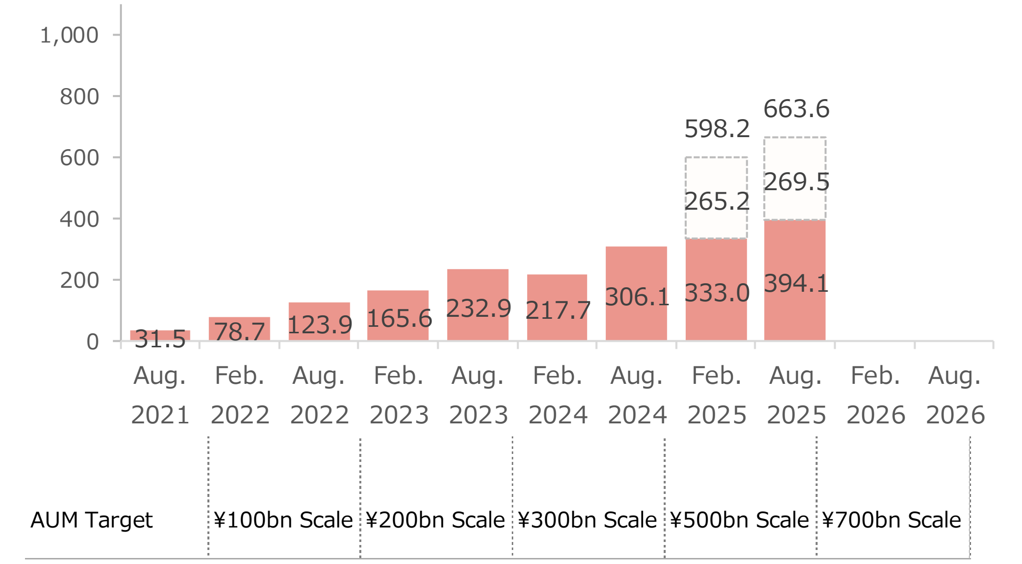
Source: Company Materials. Compiled by Strategy Advisors.

Figure 4. Trends in Project Pipeline and AUM

		As of August 31, 2024			As of August 31, 2025				
(¥bn)		Number of Projects	Project Value	Project Value Per Project	Number of Projects	Project Value	Project Value Per Project	Change Amount	% Change
Logistics		19	247.5	13.0	twenty-four	341.1	14.2	93.6	37.8%
Hotel		44	158.0	3.6	56	246.5	4.4	88.5	56.0%
Healthcare		15	37.0	2.5	17	45.1	2.7	8.1	21.9%
Alternative Investment	Overseas Business	8	15.6	2.0	9	25.7	2.9	10.1	64.7%
	Residential Funds	13	33.4	2.6	6	5.1	0.9	-28.3	-84.7%
		(4 funds)	-	-	(1 fund)	-	-	-	
Total		99	4,916	49.7	112	6,636	59.3	1,720	35.0%

Source: Company Materials. Compiled by Strategy Advisors.

Figure 5. Project Pipeline: Progress of AUM (¥bn)



Source: Company Materials.

Figure 6. Quarterly Revenue Trends (¥mn)

FY	08/24				08/25			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Net Sales	**12,094**	**8,723**	**12,778**	**32,090**	**15,264**	**18,486**	**16,799**	**45,952**
Cost of Sales	9,482	5,039	8,711	23,893	8,803	12,453	8,094	30,715
Gross Profit	2,611	3,685	4,066	8,197	6,460	6,033	8,706	15,237
Gross Profit Margin	21.6%	42.2%	31.8%	25.5%	42.3%	32.6%	51.8%	33.2%
SG&A Expenses	1,958	2,346	2,415	3,303	3,490	4,197	4,141	5,674
SG&A Expenses Ratio	16.2%	26.9%	18.9%	10.3%	22.9%	22.7%	24.7%	12.3%
Operating Profit	**652**	**1,339**	**1,652**	**4,894**	**2,970**	**1,835**	**4,565**	**9,563**
OP Margin	5.4%	15.4%	12.9%	15.3%	19.5%	9.9%	27.2%	20.8%
Non-Operating Income/Expenses	-259	207	271	-897	-88	-563	-821	-327
Financial Income/Losses	-132	-126	-170	-234	-253	-238	-262	-411
Foreign Exchange Gains/Losses	-53	381	548	-569	261	-185	-497	254
Others	-74	-48	-107	-94	-96	-140	-62	-170
Ordinary Profit	**393**	**1,547**	**1,921**	**3,999**	**2,882**	**1,272**	**3,744**	**9,236**
Ordinary Profit Margin	3.2%	17.7%	15.0%	12.5%	18.9%	6.9%	22.3%	20.1%
Extraordinary Income	19	237	8	234	92	-4	0	6
Extraordinary Loss	0	0	0	312	0	3	20	46
Profit before Tax	413	1,783	1,929	3,920	2,974	1,265	3,724	9,196
Total Corporate Taxes	157	653	470	1,347	898	798	1,139	2,966
(Corporate Tax Rate)	38.0%	36.6%	24.4%	34.4%	30.2%	63.1%	30.6%	32.3%
Profit Attributable to Owners of Parent	**224**	**1,068**	**1,335**	**2,393**	**2,002**	**451**	**1,600**	**6,197**
Net Profit Margin	1.9%	12.2%	10.4%	7.5%	13.1%	2.4%	9.5%	13.5%

Source: Company Materials. Compiled by Strategy Advisors.

2. Business Outlook

Plans for Significant Increases in Net Sales and Profits in FY08/26

The company's targets for FY08/26 are net sales of ¥150.0 billion (+55.4 % YoY), operating profit of ¥26.5 billion (+40.0%), ordinary profit of ¥24.0 billion (+40.1%), and profit attributable to owners of parent of ¥16.5 billion (+61.0%). Net income has been raised from the ¥15.0 billion target set in the second medium-term management plan announced last year.

Steady Accumulation of Purchases Will Contribute to Future Sales Growth

Although net sales and profits by business are not disclosed, the company will develop its business based on a total business scale of ¥663.6 billion (112 projects, +35.0% from the end of FY08/24), which is the sum of AUM and project pipeline (cost basis) as of the end of FY08/25. The company aims to reach ¥700 billion in AUM. As shown in Figure 7, the company has been accumulating procurement of publicly announced projects, and as the company designs and plans these projects and then sells them to external capital for development, the company's sales are expected to expand.

The Scale of Each Project is Expanding

As can be seen in Figure 4, the business scale per project is also expanding. At the end of FY08/24, the business scale per project was ¥ 4.97 billion, but by the end of FY08/25, it had expanded to ¥ 5.93 billion. Although business scale and profitability are not necessarily linked, it is inferred that large projects tend to be more efficient overall, which is expected to lead to improved profitability.

Success fee for FY08/26 is unlikely to reach the level of FY08/25, which saw multiple fund formations

However, as the formation of several funds, which was executed in FY08/25, is not planned for FY08/26, it is forecast that success fees will not be as high as they were in FY08/25. As a result, although specific figures have not been disclosed, the percentage of success fees in gross profit (28.6% in FY08/25) and the overall gross profit margin (37.8% in FY08/25) are expected to decrease. In other words, as the proportion of gains from land sales in gross profit is expected to increase, FY08/26 is likely to be a period in which profits will be made through an increase in the transaction amount due to a faster turnover from purchase to sale or an increase in purchase amounts.

Target AUM of ¥1.5 trillion in FY08/29, the Final Year of the Medium-Term Plan, and Net Income of ¥50 billion

The company announced its phase 2 medium-term management plan for the period from 2025 to 2029 in October 2024. According to this plan, the target AUM for the final year, FY08/29, is ¥1.5 trillion (FY08/25 actual was ¥394.1 billion, FY08/26 target is ¥700 billion) and net income for FY08/29 is ¥50 billion (FY08/25 actual was ¥10.2 billion, FY08/26 plan is ¥16.5 billion).

Figure 7. Main Property Acquisition Status

	Release	Real Estate Acquisition	Business
FY08/25 Q1	2024/9/2	Acquired Shares in Mid in Hotel	Hotel
	2024/10/1	Acquired Shares in Tanda Kaiun	Hotel
	2024/11/20	Fuji-Kawaguchiko Hotel Project Development Site	Hotel
	2024/11/26	Osaka Honmachi Hotel Project Development Site	Hotel
	2024/11/29	Rebranding Hotel in Naka-ward, Nagoya	Hotel
	2024/11/29	Asakusa Kaminarimon Hotel Project Development Site	Hotel
FY08/25 Q2	2024/12/20	Miyako Irabujima Hotel Project Development Site	Hotel
	2024/12/23	Shimane Izumo Hotel Project Development Site	Hotel
	2025/1/17	Kamakura City Yukinoshita Hotel Project Development Site	Hotel
	2025/1/31	HAZMAT Automated Warehouse Development Site in Kanagawa	Logistics
	2025/1/31	Sendai Aoba-dori Hotel Project Development Site	Hotel
	2025/2/14	Healthcare Facility Development Site in Asahi-ward, Yokohama	Healthcare
	2025/2/27	Matsuyama Ichibancho Hotel Project Development Site	Hotel
	2025/2/28	Kusatsu Hotel Project Development Site in Gunma	Hotel
FY08/25 Q3	2025/4/25	Rebranding Hotel in Kobe city, Hyogo	Hotel
FY08/25 Q4	2025/6/13	Naha city Higawa Hotel Project Development Site	Hotel
	2025/6/27	Healthcare Facility Development Site in Minato-ward, Tokyo	Healthcare
	2025/7/1	Nanki Shirahama Hotel Project Development Site	Hotel
	2025/7/30	Rebranding Hotel in Roppongi, Minato-ward, Tokyo	Hotel
	2025/9/1	Automated Frozen Warehouses Developments Project in Malaysia	Logistics

Note: The "Development project for automated frozen warehouses in Malaysia" was released on September 1, 2025, but is listed here because the contract was signed in August 2025.
Source: Company Materials. Compiled by Strategy Advisors.

3. Large-Scale Financing

Large-Scale Financing Conducted in November 2025

The company announced that it will carry out a public offering of new shares on October 24, 2025 (closing price: ¥9,890). Details include the issuance of 4,000,000 new shares and the issuance of new shares (third-party allotment) in conjunction with the sale of 691,500 shares through over-allotment (OA). This will result in approximately 24 % dilution compared to before the public offering. In addition, Chairman Hiroyuki Ogawa will sell 350,000 shares and President Koshiro Komoto will sell 260,000 shares.

The offering and selling price were ¥7,718, calculated by multiplying the closing price of ¥8,040 on November 5th by a discount rate of 4.00%, with financing being carried out.

The Proceeds Will Be Used to Acquire Properties During FY08/26

The funds acquired through this financing will be used for future growth. The total funds raised (estimated maximum amount), including the third-party allotment accompanying the OA, will be ¥34.51 billion; with the entire amount being scheduled to be used for property acquisitions during FY08/26. The breakdown is as follows: ¥15.91 billion for the hotel business, ¥9.92 billion for the logistics business, ¥1.57 billion for the healthcare business and the remainder for overseas businesses (land acquisition, development, and residential property acquisition). The reason for this financing at this time is to further strengthen purchases that will lead to future profits, in response to the growing demand from real estate development investors, as the business model that was completed up to the management phase in the previous period has reached a virtuous cycle.

Strengthening the Financial Foundation

The company's financial foundation will also be strengthened. Shareholders' equity was ¥26.85 billion at the end of FY08/24 and ¥36.17 billion at the end of FY08/24. If all shares are issued through a third-party allotment, this will increase to ¥70.87 billion. As a result, provided other conditions remain unchanged, the equity ratio is expected to rise from 34.6% at the end of FY08/24 and 29.7% at the end of FY08/25 to a maximum of 45.3%.

4. Stock Price Trends and Outlook

2025 Will Coincide with the Announcement of Reciprocal Tariffs by the Trump Administration, Leading to a Significant Short-Term Decline at the Time of the Announcement of FY08/25 Q2 Cumulative Financial Results

From 2024 to 2025, the company's stock price fluctuated significantly due to earnings expectations and financial announcements, but in 2025, it began to move significantly in the short term after April 3, 2025, when the entire stock market became turbulent following the announcement of reciprocal tariffs by the Trump administration in the United States. On April 7, the business day following the announcement of the company's Q2 cumulative financial results (April 4), TOPIX fell 7.9% from within the day, but the company's stock price fell 12.5% to ¥4,795 (the company carried out a 1:2 stock split with the base date of August 31, 2025 and the listed stock price is based on the number of shares after the split. Same below).

It is difficult to separate the factors as this coincides with a sharp market downturn, but one of the reasons why the company's stock price fell so much more than the overall market is thought to be that the market judged the company's Q2 cumulative financial results to be somewhat disappointing.

The Decline in April 2025 Was Mainly Due to Concerns About Short-Term Performance

The reasons why the Q2 cumulative financial results were deemed somewhat unsatisfactory are thought to be: (1) gross profit and operating profit for Q2 (three months) decreased compared to Q1 and (2) inventory at the end of Q2 showed only a slight increase compared to the end of Q1, which raised concerns that purchasing was slowing.

Regarding (1), this was since revenues are primarily flow-based, which leads to fluctuations from quarter to quarter and regarding (2), it was thought that the procurement of development land was progressing smoothly, considering advance payments, etc. Ultimately, it was determined that neither of these poses a significant risk to the achievement of the company's full-year forecasts for FY08/25.

As the Market Calmed Down and Concerns About Business Performance Were Dispelled, Stock Prices Recovered and Began to Rise Again

As the market subsequently calmed down, the above concerns faded and the company's stock price showed a sustaining recovery, temporarily reaching the ¥7,000 range in June. Then, when the Q3 financial results were released on July 3rd, concerns about performance were completely dispelled and the stock price soared to ¥8,070 the following day, July 4th. After that, the stock price continued to rise, albeit with some fluctuations and even moved into the ¥10,000 range in October.

The Stock Price Adjusted Following the Public Offering Announcement on 24 October

However, as mentioned above, when the company announced that it would be conducting a public offering of new shares on October 24th (closing price ¥9,890), concerns about the dilution of shares were discouraged, and the stock price remained in the ¥8,000 range during the last week of October.

The Valuation Based on PER is Not High at All

The PER is approximately 12.7x, calculated by dividing the net income based on the FY08/26 company forecast by the number of fully diluted shares of the Euroyen CB issued in October 2024. Due to the rise in the stock price up until the announcement of the financing in October 2025, the company's PER had escaped from the bottom of its historical PER range, but the fall in the stock price following the financing has caused it to fall below that bottom. Considering that the company has historically had a high PER compared to its peers, reflecting its high profit growth potential, even when considering the impact of dilution from the financing, its current valuation is by no means high compared to its historical range or its peers.

Less Susceptible to the Impact of Global Economic Trends

Following political events such as the LDP presidential election and the dissolution of the LDP-Komeito coalition, the establishment of the Takaichi Sanae administration has led to an accelerating rise in Japanese stocks. Looking overseas, stock prices are also on an upward trend due to factors such as the easing of trade tensions between the US and China. The overall stock market may continue to be affected by factors such as the economic policies of the US Trump administration, US interest rate trends, and growing concerns about the overheating of AI stocks, which have risen significantly up until now. It is conceivable that the company's stock may also be affected by the stock market overall.

However, in terms of fundamentals, the company is primarily focused on domestic demand, except for its overseas business in Dubai, and as the company has many unique growth drivers, it can be said to be relatively less susceptible to the impact of global economic trends.

