Company Report

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Strategy Advisors, Inc.
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JINUSHI's Objective is to Be a Major Landowner in Japan by Driving Growth of Their REIT with the Support of Both Investors and Tenants

JINUSHI (hereafter "the company") is the only real estate financial product manufacturer in Japan that specializes in leased land and does not build its own buildings but invests only in the land. The company concludes 20-50 year fixed-term land lease contracts with a wide variety of tenants and develops the land it purchases as land with long-term stable cash flow based on the contracts. JINUSHI Private REIT Investment Corporation ("JINUSHI REIT"), a private REIT operated by a subsidiary, holds these leased lands as a long-term stable landowner ("JINUSHI" means landowner in Japanese) and provides investment opportunities to institutional investors such as pension funds and both life and non-life insurance companies. The company's JINUSHI Business has both the function of creating leased land and the function of holding and managing leased land over the long term as a "stable JINUSHI".

The founder and former president, Director Tetsuya Matsuoka, conceived of and established the JINUSHI Business of "investing only in land," which was considered insane within the real estate industry; with his inspiration based on his experience of commercial facility's development in the company he had worked for. With the launch of JINUSHI REIT's operations in 2017, the company has established a business model that aims to be a "major landowner in Japan" as JINUSHI REIT grows.

The company's "corporate DNA" is its "pride in being a pioneer in the JINUSHI Business". Based on this pride, the company's "track record for reliability," which it has built up over the past 20 years since its founding and its "JINUSHI REIT " as a stable landowner are its greatest resources that are difficult to be imitated and are unrivaled by any other company.

The medium-term management plan announced at the same time as the company changed its name in 2022, calls for net income of 7 billion yen and JINUSHI-REIT assets of 300 billion yen in the FY12/2026. Moving forward, the company's performance will be monitored based on its progress toward these targets.

The company's stock price has been slowly edging up since bottoming in 2020 when the new Corona pandemic began, but valuations have remained low over the past five years. As both the recognition of the leased land market and the company's presence as a pioneer in this field increase, its superiority should be reflected in its share price, accompanied by higher valuations.

Stock Price and Volume

Source: Strategy Advisors

Key Indicators

Stock Price (2024/4/5)	2,551
Year-to-Date High (2024/3/28)	2,563
Year-to-Date Low (2024/2/13)	2,102
52-week High (2024/3/28)	2,563
52-week Low (2023/8/20)	1,842
Number of Shares Issued (mn)	18.2
Market Capitalization (¥bn)	35.8
EV (¥bn)	75.7
Equity Ratio (FY12/2023, %)	30.9
ROE (FY12/2023 Actual, %)	15.1
PER (FY12/2024 CoE, Times)	8.4
PBR (FY12/2023 Actual, Times)	1.1
Yield (FY12/2024 CoE, %)	3.3

Source: Strategy Advisors

Japanese GAAP - Consolidated

FY End	Sales (¥ mn)	YoY (%)	OP (¥ mn)	YoY (%)	RP (¥ mn)	YoY (%)	NP (¥ mn)	YoY (%)	EPS (¥)	DPS (¥)
FY12/2020	29,886	n.a.	2,420	n.a.	2,157	n.a.	1,644	n.a.	89.9	25.0
FY12/2021	56,177	n.a.	5,475	n.a.	5,002	n.a.	3,124	n.a.	170.9	50.0
FY12/2022	49,887	-11.2	6,411	17.1	5,943	18.8	3,641	16.5	199.2	55.0
FY12/2023	31,597	-36.7	6,154	-4.0	5,718	-3.8	4,709	29.3	267.8	55.0
FY12/2024 CoE	55,000	74.1	8,200	33.2	7,300	27.7	5,000	6.2	304.1	85.0

Note: Due to a change in fiscal year end, FY12/2020 is a 9-month period, so YoY comparisons for FY12/2020 and FY12/2021 are not available. Source: Strategy Advisors, based on Company Data

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Executive Summary

Japan's Only Real Estate Financial Products Manufacturer Specializing in Leased Land

JINUSHI is the only real estate financial product manufacturer in Japan that specializes in leased land and invests only in the land, without constructing any buildings. It concludes fixed-term land lease contracts of 20-50 years with a wide variety of tenants, developing the land it purchases as leased land (land with leasehold interest) that provides long-term stable cash flow based on the contract and then sells it to investors. The company's main sales destination is JINUSHI Private REIT Investment Corporation ("JINUSHI REIT"), Japan's only private REIT specializing in leased land operated by a subsidiary, which plays the role of “Stable landowner" holding leased land over the long term and provides investment opportunities to institutional investors such as pension funds and life and non-life insurance companies. The company's JINUSHI Business has both the function of creating leased land and the function of holding and managing leased land over the long term as a stable landowner.

JINUSHI's Background From President Nishira's Point of View

Hirofumi Nishira, the current Representative Director and President, is a founding member of the company, having nurtured the company together with Tetsuya Matsuoka, the Founder and Director. Mr. Matsuoka established the company (then Nippon Commercial Development Co., Ltd.) in 2000 after being involved in commercial facility development projects at his previous company, Kanematsu Urban Development Corporation. His experience with a failed project he was involved in at his previous company led him to the idea of a "land-only investment" business model, which was considered to be an unorthodox approach in the real estate industry. At the time of its founding, the company struggled to gain the understanding of the real estate industry and its lenders, but it built up a track record of developing leased land; and in 2017, began managing JINUSHI REIT. By putting JINUSHI REIT on a growth trajectory, the JINUSHI Business became an unrivaled business model as a dedicated lessor of land.

The company's "corporate DNA" is its "pride in being a pioneer in the JINUSHI Business" and as long as this DNA continues to permeate and define the organization, the company is expected to grow significantly. Since 2022, when the company’s name was changed, key to its long-term growth is the pursuit of its policy of becoming a "major landowner in Japan" as JINUSHI REIT grows.

Porter Prize Winning Company. JINUSHIs’ Business Strategies from the Perspective of Business Strategy Theory

The company was awarded the Porter Prize (www.porterprize.org) in 2023. Based on Michael Porter’s positioning theory, the company is focusing on a concentrated strategy of “handling leased land without any real estate development, which many people in the real estate industry romanticize,” and a differentiated strategy of “offering client investors unparalleled long-term stable investment opportunities in the form of real estate financial products specializing in leased land“.

Imitating JINUSHI’s Resources Difficult: Track Record & Reliability and “JINUSHI REIT”

The company’s resources that are highly difficult for other companies to imitate are "a track record that guarantees reliability from investors" and the "JINUSHI REIT“ itself, that plays the role of a stable landowner with tremendous trust from tenants as a long-term owner. The "track record" cannot be built overnight by other companies, nor is it possible for them to catch up with the company. Moreover, if another company were to start a REIT specializing in leased land like the "JINUSHI REIT," it would be a second-best REIT and it is unlikely that it will be favored by investors.

Based on these factors, we believe that the company's superiority can be maintained over the long term.

JINUSHI Business

Concerning the JINUSHI Business process, the company is primarily responsible for "purchasing land", "leasing land to tenants" and "selling the leased land". About two-thirds of the leased land that is sold is incorporated into the assets of JINUSHI REIT, which is managed by JINUSHI Asset Management (a wholly owned subsidiary of the company) and is offered as a financial product that meets the needs of investors who want to make long-term investments in stable assets. JINUSHI REIT, which began operations in 2017, has increased its capital for eight consecutive years; and as of January 2024, its AUM had expanded to 221.6 billion yen, making it the seventh largest in the industry.

Earnings and Stock Price Outlook

The company has announced a medium-term management plan that calls for net income of 7 billion yen and JINUSHI REIT’s AUM of about 300 billion yen in FY12/2026. The company's performance will be monitored based on the level of this medium-term management plan. For FY12/2024, the company plans to significantly increase revenues, a level that should be achievable given the level of real estate for sale at the end of the previous fiscal year and the steady purchase of properties from the previous fiscal year.

