Kasumigaseki Capital | 3498 (TSE Prime)

Company Report

April 21, 2026

Strategy Advisors Co., Ltd.
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Focus on Second Half Purchasing to Achieve Mid-Term Goals (FY08/29)

Kasumigaseki Capital reported H1 results for FY08/26 with net sales up 81.1% YoY to ¥61.11 billion and operating profit up 67.8% to ¥8.06 billion, setting a record for profit. Progress toward the Company's full-year FY08/26 forecast stands at 40.7% for net sales and 30.4% for operating profit, representing solid progress even compared to previous fiscal years. Given that achieving this fiscal year's performance targets is entirely feasible based on the existing pipeline alone, the likelihood of meeting the initial plan for this fiscal year remains high.

On the other hand, the reason the stock price has been weak since the earnings announcement is likely due to the somewhat sluggish build-up of inventory. Inventory at the end of the period stood at ¥56.42 billion (of which ¥38.33 billion was real estate for sale and ¥18.08 billion was costs on development business and other), representing an increase of only ¥3.09 billion from the ¥53.32 billion recorded at the end of FY08/25 (¥36.38 billion and ¥16.94 billion, respectively). Furthermore, the combined total of inventory and advance payments turned downward compared to Q1.

It should be noted that the Company is renovating hotels and its tangible fixed assets also function as inventory similar to real estate held for sale (in cases where land and buildings were acquired together, the Company sells only the land to accelerate cash recovery and retains the remaining buildings in-house during the renovation period). Tangible fixed assets at the end of the period stood at ¥21.32 billion, a robust YoY increase of ¥8.41 billion. The total of inventory, advance payments and tangible fixed assets increased by approximately ¥20 billion. As there have been no significant changes in the procurement environment, the Company is expected to continue scaling up toward its goal of 1.5x growth.

The stock price has been on a downward trend since the public offering conducted in November 2025, with PER falling to around 11x. Given that the average PER for companies engaged in hotel development is around 14x, the stock price appears to have fallen more than expected. Although the stock price is in a downtrend, the dividend yield is relatively high at 2.4% and we believe the downside risk to the stock price is limited.

Strategy Advisors is focusing on how much inventory the Company can build up in the H2 of the current fiscal year as a key indicator for a potential stock price reversal. To achieve this plan, the Company aims for 1.5x annual growth (1.2x in the number of projects and 1.2x in business scale), but the most critical management challenge will likely be strengthening human capital.

Stock Price & Trading Volume (1 Year)

Source: Strategy Advisors.

Key Indicators

Stock Price (4/21/26)	7,020
52-Week High (10/22/25)	10,060
52-Week Low (5/21/25)	5,925
All-Time High (10/22/25)	10,060
All-Time Low (12/26/18)	297
Number of Shares Issued (mn)	24.5
Market Capitalization (¥bn)	172.3
EV (¥bn)	218.7
Equity Ratio (FY08/25, %)	29.7
ROE (FY08/25, %)	32.5
PER (FY08/26 CoE, x)	10.4
PBR (FY08/25, x)	3.8
Yield (FY08/26 CoE, %)	2.4

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.

We have high hopes for the Company's next challenge: whether it can maintain its aggressive business drive, brimming with the venture-style spirit of its early days, even as the organization expands.

Japanese GAAP- Consolidated

FY	Sales (¥)	YoY (%)	Operating Profit (¥)	YoY (%)	Ordinary Profit (¥)	YoY (%)	Net Income (¥)	YoY (%)	EPS (¥)	DPS (¥)
H1 08/25	33,750	62.1	4,805	141.3	4,154	114.1	2,453	89.8	124.7	-
H1 08/26	**61,116**	**81.1**	**8,065**	**67.8**	**7,435**	**79.0**	**4,951**	**101.8**	**220.1**	**-**
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	672.4	165.0

Note: A 1:2 stock split was conducted in September 2021. EPS and DPS are adjusted.

Source: Company Data. Compiled by Strategy Advisors.

1. H1 Results for FY08/26 Set a New Profit Record

Progress Against the FY08/26 Plan is on Track

Kasumigaseki Capital reported H1 results for FY08/26, with net sales increasing 81.1% YoY to ¥61.11 billion and operating profit rising 67.8% to ¥8.06 billion, setting a record for profit in the H1.

Progress against the Company's full-year forecast for FY08/26 stood at 40.7% for net sales and 30.4% for operating profit, representing solid progress even when compared to previous years. Although the Company had planned for earnings to be more heavily weighted toward the Q4 than in previous years, given the progress made in the H1, the Company's track record of consistently meeting initial annual targets; and the fact that achieving this fiscal year's performance is entirely feasible based on the existing pipeline alone, it can be said that the likelihood of meeting the initial annual plan for this fiscal year is high.

Figure 1. H1 FY08/26 Summary

(¥mn)	08/26 H1 (A)	YoY	Progress (A)/(B)	08/26 Q1	YoY	08/26 Q2	YoY	08/26 CoE (B)	YoY
Net Sales	**61,116**	**81.1%**	**40.7%**	28,465	86.5%	**32,651**	**76.6%**	150,000	55.4%
Gross Profit	**19,675**	**57.5%**	**-**	8,217	27.2%	**11,458**	**89.9%**	-	-
Gross Margin	**32.2%**	**-**	**-**	28.9%	-	**35.1%**	**-**	-	-
SG&A Expenses	**11,610**	**169.7%**	**-**	5,402	54.8%	**6,208**	**47.9%**	-	-
Operating Profit	**8,065**	**67.8%**	**30.4%**	2,814	-5.2%	**5,251**	**186.2%**	26,500	40.0%
OP Margin	**13.2%**	**-**	**-**	9.9%	-	**16.1%**	**-**	17.7%	-
Ordinary Profit	**7,435**	**79.0%**	**31.0%**	2,974	3.2%	**4,461**	**250.7%**	24,000	40.1%
Profit Attributable to Owners of Parent	**4,951**	**101.8%**	**30.0%**	2,034	1.6%	**2,917**	**546.8%**	16,500	61.0%

Source: Company Data. Compiled by Strategy Advisors.