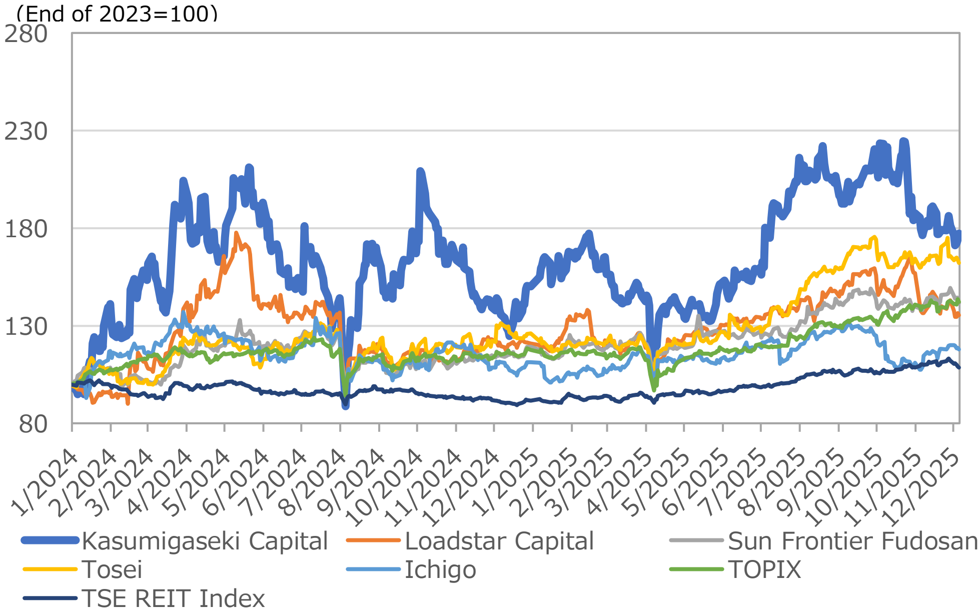
Lower Interest Rates Could Be Positive

Furthermore, if the economic slowdown in the United States or Japan intensifies, interest rates are likely to come under downward pressure, which could be a positive factor for real estate-related stocks that are using interest-bearing debt to increase financial leverage and generate greater profits.

After Financing, the Next Focus is on the Likelihood of Achieving the Company's FY08/26 Forecasts

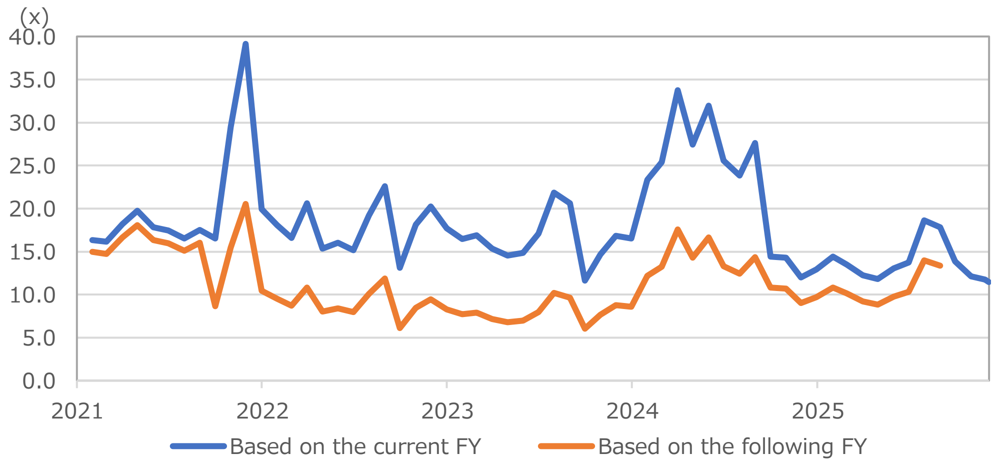
The company's stock price movements are highly individualized. Therefore, in the short term, its stock price is likely to be shaped more by the degree of progress against its own earnings forecasts than by the overall stock market trends mentioned above. Since the announcement of the financing, the company's stock price has been adjusting due to concerns about dilution, but from here on, the focus will likely shift to the likelihood of achieving FY08/26 company forecast of ¥16.5 billion in net income. For the time being, the likelihood of achieving the FY08/26 company forecast will likely continue to be confirmed through announcements such as the sale of development land, but as increased confidence in achieving the forecast is factored into the stock price, we can expect the stock price to rise further.

Figure 8. Real Estate Investment Companies Stock Price Trends



Source: Strategy Advisors.

Figure 9. Trends in PER



Source: Strategy Advisors.

Figure 10. Profitability Comparison with Competitors

Code	Company Name	FY	Sales (¥bn)	Gross Profit Margin (%)	OP Margin (%)	Net Profit Margin (%)	ROE (%)	ROA (%)	Leverage (x)	Total Asset Turnover (x)
3498	**Kasumigaseki Capital**	**08/25**	**96.5**	**37.8**	**19.6**	**10.6**	**32.5**	**10.3**	**3.3**	**0.97**
Real Estate Investment										
2337	Ichigo	02/25	83.6	30.5	19.5	18.2	14.0	3.9	3.6	0.22
3482	Loadstar Capital	12/24	34.4	38.8	33.3	20.0	30.6	7.5	4.2	0.38
8923	Tosei	11/24	82.2	42.8	22.5	14.6	13.9	4.6	3.1	0.31
8934	Sun Frontier Fudosan	03/25	103.2	31.2	20.6	13.7	14.7	7.0	2.1	0.51
	Average			35.8	24.0	16.6	18.3	5.7	3.3	0.35
Major Developers										
3003	Hulic	12/24	591.6	39.0	27.6	17.3	12.8	3.7	3.7	0.21
8801	Mitsui Fudosan	03/25	2,625.4	24.2	14.2	9.5	8.0	2.6	3.1	0.27
8802	Mitsubishi Estate	03/25	1,579.8	26.5	19.6	12.0	7.6	2.4	3.1	0.20
	Average			29.9	20.5	12.9	9.5	2.9	3.3	0.23
Hotel										
4681	Resorttrust	03/25	249.3	77.5	10.6	8.1	14.7	4.2	3.4	0.52
9616	Kyoritsu Maintenance	03/25	228.9	24.4	9.0	6.4	15.7	5.1	3.0	0.80
9722	FUJITA KANKO	12/24	76.2	21.0	16.2	12.0	35.4	9.7	3.7	0.81
	Average			41.0	11.9	8.8	21.9	6.3	3.4	0.71
Healthcare										
7061	Japan Hospice Holdings	12/24	12.1	17.4	10.6	5.3	20.9	3.8	5.3	0.72
7071	Amvis Holdings	09/25	49.2	30.1	12.5	7.4	10.6	4.7	2.2	0.63
9158	CUC	03/25	47.0	49.3	11.4	6.7	11.0	4.2	2.9	0.64
	Average			32.3	11.5	6.5	14.1	4.3	3.4	0.66

Source: Company Materials. Compiled by Strategy Advisors.

Figure 11. Valuation Comparison with Competitors

Code	Company Name	Stock Price (Dec. 5) (¥)	Market Cap. ¥bn)	PER (CoE) (x)	PBR (x)	ROE (%)	Dividend Yield (CoE) (%)	EV/EBITDA (x)
3498	**Kasumigaseki Capital**	**7,940**	**188.7**	**11.5**	**4.3**	**32.5**	**2.1**	**8.5**
Real Estate Investment								
2337	Ichigo	398	164.5	10.4	1.5	14.0	2.9	16.2
3482	Loadstar Capital	2,787	46.5	6.0	1.8	30.6	3.0	6.6
8923	Tosei	1,619	157.3	10.8	1.7	13.9	3.1	12.2
8934	Sun Frontier Fudosan	2,313	112.3	7.2	1.1	14.7	3.3	6.0
	Average			8.6	1.6	18.3	3.1	10.3
Major Developers								
3003	Hulic	1,672.5	1,270.0	11.3	1.5	12.8	3.6	15.1
8801	Mitsui Fudosan	1,751.0	4,854.5	18.3	1.5	8.0	1.9	17.8
8802	Mitsubishi Estate	3,622.0	4,296.7	22.6	1.8	7.6	1.3	17.5
	Average			17.4	1.6	9.5	2.3	16.8
Hotel								
4681	Resorttrust	1,929	409.5	20.1	2.8	14.7	1.8	10.7
9616	Kyoritsu Maintenance	2,808.0	242.8	13.0	2.2	15.7	1.6	11.0
9722	FUJITA KANKO	11,290	135.3	15.5	5.7	35.4	0.4	9.1
	Average			16.2	3.6	21.9	1.3	10.3
Healthcare								
7061	Japan Hospice Holdings	1,253	10.6	15.5	3.0	20.9	2.0	11.9
7071	Amvis Holdings	467	45.5	21.7	1.3	10.6	0.9	11.4
9158	CUC	905	26.5	9.2	0.9	11.0	0.0	6.4
	Average			15.5	1.7	14.1	1.0	9.9

Note: Kasumigaseki Capital's PER (company forecast) is calculated as EPS, which is the company's forecast net income for the current period divided by the number of diluted shares.
Source: Strategy Advisors.

5. Equity Story

An Equity Story is a Feasible Business Strategy That Incorporates Demand Arising from Social Issues with a Unique Business Model

At Strategy Advisors, we believe that an equity story consists of 1) a feasible and detailed business strategy and 2) an exciting dream.

As will be explained in more detail later, the company's winning formula, based on its "corporate DNA", is to focus on the gap between supply and demand created by social issues and develop a unique business model in a growing market. The company's current core business areas of hotel, logistics (frozen and chilled warehouses) and healthcare (hospice housing) are all expected to continue growing over the medium term; and there are no concerns that the company's first-move advantage will be shaken in the near term, so it is highly likely that high profit growth will continue. This is the basis for the company's expected continued rise in stock price and is rooted in the "feasible and precise management strategy" that constitutes its equity story.

Another Component of the Equity Story is the Expectation That the

In addition, as we will discuss later, if the company's corporate culture becomes stronger, we can expect it to be able to establish a similar advantage when expanding into peripheral fields in its existing fields, other asset types,

Company Will Be Able to Maintain its Competitive Advantage Even When Expanding into Other Areas, Asset Types & Overseas

and overseas. For example, some concrete projects are already underway, such as the "(tentative name) Factory & Logistics Park" in logistics and the development of frozen and chilled warehouses in ASEAN, while others, such as the hotel business in the United States, are still in the planning stage. Building a similar advantage in these new fields is an "exciting dream" and as the likelihood that these will contribute to concrete performance increases, the company's valuation may rise.

Medium Term: The Diversification of Earnings Structures Due to an Increase in Success Fees, Etc., May Also Led to Higher Valuations

Furthermore, from a quantitative perspective, expectations are high for a diversification of the company's revenue structure. Until now, gains on land sales accounted for most of the gross profit, but with the increase in success fees in FY08/25, the contribution of land sales gains to gross profit has fallen below 60%. Going forward, the company is also expected to receive stable asset management income from funds such as Kasumigaseki Hotel REIT Investment Corporation. This indicates that it has become possible to earn money without significantly increasing inventory and this "diversification of the revenue structure" is also seen as an "exciting dream" that could lead to an increase in the company's valuation.

Success fees will fluctuate depending on whether a fund is formed. As the number of funds planned for FY08/26 is not as high as in FY08/25, the contribution of gains to land sales is likely to increase again. It is thought that the "change in earnings method" will not be reflected in an increase in valuation from FY08/27 onwards.

6. A Real Estate Consulting Company Dedicated to Solving Social Issues

1) Company Overview

A Company That Solves Social Issues

The company is a real estate consulting company that aims to solve social problems by focusing on what is needed by society and in growing demand but is in short supply and seeking business opportunities in these spaces. Their management philosophy, "Turning Challenge into Value", reflects their basic view of business management. Although they are a developer that utilizes real estate funds, they are notable for being involved in operations themselves when necessary and they place importance on increasing the value of their real estate and related businesses.

The 4 Focus Businesses Are Hotels, Logistics, Healthcare & the Overseas Business

The company's current business focus is on 4 areas: hotels, logistics, healthcare and overseas.

In the hotel business, the company specializes in multi-occupancy hotels designed for long-term stays by families and groups of friends. They leverage IT to achieve thorough labor-saving measures and keep costs down, while simultaneously offering hotels with stylishly designed.

In the logistics business, the company is focusing on development of frozen and chilled warehouses and is currently actively promoting the construction of automated frozen warehouses.

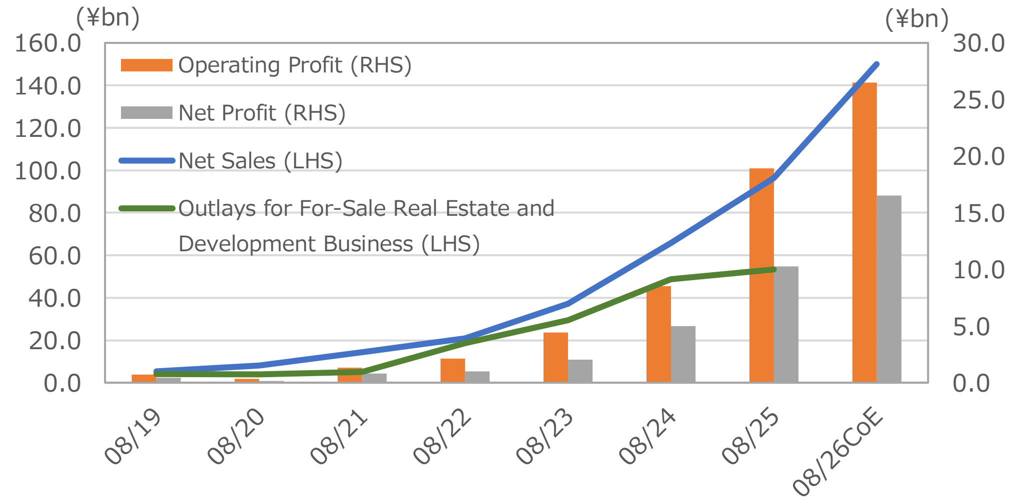
In the healthcare business, the company develops hospice housing, striving to provide comfortable facilities in good locations. The company is also expanding its overseas business, currently operating mainly in Dubai.

Rapid Expansion of Business Scale

The company's performance continues to expand rapidly. Sales increased 18.0x from ¥5.35 billion in FY08/19, the first year of their listing, to ¥96.5 billion in FY08/25 and operating profit increased 27x from ¥700 million to ¥18.93 billion. Factors behind this high growth include targeting areas of growing markets and the company's excellent know-how in planning, design, fund formation, etc.

Inventory assets are a leading indicator of the company's performance. As will be discussed later, the company purchases land, formulates a development plan, coordinates the necessary transactions and then sells the land to development funds and other parties. The land remains on the balance sheet from the time it is purchased until it is sold to the development fund. Therefore, an increase in inventory assets indicates a steady expansion in land purchases, which will lead to an increase in sales and profits thereafter. Inventory assets at the end of FY08/25 were ¥53.32 billion, an increase of ¥4.65 billion from the previous year.

Figure 12. Earnings Trends



Source: Company Materials. Compiled by Strategy Advisors.

2) History

Founded by Chairman Hiroyuki Ogawa & President Koshiro Komoto

Kasumigaseki Capital was essentially founded by Chairman Hiroyuki Ogawa and President Koshiro Komoto. As of the end of August 2025, the company's shareholder composition is as follows: Chairman Ogawa is the largest shareholder with 23.28 % and President Komoto is the third largest shareholder (the second is a trust bank (trust account); both figures are before the November 2025 fundraising) with 8.26 %. The two men had previously worked together at an investment fund and know each other well.