The company's stock price bottomed out in 2020 when the new Corona pandemic began and has since gradually moved up, albeit with some short-term ups and downs. Valuations, on the other hand, have remained at one of the lowest levels in the past five years. While confidence in the superiority of the company's business model is reflected in the company's name change in 2022, the challenge is that awareness of the company's superiority as a pioneer in the land and leased land market is not yet high. In other words, there is a lot of room for improvement. Since the name change, the company has been active in investor relations, has obtained new coverage from major securities firms and has seen its trading value rise. As awareness of the company grows, the superiority of its business and business model should be reflected in its share price through higher valuations.

1. Real Estate Financial Products Manufacturer that Has Established a Pioneer Position in Leased Land Market

JINUSHI Business Inspired by Failure

JINUSHI is Japan's only real estate financial products manufacturer specializing in leased land. Founded in 2000 by Tetsuya Matsuoka, who had been developing commercial facilities for Kanematsu Urban Development Corporation, he conceived of the JINUSHI Business specializing in leased land based on the failure of projects during his time at Kanematsu.

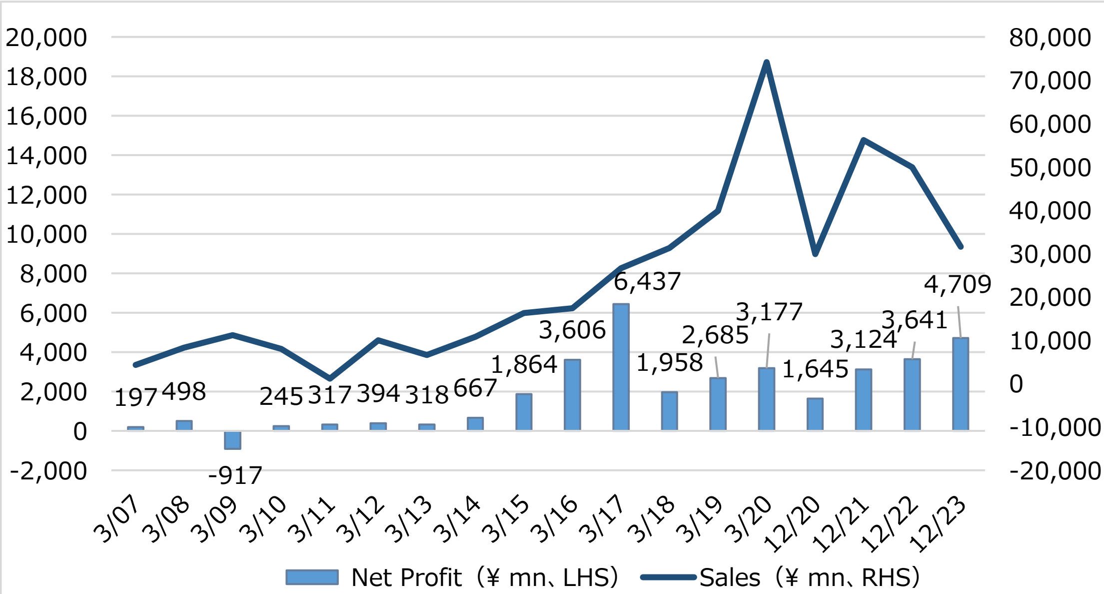
Leased land refers to "land that is leased by a third party (tenant) who owns the building”. Since rights of the owner and rights of user of the land are separate, the leased land has many restrictions and has been considered significantly less liquid than ordinary real estate.

Even with the development of the legal aspects, specializing in leased land was still considered insane in the real estate industry and was not easily accepted. At that time, financial institutions valued leased land at about half the price of vacant land.

Nevertheless, the company continued to focus on creating and expanding the leased land market based on its belief that what is right will surely spread throughout the world. After the Lehman's collapse in 2008 and the Great East Japan Earthquake in 2011, the long-term stability of the cash flow from owning leased land, a product characteristic that is resistant to natural pandemics and market volatility, came to light, and transactions in leased land increased. In 2017, the company began managing JINUSHI Private REIT Investment Corporation (JINUSHI REIT), which had AUM of 221.6 billion yen as of January 10, 2024.

From 8,309 million yen in sales and 498 million yen in net income attributable to owners of parent (FY08/3 results) when the company listed on the Nagoya Stock Exchange Centrex in November 2007; sales have increased 3.8 times and net income attributable to owners of parent has increased 9.5 times over the past 15 years through FY12/2023. The company's net sales and net income attributable to owners of parent have increased 3.8 times and 9.5 times, respectively, over the past 15 years.

Figure1 . JINUSHIs' Net Sales and Net Income



Note: Due to a change in the fiscal year end, FY12/20 is a 9-month accounting period. Net income is net income attributable to owners of parent.
Source: Strategy Advisors, based on Company Data

The company's management philosophy is to "play a role in protecting the assets of people around the world by creating safe real estate financial products through the JINUSHI Business.

Policy of Aiming to Become a "Major Landowner in Japan," Expressed in New Company Name

In January 2022, the company changed its name from "Nippon Commercial Development" to its current name, "JINUSHI". Although "JINUSHI" was originally a commonly used term in Japan, the company decided to name the company after its business model, convinced that an era would come when it would take on new meaning and value. As a pioneer in the creation of the leased land market, which had never been recognized as a market before due to its low liquidity and the fact that no one had ever attempted it as a business before, the company has made clear its policy of aiming to be a "major landowner in Japan" as JINUSHI REIT grows, under the slogan "Our Company Business is JINUSHI".

Practically a Single Model of JINUSHI Business

Although the company's business is divided into several segments, we will analyze on the basis it is in fact, essentially a single JINUSHI Business model. The process of "managing investors' funds" through JINUSHI REIT, a private REIT specializing in leased land, is handled by JINUSHI Asset Management, a wholly owned subsidiary.

Shareholder Composition Centered on Individuals

The company was listed on the Nagoya Stock Exchange Centrex in November 2007 and was listed on the First Section of the Tokyo Stock Exchange in December 2014 (at the same time, the company was reassigned to the First Section of the Nagoya Stock Exchange). As of the end of September 2014, just prior to its listing on the TSE First Section, Mr. Matsuoka held 54.7% of the company's shares. Since then, he has gradually reduced his shareholding and as of the end of December 2023, Mr. Matsuoka held 17.55% of the company (after taking into account treasury stock; including the 5.56% held by Godo Kaisha Matsuoka, his shareholding was 23.12%). The percentage of shares held by financial institutions and foreigners remained at 13.54% and 4.10%, respectively as of the end of December 2023, indicating that the shareholder composition continues to be dominated by individuals, although the percentage is on a gradual downward trend.

Figure 2. Shareholder Composition of JINUSHI

Classification	Shareholding Ratio	
	End of FY12/2022	End of FY12/2023
Individuals And Others	83.05%	74.30%
Foreign Corporations, etc.	4.81%	4.10%
Financial Institutions	9.93%	13.53%
Other Corporations	1.27%	7.02%
Other (Financial Instruments Firms)	0.89%	1.00%
Tetsuya Matsuoka	31.37%	17.55%
Tetsuya Matsuoka (Including the Share Held by Godo Kaisha Matsuoka)	-	23.12%
Hirofumi Nishira	2.00%	2.23%

Note: Percentage of shares held is calculated based on the number of shares issued less the number of treasury shares.
Less-than-one-unit shares are included in "Other (Financial Instruments Dealers)"
Source: Strategy Advisors, based on Company Data

2. JINUSHI's Background from President Nishira's Point of View

Founder and Current President Come from the Same Trading Company-Affiliated Real Estate Firm

Hirofumi Nishira was born in Nara Prefecture in 1974 and is 49 years old. His father worked for a trading company, and whenever his father came back from business trips, he often heard stories about foreign countries. When he was a university student, he was motivated by commercial facilities (shopping centers) and would visit whenever he was abroad. However, more than anything else, it was his encounter with Mr. Tetsuya Matsuoka, the company's founder, through an acquaintance when he was a university student that greatly influenced his life. Mr. Nishira's first impression of Mr. Matsuoka was that he was an "interesting big brother" who was different from ordinary people and as such he became interested in working with Mr. Matsuoka. This led to Mr. Nishira joining Kanematsu Urban Development Corporation, where Mr. Matsuoka was employed, in 1998 after graduating from university.