Gross Profit Margin Recovered in Q2, Driven by High Profitability in Regional Hotels

The gross profit margin for H1 FY08/26 was 32.2%, marking a significant recovery from Q1. The Company's gross profit margin fluctuates significantly on a quarterly basis. Compared to the previous fiscal year, profitability started off somewhat sluggish this fiscal year due to a higher volume of logistics facility sales in Q1, but the Company managed to catch up in Q2.

In particular, the profitability of regional hotels appears to be exceeding projections. Compared to the Tokyo metropolitan area, land acquisition costs are lower, while there is significant room for productivity gains through rising room rates driven by inbound tourism and operational improvements, which likely contributed to the improvement in profitability.

The major properties sold in H1 FY08/26 are as follows. 6 hotel properties were sold and these transactions are believed to have contributed to the improvement in profitability.

Figure 2. Major Properties Believed to have Contributed to Gross Profit

	Release	Events	Business
FY08/26 Q1	2025/9/19	Land Sale for Development Business Project 'Emerald Hills' in Dubai	Overseas
	2025/10/15	Land Sale for Hotel Development Site for Osaka Nippombashi Hotel Project	Hotel
	2025/11/28	Land Sale for Business Hotel for Nagoya Rebrand Project II	Hotel
FY08/26 Q2	2026/2/5	Hotel Project to Enter Management Phase (FAV LUX Sapporo Susukino)	Hotel
	2026/2/13	Land Sale for Hotel Development Site for Kamakura Yukinoshita Hotel Project	Hotel
	2026/2/27	Land Sale for Hotel Development Site for Fujikawaguchiko Hotel Project	Hotel
		Land Sale for Hotel Development Site for Ginza EAST Hotel Project	Hotel
		Land Sale for Logistics Facility Development Site in Iruma-gun, Saitama	Logistics

Source: Company Data. Compiled by Strategy Advisors.

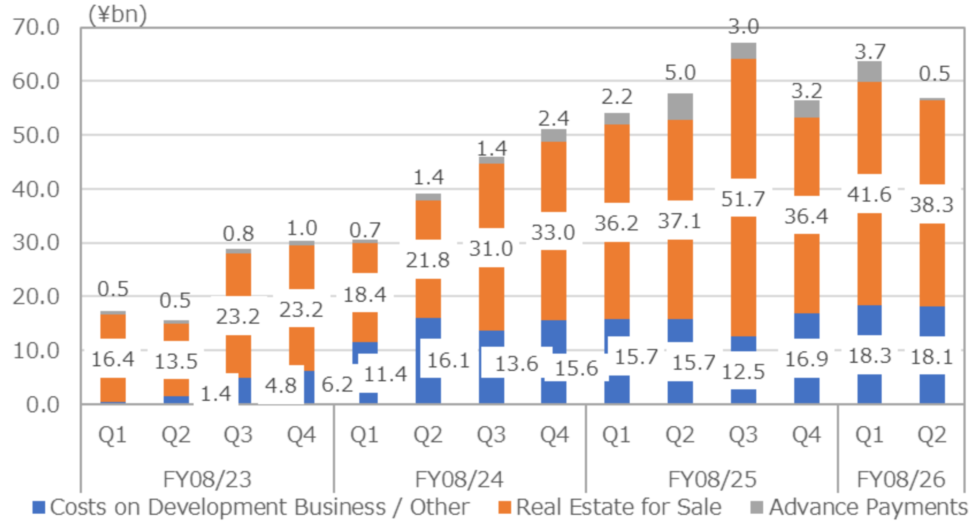
Although the Build-Up of Inventory Was Somewhat Weak, Inventory Levels Increased Steadily

On the other hand, the reason the stock price has been weak since the earnings announcement is likely due to the somewhat sluggish growth in inventory. Inventories at the end of the period stood at ¥56.42 billion (of which ¥38.33 billion was real estate for sale and ¥18.08 billion was costs on development business and other), marking an increase of only ¥3.09 billion from the ¥53.32 billion recorded at the end of FY08/25 (¥36.38 billion and ¥16.94 billion, respectively). Furthermore, the combined total of inventory and advance payments turned downward compared to Q1.

It should be noted that the Company is renovating hotels and its tangible fixed assets also function as inventory similar to real estate held for sale (in cases where land and buildings were acquired together, the Company sells only the land to accelerate cash recovery and retains the remaining buildings in-house during the renovation period). Tangible fixed assets at the end of the period stood at ¥21.32 billion, with a robust YoY increase of ¥8.41 billion. The total of inventory, advance payments and tangible fixed assets increased by approximately ¥20 billion. As there have been no significant changes in the procurement environment, the Company is expected to continue scaling up toward its goal of 1.5x annual growth.

The Company intends to build up its inventory (inventory + advance payments + tangible fixed assets) to around ¥100 billion by the end of August. By 2025, the number of employees had increased to 349 from 256 the previous year. We anticipate that these new hires will become productive members of the workforce and look forward to the Company's characteristic concentrated purchasing efforts carried out by its "caravan teams". Given that the Company can already achieve this fiscal year's performance targets based solely on its existing pipeline, it is highly likely that the entire Company will unite to implement enhanced purchasing strategies that will drive revenue growth in the coming fiscal years and beyond.

Figure 3. Changes in Inventory & Advance Payments (Qtly)



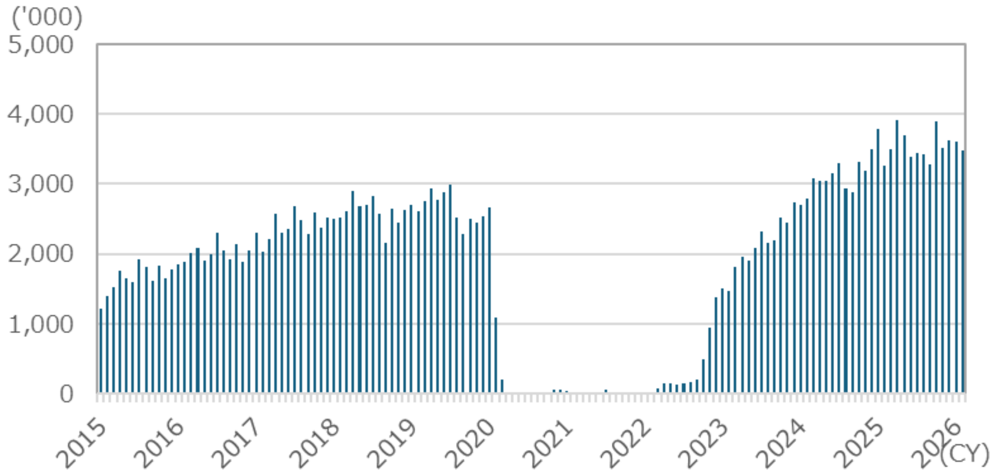
Source: Company Data. Compiled by Strategy Advisors.