Renovating a Shopping Center in Miyagi Prefecture and Expanding into Renewable Energy

In September 2011, FORTE LLC was established with the objective of acquiring and revitalizing the Forte shopping center in Miyagi Prefecture, which was damaged in the Great East Japan Earthquake and the company has since expanded its business. Taking advantage of the Feed-in Tariff (FIT) system for industrial solar cells, which began in 2012, FORTE installed solar panels on the roof of the shopping center and began selling electricity.

Building a Model for Utilizing Investment Funds in Renewable Energy

After that, the company began to fully engage in renewable energy business, focusing on not only solar power but also wind power. The company created a business model in which it handles all aspects of the process, from collecting and acquiring land information, designing power generation facilities, obtaining permits and licenses, detailed design and development, fundraising, and construction and then selling the facilities to investors such as infrastructure funds after completion.

However, the renewable energy business itself has become less attractive as purchase prices under the FIT system have been reduced and the company is not currently conducting any new developments.

Started Focusing on Multi-occupancy Hotels

In June 2015, the company was reorganized from a limited liability company to a joint-stock company and in August of the same year, the company name was changed to Kasumigaseki Capital. In November 2018, the company was listed on the Tokyo Stock Exchange Mothers market.

After going public, the company expanded the know-how and business model it had cultivated in renewable energy to other businesses, including the development of condominiums, but gradually began to focus on multi-occupancy hotels.

Taking Advantage of COVID-19 to Expand into the Logistics Business

As the hotel business was severely affected by the outbreak of COVID-19 in 2020, the company decided to launch a logistics business centered on frozen and chilled warehouses. In particular, the company saw an expected increase in demand for frozen foods in the medium to long term, and an increase in demand for rebuilding warehouses due to the need to switch from fluorocarbons and alternative fluorocarbons to natural refrigerants. The company decided to develop its business by specializing in frozen and chilled warehouses. In June of the same year, the company established a new logistics division and formally entered the business. The decision-making process and subsequent actions were remarkably swift. Today, logistics has become the company's largest business segment.

Started Healthcare Business Centered on Hospice Housing

In December 2021, the company launched a healthcare promotion division and began developing hospice housing for end-of-life care. While the number of hospital and clinic beds is expected to decrease in the future due to issues such as succession issues at medical institutions and a decrease in medical professionals, demand for hospice housing is expected to increase due to the aging population and this project is being carried out in line with the company's policy of contributing to solving social issues.

In Addition to the 3 Domestic Businesses, there is also a Dubai-based Overseas Business

In this way, logistics, hotels, and healthcare have now become the three main areas of domestic business operations. Additionally, the company is engaged in overseas real estate development, primarily centered in Dubai.

In April 2022, following a reclassification of the Tokyo Stock Exchange, the market moved from the Mother’s market to the Growth market, and in October 2023 it was moved to the Prime market.

Figure 13. Summary of Kasumigaseki Capital's History

September 2011	Established FORTE LLC with the objective of acquiring and revitalizing the shopping center FORTE (Miyagi Prefecture), which was damaged in the Great East Japan Earthquake.
June 2013	The company installed 572kW solar panels on the roof of a shopping center and began selling electricity, launching a natural energy business.
September 2014	Started real estate consulting business
August 2015	Company name was changed to Kasumigaseki Capital Co., Ltd.
November 2018	Listed on the Tokyo Stock Exchange Mothers Market
October 2021	Established Logi Flag Development as a joint venture with Mitsubishi HC Capital (Kasumigaseki Capital holds a 66% stake).
April 2022	Transitioned from the Mothers Market to the Growth Market due to a market classification review by the Tokyo Stock Exchange.
October 2023	Change to Tokyo Stock Exchange Prime Market
August 2025	Kasumigaseki Hotel REIT Investment Corporation Listed on the Tokyo Stock Exchange Real Estate Investment Trust Securities Market

Source: Company Materials. Compiled by Strategy Advisors.

7. President Koshiro Komoto's Profile

After Graduating from University, took a 2-Year Break Before Joining a Construction Company

President Koshiro Komoto was born in 1974 and will be 51 years old as of October 2025. After graduating from Osaka University, he chose to work part-time for 2-years, rather than going directly into full-time employment. At that time, he had a negative view of the world and avoided facing it head-on. After that, through a recruitment agent, he joined the construction company Meiho Facility Works in 1999 (1717 TSE Standard, unlisted at the time).

Discovered the Appeal of Investment Funds

His training came on the job and was based on hard work. Through the sales work, he learned about real estate funds from clients and recognized their appeal. This led him to join GLOVANCE, a real estate investment funds, and later the British real estate company Grosvenor Fund Management.

The 2008 Financial Crisis Was a Turning Point

The turning point came with the Lehman Shock in 2008. It was a shock that completely shattered his previous values, and while he felt powerless, it also became an opportunity for him to face society head-on. At the same time, he witnessed how a company without financial strength could easily endure a major economic shock like a financial crisis. This strengthened his belief that he had to conduct business in a way that would prevent the company from going bankrupt even in the event of such a shock. This seems to have led to the risk management style at Kasumigaseki Capital today.

President Komoto and Chairman Ogawa Establish FORTE LLC, Marking the Start of Full-scale Expansion

President Komoto and Chairman Hiroyuki Ogawa were originally close friends, having worked together at GLOVANCE from 2005 to 2006. Even after leaving GLOVANCE to pursue separate paths and run their own businesses, they continued to exchange information with each other.

After that, rather than managing multiple small companies, they decided to jointly create a larger organization to expand their business, and in 2011 they established FORTE LLC and began operations by acquiring FORTE, a shopping center in Miyagi Prefecture. Using FORTE LLC as a base, they expanded into renewable energy businesses such as solar panels and in 2014 entered the real estate consulting business.

The Desire to Create Added Value That Can Contribute to Society Using Real Estate Funds as a Tool

When President Komoto and Chairman Ogawa founded the company, they felt that the real estate fund business had reached a dead end and had a strong desire to create added value that could contribute to society. At the same time, they also understood that using real estate funds as a tool for creating added value would be effective.

The solar power generation business that the company first worked on was a perfect fit for the fund model. They would purchase land in rural areas with a small investment, create a development plan, obtain licenses and permits, and then sell the land to a development fund. Initially, they had no choice but to use this method due to a lack of funds, but they soon found that it worked well as a business. This experience could be said to be the origin of the company's subsequent business model.

Solving Social Issues is the Starting Point of Business

President Komoto spoke about the background behind the company's vision of being a company that solves social issues and adopting the corporate philosophy of "Turning those issues into value" as follows: "When you think about what work is and what a company's purpose is, it's an idea that comes naturally, and it's nothing special." He also stated that "if you tackle social issues head-on, those around you will support you, and it will be easier to move forward with your business". This is an idea that goes back to the very foundations of business and it appears to have taken root in the company's corporate culture.

Generational Responsibility for the "Lost 30 Years"

President Komoto also strongly believes that "my grandparents achieved post-war reconstruction and my parents' generation achieved rapid economic growth, but we, as a generation that lived through Japan's 'lost 30 years', we bear responsibility for that." This is also thought to be connected to the company's corporate culture of working to solve social issues.

8. Revenue Model

After Formulating a Development Plan, the Purchased Land is Sold to a Development Fund. Profits from the Sale and Project Management Fees Are Earned

The company's basic revenue model is to acquire land, develop its own development plans and then add value before selling them to development fund investors. Even after ownership of the property is transferred to the development fund, the company continues to handle construction, development, project management, leasing and finally introducing buyers. For these activities, the company receives project management fees from development fund investors.

Success Fees Are Paid When a Development Fund Sells to

Once the building is completed, the property is sold by the development fund to a real estate fund (long-term core fund). If the property is sold at a price

a Real Estate Fund. Fees Are Also Earned for Asset Management Services

that exceeds the development investor's expected return, the company receives success fees. In addition, by performing asset management services for the real estate fund, the company can earn asset management fees.

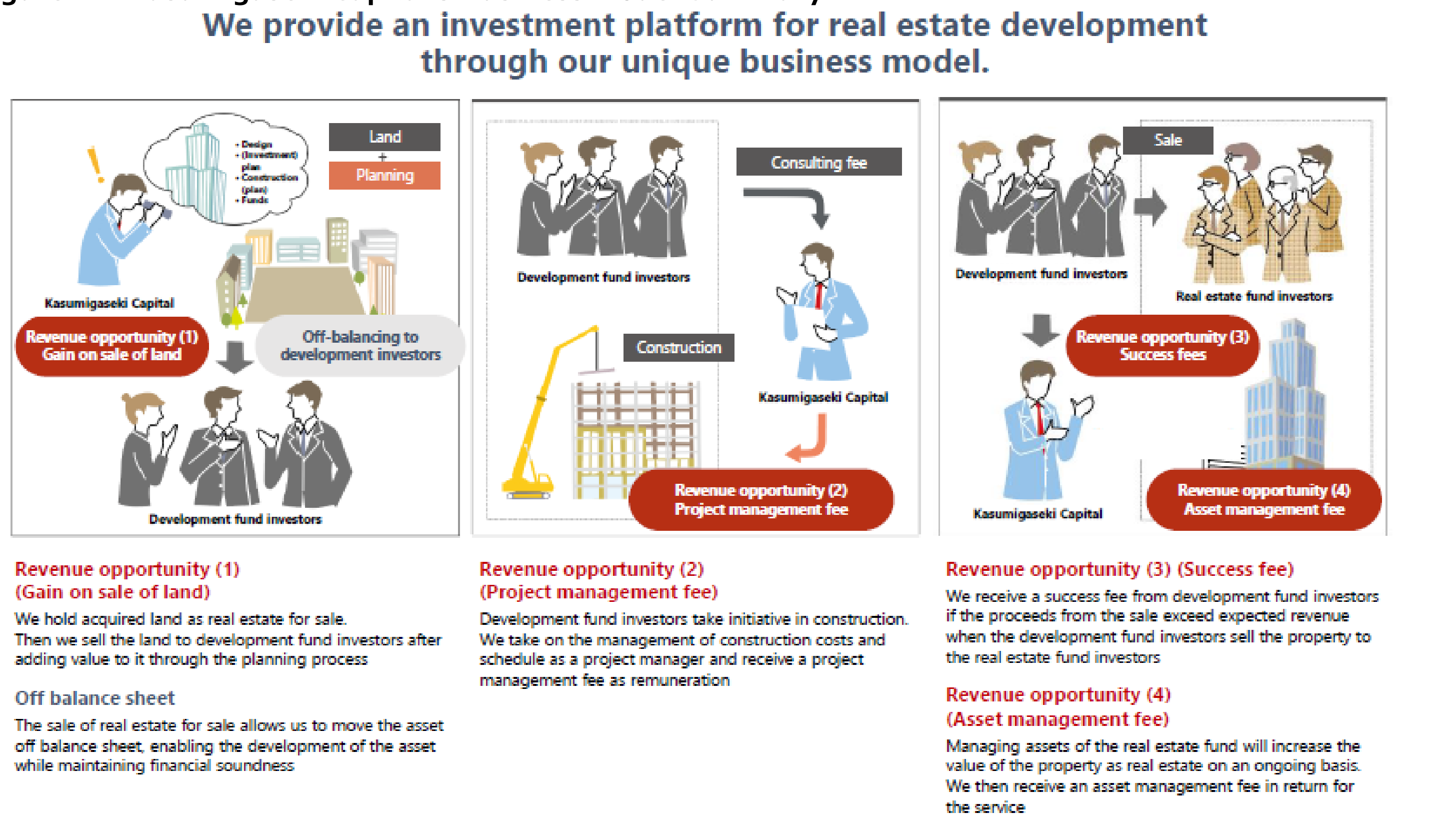
There Are 4 Levels of Reward Opportunities. The Company's Funds Are Rapidly Cycled in About 6 Months

The company has 4 revenue generating opportunities: (1) sales to development funds, (2) project management fees from project management during construction, (3) success fees when selling to core funds and (4) subsequent asset management fees.

In addition, the company's capital recovers in approximately 6-months between securing the land and selling it to the development fund, and by using that capital for the next project, the capital turnover rate is greatly improved. Also, because the capital recovers in a short period of time, risks such as macroeconomic conditions and interest rate trends can be limited.

The average profit margin per property is thought to be smaller than that of a typical developer who acquires land, develops and constructs the property themselves, and then sells or rents out the completed property. However, due to the overwhelmingly high turnover rate of capital, the amount of profit that can be made over the same period is estimated to be comparable.

Figure 14. Kasumigaseki Capital's Business Model Summary



Source: Company Materials.

The Key is to Sell to a Development Fund That Will

The key to the above transaction is the sale to a development fund. Investors in development funds vary depending on the property, including real estate companies, construction companies, business corporations and financial

Cover the Construction Costs of the Property

institutions. In some cases, the property is sold to a single company, while in other cases, the shares are divided and sold to multiple companies. In many cases, a limited liability company (LLC) is established as a fund, and anonymous partners are recruited.

Profit From Sales to Development Funds Will Depend on the Quality of the Land Acquisition Conditions and Development Plan

The extent of the profit the company can make from selling to a development fund is likely to depend on the conditions for acquiring the land and the attractiveness of the development plan. The company has accumulated information on land nationwide through its renewable energy business, which is likely why it is able to acquire relatively good properties under favorable conditions. Furthermore, the company's diverse and talented workforce likely contributes to the attractiveness of its plans. Furthermore, multi-occupancy hotels, frozen and chilled warehouses and hospice housing are all in high demand in society, contribute to the SDGs, and are relevant themes of the times, making it likely to be easy for funds to raise capital. While the company initially struggled to form funds due to a lack of experience, it can be said that today it has built a track record that has earned it from the trust of investors.

The Core Fund Owns the Property and Receives Stable Rental Income

Core funds are formed with the goal of renting out completed properties and earning stable rental income. Typical examples include REITs and private placement funds. The company handles project management such as construction using funds from the development fund and then sells the properties to the core funds it has formed. Thereafter, the company handles asset management and receives management fees. It also plays the role of a sponsor, as in a REIT.

A Derivative Business Model Being Implemented in a Joint Venture with Mitsubishi HC Capital

The above is the basis of the company's business model, but it also has a derivative business model that is being applied to logistics facilities. When the company established LOGI FLAG DEVELOPMENT Co., Ltd. (in which the company holds a 66% stake) in October 2021 as a joint venture with Mitsubishi HC Capital (8593 TSE Prime), the company announced a derivative business model that is being applied to logistics facility projects.

LOGI FLAG DEVELOPMENT Co., Ltd. will acquire the land and establish a special company (SPC), which will then transfer the land to SPC. It will then obtain non-recourse loans from financial institutions and funding (presumably mainly mezzanine financing) from partner Mitsubishi HC Capital to carry out development. LOGI FLAG DEVELOPMENT Co., Ltd. will manage the project during the development stage, and once the property is completed and sold to the core fund, LOGI FLAG DEVELOPMENT Co., Ltd. will make a profit from sales. The company will receive 66% of its investment from the project management fee and the profit on the sale.

In the Derivative Business Model, Land is Often Purchased through Kasumigaseki Capital

In the derivative business model, the subsidiary LOGI FLAG DEVELOPMENT Co., Ltd. is responsible for procuring the land, but the company appears to be acquiring the land using its own funds in many cases. This is thought to be since the company can acquire land by making full use of its information network and that decision-making can be carried out quickly, just as with land for non-logistics purposes. For this reason, it appears that a gain on sale is realized at the stage of selling the land to LOGI FLAG No. xx LLC, SPC for development.

Logistics facilities are also being completed one after another and are beginning to become operational and these are being sold as core funds. A representative example of a core fund is Cold Storage Fund No. 1 LLC, a long-term investment fund specializing in environmentally friendly frozen and chilled warehouses that began operations on May 30, 2025.