Kanematsu Urban Development, as the name suggests, is a group company of Kanematsu (8020 TSE Prime), a trading company that was originally focused on condominium sales. Matsuoka, a native of Osaka Prefecture born in 1961, began working on a project in 1995, ten years after he joined the company in 1986, to develop and lease commercial facilities. The business involved building company-owned commercial facilities on leased land and leasing them to tenants.

Two things happened here.

Establishment of Nippon Commercial Development (now JINUSHI)

The first was the continuation of the "The winter of Japanese trading companies" following the bursting of the bubble economy. 1990s performance of major trading companies in Japan had deteriorated across the board due to over-investment, and the Asian currency crisis of 1997 dealt them a further blow. Kanematsu was no exception to the rule and in 1999, the company implemented structural reforms to select and concentrate its businesses. As part of the restructuring, Kanematsu Urban Development, the group's real estate division, was forced to downsize its business. Mr. Matsuoka took this opportunity to go independent and established Nippon Commercial Development (now JINUSHI) in April 2000. Mr. Nishira joined the company in October 2000 (Kanematsu Urban Development had taken over the property management business) and Mr. Nishira remained with Kanematsu Urban Development to ensure a smooth transfer of operations between the company and Kanematsu Urban Development, joining the latter company after the handover was completed.

Origins of the Current JINUSHI Business

When Mr. Matsuoka became independent, the Kanematsu Group kindly entrusted him with the projects of property management that were being handled by Kanematsu Urban Development and he was able to continue to be involved with the company. As an independent contractor, it was a great help to have jobs that can be immediately booked as sales. One of these projects led to the concept of the current JINUSHI Business.

The project was for a large shopping center in Shiga Prefecture. Mr. Matsuoka had worked on this project when he was with Kanematsu Urban Development Corporation, where he constructed a building on a leased 5,000 tsubo (16,500 square meters) plot of land and leased it to a major general merchandise store that owned the building with sales of 1 trillion yen at the time. However, due to the bank's disposal of bad loans and the deflationary depression, the store fell into financial difficulties and had to cease operations. Because of its good location, the company managed to find a potential successor tenant, but it refused to budge, saying it could not enter the building as it was. As a result of negotiations, the owner was forced to accept the burden of additional investment in building renovation and a reduction in tenant rent. It was now apparent to the company that it was now exposed to all the risks of building ownership.

Buildings deteriorate over time to begin with. Also, buildings built exclusively for a particular type of business or tenant lose value when the tenants or type of business that uses them changes, resulting in huge additional costs. Owning a building used by others is such a terrible thing. Through this experience, Mr. Matsuoka came up with the idea that he could have avoided this failure, if he had only leased the land without a building in the first place. This was the moment when the current JINUSHI Business was born.

The Frustration of Not Being Understood

Through the failure of the supermarket project, the company became convinced that its business model of minimizing real estate investment risk by specializing in leased land was the right one. However, the business model of specializing in leased land was not taken seriously at all in the real estate industry.

The reason was that it was considered "common sense that real estate is a set of both building and land" and "construction of buildings is a core romantic notion in the real estate industry". Banks would not provide loans unless the construction were included in the land transaction or would only evaluate the value of leased land at about half of its real value. Although a fixed-term leasehold system was in place to ensure that the leased land would be returned as vacant land, leased land was valued in the same way as ordinary leasehold interest, which was overwhelmingly in favor of the lessee. In addition, most owners of leased land were individual landowners or developers who intended to develop the land and there was no market for the distribution of leased land itself.

In his book, "What I Think is Normal in the Real Estate Business," Mr. Matsuoka states the following.

As they talk endlessly about romance and get involved in buying and selling land and constructing buildings, they lose touch with reality and the risk of real estate investment goes up and up. As the risk rises, real estate investment often leads to bankruptcy. The result of a failed investment project can lead to unhappiness, involving ordinary investors in REITs and the like."

It should be the right business not to make investors unhappy, but they don't understand the advantages of the business model they believe in, which specializes in leased land. They even made fun of us. Such a frustrating time lasted for a while.

The Lehman Shock Provided the Market an Opportunity for Understanding the JINUSHI Business

In 2007, seven years after the company was established, it was listed on the Nagoya Stock Exchange Centrex. At that time, the company began to think that in order to create a market for the leased land, which did not exist in the world, it would be difficult to convey the message that the product was good if we were the only ones saying it was good. We thought that it would be necessary to have other people experience the advantages of owning leased land and that if they could experience the advantages of owning it, they would realize that owning leased land is an investment opportunity. Even so, understanding of the business model of specializing in leased land was slow to develop. Then along came the post Lehman Shock recession in 2008.

As is typical, the company fell on hard times and was on the verge of depleting its cash and cash equivalents. In order to get out of its predicament, the company needed someone to buy the properties it owned. The company's search led it to the asset management companies that own well-known major companies in Japan. These asset management companies hold real estate as a means of asset management, so they knew firsthand the difficulties and risks involved in real estate investment and management. When they noticed that the company's investment in leased land had not experienced any tenant evictions or rent reductions and that it had been able to maintain a stable cash flow even during the credit crunch in the financial industry, they said, "I see. I see. I see", investment in leased land is great.

Thus, the Lehman’s collapse provided an opportunity to foster understanding of the high level of safety of investment in leased land and to raise awareness of the leased land-specific business model. Similarly, the Great East Japan Earthquake in 2011 also provided an opportunity to show that compared to other real estate-related investments, the JINUSHI Business is characterized by "long-term stability and resistance to market volatility and natural pandemics".

Establish a Business Model "Aiming to Become a Major Landowner in Japan" With Establishment of JINUSHI REIT

The company subsequently built up a track record of developing JINUSHI Business and began selling leased land to J-REITs and others. In 2012, the company launched the JINUSHI Fund, a private real estate fund for pension funds and in 2014, it joined Kenedix Retail REIT Corporation (now KDX Realty Investment Corporation) as a pipeline support company.

In addition to accumulating know-how and achievements, the company proceeded to obtain permits and licenses required for asset management and in April 2016, JINUSHI Asset Management was established, with Mr. Nishira assuming the position of President and Representative Director of JINUSHI Asset Management. Then in September of the same year, JINUSHI Private REIT Investment Corporation (JINUSHI REIT) was established and began operations in January 2017.

The first thing Mr. Nishira did when he took charge of JINUSHI REIT was to visit approximately 300 credit unions, credit associations and other credit unions where he could directly approach the decision makers in a few short months. He had a hard time obtaining the consent of only about 10% of them to invest in JINUSHI REIT. After this, the company continued to deepen communication with investors and lenders and conveyed the attractiveness of leased land as an investment target. In other words, this was a way to create a market for leased land as an investment opportunity, which together as JINUSHI REIT grows, would lead to the company becoming a "major landowner in Japan".

Company Name Change and Management Succession

In January 2022, the company changed its name from "Nippon Commercial Development" to "JINUSHI". The name change has two meanings: 1) the business model that has been refined no longer fits the "commercial development" model in the old company name, and 2) the business model itself will be used as the company name to increase recognition.

In the early years, most of the properties the company handled were commercial facilities such as supermarkets and drugstores located near residential areas and other land leased to businesses dealing with daily necessities. While the company will continue to expand its operations with the same type of businesses, it will adopt a policy of aggressively approaching a variety of tenant industries, including businesses that provide social infrastructure, such as hospices and nursing homes and this will no longer fit within the scope of "commercial development".

Until now, the company has not actively communicated its JINUSHI Business to the outside world. Land transactions themselves have been conducted for many years, and the JINUSHI Business model itself is simple. This is because the company was wary of being followed or imitated by other companies that had the capital to do so. However, as discussed below, the company became convinced that the JINUSHI Business had established a competitive advantage based on resources that were highly difficult to imitate. The name change reflects the company's strong determination to expand its market as a pioneer unrivaled by any other company and from this point on to expand the JINUSHI Business more and more as it gains recognition.

In March 2022, Mr. Matsuoka, who had previously been President and Representative Director, became Chairman and CEO, while Mr. Nishira was appointed President and Representative Director and COO. In March 2023, Mr. Matsuoka became a director without representative rights and Mr. Nishira became president and CEO, with Mr. Nishira assuming overall management responsibility. Thus, the management succession is steadily progressing.