2. Hotel Business is Performing Well. Expected Valuation Upside in Existing Dry Warehouses

Hotel Business : Favorable Fundamentals Surrounding the Business Remain Unchanged

The hotel business, which accounts for approximately 60% of total recurring revenue, continues to perform well. For this Company, it appears that approximately 50% of hotel guests are focused on inbound tourists. In addition to foreign visitors to Japan, the Company also attracts domestic travelers; compared to competitors, this diversification of the customer base represents a significant advantage when managing the cyclical hotel asset class. Furthermore, the number of foreign visitors to Japan remains at a high level. The Japan Tourism Agency projects that the number of international visitors to Japan will reach 60 million by 2030.

Figure 4. Trends in the Number of Foreign Visitors to Japan (Monthly, Through February 2026)



Source: Japan Tourism Agency Data. Compiled by Strategy Advisors.

Value Creation in the Hotel Business Accelerates Through the Effects of Labor-Saving Operations & Renovation Work

The Company's hotels are designed with efficiency in mind and feature a reduced staff model, in line with its "self hospitality" operation policy. The first property of the culture business hotel brand BASE LAYER HOTEL NAGOYA NISHIKI, which opened in July 2025, has demonstrated remarkable growth: RevPAR has increased approximately 2.5x compared to 2019 due to rises in ADR and occupancy rates, while GOP (Gross Operating Profit) has surged approximately 3.1x. This demonstrates the Company's exceptional expertise in enhancing hotel value through renovation and operational optimization. Furthermore, as the number of developed hotels increases, the Company's brand value is rising; reportedly, RevPAR for FAV LUX Sapporo Susukino and edit x seven Fuji Gotemba has been performing at levels initially projected for 3-years after opening, just 6-months after their launch. It can be said that the Company is successfully developing hotels tailored to local demand by leveraging creative partners and acquiring repeat customers and attention should also be paid to the fact that its intrinsic corporate value is rising.

Figure 5. Hotel Business: Brand Lineup

	fav	FAV	studio x seven	edit x seven	seven x seven	✱BLH	FORK&KNIFE
Style	Group & Local	Elevated Group & Local	Group & Urban	Edited Luxury	Playful Luxury	Culture Business	Culture Retreat
Standard Room Size	25-35m²	40-50m²	25-35m²	40-50m²	30-60m²	14-20m²	30-50m
Per-room Rate (¥1,000)	15–25	30–40	35–45	40–60	40–100	15–25	40–100
Per-person Rate (¥1,000)	6–12	10–20	10–20	20–30	30–50	10–15	20–50
Double Occupancy Ratio	3.5	3.0	3.5	3.0	2.5	1.2	2.0
Guest Facilities/ Shared Facilities	None	Minimal	Some	Some	Many	Minimal	Some
Operation Policy	**self hospitality™**						

Source: Company Data. Compiled by Strategy Advisors.

Project Scale Continues to Expand; Progress Toward Medium-Term Plan Targets is Solid

Furthermore, while the project pipeline and AUM are growing steadily, a notable point is the expansion of the scale per project. The Company has set a target of ¥50 billion in net income for FY08/29 in its medium-term management plan, aiming for 1.5x growth each fiscal year. To achieve this, the Company plans to increase both the number of projects and the scale of operations by 1.2x. As of the end of February 2026, the average size of the hotel business had increased significantly by 20.5% compared to the end of August 2025, indicating steady progress toward achieving the goals of the medium-term management plan.

Strategy Advisors believe that the key to the Company’s leap forward lies entirely in securing personnel capable of operating its unique business model, which vertically integrates all processes from acquisition to development and management. In this regard, the steady progress in recruitment and the significant increase in the number of employees serve as strong leading indicators for the achievement of this plan.

Kasumigaseki Hotel REIT Investment Corporation is Operating Smoothly, with KPIs Showing an Improving Trend and Significant Room for Growth as an Exit Fund

Furthermore, Kasumigaseki Hotel REIT Investment Corporation (401A), an exit fund that launched with 15 properties and assets totaling ¥49.2 billion, is seeing improvements in its KPIs and is securing returns for its ultimate investors. The average figures for the period from February 2025 to January 2026 were as follows: the room occupancy rate was 69.9% (+3.9ppt YoY), ADR was ¥26,431 (+3.3% YoY) and RevPAR was ¥18,471 (+9.5% YoY).

The investment unit price has been trending slightly downward, primarily due to a decrease in variable rent caused by seasonal factors and the capitalization of fixed asset tax expenses, which are expected to result in a slight decrease in projected distributions for FY07/26 2026. However, considering that distributions are expected to resume an upward trend starting in FY01/27, there is a possibility that the investment unit price will also resume an upward trend. The investment corporation plans to expand its asset size to ¥300 billion (based on acquisition price) over 5-years.
It has already secured potential acquisition properties worth approximately

¥200 billion from its sponsor pipeline and there is significant room for internal growth through collaboration with Kasumigaseki Capital Hotel operator (FHG). We look forward to seeing this scale-up as the ultimate exit strategy.