Figure 15. Major Sales Destination (More Than 10% of Annual Sales)

FY	Sales Total (¥mn)	Sales Destination	Sales (¥mn)	Sales Composition
08/19	5,352	HEIWA REAL ESTATE (8803 TSE Prime)	830	15.5%
		LLC NLI No. 2	780	14.6%
		Cross	710	13.3%
		Fujiken Home	551	10.3%
		Total	2,871	53.6%
08/20	8,008	LLC OBC	1,922	24.0%
		LLC NLI No. 3	1,188	14.8%
		LLC NLI No. 2	1,053	13.1%
		Total	4,163	52.0%
08/21	14,295	JR West Properties	3,304	23.1%
		RIBERESUTE (Currently SYLA HD, 8887 TSE Standard)	2,464	17.2%
		LLC LOGI FLAG No. 2	2,046	14.3%
		LLC LOGI FLAG No. 3	3,634	25.4%
		Total	11,448	80.1%
08/22	20,780	K.K Residence LLC	3,134	15.1%
		LLC Alterna 13	2,291	11.0%
		LLC LOGI FLAG No. 4	2,277	11.0%
		DAIWA HOUSE INDUSTRY (1925 TSE Prime)	2,230	10.7%
		Total	9,932	47.8%
08/23	37,282	LLC LOGI FLAG No. 8	6,166	16.5%
		LLC FAV PRF No. 1	5,512	14.8%
		Hulic (3003 TSE Prime)	5,332	14.3%
		Total	17,010	45.6%
08/ 24	65,685	LLC FAV PRF No. 2	9,886	15.1%
		LLC LOGI FLAG No. 9	6,928	10.5%
		Total	16,814	25.6%
08/25	96,501	LLC Ginza 8 Hotel Project	10,157	10.5%
		Total	10,157	10.5%

Source: Securities Report.

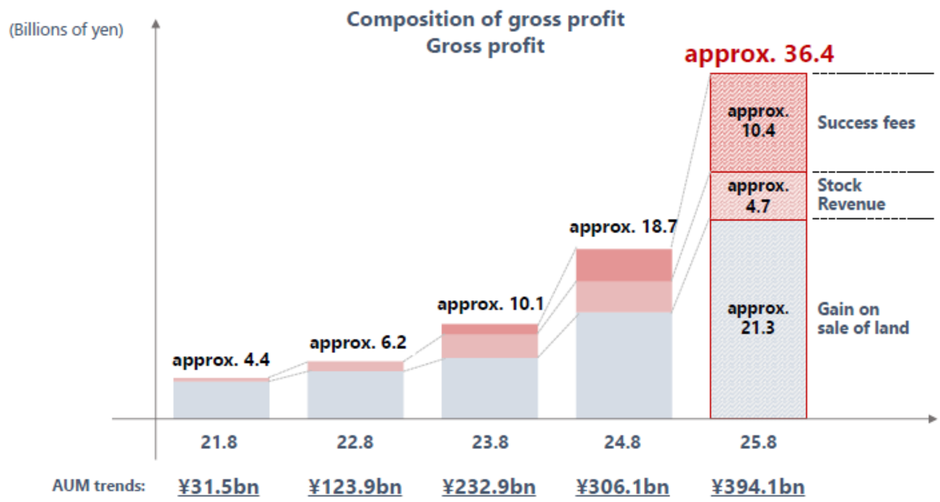
At Present, the Largest Gain is from Land Sales, Followed by Success Fees

The breakdown of the above fee structure (1) sales to development funds, (2) project management fees, (3) success fees when selling to core funds and (4) asset management fees (gross profit basis) is shown in Figure 14. (2) and (4) are included in stock revenue.

(1) Land sales profits remain the largest at present, accounting for just under 60% of the company's total gross profit. The gross profit margin on sales is

estimated to be around 30%. (2) Project management fees are estimated to be 2-3% of the project amount. (3) Success fees are estimated to vary depending on the property, but as many of the company's properties are in strong demand, the amount per project is estimated to be large and the proportion of gross profits to the total has risen to nearly 30%.

Figure 16. Gross Profit Breakdown



Source: Company Materials.

9. Financial Trends/Cash Flow

The Demand for Capital for Growth is Very Strong

Under the company's business model, it purchases land using its own balance sheet and then sells it to development funds within about six months. This results in a smaller financial burden compared to typical developers who fund construction with their own capital. Nevertheless, the company, which is in a phase of rapid growth, is rapidly increasing its land acquisitions, creating strong funding needs.

Figure 17 summarizes the company's cash inflows and outflows. Up until FY08/24, the company's real estate holdings had been rapidly increasing as inventory, but cash inflows from profits were not yet sufficient, requiring external financing. In FY08/25, success fees increased, allowing the company to cover the cash outflows from increased inventory with cash inflows from profits.

However, according to the company, the increase in success fees for FY08/25 was due to a relatively concentrated formation of funds. For FY08/26, the company does not anticipate success fees at the same level as for FY08/25. Therefore, the demand for funds to support growth through the sale of inventory assets is expected to remain strong.

Raising Funds Through Borrowing and Capital Increases

The company's funding has mainly been through borrowing and stock issuance. Previously, it raised ¥ 10.8 billion through a stock issuance in December 2023. The number of issued shares increased by approximately 19%, which temporarily depressed the stock price, but the stock price subsequently recovered the decline in a short period of time and has since risen significantly. The announcement of the capital increase made it clear that the funds would be used for land acquisition and development in 3 major areas, which appear to have been well received by the market. As of the end of FY08/25, interest-bearing debt totaled ¥ 68.9 billion, the debt-to-equity ratio was 1.0x, and the equity ratio was 29.7%.

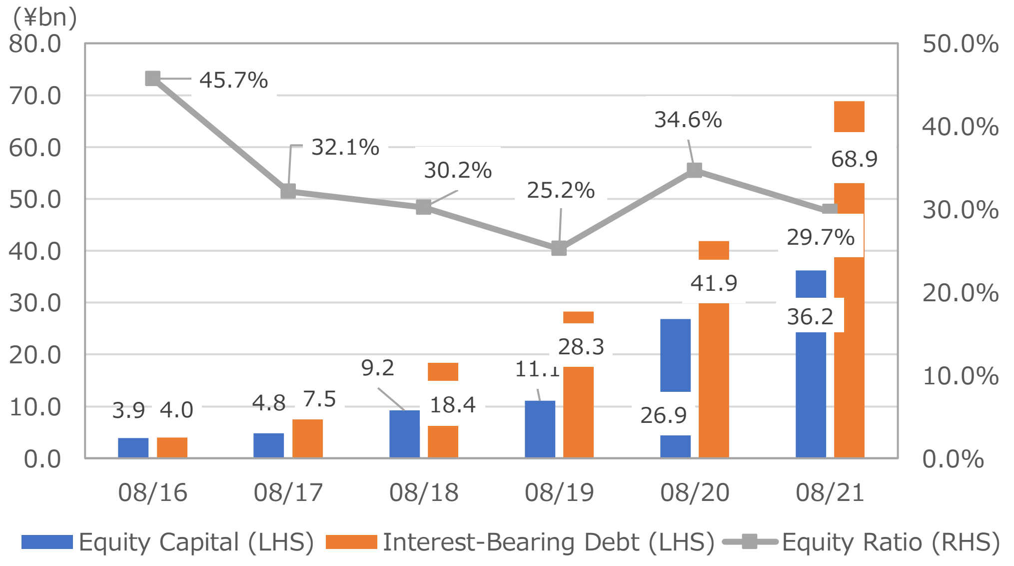
Following this, the company raised up to ¥34.5 billion (including up to ¥5.1 billion in a third-party allotment) through financing announced in October 2025. At the time of the announcement on October 24, the number of shares issued was expected to increase by up to approximately 24%, causing the stock price to fall 15.2% on the following business day; but if past patterns are any indication, the stock price is likely to recover as the market becomes more convinced.

Figure 17. Changes in Cash Flow (¥mn)

FY	08/20	08/21	08/22	08/23	08/24	08/25
Cash Outflow						
Inventory	156	-1,221	-13,563	-10,706	-19,260	-4,651
Acquisition of Tangible Fixed Assets	-109	-1,664	-203	-465	-1,899	-6,497
Acquisition of Investment Securities	-76	-61	-264	-702	-2,419	-5,526
Acquisition of Treasury Stock	-199	0	-321	-178	0	0
Dividends	-55	-63	-132	-240	-489	-1,671
Others	-1,213	-3,591	-914	-1,052	-9,702	-25,794
Total	-1,496	-6,600	-15,397	-13,343	-33,769	-44,139
Cash Inflow						
Net Income	134	793	1,018	2,050	5,020	10,250
Loans	-101	3,128	10,940	9,730	13,841	1,904
Bonds	0	247	-65	184	-165	403
Lease Obligations	8	155	26	-37	-71	2,674
Issuance of Stock	2,312	0	3,568	0	10,894	0
Others	-857	2,277	-90	1,416	4,250	28,908
Total	1,496	6,600	15,397	13,343	33,769	44,139

Source: Securities Report.

Figure 18. Interest-Bearing Debt and Financial Position



Source: Company Materials. Compiled by Strategy Advisors.

The Impact of Rising Interest Rates on Profits is Limited

The company's interest-bearing debt was ¥41.9 billion at the end of FY08/24 and ¥68.9 billion at the end of FY08/25. Calculating the annual interest rate based on the average interest-bearing debt of ¥55.4 billion during the period and the interest paid in FY08/25 of ¥1.31 billion, gives an annual interest rate of 2.4%. If interest rates were to rise by 1.0% in the future, interest paid would increase by ¥690 million on interest-bearing debt at the end of FY08/25, but the impact is deemed to be limited given current profit levels.

Demand Growth is High & Capital Needs Remain Strong

Net income was ¥10.25 billion in FY08/25 and the company plans to achieve ¥16.5 billion for FY08/26. Therefore, going forward, there will likely be ample room for operating cash flow to cover cash outflows for land purchases and other expenses. However, the company is highly motivated to expand its business and believes that there is still ample room for growth, provided it has the necessary funds. With its financial position strengthened by the November 2025 share issuance, it may be possible to increase borrowing for the time being, but depending on the rate of growth, it is also possible that the company will continue to raise funds in the capital markets.

10. Logistics Business

1) Demand for Frozen Foods is Growing

Domestic Demand for Frozen Foods is Steadily Increasing

Demand for frozen foods in Japan is showing steady growth. While the population is on a declining trend, per capita consumption is growing at a faster rate. According to data from the Japan Frozen Food Association, per capita frozen food consumption is expected to increase from 21.3 kg in 2014 to 23.6 kg in 2024, with total consumption expanding from 2,705,000 tons to 2,924,000 tons over the same period. A breakdown in domestic production and imports shows that domestic production has not increased since 1997, while imports have been increasing continuously.

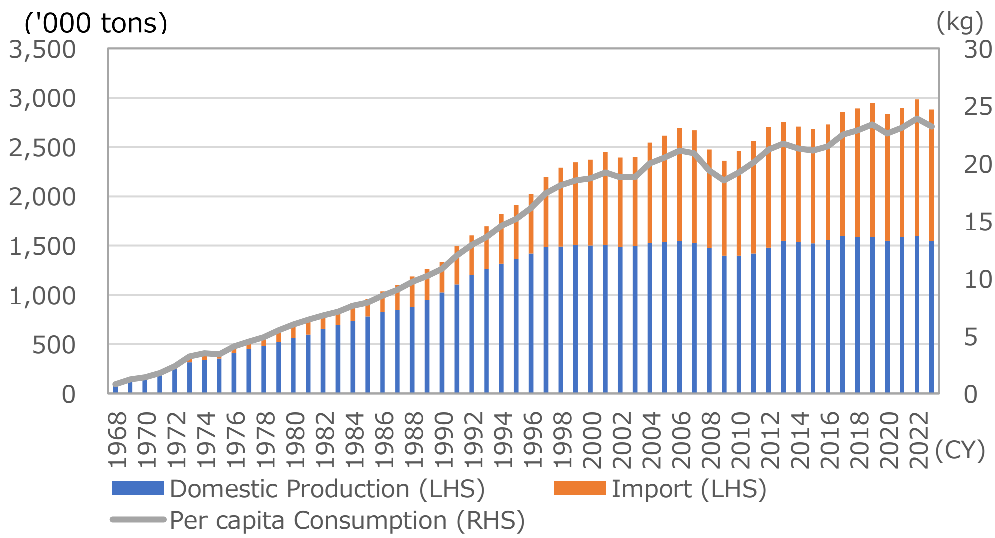
In Addition to Saving Cooking Time, the Background is That There Are Now More Delicious Frozen Foods Available

In the association's survey, the top reasons given for the increased frequency of frozen food use by both men and women were "because it's easy and convenient to cook" and "because there are more products that I think are delicious". This is likely due to the continued strong need to streamline cooking time with the increase in dual-income households, as well as the advancement of product development by food manufacturers, which has led to the availability of more delicious ingredients. Furthermore, the increasing appeal of price, with "the prices of fresh produce such as vegetables have risen" and " because it's reasonably priced" were also among the top reasons.

Demand for Frozen Foods is Growing from the Perspective of SDG 's

Furthermore, from the perspective of the SDG's, frozen foods are attracting attention as one way to solve the problem of food waste. Frozen foods have a long shelf life, which helps reduce food waste at home. For these reasons, it is highly likely that domestic demand for frozen foods will continue to increase.

Figure 19. Trends in Domestic Consumption of Frozen Foods



Source: Japan Frozen Food Association, “Regarding the Production and Consumption of Frozen Foods” April 17, 2025. Compiled by Strategy Advisors.

2) Utilization Rates of Frozen and Chilled Warehouses are High, But Supply and Demand Are Tight

Shortage of Frozen and Chilled Warehouses

As demand for frozen foods expands, the process from production to sales is called the cold chain and logistics are expected to hold the key to meeting demand.

The company's frozen and chilled warehouses are experiencing a capacity shortage, with demand growing but supply not keeping up. Until now, frozen and chilled warehouses have often been owned or rented by frozen food manufacturers or logistics companies for their own business, and there have been few frozen and chilled warehouses available for rent that can be used by multiple tenants. This is an issue the company has set its sights on.

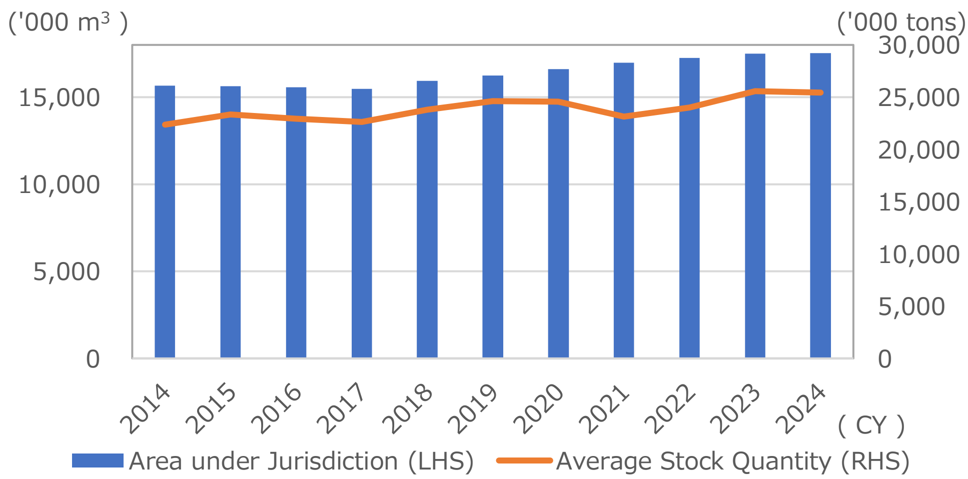
Demand Recovers After COVID-19 Slump

Figure 20 shows trends in the capacity and inventory levels of frozen and chilled warehouses, as compiled by the Japan Refrigerated Warehouses Association. It shows trends in the capacity and inventory levels (cumulative annual totals) of frozen and chilled warehouses. While capacity, which indicates the supply of warehouses, has steadily increased, inventory levels, which indicate storage volume, increased at a slightly faster pace until 2019. From 2020 to 2022, the impact of COVID-19 caused demand for commercial frozen foods to slump, leading to a decline in inventory levels, but this was expected to recover in 2022 and 2023 as the effects of COVID-19 subside. Currently, utilization is estimated to be quite tight.