The Kanban system, a production management method developed by Toyota Motor Corporation, became integrated into the English lexicon. Mr. Nishira's dream is to have the model of specializing in leased land "JINUSHI", become just as accepted in English.

Corporate DNA

Companies have DNA. Corporate DNA is a unique set of values and management philosophy that take root throughout the organization, and employees and these values are often the source of a company's competitiveness. When a founder starts a business with passion and its products and services are widely accepted by the world, the company begins to grow in earnest. And in the process of corporate growth, it is believed that the founder's passion evolves into the corporate DNA. In some cases, the founder of the company may appear along the way and evolve the founding philosophy or instill a new corporate culture. The core competence (the core capability of a company) is brought about by resources that are highly difficult to imitate, and the DNA of a company is considered to be a powerful factor in shaping this. Just as a person can win by competing in his or her field of expertise, a company's formula for victory is to develop its business within scope in its DNA.

The DNA of the JINUSHI is "Being a Pioneer in the JINUSHI Business"

From the company's origins, it can be said that the company's "corporate DNA" is "Proud to be a pioneer in the JINUSHI Business". The company's experience with failed projects in the past (at other organizations) has given it the assurance of the correctness of the JINUSHI Business; that by specializing in leased land, it can provide real estate financial products based on the stable rents coming in from tenants and it has established itself as a pioneer in the leased land business. This was achieved by challenging the insanity of the real estate industry and steadily building up a track record of success by persistently pursuing modest transactions that many in the industry consider to be less glamorous. The importance of spinning the company's DNA has been thoroughly enshrined in the company's Code of Conduct (www.jinushi-jp.com/company/vision), which states, among other things, that the company should "be an adult".

The company intends to strengthen its position as a "major landowner in Japan" as JINUSHI REIT grows. As long as the company's "pride in being a pioneer" continues to permeate the organization under President Nishira's leadership, we can expect sustained growth for the company.

3. JINUSHIs' Business Strategies from the Perspective of Management Strategy Theory

JINUSHI is a "Porter Prize" Winning Company

The company received the Porter Prize in 2023, a historic award established in 2001 with the cooperation of Michael Porter, an authority on business administration known as the leading authority on competitive strategy theory and which has been awarded to leading companies in various industries. From here, we will discuss the company's business strategy with reference to Michael Porter's management strategy theory, etc.

1) Approach from Michael Porter's Positioning Theory

JINUSHI Focuses on Concentration and Differentiation Strategies

Michael Porter explains that in order to achieve success in an industry, it is necessary to take a clear position. He argues that there are three basic strategies for taking a specific position and building competitive advantage: (1) cost leadership strategy, (2) concentration strategy and (3) differentiation strategy; and that it is essential to steer the company toward at least one of them. According to this positioning theory, JINUSHI is focusing on (2) concentration strategy and (3) differentiation strategy.

(2) Concentration strategy is a strategy to gain competitive advantage by concentrating business resources in a narrow, specific market (customer segment, region, specific product, etc.). To gain competitive advantage, it is essential to make choices that differ from those of competitors, in other words, trade-offs. As an essential part of the strategy, it is also important to choose what not to do. The company has chosen not to engage in any of the building and construction ownership and distribution that most companies in the real estate industry deal with, or the real

estate development that many in the industry romanticize about and instead has concentrated on dealing in leased land.

(3) The differentiation strategy is a strategy to gain an advantage over the competition by offering unique added value that customers recognize, rather than low cost, while targeting a wide range of customers. It can also be described as a strategy to provide value that other companies do not offer and that customers are willing to pay for. The company's clients are investors in leased land that generate stable, long-term cash flows with tenants. The company's JINUSHI REIT is the only real estate financial product in Japan that specializes in leased land, providing a long-term, stable investment opportunity that is unparalleled in Japan.

2) Approach from Resource Based View (RBV)

JINUSHI's Core Competence is "Sophisticated Integration of Leased Land Business & Fund Business"

In contrast to Porter's positioning theory, there is also an approach called the "Resource-Based View (RBV)," which focuses on a company's own resources. Gary Hamel and C.K. Prahalad focus on core competencies (a company's core capabilities that provide unique value that other companies cannot imitate), while George Stokes, Philip Evans, and Lawrence Schulman focus on capability (organizational capabilities that span the entire value chain), respectively. In the case of JINUSHI, the core competence is the "sophisticated integration of the leased land business, which creates and holds land for long term, and the fund business, which provides investors with stable investment opportunities" and the capability is the "series of processes in the JINUSHI Business, from procurement to management".

On the other hand, Jay Barney, a major proponent of RBV, discusses both core competence and capability as resources in a broad sense, and then advocates VRIO as a framework to check how strong the company's resources are. Burney lists "Economic Value", "Rarity", "Imitability" and "Organization" as axes for evaluating the potential for effective use of the company's resources. VRIO is an acronym for these four evaluation axes and Bernie believes that resources that are difficult to be imitated and are backed by an "organization" will contribute to competitive advantage.

3) JINUSHI’s Two Resources that are Highly Difficult to be Imitated

Whether a resource is highly or lowly difficult to imitate is evaluated based on whether imitation is impossible in the first place and whether attempts to imitate it would require enormous costs. For the company, the resources that are highly difficult to be imitated are (1) track records that ensure investor confidence in real estate financial products and (2) the existence of JINUSHI REIT, which play the role of a stable landowner that enjoy tremendous trust from tenants as long-term stable owners. These strong resources are the source of the company's competitive advantage, which is "a sophisticated combination of the leased land business", which creates and holds leased land for the long term and the fund business, which provides investors with stable investment opportunities.

(1) Track Record to Ensure Investor Confidence in Real Estate Financial Instruments

Track Record that Ensures Credibility with Investors

The company provides investors with financial products built on land with tenants and yield interest. The financial products offered by the company are low-risk, middle-return financial instruments that have the characteristics of an alternative to corporate bonds.

In particular, the company's development of "leased land" has far fewer variable factors than other real estate investment products, giving it a high advantage as a stable, long-term product. In addition, if other companies were to offer leased land that competes head-to-head, they would not be able to distinguish themselves in terms of building design or developer capabilities. The only way to offer investors a favorable yield would be to purchase land at a lower price than the company, or to obtain higher rents from tenants than the company. In the end, they would have no choice but to negotiate with the land seller or tenant on terms that are worse than the company's, making it difficult for them to compete favorably with the company. Even if they could offer the exact same product, investors would prefer the company with the better track record. The company has a long-term track record, with over 20 years of experience in developing leased land and about eight years of experience managing their JINUSHI REIT and as such investors are likely to prefer the JINUSHI's products.

Thus, if limited to financial products specializing in leased land, it would be difficult to find a competing product with more favorable terms than the company. Furthermore, the fact that the company continues to be in the form of a privately owned REIT, which is not affected by capital market trends, is favorable to investors who aim for long-term stable holdings, further enhancing its credibility.

(2) JINUSHI REIT that Plays the Role of the Stable Landowner with Tremendous Trust from Long-Term Tenants

JINUSHI REIT; Tremendous Credibility with Tenants

From the tenant's standpoint, it should not matter who is an owner of the land, as long as the leasehold fee is the same. However, "who the lessor is" is a critical factor. This is because tenants are concerned about the possibility of modification of contract details such as leasehold fee or the possibility of losing an important base due to a change of lessor (eviction risk).

These fears felt by tenants cannot be dispelled simply by the high name value of the lessor. The more name value a company has, the more likely it is that the company will change the terms of the lease in the future due to its ability to negotiate the price. In addition, if a real estate developer becomes the lessor, the developer's main business is "real estate development," so tenants always have the fear of "losing their base" due to redevelopment, etc.

The only thing that can dispel these tenants' concerns is a clear policy, such as "When the contract expires, our first priority is to re-sign with the existing tenants" and past performance such as "We have never been asked to change the terms," which assures that the policy is not false. The company's track record in dealing with leased land for more than 20 years since its establishment clearly shows that it has operated in accordance with the policy, and "The company and the JINUSHI REIT do not say anything noisy as a landowner as long as the land lease fee is well paid as per the contract. They will continue to be a reliable and stable landowner. This has led to an increased sense of security among tenants. The presence of the company as the producer of the leased land and JINUSHI REIT as the long-term stable owner of the leased land has greatly helped to dispel tenants' concerns that they do not know who an owner of the leased land is and to establish trust in the company, which other companies are unable to do.