Figure 6. Trends in Project Pipeline and AUM

(¥bn)	As of Aug. 31, 2025			As of Feb. 28, 2026				
	No. of Projects	Project Value	Project Value Per Project	No. of Projects	Project Value	Project Value Per Project	Change Amount	% Change
Logistics	24	341.1	14.2	29	365.0	12.6	23.9	7.0%
Hotel	56	246.5	4.4	68	360.2	5.3	113.7	46.1%
Healthcare	17	45.1	2.7	17	45.1	2.7	-	-
Overseas	9	25.7	2.9	9	30.8	3.4	5.1	19.8%
Total	112	663.6	5.9	129	806.2	6.2	142.6	21.5%

Source: Company Data. Compiled by Strategy Advisors.

Logistics Business Capturing Growth Opportunities in the Logistics Business Through the Acquisition of Existing Dry Warehouses

The most significant development in the logistics business was likely the acquisition of 4 existing dry warehouses (¥16.5 billion). Against the backdrop of expanding e-commerce demand driven by the COVID-19 pandemic, the supply of dry warehouses increased significantly from 2021 to 2023. However, supply is expected to decline starting in 2024, with excess demand projected to emerge from 2027 onward. Consequently, the rent index is expected to begin rising from 2026 onward, while the vacancy rate is projected to decline (9.7% in 2026 → 8.3% in 2027).

To capitalize on this business opportunity, the Company has entered the market for value-added renovations of existing dry warehouses. Strategy Advisors view this because of the Company having elevated its operational expertise in logistics warehouses - following its success in the hotel sector - to a level where value-added renovations of existing properties are feasible and sees it as a sign of the Company's confidence.

Furthermore, synergies are expected through the utilization of X NETWORK, a subsidiary holding a commercial warehouse license. Anticipated model is where X NETWORK leases 100% of the warehouses from a tenant seeking to rent approximately 70% of the space, subleases 70% of that space and monetizes the remaining 30% by consolidating short-term, small-volume shipments. The ability to operate flexibly - meeting the needs of tenants who wish to use only a portion of the warehouses while handling profitable short-term, small-volume shipments - is a major attraction.

In the logistics business, the Company completed 4 lands settled and one land purchase agreement concluded (in Malaysia) during the half-year, as well as 4 land and building settled (used dry warehouses). It sold a single piece of land and moved into the development phase, while also breaking ground on 2 projects. All projects are progressing smoothly and we look forward to future acquisitions.

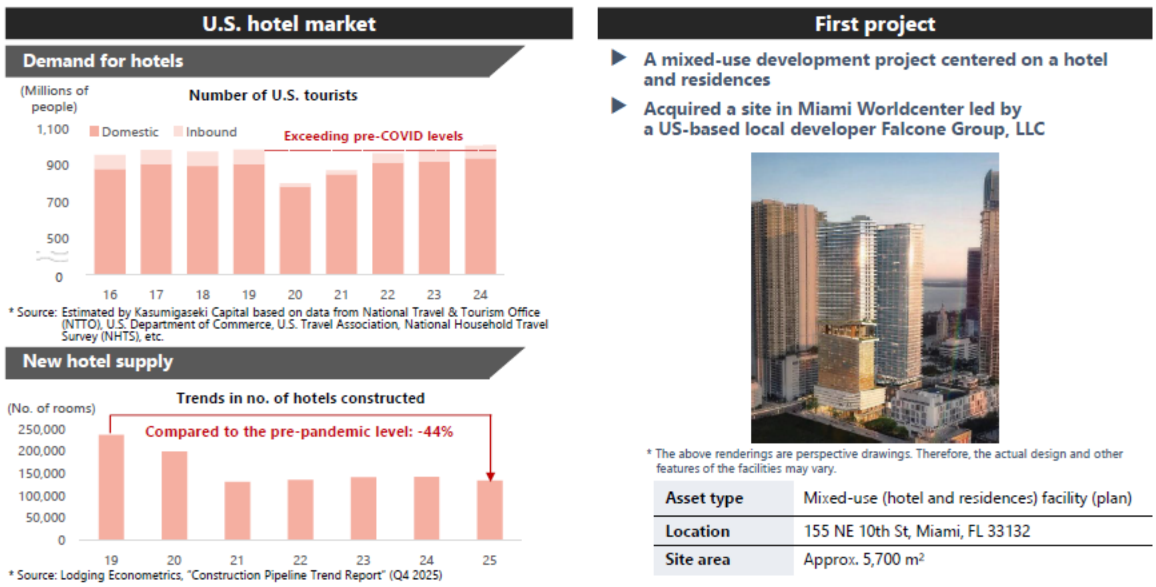
Overseas Business : geopolitical Risks Factored In. The Impact on Performance is Minimal

Regarding overseas business, while there is a slight negative impact from the Iran conflict in Dubai, the effect on gross profit is reportedly limited. Dubai projects are expected to account for approximately 10% of this fiscal year's planned gross profit; however, it appears that about half of the properties had already been sold prior to the Iran conflict. Although there is a risk that the selling price of the remaining properties may decline, transaction prices in the overall Dubai market are reportedly down by about 10% on a temporary basis, a level that can likely be sufficiently offset by other business operations.

Additionally, the Company has acquired land (approximately 5,700 square meters) for a mixed-use hotel and residential development project as its first venture into the U.S. market. While advance payments increased by ¥7.7 billion compared to the end of August 2025, part of this amount is reportedly related to payments for this project.

In the U.S., while the number of tourists has exceeded pre-COVID levels, supply has decreased by 44% compared to pre-COVID levels, creating a supply-demand gap. Furthermore, Miami is an area experiencing significant population growth within the U.S., driven by migration from Latin America and from high-tax states. Miami's population stood at 442,000 in 2020 and is projected to grow to 509,000 by 2026 (based on annual estimates from the U.S. Census Bureau).

Figure 7. Overseas Business (US)



Source: Company Data. Compiled by Strategy Advisors.

Healthcare Business: The Number of New Facilities is Expanding Steadily. The Company Will Continue to Provide Attractive Hospice Care

In the healthcare business, 4 new facilities opened during the half-year period, bringing the total number of facilities in operation to 11 as of April 2026. 6 facilities (worth approximately ¥15.4 billion) are currently under development. While the healthcare business appears to have a limited impact on gross profit, it is an asset class where long-term demand growth is essential. Furthermore, the Company expects to continue providing attractive hospice care by leveraging the spatial design expertise cultivated through its hotel operations.