Supply & Demand for Frozen and Chilled Warehouses is Tight

Figure 21 shows the trend in warehouse occupancy rates at Japan's frozen and chilled warehouses, compiled by the Japan Refrigerated Warehouses Association. Warehouse capacity is registered in cubic meters, but cargo volume is measured in tons. This reference value was converted to a weight-based calculation by applying an approximate specific gravity for each product type, but it likely represents trends in the supply and demand balance. As expected, warehouse occupancy rates declined in 2021 and 2022, as the impact of COVID-19 became apparent, but have since recovered to pre-pandemic levels. The 6 major cities also exceed 100%, indicating a very tight supply situation.

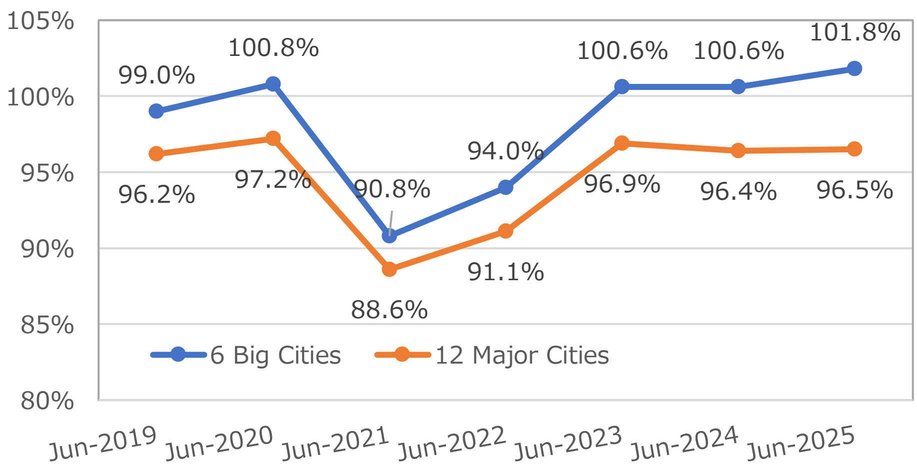
Figure 20. Frozen and Chilled Warehouse Capacity & Inventory



Note: Annual Cumulative Basis

Source: The Japan Association of Refrigerated Warehouses, "List of Utilization Rates for Main Storage Facilities in 12 Major Cities". Compiled by Strategy Advisors.

Figure 21. Usage Rate of Frozen and Chilled Warehouses



Note 1: Warehouse occupancy rate is based on certain assumptions and indicates the degree to which cargo is filled relative to the available space (according to the Japan Association of Refrigerated Warehouses).
Note 2: The 6 major cities are Tokyo, Yokohama, Nagoya, Osaka, Kobe and Fukuoka. The 12 major cities also include Sapporo, Sendai, Funabashi, Kawasaki, Hiroshima and Matsuyama in addition to the 6 Major Cities.
Source: The Japan Association of Refrigerated Warehouses, "List of Utilization Rates for Main Storage Facilities in 12 Major Cities". Compiled by Strategy Advisors.

As mentioned above, there is a strong need for the construction of frozen and chilled warehouses due to the increase in demand for frozen foods and the high utilization rate of frozen and chilled warehouses, but there is also another reason why rebuilding will be inevitable in the future: the mandatory shift from specified fluorocarbons and alternative fluorocarbons to natural refrigerants.

3) Switching From Alternative to Natural Refrigerants

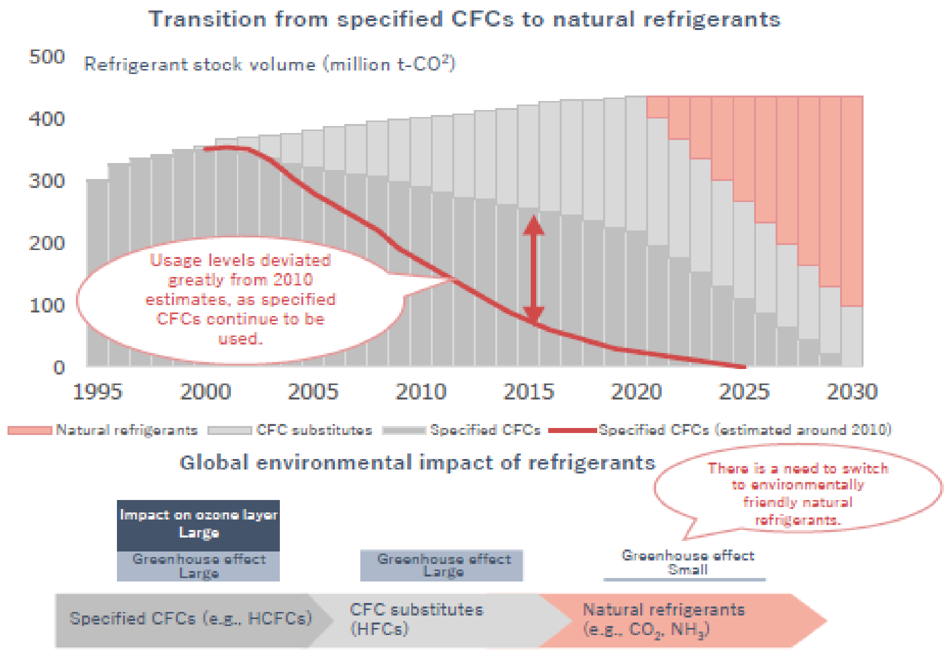
Specified CFCs Have Already Been Abolished

The use of fluorocarbons, which are used as refrigerants in frozen and chilled warehouses, is restricted as an environmental measure. Among these fluorocarbons, CFCs (chlorofluorocarbons) and HCFCs (hydrochlorofluorocarbons), which are said to destroy the ozone layer, are called specified fluorocarbons and are regulated worldwide by the Montreal Protocol adopted in 1987. CFCs were already completely phased out at the end of 2009 and the production of HCFCs is expected to have ceased in developed countries, in principle, by 2020.

Alternative Fluorocarbons Are Also Being Reduced by 2029

In contrast to these specified fluorocarbons, HFCs (hydrochlorofluorocarbons), which do not deplete the ozone layer, have been widely used since 2000. However, HFCs have a very potent greenhouse effect, estimated to be hundreds to 10,000 times stronger than carbon dioxide. In 2016, the Kigali Amendment to the Montreal Protocol, which restricts HFCs, was adopted, and Japan accepted it in 2018. This resulted in a gradual reduction in the production and consumption limits of alternative fluorocarbons, beginning in 2019. Consumption, in terms of CO2 equivalent, is scheduled to be reduced by 70% from the 2011-2013 average of 71.52 million tons to 21.45 million tons by 2029. The use of HFCs as refrigerants in frozen and chilled warehouses is also expected to be significantly reduced at a similar pace. This has created an urgent need for industry to shift to natural refrigerants.

Figure 22. Transition from Specified CFCs to Natural Refrigerants



Source: Drafted internally based on "Refrigerant CFC Crisis: Issues and Solutions," Japan Refrigerants and Environmental Conservation Agency, "Status of CFC Countermeasures," the Ministry of Economy, Trade and Industry, "FY2021 Briefing on the Revised Law Concerning the Control of of Freon Emissions - CFC Trends (Common)," the Ministry of the Environment, and "Issues, Initiatives, and Requests and Policy Proposals for Commercial Refrigerated Warehouses. for Commercial Refrigerated Warehouses," Japan Association of Refrigerated Warehouses.

Source: Company Materials.

Due to the Problem of Aging of Assets, the Rebuilding of Frozen and Chilled Warehouses is Expected to Progress

There is also the issue of aging frozen and chilled warehouses. The legal useful life of a frozen and chilled warehouse is said to be 12 to 24 years, but when looking at the breakdown of the floor space under the jurisdiction of members of the Japan Refrigerated Warehouses Association by age of construction, 59 % are over 30 years old and even 19% are over 50 years old. Furthermore, it is considered difficult to switch existing frozen and chilled warehouses that use fluorocarbons as refrigerants to natural refrigerants and the warehouses themselves will likely need to be rebuilt.

All the company's frozen and chilled warehouses use natural refrigerants, and it is expected that demand for the company's warehouses will increase further as outdated warehouses are disposed of in the future.

Figure 23. Logistic Business Pipeline

	Project	Location	Asset Type	Floor Area (㎡)	Expected Construction Start	Expected Completion	Tenant
1	LOGI FLAG COLD Ichikawa 1	Chiba	Frozen/Chilled	8,609	-	Completed	SBS Zentsu Co.
2	LOGI FLAG COLD Funabashi 1	Chiba	Frozen/Chilled	6,960	-	Completed	Sagawa Global Logistics Co.
3	LOGI FLAG COLD Yokohama	Kanagawa	Frozen/Chilled	10,979	-	Completed	Japan Logistic Systems
4	LOGI FLAG Fresh Kyoto 1	Kyoto	Frozen/Chilled	12,012	-	Completed	MITOMO TUSYO Co.
5	LOGI FLAG COLD Atsugi I	Kanagawa	Frozen/Chilled	14,257	-	Completed	SBS Flec Co.
6	(Tentative Name) LOGI FLAG TECH	Osaka	Frozen, Automated	25,247	Started	Oct-2027	
7	LOGI FLAG DRY & COLD Fukuoka Koga I	Fukuoka	3 Temperature Band	35,901	-	Completed	Runtec Corp., ASAHI SHOKUHIN CO., Factem Co.
8	LOGI FLAG DRY & COLD Sendai Izumi 1	Miyagi	3 Temperature Band	36,758	-	Completed	KOYO, SASAKI INC.
9	LOGI FLAG TECH Tokorozawa I	Saitama	Frozen, Automated	9,579	-	Completed	X NETWORK
10	LOGI FLAG COLD Osaka Ibaraki 1	Osaka	Frozen/Chilled	28,487	-	Completed	Japan Logistic Systems
11	(Tentative name) LOGI FLAG COLD Narashino 1	Chiba	Frozen/Chilled	8,441	Started	Apr-2026	
12	LOGI FLAG TECH Hachinohe I	Aomori	Frozen, Automated	15,918	-	Completed	
13	(Tentative name) LOGI FLAG TECH Higashi Ogishima I	Kanagawa	Frozen, Automated	20,777	Started	Summer 2026	
14	(Tentative name) LOGI FLAG TECH Higashi Ogishima II	Kanagawa	Frozen, Automated	25,863	Started	Winter 2027	
15	(Tentative name) LOGI FLAG TECH Koshigaya I	Saitama	Frozen, Automated	14,362	Started	May-2027	
16	(Tentative name) LOGI FLAG TECH Kobe Suma I	Hyogo	Frozen, Automated	27,123	Spring 2026	Winter 2027	
17	(Tentative name) LOGI FLAG TECH Nagoya-Minato I	Aichi	Frozen, Automated	20,345	Started	May-2026	
18	Fukuroi Project	Shizuoka	Frozen, Automated	74,000	Spring 2026	Winter 2028	
19	HAZMAT Project	Kanagawa	HAZMAT, Automated	5,000	Spring 2026	Summer to Fall 2027	

Note: For properties that have already been registered, the total floor area is the area recorded in the official records, rounded off to the nearest whole number. The total floor area and schedule may be subject to change depending on the development status. Since the automated warehouse has an open-ceiling structure and no floors, the total floor area is the area of the virtual floor. The three temperature zones are logistics facilities that can handle 3 temperature zones: frozen, chilled & dry.
Source: Company Materials. Compiled by Strategy Advisors.

4) Differentiation Through Automated Frozen Warehouses

Constructing an Automated Warehouse System in a Joint Venture with SRE Holdings

Automated frozen warehouses are expected to be a major differentiator from other companies. X Network was established in November 2023 to develop systems and software for automation. X Network is a joint venture with SRE Holdings (2980 TSE Prime, an affiliate of the Sony Group (6758)), which has extensive know-how in promoting digital transformation and is 95% owned by SRE Holdings.

The results were immediately apparent, leading to the development of "COLD X NETWORK", a frozen storage service used in the operation of "LOGI FLAG TECH," an automated frozen warehouse operated by LOGI FLAG

DEVELOPMENT Co., Ltd. This makes it possible to store frozen goods flexibly by the pallet unit for short too long periods. Shippers can choose between a medium-to-long-term space reservation model, where space is rented for a fixed period, or a pay-as-you-go model where space is rented on a spot basis.

The Benefits of Automation are Huge

There are also significant benefits to automated warehouses. By automating the frozen warehouse area, human error is reduced, time spent searching for items is eliminated, and it is expected that workplace accidents will be prevented and the working environment will be improved. In particular, frozen and chilled warehouses are harsh working environments where workers work in temperatures as low as -25°C, making them susceptible to frostbite, so automation is also significant in terms of work style reform.

Automated Frozen Warehouses Are Expected to Become the Focus in the Future

The first automated frozen warehouse was LOGI FLAG TECH Tokorozawa I, which was completed in August 2024. As shown in Figure 23, eight of the 9 properties currently scheduled for completion are automated warehouses (seven frozen and one HAZMAT) and the company's logistics business is expected to focus on automated frozen warehouses going forward.

Other Companies Are Also Moving into the Frozen and Chilled Warehouse Business. But Being Able to Operate is a Strength That Other Companies Do Not Have

In the development and leasing of frozen and chilled warehouses, an increasing number of companies are expanding their business, considering the potential of the market. Nippon Prologis, Japan GLP, Mitsui Fudosan and others are showing signs of focusing on the market.

However, the company's automated frozen warehouse business is a pioneer in the industry, and it is believed that other real estate developers do not currently possess the know-how to develop automated systems. The company's business model of expanding downstream when necessary to increase added value is deeply rooted in its corporate culture, and this is likely to be a major differentiating factor for the company.

Established Long-term Fund Focused on Frozen and Chilled Storage Warehouses

The company has established "Cold Storage Fund No. 1 LLC", a long-term investment fund focused on environmentally friendly frozen and chilled warehouses, which began operations on May 30, 2025. The AUM include 5 frozen and chilled warehouses, 2 three-temperature warehouses, and 1 automated frozen warehouse; and with its asset size of ¥82 billion, it one of the largest funds in Japan focusing on frozen and chilled warehouses.

In addition, the company has been entrusted with asset management operations by the fund. On top of the fund setup fee for the formation of the fund, it will be able to receive stable asset management fees over the long term.