When President Nishira took office as president, the first thing he did was visit tenants. He explained that tenants are positioned as partners of the company and that the company's JINUSHI Business is beneficial to both tenants and investors, which seems to have led to an increase in purchases.

These two resources cannot be built overnight by other companies, nor can they catch up to the company and the advantage backed by these highly difficult-to-imitate resources will likely be maintained for a long time to come. Therefore, there is a high probability that the business of creating leased land and the JINUSHI REIT, which provide investors with stable investment opportunities, will interact with each other and continue to achieve sustainable business growth.

4) Organization to Realize Resources that are Highly Difficult to Imitate

Creating an Organization That Attracts People Who Find Insane Business Models Interesting is Also Highly Difficult to Imitate

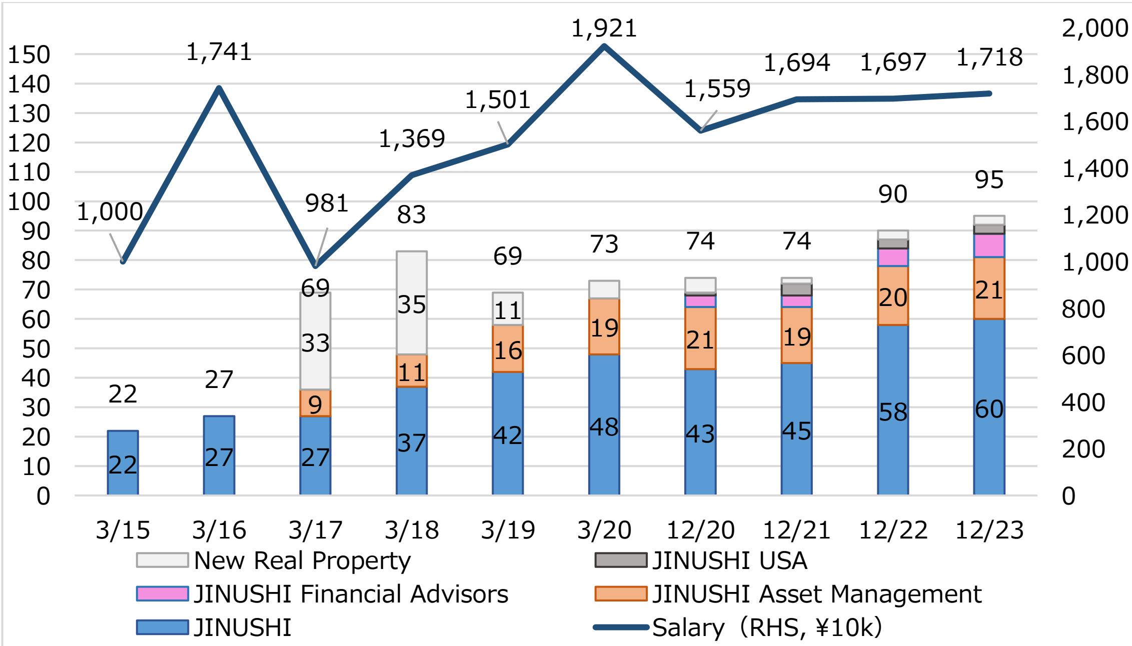
If we define "goods," as those resources necessary for management, as being "land to purchase" and "money" is funds to invest in real estate financial products"; then we can say that "goods" and "money" are situations brought about by the two highly difficult-to-imitate resources listed above. However, they cannot be realized without "people" who execute a series of transactions.

The core of the company's human resources is the sales staff who execute all transactions in the JINUSHI Business, from the purchase of land to its sale. However, as mentioned above, the company's business model of specializing in leased land is quite unusual in the real estate industry and it is difficult to attract people who are interested in getting involved in the business. In fact, although the company recruits new graduates, few apply for jobs with real estate companies and most applicants are those who want to work in the investment management industry, trading companies, or in sales. In response to this situation, the company carefully selects and hires people who can relate to the business concept of "investing only in land," who find the JINUSHI Business model interesting and who believe they can do "more things. This selective selection also reflects the company's emphasis on indoctrination of its corporate DNA.

It should be noted that about 40% of the 95 employees as of the end of FY12/2023 are believed to be responsible for sales, executing all transactions in the JINUSHI Business process from the purchase of land to sales. As of the end of FY12/2023, the company's non-consolidated average annual salary was 17.18 million yen. According to the article of Toyo Keizai (www.toyokeizai.net/articles/-/660328?page=2), the average annual income of the company was 16.94 million yen, ranking fourth among all listed companies. Compared to listed companies in the real estate finance sector, the company's average salary is by far the highest, as other companies are in or around 10 million yen at the higher end of the spectrum. In addition, the starting salary for new graduates is 500,000 yen per month (with an additional housing subsidy of 100,000 yen), which is the highest among all listed companies according to some surveys. This is not to say that high salaries are necessary to attract people to the company, but rather that the company is profitable enough to generate a level of annual income that can be considered favorable and the JINUSHI Business itself is highly profitable enough to make this possible.

It is not easy to assemble a group of people on this scale who both find a business model generally considered insane interesting, whilst still being very selective. This is another factor that may further increase the difficulty of imitation.

Figure 3. Number of Employees (LHS) and Average Salary (RHS, ¥10k)



Note: FY12/20 is a 9-month accounting period

- Average annual income is as Stand-Alone.
- The sharp increase in the number of employees in FY03/2017 is largely due to the consolidation of New Real Property and its subsidiaries.

Source: Strategy Advisors, based on Company Data

Figure 4. Comparison of Average Annual Salaries of Real Estate Finance Companies with Listed Companies

Company Name	Code	Accounting Period	Average Annual Salary (¥100,000)
JINUSHI	**3252**	**FY12/2023**	**1,718**
Samty	3244	FY11/2023	761
Sun Frontier Fudosan	8934	FY03/2023	720
Tosei	8923	FY11/2023	847
Hoosiers Holdings	3284	FY03/2023	611
Ichigo	2337	FY02/2023	1,006
ES-CON Japan	8892	FY12/2022	685

Note: Non-consolidated amounts for each company
ES-CON Japan changed its fiscal year end to FY03/2024, so there are no figures for FY12/2023.
Source: Prepared by Strategy Advisors based on each company's annual securities report

5) Approach from Philip Kotler's Strategy by Competitive Position

Other Companies Would Adopt a Strategy of Homogenization

Philip Kotler proposes a "strategy by competitive position," which states that "the strategy to be taken differs depending on the competitive position within the same industry. Kotler states that there are four categories of competitive position within an industry: leaders, challengers, followers and nichers, and that there are strategic objectives for each competitive position.

In the real estate industry, the company, which specializes in leased land, is a nicher. The strategy to be adopted by nichers is related to the "concentration strategy" of Porter's positioning theory, which means it has to establish the number one position in a certain area and prevent competitors from entering the market. In contrast, it is also important to consider what kind of strategy other companies will adopt. According to Kotler's strategic theory, if a company's business model of specializing in leased land is attractive and promising; other companies, not necessarily industry leaders, will adopt a strategy of homogenization by imitating the company's business model.

6) Reasons Companies are Not Launching Homogenization Strategies

No Other Company has Imitated the Leased Land Specialization Skills

The company's business model can be said to be easy to imitated, as long as one has the funds to do so. Existing real estate companies may find it easier to enter the market because of their networks for purchasing land information and creditworthiness in transactions, but we have not found any companies that have entered the market with the JINUSHI Business at the forefront. The following three factors may be responsible for this.

(1) Mindset in the Real Estate Industry

Most people in the real estate industry believe that the real estate business is about creating buildings and towns, as exemplified by the phrase "work that will remain on the map". Many people have the mindset that construction and area development are the real thrill and romance of the real estate business. To those with this mindset, specializing only in purchasing land and selling it with tenants does not seem to add value. Some people seem to think that specializing in leased land is insane for a real estate business and such people in the industry do not want to specialize in dealing with leased land in the first place.