Figure 8. Hospice Housing Pipeline

[Already Launched]

	Location	Facility Name	Floor Area	# of Rooms	Opening
1	Minami Ward, Sapporo City	Sumikawa Hospice	1,539	37	Jul-2022
2	Chofu City, Tokyo	CLASWELL Sengawa	3,019	69	Jul-2023
3	Chuo Ward, Sapporo City	Sapporo Chuo Hospice	2,982	60	Apr-2024
4	Itabashi Ward, Tokyo	CLASWELL Kotake-Mukaihara	2,286	59	Nov-2024
5	Shinjuku Ward, Tokyo	CLASWELL Shinanomachi	1,763	48	Feb-2025
6	Nerima Ward, Tokyo	CLASWELL Shimo-Shakujii	2,059	50	Mar-2025
7	Minato Ward, Tokyo	CLASWELL Shirokanedai	1,806	45	Nov-2025
8	Fuchu City, Tokyo	CLASWELL Fuchu Nakagawara	2,356	47	Dec-2025
9	Saitama City, Saitama	CLASWELL Omiya	2,992	58	Jan-2026
10	Toyonaka City, Osaka	CLASWELL Toyonaka Kita-	2,435	56	Feb-2026
11	Saitama City, Saitama	CLASWELL Kita-Urawa	2,628	60	Apr-2026

[Under Development]

	Location	Facility Name	Floor Area	# of Rooms	Opening
12	Suita City, Osaka	-	2,128	56	May-2026
13	Fukuoka City, Fukuoka	-	2,369	51	Summer/Fall
14	Nerima Ward, Tokyo	-	2,363	57	Fall 2026
15	Suginami Ward, Tokyo	-	2,149	50	Fall 2026
16	Nishinomiya City, Hyogo	-	2,201	44	Fall/Winter
17	Yokohama City, Kanagawa	-	2,555	51	Fall 2027

Note: Total floor area (sq m) is rounded. The unit for the number of guest rooms is "rooms". The number of rooms and schedule are subject to change. Source: Company Data. Compiled by Strategy Advisors.

3. Achieving the Initial Plan is Well Within Reach. Focus is on Procurement in H2

Significant Revenue and Profit Growth Planned for FY08/26

To achieve the Company's FY08/26 plan (net sales of ¥150.0 billion, operating profit of ¥26.50 billion), it is necessary to secure ¥88.8 billion in net sales in the H2. However, the total of inventory, advance payments and tangible fixed assets as of the end of Q2 FY08/26 stood at ¥88.6 billion. Considering purchases and sales during the H2, the likelihood of achieving this plan is high. Compared to the previous fiscal year, the gross profit margin is likely to decline due to lower success fees from sales associated with fund formation. However, this is expected to be offset by an increase in the number of deals and the scale of operations.

Steady Accumulation of Inventory will Contribute to Future Profit Growth

Furthermore, the Company plans to increase inventory (inventory assets + advance payments + tangible fixed assets) to ¥100 billion by the end of August. Compared to previous fiscal years, 1) the balance sheet has been strengthened through a public offering (¥34.5 billion), 2) the Company has already issued public corporate bonds (March 2026), which offer greater flexibility in the use of funds compared to business loans and 3)the expected contribution of new hires in 2025 (an increase of 93 employees); the Company anticipates that the pace of procurement will accelerate further in the H2 of the fiscal year.

Figure 9. Main Property Acquisition Status

	Release	Real Estate Acquisition	Business
FY08/26 Q1	2025/10/15	Osaka Nipponmbashi Hotel Project Development Site	Hotel
	2025/11/17	Automated Frozen Warehouses Development Site in Saitama	Logistics
	2025/11/21	Automated Frozen Warehouses Development Site in Kanagawa	Logistics
	2025/11/25	Dry Warehouses in Saitama	Logistics
	2025/11/28	Land and a Building in Nagoya City	Hotel
FY08/26 Q2	2025/12/12	Hakata Station South Hotel Project Development Site	Hotel
	2025/12/23	Okayama Hinase Hotel Project Development Site	Hotel
	2025/12/23	Miyazaki Aoshima Hotel Project Development Site	Hotel
	2026/1/23	Frozen & Chilled Warehouses Development Site in Kyoto	Logistics
	2026/2/20	Asama Onsen Hotel Project Development Site	Hotel
	2026/2/27	Ginza EAST Hotel Project Development Site	Hotel
FY08/26 Q3	2026/3/23	Automated Frozen Warehouses Development Site in Kanagawa	Logistics
	2026/3/27	Izusan Hotel Project Development Site	Hotel
	2026/3/30	Nasu Yumoto Hotel Project Development Site	Hotel
	2026/4/2	Shiga Kusatsu Hotel Renovation Project	Hotel
		BLOCK C EAST Project Development Site in Miami, US	Overseas
	2026/4/15	Kinshicho Hotel Project Development Site	Hotel

Source: Company Data. Compiled by Strategy Advisors.

A Streamlined Land Acquisition System Maintained Even After Scaling up is a Key Differentiator

Strategy Advisors highly values the Company's sales structure, which actively acquires land nationwide across a wide range of asset classes. While many mid-sized developers limit their operations to Tokyo's 23 wards and asset classes such as investment condominiums, this Company acquires land nationwide for asset classes including hotels, logistics warehouses, and hospices. This robust acquisition capability cannot be replicated overnight. As mentioned above, this is only achievable through hands-on sales efforts, such as the "caravan" approach and rapid decision-making. According to our interviews, the Company appears to have a system in place to express a purchase intent within one week of receiving land information.

Strategy Advisors believes that the Company's fundamental strength lies in its ability to maintain this venture-spirited structure even as its business scale and organization have expanded and that securing the talent to support this is arguably the Company's greatest management challenge.