Figure 24. AUM for Cold Storage Fund No. 1, Which Focused on Frozen and Chilled Warehouses

Facilities	LOGI FLAG COLD Funabashi I	LOGI FLAG COLD Yokohama Kohoku I	LOGI FLAG Fresh Kyoto I	LOGI FLAG DRY & COLD Fukuoka Koga I	LOGI FLAG DRY & COLD Sendai Izumi I	LOGI FLAG TECH Tokorozawa I	LOGI FLAG COLD Atsugi I	LOGI FLAG COLD Osaka Ibaraki I
Asset Type	Frozen/ Chilled	Frozen/ Chilled	Chilled	3 Temperature Zone	3 Temperature Zone	Automated Frozen	Frozen/ Chilled	Frozen/ Chilled
Location	Funabashi City, Chiba	Yokohama Kohoku Area	Kyoto City, Kyoto	Koga City, Fukuoka	Sendai City, Miyagi	Saitama Iruma Area	Atsugi City, Kanagawa	Ibaraki City, Osaka
Structure	Steel-framed, 5-story Bldg.	Steel-framed, 5-story Bldg.	Steel-framed, 2-story Bldg.	Steel-framed, 3-story Bldg.	Steel-framed, partially steel-framed reinforced concrete, 4 story Bldg.	Steel-framed, 2-story Bldg.	Steel-framed, 5-story Bldg.	Steel-framed, 5-story Bldg.
Site Area (㎡)	3,736.58	5,804.73	10,917.23	23,849.8	17,991.25	4,793.73	7,293.44	15,135.31
Floor Area (㎡)	6,959.95	10,978.57	12,012.23	35,901.07	36,758.14	4,170.16	14,256.52	28,488.34
Completion	Jan-2023	Jun-2023	Mar-2024	Jun-2024	Jun-2024	Aug-2024	Jun-2024	Jan-2025
Occupancy Rates	100%	100%	100%	100%	100%	100%	100%	100%

Note: Occupancy rates are as of May 30, 2025. Area is from official records.
Source: Company Materials. Compiled by Strategy Advisors.

2 New Initiatives in the Logistics Business

Furthermore, the firm is taking advantage of their accumulated knowledge to advance 2 new developments.

One of these is the launch of a logistics business in Kuala Lumpur, Malaysia. As part of its move to expand into the ASEAN region, the company signed a land purchase agreement with a major Malaysian developer in August 2025 and has begun a development project for automated frozen warehouses (development is scheduled to begin in August 2026, with completion and sale scheduled for December 2028 or later).

The other is the development of an integrated factory and warehouse facility called "(tentative name) Factory & Logistics Park". This aims to contribute to improving tenants' profitability by integrating rental factories and rental warehouses. Tenants will be able to enjoy benefits such as reduced delivery costs and lead times between locations, increased efficiency through the sharing of management resources between factories and warehouses and maximizing production lines by consolidating warehouse areas. It is also expected to lead to a reduction in environmental impact. The company is considering expanding nationwide, and as a first step, it has signed a partnership agreement with Hakodate City to build a model for regional co-creation using "(tentative name) Factory & Logistics Park".

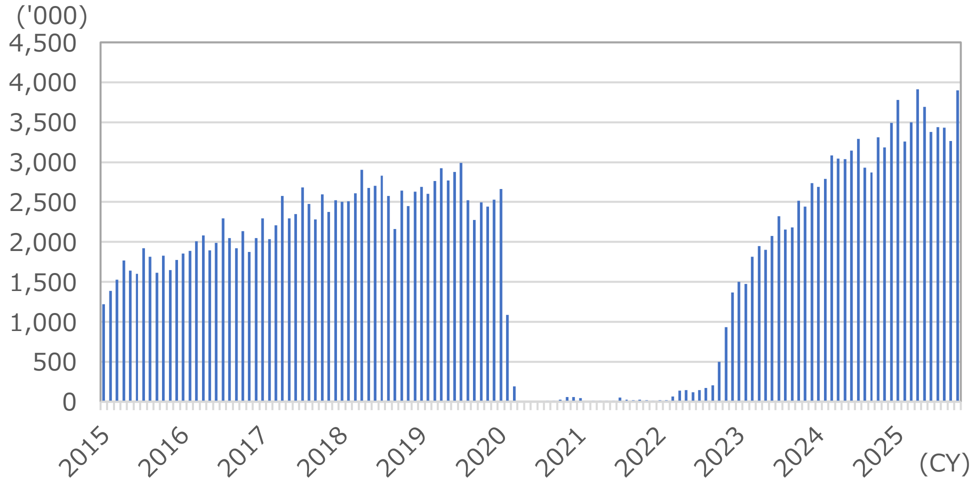
11. Hotel Business

The External Environment for the Hotel Business Remains Favorable

The cumulative number of foreign visitors to Japan from January to October 2025 is expected to reach 35.54 million, +17.7 % from the same period last year, surpassing 30 million at the fastest rate on record, and continuing to trend at a record high. Barring a significant appreciation of the yen, demand for the hotel business is expected to remain strong.

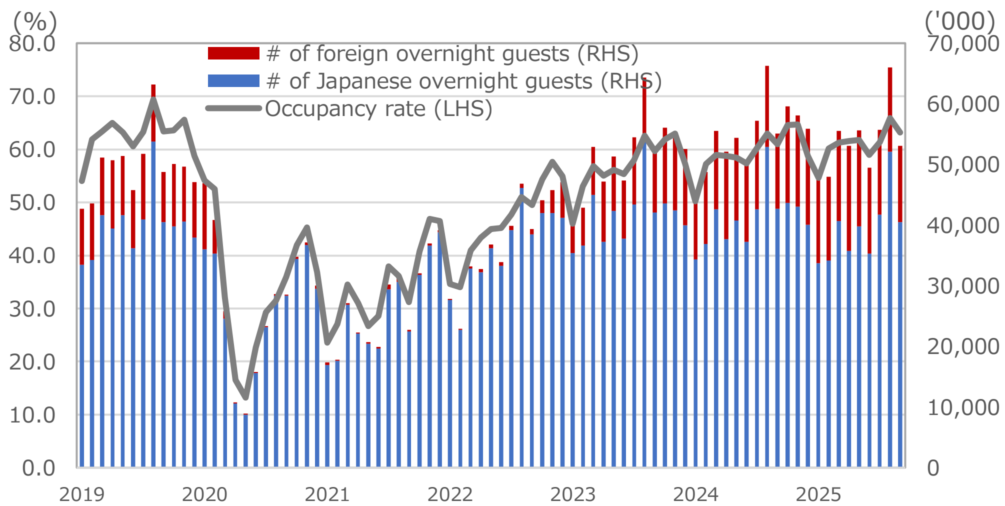
The company develops hotels with unique concepts, such as multi-occupancy hotels and the pursuit of self-hospitality through the promotion of digital transformation and it is estimated that occupancy rates are steadily increasing even at newly opened hotels.

Figure 25. Number of Foreign Visitors to Japan



Source: Japan National Tourism Organization, "Statistics on Foreign Visitors to Japan", on Nov. 18, 2025. Compiled by Strategy Advisors.

Figure 26. Total Number of Stay Nights & Occupancy Rates



Source: Japan Tourism Agency "Accommodation Travel Statistics Survey" in Nov., 2025. Compiled by Strategy Advisors.

The Hotel Business Began with the Operation of Accommodation Facilities in a Rental Apartment in Machiya, Arakawa-Ward	The origins of the hotel business date back to when current director Mr. Hidekazu Ogata operated a lodging facility in a used rental apartment in Machiya, Arakawa Ward. He created a facility that could accommodate 4-5 people per room and found that there was a strong demand, so he decided to expand into multi-occupancy hotels.
4 Features of "fav"	Taking on the concept of regional revitalization, the company operates with the idea of utilizing the local resources of regional cities and tourist destinations to provide guests with a tasteful travel experience. The company's brand is "fav", and it is characterized by four points: 1) standard room area of over 35m2, assuming a capacity of 4 or more people, 2) equipped with a kitchen, bath, toilet, and washing machine for long-term stays, 3) setting the average price per guest at a level lower than that of a business hotel and 4) services that make use of digital transformation and streamlining operations by minimizing staff.
Focusing on the Fact That Multi-occupancy Guest Rooms Are Not Keeping up with Demand	In Japan, there is a big discrepancy in the number of rooms that can accommodate more than 3 people, even though 55% of travelers travel in groups of 3 or more people, such as family or friends. "Fav" aims to fill this gap by accommodating 4 or more guests. From the construction stage, the rooms were designed with high ceilings and bunk beds to allow large groups to relax comfortably. The hotel also comes equipped with amenities for guests staying for 2 nights or more.
Thorough Labor-Saving Measures Reduce Average Customer Spending	"fav" has achieved a reduction in average customer spending through thorough labor reductions achieved through digital transformation. There are no staff at the front desk and guests check in via self-check-in using a QR code sent to their smartphone in advance. Locally popular cafes often rent out shop space near the unmanned front counter free of charge and in return, are asked to assist guests if they need help checking in. Room cleaning is also available on request, but for a fee. Guests can simply leave without having to check out. As a result of this labor-saving measure, they have been able to operate at low costs. For a normal hotel, an occupancy rate of 50-60% is the break-even point based on GOP (gross operating profit), but because "fav" is below 20%, all their hotels have remained in the black even during the period when COVID-19 was having an impact.
Stylish Design	"Fav" aims to be a stylish and "cool" hotel and is extremely particular about design. In addition to employing talented in-house designers, the company has also had its interiors designed by the UK-based Studio PDP. Several of its hotels have received high praise for their design, including "fav Hiroshima Heiwa-dori", which won the GOOD DESIGN AWARD 2023 award.
Developing 5 Hotel Brands	In addition to "fav" the company owns brands such as "FAV LUX", "seven x seven", "BASE LAYER HOTEL" and "edit x seven".

"FAV LUX" has the same basic concept as "fav" but is a high-end hotel with more comprehensive facilities and amenities. "Seven x seven" is a high-end line that will be developed in resort cities such as Itoshima, Fukuoka Prefecture and Ishigaki Island, Okinawa Prefecture. "Seven x seven" has received high praise, including winning the Gold Award in the Branding System category at the Graphis Design 2026 Awards, an internationally renowned design award (this is the first time a hotel has ever won this award).

"BASE LAYER HOTEL" is a culture-focused business hotel that offers a fresh accommodation experience regardless of purpose, age, gender or nationality. "edit x seven" is a re-edited version of the worldview of "seven x seven" and is based on the concept of a free and authentic stay.

Many of the Hotels That Have Already Opened Are Incorporated into Kasumigaseki Hotel REIT Investment Corporation & Asset Management Fees Are Expected in the Future

Of the 18 hotels that have already opened, 15 have been incorporated into Kasumigaseki Hotel REIT Investment Corporation (401A), which was listed in August 2025 and has already entered the management phase. Kasumigaseki Hotel REIT Investment Corporation has entrusted its consolidated subsidiary, Kasumigaseki REIT Advisors Co., Ltd., with asset management services.

At the time of listing, the company had 15 properties with total assets of ¥49.2 billion, with 41 properties in the pipeline and an expected business scale of ¥197.3 billion. As a result, stable asset management revenues are expected to come in through the entrustment of asset management services.

Figure 27. Hotel Business Pipeline

	Project Name	Floor Area (㎡)	# of rooms	Opening
	[Opened]			
1	fav Takamatsu	1,937.49	41	Nov-2020
2	fav Hidatakayama	1,696.26	38	Oct-2020
3	fav Kumamoto	2,956.44	67	Nov-2021
4	fav Ise	1,204.42	36	Dec-2021
5	fav Hiroshima Stadium	1,258.47	33	Aug-2022
6	fav Hakodate	1,377.31	30	Aug-2022
7	fav Kagoshimachuo	2,226.03	51	Nov-2022
8	fav Hiroshimaheiwaodori	2,461.61	51	Dec-2022
9	fav Tokyo Nishi-Nippori	719.94	24	Dec-2022
10	fav Tokyo Ryogoku	729.13	19	Mar-2023
11	FAV LUX Hidatakayama	2,869.68	53	Aug-2023
12	FAV LUX Nagasaki	2,530.55	52	Feb-2024
13	seven x seven Itoshima	3,386.74	47	Apr-2024
14	FAV LUX Kagoshima Tenmonkan	3,427.20	63	Dec-2024
15	seven x seven Ishigaki	11,058.04	121	Sep-2024
16	FAV LUX Sapporo Susukino	4,230.32	84	Jul-2025
17	BASE LAYER HOTEL NAGOYA NISHIKI	4,105.75	186	Jul-2025
18	edit x seven FUJI GOTEMBA	3,627.38	49	Sep-2025

	Project Name	Floor Area (㎡)	# of rooms	Opening
	[Under Development]			
19	edit x seven Setouchi Shodoshima	4,600	45	Mar-2026
20	HOTEL FORK & KNIFE Miyajima	4,404	34	Mar-2026
21	BASE LAYER HOTEL Fukuoka	3,273	126	Apr-2026
22	Kobe Hotel Rebranding Project	3,543	Planning	Summer 2026
23	Nagoya Naka-ward Hotel Rebranding PJ	7,461	Planning	Winter 2026
24	Roppongi Hotel Rebranding	1,628	Planning	Winter 2026
25	Ujiyamada Hotel PJ	2,919	49	Winter 2026
26	Nagasaki Hotel Rebranding	7,181	Planning	Winter 2027
27	Yufuin Hotel PJ	7,691	39	Spring 2027
28	Awajishima Sumoto Hotel PJ	4,970	59	Spring 2027
29	Nagoya Marunouchi Hotel PJ	2,803	59	Spring 2027
30	Shibuya-ward Hotel PJ	953	23	Spring 2027
31	Kanazawa-city Katamachi Hotel	3,760	59	Spring 2027
32	Asahikawa Hotel PJ	3,309	64	Summer 2027
33	Matsuyama Ichiban-cho Hotel PJ	3,473	66	Winter 2027
34	Shimane Izumo Hotel PKJ	4,558	96	Winter 2028
35	Sendai Aoba-Dori Hotel PJ	3,367	70	Winter 2028
36	Asakusa Kaminarimon Hotel PJ	1,122	32	Summer 2028
37	Atami Ginzacho Hotel PJ	2,663	46	Summer 2028
38	Osaka Honmachi Hotel PJ	5,615	117	Summer 2028
39	Ginza 8 Hotel PJ	2,437	28	Fall 2028
40	FAV LUX Miyazaki	2,495	41	Summer 2026
41	Osaka Nipponbashi Hotel PJ	2,421	54	Early 2028

	Project Name	Floor Area (㎡)	# of rooms	Scheduled Opening
	[Planning]			
42	Shodoshimakobe Hotel PJ	Planning	Planning	Planning
43	Hakonegora Hotel PJ	Planning	Planning	Planning
44	Miyako Nishihama Beach Hotel PJ	Planning	Planning	Planning
45	Fujikawaguchiko Hotel PJ	Planning	Planning	Planning
46	Miyako Irabujima Hotel PJ	Planning	Planning	Planning
47	Kamakura Yukinoshita Hotel PJ	Planning	Planning	Planning
48	Gunma Kusatsu Hotel PJ	Planning	Planning	Planning
49	Naha-Shi Higawa Hotel PJ	Planning	Planning	Planning
50	Nanki-Shirahama Hotel PJ	Planning	Planning	Planning
51	Nagoya Naka-Ku Hotel Rebranding PJ II	Approx. 4,900	Planning	Planning

Note: Total floor area is rounded off to the nearest whole number. Schedule, total floor area and number of rooms are subject to change depending on the development status.
Source: Company Materials. Compiled by Strategy Advisors.

12. Healthcare Business

Developing Mainly Hospice Housing

The company established a healthcare business promotion department in December 2021 and entered the healthcare business, focusing on hospice housing. As of November 2025, 2 facilities have opened in Sapporo and 5 in Tokyo, with a further 11 projects underway.