(2) Cash Circulation Issues

In the real estate industry, it is said that the shorter the holding period for a property, the better. Buying and holding a property increases the working capital required, as funds "stick" to the property. Therefore, there is a strong tendency to favor brokerage, where commissions are the source of revenue and sales of properties that are easy to get off the ground. Small and medium-sized real estate companies, in particular, often lack the financial resources to put properties to bed. The company has found JINUSHI REIT to be a powerful sales destination, solving the problem of cash circulation and the ability of JINUSHI-retailers to raise funds in addition is a strength of the company.

(3) Possibility of Being Perceived as Unbeatable in Terms of Discernment

In the purchasing decision stage, it is important to determine whether or not the land can be sold at a price that is suitable from the perspective of the seller, and whether or not the land can be converted to other uses in the event that the tenant who built the building withdraws from the property. In the real estate business, such "connoisseurship" is backed up by the amount of experience one has gained in the project. In addition to its more than 20 years of experience, the fact that the company has JINUSHI REIT in its group, which are the buyers of its leased land, also contributes to the company's enhanced discernment ability.

Based on the above factors, we believe that real estate companies in the same industry will not initiate homogenization policies to challenge the company's "JINUSHI" business.

4. JINUSHI Business Specializing in Leased Land

1) Premise of JINUSHI Business: What is a Fixed-Term Land Lease?

The Land and House Lease Law Enacted in 1992 is the Legal Basis for JINUSHI Business

The JINUSHI Business is business model that, by dealing only with land without owning a building, eliminates the various risks associated with owning a building; and creates leased land with stable income over a long period of time, selling the land as a real estate financial product. The basis for this business model is the leasehold arrangement under the revised Act on Land and Building Leases that came into effect in August 1992.

Under Act on Land and Building Leases, land lease rights are classified into two types: ordinary land leasehold rights and fixed term land leasehold rights. Fixed term leasehold rights are those in which the leasehold relationship ends along with the initial contract term and cannot be renewed thereafter. There are three types of fixed term leasehold rights: (1) general fixed term land leasehold rights, (2) fixed term land leasehold for business purposes and (3) land leasehold right with special provisions for building transfers.

Many of the projects handled by the company are based on (2) fixed term land leasehold right for business purposes, which are set up primarily for owning buildings for business purposes and are the premise of the JINUSHI Business. On the other hand, when the company deals with tenants for residential purposes, e.g., nursing homes, it deals based on (1) general fixed term land leasehold right, but by adding a special provisions that the leasehold term will not be extended due to contract renewal or building reconstruction, and that the right to demand purchase of the building will not be exercised, the company can set up the land leasehold right in the same way as when using fixed term land leasehold right for business purposes. However, by adding provisions not to extend the duration of the leasehold rights, to renew the contract, nor to request for the purchase of the building, the lease is set up in the same way as when using a fixed term commercial leasehold right.

Figure 5. Types of Land Leaseholds

<table>
<tr><th>Leasehold</th><th>Duration</th><th>Purpose Of Use</th><th>Contracting Method</th></tr>
<tr><td>Fixed Term Land Leasehold Right</td><td></td><td></td><td></td></tr>
<tr><td>General Fixed Term Land Leasehold Right (Article 22 Of the Law)</td><td>More than 50 years</td><td>No limitation of use</td><td rowspan="2">・Must be in writing by means of an authentic instrument, such as a notarized deed
・May include the following three covenants:
[1] no renewal of the contract,
[2] no extension of the duration of the contract,
[3] no request for the purchase of the building</td></tr>
<tr><td>Fixed Term Land Leasehold Right for Business Purposes (Article 23 Of the Law)</td><td>More than 10 years but less than 50 years</td><td>Only business buildings are eligible (residential buildings are not eligible)</td></tr>
<tr><td>Land Leasehold Right with Special Provisions for Building Transfer (Article 24, Law)</td><td>More than 30 years</td><td>No limitation of use</td><td>・A covenant that the building on the land will be transferred to the lessor for a reasonable price after 30 years
・Oral is also acceptable</td></tr>
<tr><td>Ordinary Land Leasehold Rights</td><td>More than 30 years</td><td>No limitation of use</td><td>・No restrictions
・Oral is acceptable</td></tr>
</table>

Leasehold	Termination Of Land Lease Relationship	Building at the End of the Contract
Fixed Term Land Leasehold Rights		
General Fixed Term Land Leasehold Right (Article 22 Of the Law)	Due to expiration of term	In principle, the lessee shall demolish the building and return the land.
Fixed Term Land Leasehold for Rights for Business Purposes (Article 23 Of the Law)		
Land Leasehold Rights with Special Provisions for Building Transfer (Article 24, Law)	Due to transfer of building	One of the following [1] The building is purchased by the JINUSHI [2] The building is not vacated, and the land is returned [3] The tenant or tenants may continue to live in the building as tenants be made
Ordinary Land Leasehold Rights	[1]Statutory renewal is granted [2]Good cause is required to refuse renewal	One of the following [1] There is a right to purchase the building [2] If the right to purchase is exercised, the building will remain intact and the land surrendered [3] The tenancy relationship continues.

Source: Ministry of Land, Infrastructure, Transport and Tourism website

2) JINUSHI Business Strengths

3 Characteristics of JINUSHI's Business

Three characteristics of JINUSHI Business' real estate financial products obtained by specializing in leased land are: (1) no additional investment is required, (2) long-term stable earnings can be expected and (3) asset values are unlikely to decline.

(1) No Additional Investment is Required

Since the investment is in the land only, the construction and ownership costs of the building on the land are borne by the tenants. Therefore, no additional investment is required for building maintenance, repairs or renovations. This is an advantage even during the current inflationary period and is not affected by rising construction and repair costs.

(2) Long-Term Stable Earnings Can be Expected

Since the contract terms are long, ranging from 20 to 50 years, and the buildings are funded by the tenants, the risk of tenants moving out is low and stable earnings can be expected over the long term. In fact, in a total of 362 development projects to date, there has not been a single case of a tenant vacating the property and only one case of a reduction in leasehold fees occurred during the period of the new Corona pandemic, which was only for a limited time.

(3) Property Values are Unlikely to Decline

At the end of the contract, tenants are obligated to return the property as cleared land and since the property is returned as cleared land with high liquidity, the asset value is unlikely to decline. Unlike buildings, land does not deteriorate over time, so if land prices rise due to inflation, this will result in an increase in unrealized capital gains (capital gains on sales will increase).

Less Volatile Than Real Estate Investments Involving Buildings

In comparison to real estate investments that include buildings, by specializing in leased land, the JINUSHI Business is designed to be a real estate investment that eliminates the various variables that come with buildings. The only risk that must be considered in the JINUSHI Business as in a regular real estate investment is interest rate risk.

Figure 6. Differences from Normal Real Estate Investments in Terms of Variables

Possible Variables	Normal Real Estate Investment (Building + Land)	JINUSHI Business (Land Only)
Leasing Income	Income fluctuates due to rent fluctuation risk and vacancy risk.	No risk of rent fluctuation or vacancy, and income will not fluctuate over the long term.
Leasing Cost	・Daily expenses include the following: Sales promotion and advertising expenses Leasing Cleaning expenses Utilities Insurance premiums Security expenses Repair expenses ・Depreciation expenses are incurred ・Property taxes are incurred	Most of the expenses on the left are unnecessary. The increase in taxes is added to the rent based on the property tax-linked clause. (Property tax-linked provisions)
Non-Operating Expenses	Interest rate risk.	Interest rate risk.
Other Expenses	Additional costs for renewal and renovation. Additional capital investment may be required. Need to pay for response to a pandemic	No additional costs or additional capital investment required

Source: Company Data with additions by Strategy Advisors

3) JINUSHI Business Process (4-Steps)

The JINUSHI business is a model for increasing real estate holdings while maintaining a continuous turnover of funds by taking the following four steps: (1) buying (purchasing) land, (2) leasing land, (3) selling the land being leased and (4) managing investors' funds.