Earnings Per Employee Have Improved Significantly, Demonstrating the Results of Their Talent Initiatives

Furthermore, starting April 13, the Company has been running recruitment advertisements for executive positions and "young" high-caliber talent via taxi commercials. The ads feature aggressive offers, with an estimated annual salary of ¥100 million for executive candidates and ¥25 million for "young" high-caliber talent. While the Company has long been known as one of the industry's top payers, it is expected to secure top talent by offering even higher compensation. Furthermore, in its Q2 FY08/26 results briefing materials, the Company provided its first-ever explanation regarding human resources. The Company stated that it will implement concentrated investment in top talent alongside productivity improvements driven by AI. Net income per employee - calculated by dividing net income by the number of employees - has tripled compared to 2018, indicating that the Company has achieved revenue growth that exceeds the expansion of its workforce.

Figure 10. Quarterly Revenue Trends (¥mn)

FY	08/25 H1	H2	08/26 H1	H2CoE	08/25 Q1	Q2	Q3	Q4	08/26 Q1	Q2
Net Sales	**33,750**	**62,751**	**61,116**	**88,884**	**15,264**	**18,486**	**16,799**	**45,952**	**28,465**	**32,651**
Cost of Sales	21,256	38,809	41,440	-	8,803	12,453	8,094	30,715	20,247	21,193
Gross Profit	12,493	23,943	19,675	-	6,460	6,033	8,706	15,237	8,217	11,458
Gross Profit Margin	37.0%	38.2%	32.2%	-	42.3%	32.6%	51.8%	33.2%	28.9%	35.1%
SG&A Expenses	7,687	9,815	11,610	-	3,490	4,197	4,141	5,674	5,402	6,208
SG&A Expenses Ratio	22.8%	15.6%	19.0%	-	22.9%	22.7%	24.7%	12.3%	19.0%	19.0%
Operating Profit	**4,805**	**14,128**	**8,065**	**18,435**	**2,970**	**1,835**	**4,565**	**9,563**	**2,814**	**5,251**
OP Margin	14.2%	22.5%	13.2%	20.7%	19.5%	9.9%	27.2%	20.8%	9.9%	16.1%
Non-Operating Income/Expenses	-651	-1,148	-630	-	-88	-563	-821	-327	160	-790
Financial Income/Losses	-491	-673	-887	-	-253	-238	-262	-411	-462	-425
Foreign Exchange Gains/Losses	76	-509	192	-	261	-185	-497	254	678	-48
Others	-236	34	65	-	-96	-140	-62	-170	-56	-317
Ordinary Profit	**4,154**	**12,980**	**7,435**	**16,565**	**2,882**	**1,272**	**3,744**	**9,236**	**2,974**	**4,461**
Ordinary Profit Margin	12.3%	20.7%	12.2%	18.6%	18.9%	6.9%	22.3%	20.1%	10.4%	13.7%
Extraordinary Income	88	6	5	-	92	-4	0	6	5	0
Extraordinary Loss	3	66	52	-	0	3	20	46	51	1
Profit before Tax	4,239	12,920	7,387	-	2,974	1,265	3,724	9,196	2,928	4,459
Total Corporate Taxes	1,696	4,104	2,433	-	898	798	1,139	2,966	908	1,525
(Corporate Tax Rate)	40.0%	31.8%	32.9%	-	30.2%	63.1%	30.6%	32.3%	31.0%	34.2%
Profit Attributable to Owners of Parent	**2,453**	**7,797**	**4,951**	**11,549**	**2,002**	**451**	**1,600**	**6,197**	**2,034**	**2,917**
Net Profit Margin	7.3%	12.4%	8.1%	13.0%	13.1%	2.4%	9.5%	13.5%	7.1%	8.9%

Source: Speeda. Compiled by Strategy Advisors.

4. Stock Prices Are Expected to Rise as the Market Factors in the Achievement of the Performance Targets Set Out in the Mid-Term Management Plan

Stock Prices Fluctuated Significantly in 2025

The stock price has continued to trend downward since the public offering conducted in November 2025. This trend is likely attributable to a combination of factors, including dilution resulting from the public offering, rising interest rates driven by fiscal concerns and the war in Iran, a somewhat weak build-up of inventory in the H1 of the year, and a YoY slowdown in profitability. While the stock price trend alone may suggest that the public offering had a negative impact, Strategy Advisors highly regards the capital raised through this offering.

The reasons are: 1) Strengthening the balance sheet is essential for land acquisition and development, and expanding equity capital is indispensable as the scale of operations grows. And 2) While JGB10-year yields rose to around 2.4% after November 2025 and stock prices of various developers remained weak, the Company was able to secure equity financing ahead of its competitors.

Maintaining High ROE. But Valuation is Undergoing a Correction

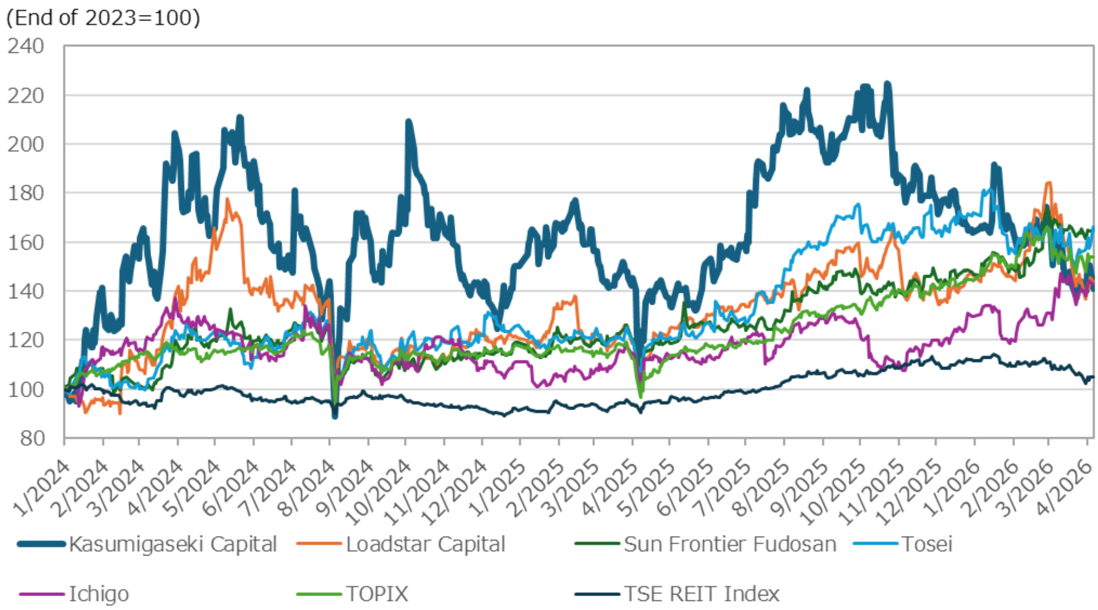
As the stock price has fallen, PER has dropped to around 10x. Although earnings remain solid, the decline in the PER - which had been around 15x to 20x - is the primary cause of the stock price decline. Given that the average PER for companies engaged in hotel development is around 14x, it appears that the stock price has fallen more than should be expected.