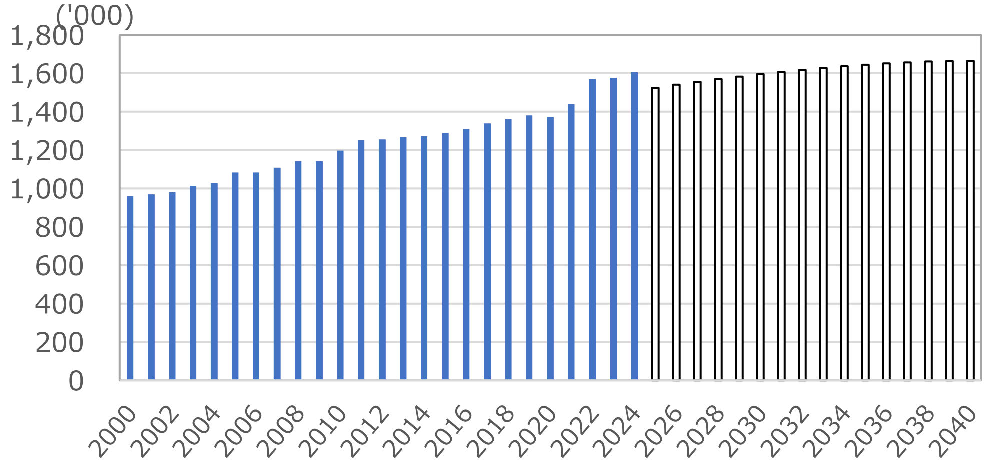
Strong Social Need, But Insufficient Supply

The reason why the company focused on hospice housing is that despite the strong social need, there is a shortage of supply and it is expected that demand will continue to grow.

As the population ages, the number of deaths in Japan is increasing every year and according to a forecast by the National Institute of Population and Social Security Research, it is expected to reach 1.69 million people per year by 2040. The proportion of cancer deaths as a cause of death is on the rise and the number of people who need palliative care for pain and other conditions is increasing.

The number of palliative care wards is also increasing, but there is a shortage of facilities and hospital beds, and patients are asked to leave the hospital once their condition has stabilized, so they are not suitable for long-term stays. On the other hand, regular paid nursing homes do not have a well-established nursing or medical system, so they are unable to respond to changes in the health of residents. In contrast, hospice homes are often located next to nursing or care facilities, and home care and nursing services are often covered by medical insurance.

Figure 28. Trends of the Number of Deaths in Japan



Source: The Ministry of Health, Labor and Welfare's "Vital Statistics Overview" for the period up to 2024 (as of Sep. 16, 2025). Forecasts from 2025 onwards are from the National Institute of Population and Social Security Research's "Japan's Future Population Estimates (2023 Estimate)". Medium mortality estimate.

Entering Healthcare Business in May 2022

In May 2022, the company established KC-Welfare as a company that operates hospice housing and other facilities. In June, the company announced a 20% investment in Kizuna, a Sapporo-based company that operates paid nursing homes and day care services. Kizuna operates Sumikawa Hospice, the company's first project and Sapporo Chuo Hospice.

The company has also launched a brand called "CLASWELL," which its subsidiary KC-Welfare is planning and managing. Currently, five properties have opened. In this way, the company is deeply involved in downstream operations, just like hotels and logistics.

Developing a Comfortable Hospice Home in a Convenient Location

The company's hospitality is characterized by being in highly convenient areas and having a comfortable design. Specifically, as with other asset types, it provides highly functional facilities by being involved from the procurement and development of land. The location near the station makes it easy for residents' families to visit and the know-how it has cultivated in hotels ensures that residents and their families can spend their time comfortably. According to the company, it wants to create a facility that the company would want their parents to live in and that they themselves would want to live in in the future.

Figure 29. Hospice Housing Pipeline

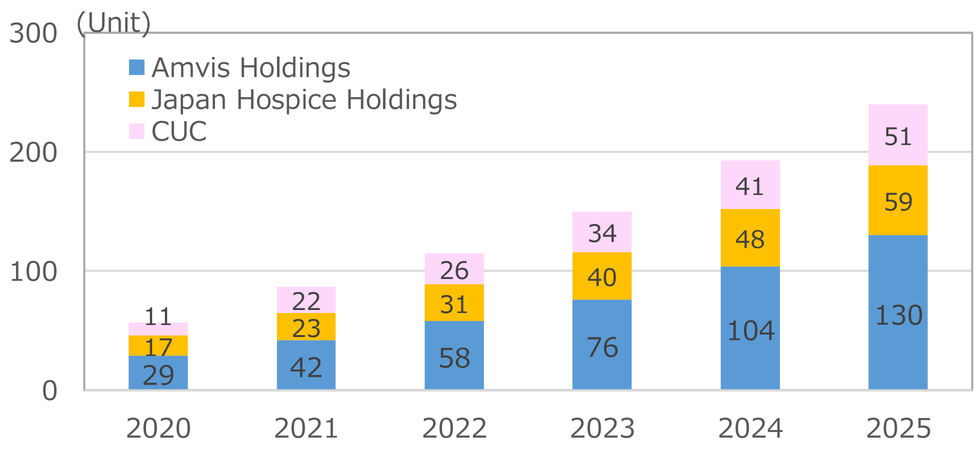
	Location	Facility Name	Status	Floor Area (㎡)	# of Rooms	Opening
1	Minami-Ward, Sapporo	Sumikawa Hospice	Completed	1,539	37	Jul-2022
2	Chofu City, Tokyo	CLASWELL Sengawa	Completed	3,019	69	Jul-2023
3	Chuo-Ward, Sapporo City	Sapporo Chuo Hospice	Completed	2,982	60	Apr-2024
4	Itabashi-Ward, Tokyo	CLASWELL Kotake-	Completed	2,286	59	Nov-2024
5	Shinjuku-Ward, Tokyo	CLASWELL Shinanomachi	Completed	1,763	48	Feb-2025
6	Nerima-Ward, Tokyo	CLASWELL Shimo-Shakujii	Completed	2,059	50	Mar-2025
7	Minato-Ward, Tokyo	CLASWELL Shirokanedai	Completed	1,806	45	Nov-2025
8	Fuchu City, Tokyo		Under Development	2,356	47	Dec-2025
9	Saitama City, Saitama (2)		Under Development	2,992	58	Jan-2026
10	Saitama City, Saitama (1)		Under Development	2,628	60	Jan-2026
11	Toyonaka City, Osaka		Under Development	2,435	56	Feb-2026
12	Suita City, Osaka		Under Development	2,128	56	Spring/Summer 2026
13	Fukuoka City, Fukuoka		Under Development	2,369	51	Summer 2026
14	Nerima-Ward, Tokyo		Under Development	2,363	57	Fall 2026
15	Suginami-Ward, Tokyo		Under Development	2,149	50	Fall 2026
16	Nishinomiya City, Hyogo		Under Development	2,201	44	Fall/Winter 2026
17	Yokohama City,		Under Development	2,555	51	Fall 2027

Note: Total floor area is rounded off to the nearest whole number. Schedule, total floor area and number of rooms are subject to change depending on the development status.
Source: Company Materials. Compiled by Strategy Advisors.

Hospice Housing Companies Expand Their Business Scale

Due to a shortage of hospice homes, several companies have begun full-scale operations and the scale of their operations is rapidly expanding. The 3 major companies, Amvis Holdings (7071 TSE Prime), Japan Hospice Holdings (7061 TSE Growth) and CUC (9158 TSE Growth), have a combined total of hospice homes, which is rapidly increasing from 57 in 2020 to 240 by 2025. All 3 companies plan to continue to significantly increase their number. Although the number of hospice homes operated by these companies is rapidly increasing, there are still only 17, including those under development, and their market share based on number of homes is only about 7%. Considering the overall expansion of the market, there is likely to be significant room for future expansion.

Figure 30. Number of Hospice Homes Provided by the 3 Major Hospice Providers



Note: Amvis Holdings' fiscal year ends in September, Japan Hospice's in December, and CUCs in March. Japan Hospice's figures for 2025 are company forecasts.
Source: Company Materials. Compiled by Strategy Advisors.

13. Overseas Business

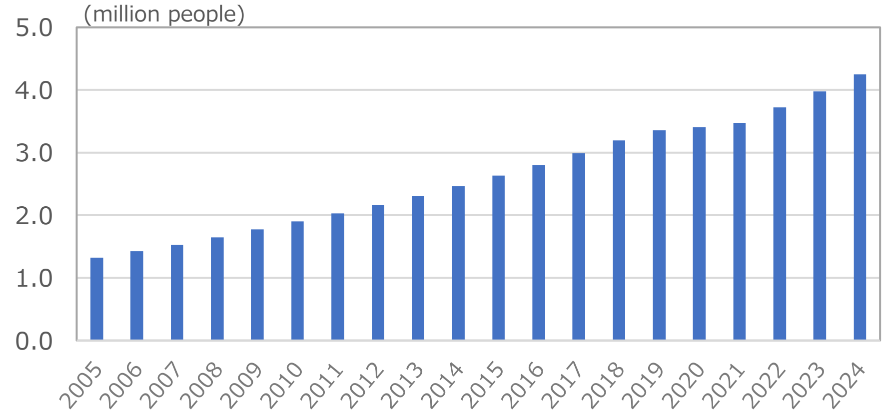
Dubai Focuses on Luxury Residences

The company also conducts overseas business, with subsidiaries in Indonesia and Thailand. It is currently focusing on the residential market in Dubai. Dubai is a thriving financial and commercial city and is also focusing on tourism. Although the population is increasing and economic growth continues, real estate prices remain relatively low.

As the Next Step, the Firm Will Enter a Development Business in Dubai Using a Fund

In Dubai, the company has focused on gaining knowledge in local real estate sales and purchases, but to move to the next stage of growth, it plans to enter the development business using funds. As part of this, it has signed a memorandum of understanding with Daito Trust Construction Co., Ltd. (1878 TSE Prime) as a joint partner, and has already begun to see results, such as selling the development site for its first project to a joint venture between the two companies.

Figure 31. Dubai's Population Change



Source: Dubai Statistics Center Data (Oct. 24, 2025). Compiled by Strategy Advisors

14. Difficulty of Imitation Deduced from Business Strategy Theory

Below, we will explain Kasumigaseki Capital from a management strategy approach.

Differentiation Strategy

Michael E. Porter's basic competitive strategies consist of 3 parts: (1) cost leadership, (2) differentiation and (3) focus. The company's strategy could be described as (2) differentiation. The company claims to be a social problem-solving company, and its basic philosophy is to provide what is needed but in short supply. Long-term hotels for large groups are scarce in Japan, despite the demand. The company focused on this and specialized in hotels for large groups. Furthermore, the company has been a leader in the frozen and chilled warehouse business, despite the limited availability of rental warehouses due to the difficulty of finding tenants. The company's in-house development of automated frozen warehouse systems is a particularly significant differentiator. This can be seen as Porter's differentiation in product (service) design.

Focus on the Resource-Based View

However, if the markets for multi-occupancy hotels, frozen and chilled warehouses, and healthcare (hospice housing) grow and become attractive to major players, these differentiating factors may begin to fade away if the major players enter the market in earnest.

Here we turn our attention to an alternative perspective, the resource-based view advocated by Jay B. Barney and others.

The resource-based view is a way of thinking that focuses on a company's management resources and capabilities. The VRIO framework is a concrete example of this. It states that Value (economic value), Rarity, Inimitability and Organization should be considered. At Strategy Advisors, we particularly focus on inimitability.

The Difficulty of Imitation is Due to the Corporate Culture Fostered by People Who Share the Desire to Solve Social Issues

We believe that the company's inimitable nature stems from a corporate culture in which people who share the top management's vision of becoming a company that solves social issues come together, freely exchange ideas, and put promising ideas into practice themselves. This is not something that can be easily verified from the outside, such as by possessing cutting-edge technology or holding outstanding patents. However, the company has achieved rapid growth almost organically, and it can be said that its inimitable nature is being established through its human resources and corporate culture. Let us take a closer look at this in more detail below.

15. The Source of Inimitability & "Corporate DNA"

The company has grown steadily to date and is likely to continue to expand its earnings in the future. The reasons for this are thought to be 1) a unique business model, 2) diverse and talented human resources, 3) widespread understanding of its management philosophy and 4) management leadership.

1) Unique Business Model and its Success Factors

Competitive in Land Acquisition, Development Plans and Fund Formation

As mentioned above, the main feature of the company's business model is that after purchasing land, it formulates a development plan and sells the land to a development fund in an average of about 6 months. Currently, this sales profit accounts for just under 60% of gross profit, making it the company's main source of revenue. The keys to this are (1) the ability to purchase a large amount of land under favorable conditions, (2) an attractive development plan and (3) the ability to smoothly form a development fund and sell the land thanks to a relationship of trust with investors.

Land Procurement Utilizes Experience and Track Record in the Renewable Energy Business

When it comes to acquiring land, the company's experience in renewable energy appears to be coming in handy. As solar and wind power plants are often located in rural areas, the company's personnel have traveled extensively around the country to obtain information on land and have built a network with real estate agents in each region.

For this reason, particularly in rural areas, the company receives a lot of information about promising land from local agents. Local agents also have an incentive to purchase large brokerage fees due to the large size of the property. In addition, the company, which values its venture spirit, places importance on speed, and makes quick decisions on whether to purchase candidate properties, which is efficient for the local agents it introduces, creating a virtuous cycle in which the amount of information increases even further.

Diverse Talents Plan with Unique Ideas

When formulating its development plan, the company decides on areas to handle based on the concept of areas where there is a social need but a shortage of supply and areas where demand will continue to grow. It is currently concentrating its management resources on 3 areas: multi-occupancy hotels, frozen and chilled warehouses, and hospice housing. By narrowing its target, the company has been able to acquire knowledge and expertise in these areas and attract human resources in a short period of time.

Achievements Further Strengthen Trust with Investors

Regarding the formation of development funds, investors are in constant contact with and share information with financial institutions, business companies, etc. Business companies such as real estate, railway and construction companies are looking to invest in such properties, and financial institutions are also likely to consider investing in real estate funds as an alternative investment in an environment of low interest rates.

In addition, the company's projects address social issues, including hotels for large numbers of people that will contribute to regional revitalization, environmentally friendly frozen and chilled warehouses that use natural refrigerants to replace CFCs and CFC alternatives, and hospice housing, which is in high demand due to the aging population. As a result, in today's world where sustainability is becoming increasingly important, it is likely that the company will be able to attract the interest of investors and secure investment.

2) Excellent Human Resources

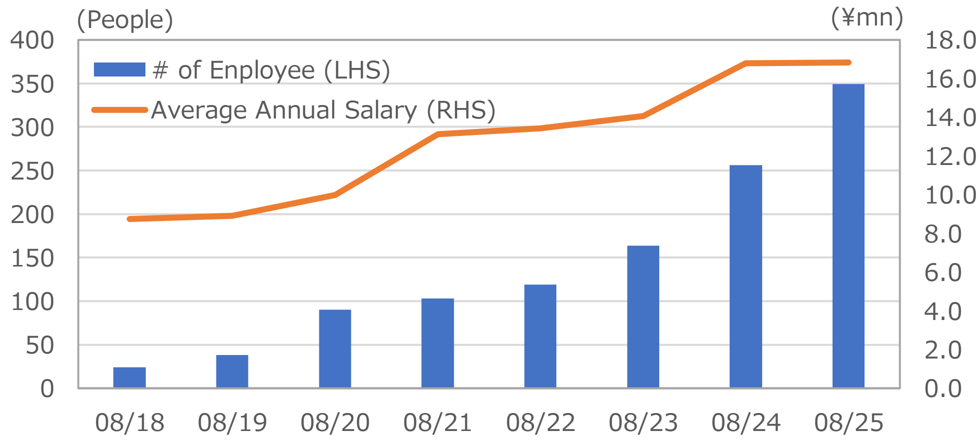
Bringing Together People with Diverse Backgrounds

The company's workforce has grown rapidly as its business has expanded. Most employees are experienced professionals and they come from a wide range of industries, including real estate, funds, financial institutions, professional services (such as accountants and lawyers) and other business companies.