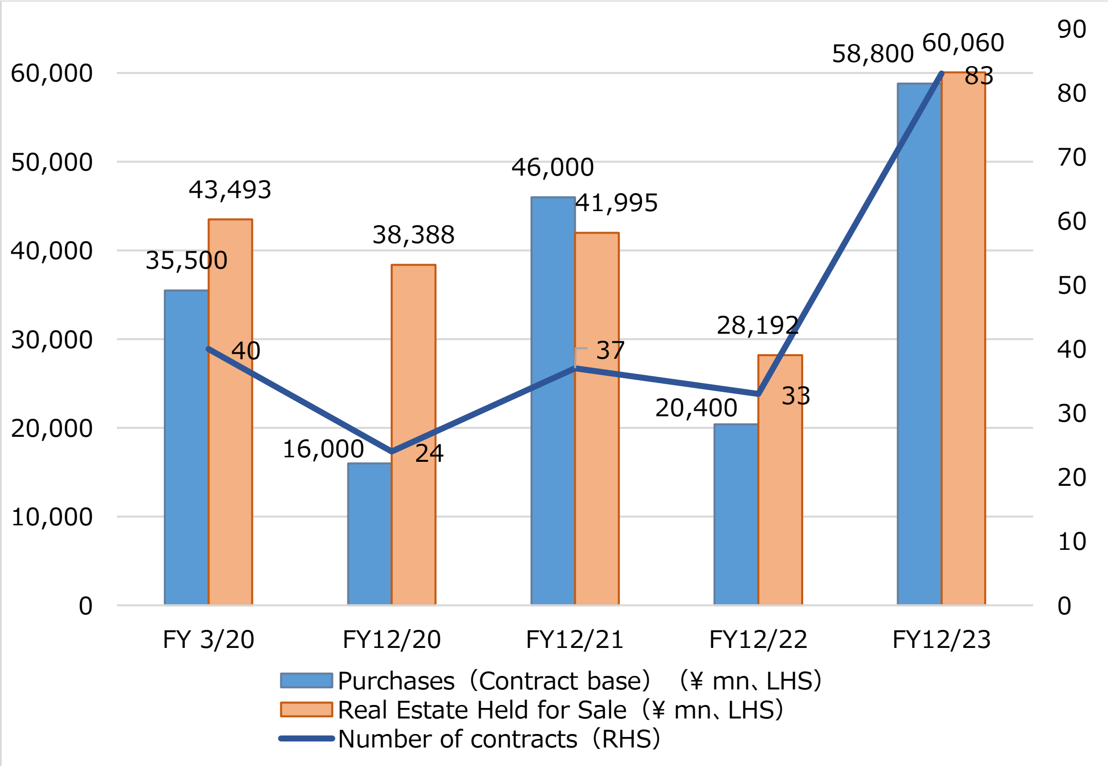
(1) Buying (Purchasing) Land

Reduced Procurement Risk

The key to buying land is to reduce purchase risk. Therefore, in principle, land is acquired after a specific tenant has been decided upon. In this case, the land must be highly convertible and in demand over the long term, so that even if a tenant moves out, it is easy to find another tenant or to resell the land to a third party. In addition, since the project is intended to be sold as a real estate financial product, the company also emphasizes that the project has a high possibility of securing a yield that is suitable from the buyer's perspective.

In most cases, land purchases are negotiated, but the company acquires land information through a variety of means, including from financial institutions and brokerage firms, from tenants, and from residential developers who propose joint development projects. The company has its own method for obtaining information from tenants and this is proof of the good relationships it has built with tenants over the years. The company also acquires land only from clients who own both land and buildings, and off-balances the land only, providing value as a solution to the issues faced by landowners.

Figure 7. Purchases



Note: Due to a change in the fiscal year end, FY12/20 is a 9-month accounting period.
Source: Strategy Advisors, based on Company Data

(2) Leasing Land

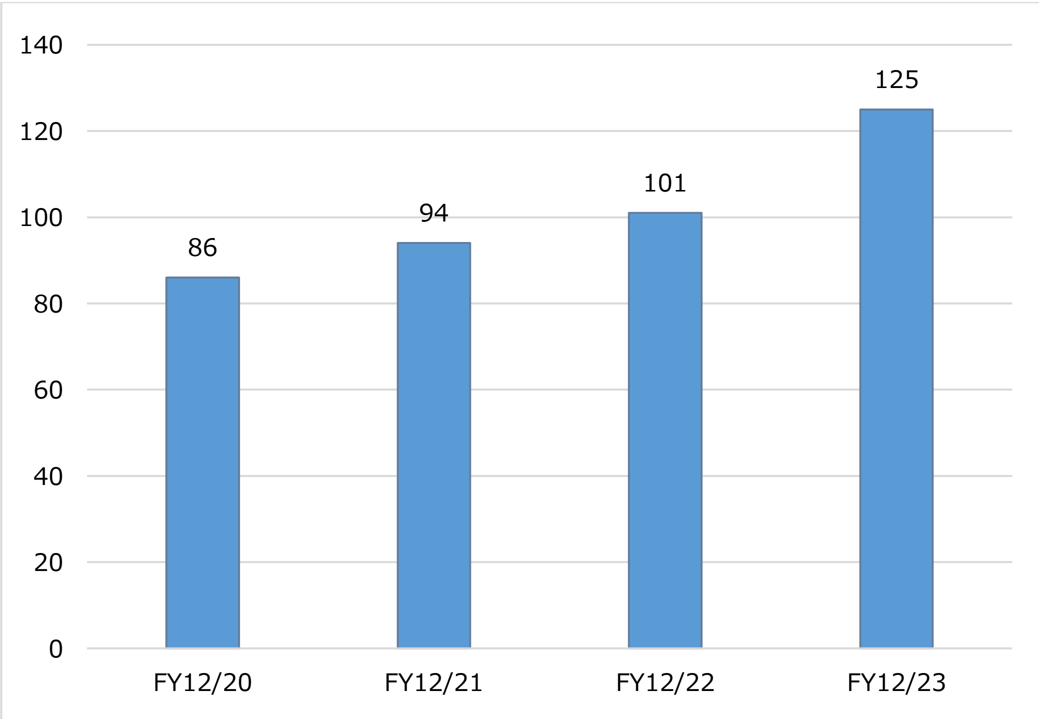
Reduced Risk of Cancellation

The company will enter into a long-term fixed-term land lease agreement with the tenant for a period of 20 to 50 years. This means that the company owns only the land and the building is constructed and owned at the tenant's expense. Therefore, the company does not need to make additional investments in building maintenance and repairs.

In principle, the contract with tenants does not allow for mid-term cancellation of the contract for a period of 10 years or longer, thus further reducing the risk of cancellation. In addition, the leasehold contract in principle does not allow tenants to request a revision of the land lease fee during the contract period, thus increasing the possibility of securing stable income. Furthermore, since the contract is based on a fixed-term business-use leasehold, there is no right to demand the purchase of the building at the end of the contract, which means that the contract obligates the company to return the vacant land, making it difficult for the asset value to decline.

On the other side of the equation, tenants also benefit greatly from leasing land from the JINUSHI, as they can reduce initial costs when opening new stores. In addition, as mentioned above, tenants can off-balance their land holdings and continue to operate in the same location, thereby improving their financial position and efficiency. Thus, the number of tenants using the company's JINUSHI Business structure has increased to 125 as of FY12/2023.

Figure 8. Number of Tenants (Companies)



Source: Strategy Advisors, based on Company Data

In terms of the number of companies, the top tenants are supermarkets, which account for 24 of the 125 tenants as of FY12/2023, then followed by drugstores, car dealerships, restaurants, home centers, catering stores and funeral homes. In addition, the company is currently seeking to expand its tenant base to include businesses that serve social infrastructure, such as hospices, nursing homes, family funerals, schools, nurseries, hospitals, medical checkup centers and finally logistics and data centers.