Meanwhile, the PBR stands at 3.8x, driven by a high ROE of 32.5%. Among the components of ROE, the high total asset turnover ratio distinguishes the company from its competitors and it can be said that its unique business model, which leverages funds, contributes to its valuation.

High Dividend Yield Provides Support. Downside Risk is Limited

Although the stock price is downtrend, the dividend yield is relatively high at 2.4%, and we believe the downside risk for the stock price is limited. Although the Company has not outlined a clear shareholder return policy, its historical dividend payout ratio has ranged between 23% and 33%, and the Company's planned payout ratio for the current fiscal year is 19.8%. If the Company achieves its target net income of ¥50 billion in the final year of its medium-term management plan, further dividend increases can be expected; therefore, in addition to capital gains, stable income gains can also be anticipated.

Figure 11. Real Estate Investment Companies Stock Price Trends



Source: Speeda. Compiled by Strategy Advisors.

Figure 12. Comparison with Peer Companies

Company	Stock Price (4/21)	Market Cap.	PER (CoE)	PBR	ROE	Dividend Yield (CoE)	EV/ EBITDA	Sales	Gross Margin	OP Margin	ROE	NP Margin	Leverage	Total Assets Turnover	ROA	FY
	¥	¥bn	x	x	%	%	x	¥bn	%	%	%	%	Times	Times	%	
Kasumigaseki Capital	**7,020**	**172.3**	**10.4**	**3.8**	**32.5**	**2.4**	**7.8**	**96.5**	**37.8**	**19.6**	**32.5**	**10.6**	**3.3**	**0.97**	**10.3**	**08/25**
Real Estate Investment																
Ichigo	513	206.3	11.4	1.8	14.6	3.0	18.2	92.7	32.5	22.1	14.6	17.9	3.7	0.22	3.9	02/26
Loadstar Capital	3,060	51.5	5.6	1.6	27.2	3.2	6.1	44.6	34.6	30.1	27.2	17.9	3.8	0.39	6.9	12/25
Tosei	1,694	164.3	10.8	1.6	15.3	3.2	11.7	94.7	42.1	23.6	15.3	15.6	3.0	0.32	5.1	11/25
Sun Frontier Fudosan	2,739	148.0	8.6	1.3	14.7	2.8	7.3	103.2	31.2	20.6	14.7	13.7	2.1	0.51	7.0	03/25
Average			9.1	1.6	17.9	3.1	10.8		35.1	24.1	17.9	16.3	3.2	0.36	5.7	
Major Developers																
Hulic	1,862.5	1,414.2	11.7	1.5	13.1	3.6	15.3	727.4	38.1	25.7	13.1	15.7	3.8	0.22	3.5	12/25
Mitsui Fudosan	1,749.0	4,748.9	17.9	1.5	8.0	1.9	17.2	2,625.4	24.2	14.2	8.0	9.5	3.1	0.27	2.6	03/25
Mitsubishi Estate	4,577.0	5,550.0	25.2	2.2	7.6	1.0	20.1	1,579.8	26.5	19.6	7.6	12.0	3.1	0.20	2.4	03/25
Average			18.3	1.8	9.6	2.2	17.6		29.6	19.8	9.6	12.4	3.4	0.23	2.8	
Hotel																
Resorttrust	1,751	371.7	18.3	2.6	14.7	1.9	9.8	249.3	77.5	10.6	14.7	8.1	3.4	0.52	4.2	03/25
Kyoritsu Maintenance	2,524.5	229.5	11.8	2.0	15.7	1.8	10.6	228.9	24.4	9.0	15.7	6.4	3.0	0.80	5.1	03/25
FUJITA KANKO	2,234	133.9	11.6	3.6	29.8	0.9	9.2	82.0	22.0	16.8	29.8	11.3	2.7	0.85	9.6	12/25
Average			13.9	2.7	20.1	1.6	9.9		41.3	12.1	20.1	8.6	3.0	0.72	6.3	
Japan Hospice Holdings	762	6.4	10.7	1.7	7.8	3.3	8.4	14.2	13.4	6.0	7.8	2.0	5.2	0.76	1.5	12/25
Amvis Holdings	410	40.0	19.0	1.1	10.6	1.0	10.5	49.2	30.1	12.5	10.6	7.4	2.2	0.63	4.7	09/25
CUC	1,013	29.7	10.3	1.0	11.0	0.0	6.5	47.0	49.3	11.4	11.0	6.7	2.9	0.64	4.2	03/25
Average			13.4	1.3	9.8	1.4	8.5		30.9	10.0	9.8	5.4	3.4	0.68	3.5	

Note: Kasumigaseki Capital's PER (company forecast) does not take into account the dilution resulting from the conversion of the Euro-Yen CB issued in October 2024.
The EBITDA used for EV/EBITDA is calculated by adding the company's projected operating profit to the most recent actual depreciation expense.
Source: Speeda. Compiled by Strategy Advisors.

Execution of the Medium-Term Plan is KEY to a Stock Price Reversal. Focus on Purchasing Progress in 2H

Strategy Advisors believe that for a stock price turnaround, the key lies in whether the Company can demonstrate the feasibility of its medium-term management plan through actual results, and we are focusing on how much inventory the Company can build up in the H2 of the current fiscal year.