Looking at trends in average salaries, they were already high for the real estate industry, but rose significantly around FY08/20 and FY08/21, reaching ¥16.83 million in FY08/25. As of the end of FY08/25, the company had 727 employees on a consolidated basis and 349 on non-consolidated basis, with the average age of non-consolidated employees being 37.5 years old.

According to Diamond Online's "2025 Ranking of Companies with Highest Annual Salaries", which targets listed companies with more than 100 employees, the company is ranked 10th (the ranking uses the figure of ¥16.77 million from FY08/24). This is lower than the ¥20.35 million (average age 38.9 years) of Hulic (3003 TSE Prime) in third place, and the ¥17.56 million (average age 42.4 years) of Mitsui Fudosan (8801 TSE Prime) in seventh place, but it is higher than the ¥13.47 million (average age 40.5 years) of Mitsubishi Estate (8802 TSE Prime) in 28th place (all figures are from FY03/25). This is thought to be one of the reasons why the company has been able to attract talented people with high levels of expertise in each field.

Figure 32. Parent Company Employee Head Count and Average Salary



Source: Company Materials. Compiled by Strategy Advisors.

More Diverse Workforce

Comparing the industries of headquarters employees at the end of FY08/19 and FY08/22, while most employees at the end of FY08/19 were from financial institutions and funds, the number of employees from the real estate industry and other business companies increased significantly at the end of FY08/22. Furthermore, the company's page on the business social networking site Wantedly (3991 TSE Growth) states, "We have hired people with a wide range of expertise, including those from foreign real estate funds, financial institutions, securities companies, major domestic business companies, consulting firms, designers, first-class architects and general trading companies". With the increase in properties handled, we can infer that there are more personnel capable of land development planning and project management, and that as the asset types increase, the number of personnel from business companies is also increasing. Given that businesses likely encompass a variety of industries, we believe that the workforce is becoming more diverse.

Emphasis on Teamwork

According to President Komoto, the 2 things he places the most importance on when hiring are a good personality (apparently this involves teamwork) and a desire to grow. Even if someone lacks the necessary skills when they join the company, the idea is that such talent will be able to grow once they join, and bringing in such talent will strengthen the team. To avoid the organization becoming vertically divided, personnel transfers are apparently carried out relatively frequently, which suggests that the company values internal communication.

Breakthrough Talent

Furthermore, the company often undertakes innovative business ventures that other companies have not undertaken, which require the ability to overcome obstacles. The company's motto, "Become the one that creates change," is based on the idea that rather than being passive in the face of change, it is easier to do what they want and increase the chances of success by creating change themselves.

3) Management Philosophy and Code of Conduct

Management philosophy: "Turning Challenge into Value"

The company's management philosophy is "Turning Challenge into Value". Many companies tout their contributions to society, but few embody solving social issues as their very reason for existence and translate it into their business practices like this company does. Moreover, while their core business model utilizes real estate funds, they are involved in a variety of asset types, including hotels, logistics and healthcare; and are conscious of handling not only the hardware but also the software, namely operations, themselves, making them a unique company.

Guidelines for Action: "Be Bold, Reliable and Swift"

The company's guiding principle is "Be Bold, Reliable and Swift". It is noteworthy that the company values speedy decision-making and action and encourages bold action, while also valuing trust.

The Management Team's Simple and Unwavering Beliefs

These ideas appear to reflect the unwavering beliefs of the management team. What is work? What is the purpose of a company's business? It is to create added value that is useful to society, and it is this very simple idea that will attract support from those around you and increase your chances of success. The company is made up of people who share this belief, which is why it has a strong sense of unity.

4) Management Leadership

The 2 Founders Have Had a Huge Influence

As President Komoto and Chairman Ogawa are co-founders and two of the top shareholders, the company is thought to be one in which their values and styles are strongly reflected. President Komoto and Chairman Ogawa are thought to have the final say on major decisions, with President Komoto involved in execution as Representative Director and Chairman Ogawa leading the overseas business.

On the Other Hand, Employees' Ideas and Suggestions Are Also Respected

However, as the company values its employees' free thinking and spirit of challenge, it does not give the impression of being a top-down company. Its current mainstay businesses, hotels for large groups, frozen and chilled warehouses, and hospice housing, were all started because of employee suggestions. The company also holds new business competitions within the company, and employees submit a variety of proposals. This reflects the desire of top management to have employees see the business as their own.

The Management's Philosophy and Policies Are Ingrained in the Company Culture

As of the end of August 2025, the number of employees will have grown to 349 (non-consolidated), and the company is no longer large enough to allow President Komoto and Chairman Ogawa to communicate directly with each other at any time. The top management's philosophy appears to have already taken root as part of the company culture. However, going forward, issues are likely to arise, such as whether the company can maintain the same sense of speed as before and whether it can maintain its venture mentality and attention will be focused on how it will balance this with growth.

5) "Corporate DNA" is "Pursuit of Optimization Through the Use of Funds"

"Corporate DNA" refers to the unique values and management philosophy that are rooted in an organization and all employees and is often the source of a company's difficulty to imitate or its competitive advantage. Strategy Advisors believe that formulating a business strategy that makes use of "corporate DNA" and implementing it increases the probability of success.

"Corporate DNA" is "pursuit of Optimization Through the Use of Funds"

The company's "corporate DNA" can be summarized as "pursuing optimization through the use of funds". The company has a business model that utilizes funds at both the development and operation stages, using only its own balance sheet for a short period of time, and this can be said to be the basis for its success as a venture company in expanding into a wide range of fields, including renewable energy, hotels, logistics, and healthcare.

Furthermore, the management's strong desire to solve social issues seems to be deeply rooted in the company as a basic stance of focusing on gaps between societal needs and supply; and gaps between industry practices and efficiency, and filling these gaps themselves to turn them into business opportunities.

Addressing a Wide Range of Social Issues While Minimizing Risks

Utilizing funds not only allows the company to do more with less of its own capital but also helps it avoid risk. Even if the asset type it is operating in does not perform well, it will be relatively easy to change course. At the same time, the company's attitude of focusing on social issues and exploring various business opportunities is likely to enable sustainable growth.

Figure 33. Income Statement (Full-Year Base, ¥mn)

FY	08/20	08/21	08/22	08/23	08/24	08/25	08/26 CoE
Net Sales	**8,008**	**14,295**	**20,780**	**37,282**	**65,685**	**96,501**	**150,000**
YoY	49.6%	78.5%	45.4%	79.4%	76.2%	46.9%	55.4%
Cost of Sales	5,693	9,885	14,601	27,183	47,125	60,065	
Gross Profit	2,315	4,410	6,178	10,099	18,559	36,436	
Gross Profit Margin	28.9%	30.8%	29.7%	27.1%	28.3%	37.8%	
SG&A Expenses	1,989	3,081	4,036	5,656	10,022	17,502	
Operating Profit	**326**	**1,328**	**2,141**	**4,442**	**8,537**	**18,933**	**26,500**
YoY	-53.4%	307.4%	61.2%	107.5%	92.2%	121.8%	40.0%
OP Margin	4.1%	9.3%	10.3%	11.9%	13.0%	19.6%	17.7%
Non-Operating Income	8	7	84	249	347	237	
Interest and Dividend Income	3	0	3	3	5	150	
Non-Operating Expenses	154	299	493	572	1,025	2,036	
Interest Expense and Discount	83	175	337	370	667	1,314	
Ordinary Profit	**180**	**1,037**	**1,732**	**4,119**	**7,860**	**17,134**	**24,000**
YoY	-71.8%	476.1%	67.0%	137.8%	90.8%	118.0%	40.1%
Ordinary Profit Margin	2.2%	7.3%	8.3%	11.0%	12.0%	17.8%	16.0%
Extraordinary Income	218	675	89	45	498	94	
Extraordinary Loss	201	676	275	191	312	69	
Profit before Income Taxes	197	1,035	1,546	3,973	8,045	17,159	
YoY	-69.2%	425.4%	49.4%	157.0%	102.5%	113.3%	
Pretax Profit Margin	2.5%	7.2%	7.4%	10.7%	12.2%	17.8%	
Total Income Taxes	73	245	508	1,487	2,627	5,800	
(Corporate Tax Rate)	37.1%	23.7%	32.9%	37.4%	32.7%	33.8%	
Profit	123	789	1,038	2,486	5,417	11,359	
Profit Attributable to Non-Controlling Interests	0	0	20	435	397	1,109	
Profit Attributable to Owners of Parent	**134**	**793**	**1,018**	**2,050**	**5,020**	**10,250**	**16,500**
YoY	-69.2%	491.8%	28.4%	101.4%	144.9%	104.2%	61.0%
Net Profit Margin	1.7%	5.5%	4.9%	5.5%	7.6%	10.6%	11.0%
EPS (¥)	**10.8**	**60.7**	**66.4**	**126.6**	**270.8**	**520.4**	**692.9**

Note: The company's EPS forecast for FY08/26 includes 4,000,000 shares added through the capital raising conducted in October 2025.
Source: Company Materials. Compiled by Strategy Advisors.

Figure 34. Balance Sheet (Full-Year Base, ¥mn)

FY	08/20	08/21	08/22	08/23	08/24	08/25
Current Assets	**7,125**	**10,705**	**25,759**	**37,350**	**67,066**	**87,339**
Cash & Deposits	2,179	3,607	5,393	5,897	11,064	24,016
Accounts Receivable	29	137	233	265	1,203	1,417
Inventory	3,920	5,141	18,704	29,410	48,670	53,321
Allowance for Doubtful Accounts	0	0	-8	-13	-16	-26
Other Current Assets	997	1,820	1,437	1,791	6,145	8,611
Non-Current Assets	**1,312**	**4,321**	**4,666**	**6,418**	**10,474**	**34,241**
Tangible Fixed Assets	774	3,276	3,236	2,382	4,488	12,914
Intangible Fixed Assets	21	76	74	78	778	798
Investments & Other Assets	517	968	1,356	3,956	5,207	20,528
Total Assets	**8,440**	**15,040**	**30,437**	**43,780**	**77,549**	**121,688**
Current Liabilities	**2,593**	**4,139**	**13,889**	**16,166**	**22,130**	**40,005**
Trade Payables	0	0	0	0	0	0
Interest-Bearing Debt	2,054	2,726	11,874	13,023	16,227	27,630
Others	539	1,413	2,015	3,143	5,903	12,375
Non-Current Liabilities	**1,973**	**5,994**	**7,187**	**15,932**	**27,678**	**43,488**
Interest-Bearing Debt	1,920	4,779	6,532	15,260	25,660	41,238
Deferred Tax Liabilities	0	398	348	358	1,177	436
Others	53	817	307	314	841	1,814
Net Assets	**3,873**	**4,906**	**9,360**	**11,681**	**27,739**	**38,193**
Shareholders' Equity	3,863	4,833	9,218	11,106	27,125	36,210
Share Capital	1,586	1,643	3,514	3,549	9,287	9,523
Capital Surplus	1,495	1,561	3,438	3,453	9,206	9,478
Retained Earnings	914	1,644	2,529	4,145	8,673	17,251
Accumulated Other Comprehensive Income	-3	-1	-21	-56	-274	-39
Share Acquisition Rights	12	46	80	134	180	442
Non-Controlling Interests	0	28	82	496	708	1,580
Total Liabilities & Net Assets	**8,440**	**15,040**	**30,437**	**43,780**	**77,549**	**121,688**
Equity Capital	**3,860**	**4,832**	**9,197**	**11,050**	**26,851**	**36,171**

Source: Company Materials. Compiled by Strategy Advisors.

Figure 35. Cash Flow Statement (Full-Year Base, ¥mn)

FY	08/20	08/21	08/22	08/23	08/24	08/25
Cash Flows from Operating Activities						
Profit before Income Taxes	197	1,035	1,546	3,973	8,045	17,159
Depreciation and Amortization of Goodwill	148	199	269	300	536	979
Increase/Decrease in Trade Receivables	104	-106	-96	-31	-636	-196
Increase/Decrease in Inventory	376	322	-12,812	-9,399	-10,014	-2,641
Other Operating Cash Flows	-540	-478	-596	-2,576	-6,377	-8,408
Total	**285**	**972**	**-11,689**	**-7,733**	**-8,446**	**6,893**
Cash Flows from Investing Activities						
Purchase of Property, Plant and Equipment	-109	-1,664	-203	-465	-1,899	-6,497
Proceeds from Sales of Property, Plant and Equipment	8	0	9	15	54	511
Purchase of Intangible Assets	-10	-8	-4	-15	-249	-151
Purchase of Investment Securities	-76	-61	-264	-702	-2,419	-5,526
Proceeds from Sales of Investment Securities	0	0	0	8	386	9
Other Investment Cash Flow	-259	92	26	6	-682	-6,904
Total	**-446**	**-1,641**	**-436**	**-1,153**	**-4,809**	**-18,557**
Cash Flows from Financing Activities						
Net Increase/Decrease in Short-Term Interest-Bearing Debt	1,138	46	1,526	3,126	4,367	2,832
Net Increase/Decrease in Long-Term Interest-Bearing Debt	-1,525	2,060	9,343	6,920	4,137	-533
Proceeds from Issuance of Shares	2,312	0	3,568	0	10,894	0
Purchase of Treasury Shares	-199	0	-321	-178	0	0
Dividend Paid	-55	-63	-132	-240	-489	-1,671
Other Financing Activities Cash Flow	-3	152	-83	-318	-496	24,070
Total	**1,668**	**2,195**	**13,901**	**9,310**	**18,413**	**24,698**
Effect of Exchange Rate Change on Cash and Cash Equivalents	-4	0	10	79	4	-78
Net Increase/Decrease in Cash and Cash Equivalents	1,503	1,527	1,786	502	5,163	12,955
Cash and Cash Equivalents at Beginning of Period	572	2,075	3,603	5,390	5,893	11,056
Impact of Changes in Scope of Consolidation	0	0	0	0	0	0
Cash and Cash Equivalents at End of Period	**2,075**	**3,603**	**5,390**	**5,892**	**11,056**	**24,011**
Free Cash Flow	-161	-669	-12,125	-8,886	-13,255	-11,664

Source: Company Materials. Compiled by Strategy Advisors.

Disclaimer

This report is published by Strategy Advisors Inc. (hereinafter referred to as the "Publisher ") and was prepared primarily by external partner companies and analysts.

The purpose of this report is to introduce and explain the target companies using a different approach than usual. In principle, the issuer does not review or approve the contents of the report (however, the issuer will point out to the author only if there are obvious errors or inappropriate expressions).

The Issuer may have received compensation, directly or indirectly, from the Target Company for planning, proposing and providing the infrastructure for issuing this report.

The external partners and analysts who write this report may receive compensation directly or indirectly from the subject company for activities other than preparing this report. In addition, the external partners and analysts who write this report may have or may in the future have transactions in the securities of the subject company.

This report has been prepared solely for the purpose of providing information to serve as a reference for investment decisions and is not intended as a solicitation for securities or other transactions. Investors should make final decisions regarding securities and other transactions at their own discretion and responsibility.

In preparing this report, the authors received information through interviews with the target companies, etc. However, the hypotheses and opinions expressed in this report are not those of the target companies but are the result of the authors' analysis and evaluation.

This report is based on information that the author believes to be reliable, but does not guarantee its accuracy, completeness or timeliness. The views and forecasts contained in this report are the judgment of the author at the time of publication of this report and are subject to change without notice.

Neither the issuer nor the authors shall be liable for any direct, indirect, incidental or special damages which an investor may suffer as a result of placing reliance on the information or analysis contained in this report.

Strategy Advisors

Address: Central Building 703, 27-8 Ginza 1-chome, Chuo-ku, Tokyo 104-0061