As mentioned above, the Company aims to achieve 1.5x annual growth (1.2x in transaction volume and 1.2x in business scale) to realize this plan. Strategy Advisors believes that the following factors are critical to achieving this transaction volume: 1) acquisition capacity, 2) asset classes with supply-demand gaps and 3) overseas business.

Achieving the Company's Plan: Achieving the Transaction Volume Depends on 1) Acquisition Capacity, 2) Asset Classes & 3) Overseas Expansion

Regarding acquisition capacity, securing human resources is key and the Company plans to continue hiring approximately 100 people per fiscal year. Assuming an increase of 100 employees per year, the workforce is expected to expand to approximately 800 employees by the final fiscal year of FY08/29. Since net income per employee is projected to double compared to 2025, offering high compensation to top-tier talent can be considered reasonable.

Furthermore, regarding asset classes, the Company is focusing on sectors with significant room for growth, such as hotels, warehouses, and hospices. Additionally, by operating hotels under multiple brands, the Company is fostering sustainable, long-term growth. The same applies to warehouses, where the Company is providing flexible supply to meet market demand.

Overseas, while there is a risk that business progress in Dubai may slow due to the Iran conflict, the Company is still in the early stages of expansion in areas such as its first project in the U.S. - the world's largest market - and its logistics business in Malaysia. In the long term, the global rollout of this successful Japanese business model is expected.

Achieving Business Expansion: 1) Acquisition of Large-Scale Hotel Sites in Regional Areas, 2) Diversification of the Logistics Business & 3) Large-Scale Projects in the Overseas Business

To achieve business expansion, focus should be on 1) acquiring large-scale hotel sites in regional areas, 2) diversifying the logistics business and 3) large-scale overseas business projects.

A key characteristic of the Company is its "non-in-house" approach, relying on external professionals for development. Specifically, in the hotel sector, the Company is implementing labor-saving measures through technology and developing new brands through creative partnerships. The Company has launched a new brand, "HOTEL FORK & KNIFE" in Miyajimaguchi, Hiroshima Prefecture. This hotel centers on "food" and features a restaurant that prepares local ingredients over an open fire.

While growth in inbound demand is anticipated, the Company also expects an increase in repeat visitors - those making their second or third trips to Japan. If this occurs, tourist traffic is expected to expand not only to Tokyo, Osaka, and Kyoto but also to major regional cities, making it possible to develop large-scale hotels in locations where land can be acquired at lower costs compared to the Tokyo metropolitan area.

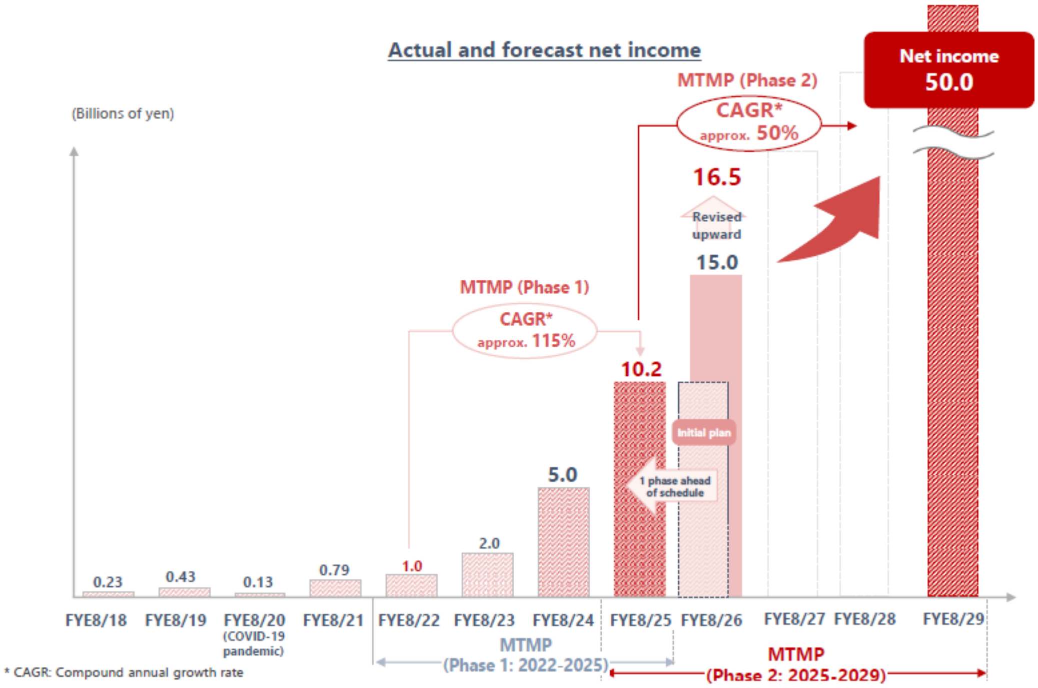
In terms of diversifying its logistics business, the Company has begun offering integrated facilities combining factories and warehouses, exemplified by the "Factory & Logistics Park" (tentative name). Tenants can leverage the benefits of being integrated with factories to reduce shipping costs between locations and shorten lead times.

Additionally, sharing of personnel and space between tenants and factories becomes possible, enabling more efficient operations. By developing projects that require significantly larger land areas than conventional warehouses - as exemplified by these initiatives - we expect to contribute to the expansion of our business scale.

Regarding large-scale overseas business projects, the Company's first project in the U.S. serves as a prime example. In Q2 of FY08/26, advance payments increased by ¥7.7 billion YoY, primarily due to the acquisition of the first U.S. project. With a site area of approximately 5,700 square meters, the continued acquisition of projects of this scale overseas is expected to contribute to the expansion of the Company's business.

Strategy Advisors views the Company's Equity Story as "focusing on the supply-demand gap created by social issues and developing a unique business model in growth markets". As the Company aims to achieve 1.5x annual growth, its growth strategy - which demonstrates both quantitative and qualitative growth - will continue to warrant attention.

Figure 13. Earnings Outlook for Medium-Term Management Plan



Source: Company Materials.

Figure 14. 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**	**672.4**

Source: Company Data. Compiled by Strategy Advisors.

Figure 15. 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 Data. Compiled by Strategy Advisors.

Figure 16. 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 Data. Compiled by Strategy Advisors.

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