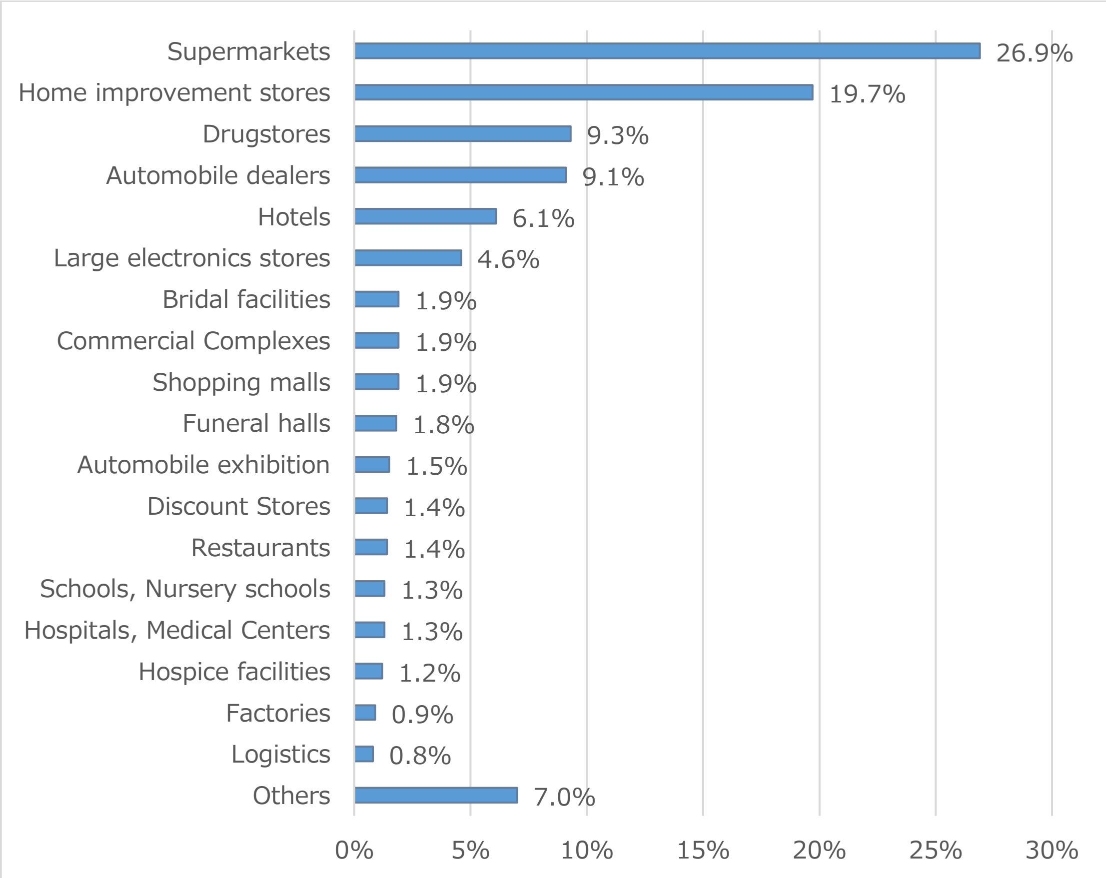
Figure 9. Tenant Diversity (two or more industries)

Tenant Categories	Number of Companies	Ratio	Main Tenants (No. of Properties)
Supermarkets	24	19.2%	Kohnan Shoji Co., Ltd. (34) , LIFE Corporation (21)
Drugstores	11	8.8%	Sugi Holdings Co., Ltd. (18), WELCIA YAKKYOKU CO., LTD. (13), CHUBU YAKUHIN CO., LTD. (11)
Automobile dealers	11	〃	Toyota Usec, Big Motor
Restaurants	10	8.0%	Kura sushi
Home improvement stores	8	6.4%	Kohnan PRO, Super Viva Home
Funeral halls	7	〃	
Large electronics stores	6	4.8%	K's Denki, Josin, Yamada Denki
Hotels	5	4.0%	
Factories, Warehouses	4	3.2%	
Hospitals, Medical Centers	4	〃	
Schools, Nursery schools	4	〃	
Fitness clubs	3	2.4%	
Bridal facilities	3	〃	
Discount Stores	3	〃	
Logistics, Data centers	2	1.6%	
Service stations	2	〃	
Housing exhibition	2	〃	
Hospice facilities	2	〃	

Note: Tenants with more than 10 stores are listed in the "Major Tenants" section.
Source: Strategy Advisors, based on Company Data

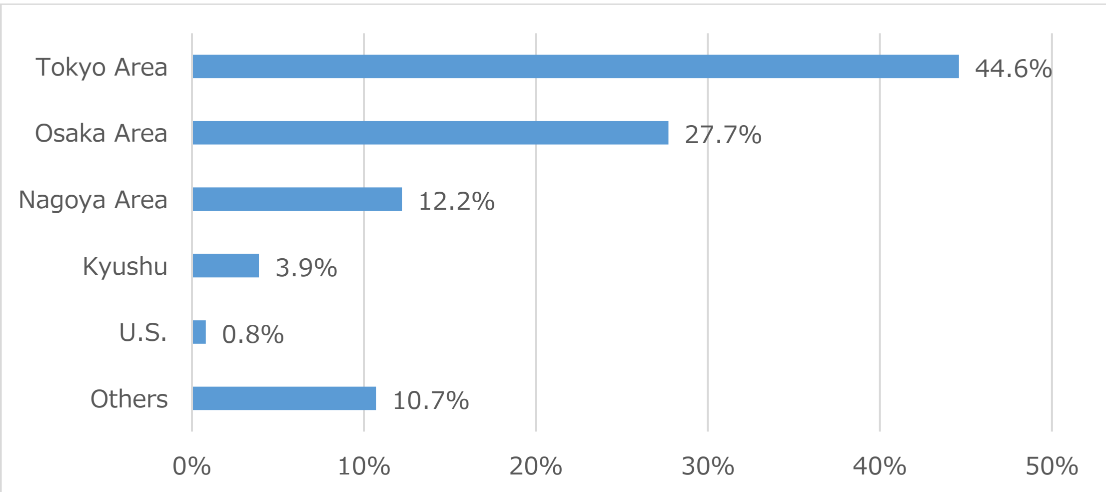
In this way, the company has been relentlessly buying land and renting it out to tenants. As a result, as of the end of December 2023, the company had developed 362 projects totaling approximately 466.4 billion yen. Although many of the top tenant industries in the development track record are in the retail industry, even supermarkets, the most common type of tenant, account for less than 30% of the total. In terms of region, about 85% of the company's development projects are in the Tokyo, Nagoya, and Osaka areas, but there is no concentration of development in any one area.

Figure 10. Tenants - Diversification of Industries



Source: Strategy Advisors, based on Company Data

Figure 11. Tenants - Diversification of Areas



Source: Strategy Advisors, based on Company Data

Sales of properties by JINUSHI and group companies where the buyer is a third party designated by JINUSHI Asset Management (usually JINUSHI REIT, but not always) always has preferential negotiation rights.

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(3) Selling the Land Being Leased

Approximately 2/3rds of Properties Developed Were Sold to JINUSHI REIT

After the above steps (1) and (2) are completed to create a real estate financial instrument that generates long-term stable cash flows, it is sold to funds such as JINUSHI REIT and other investors.

The percentage of sales by JINUSHI REIT and group companies (sponsor pipeline support ratio) is 65.6%. Of these, 30.8% were directly incorporated into JINUSHI REIT and 34.8% were sold through bridge schemes. A bridge scheme is a "sale of properties by JINUSHI and group companies where the buyer is a third party designated by JINUSHI Asset Management (usually JINUSHI REIT, but not always) " and it grants preferential negotiation rights for acquisition to a third party designated by JINUSHIs asset management (in effect, presumably the JINUSHI REIT).

Leasing companies such as SMFL Mirai Partners, a wholly owned subsidiary of Sumitomo Mitsui Finance and Leasing and M.L. Estate, a wholly owned subsidiary of Mizuho Lease, stand in between. In addition, the company sets the approximate time from land purchase to sale at 1 to 1.5 years, emphasizing the turnover of funds.

(4) Managing Investors Funds

JINUSHI-Retailer REIT Operations

JINUSHI REIT, managed by wholly owned subsidiary JINUSHI Asset Management, is the only private REIT in Japan that specializes in land with leasehold interest. This is described in detail in a new chapter, "JINUSHI REIT".

4) JINUSHI Business Profit Structure

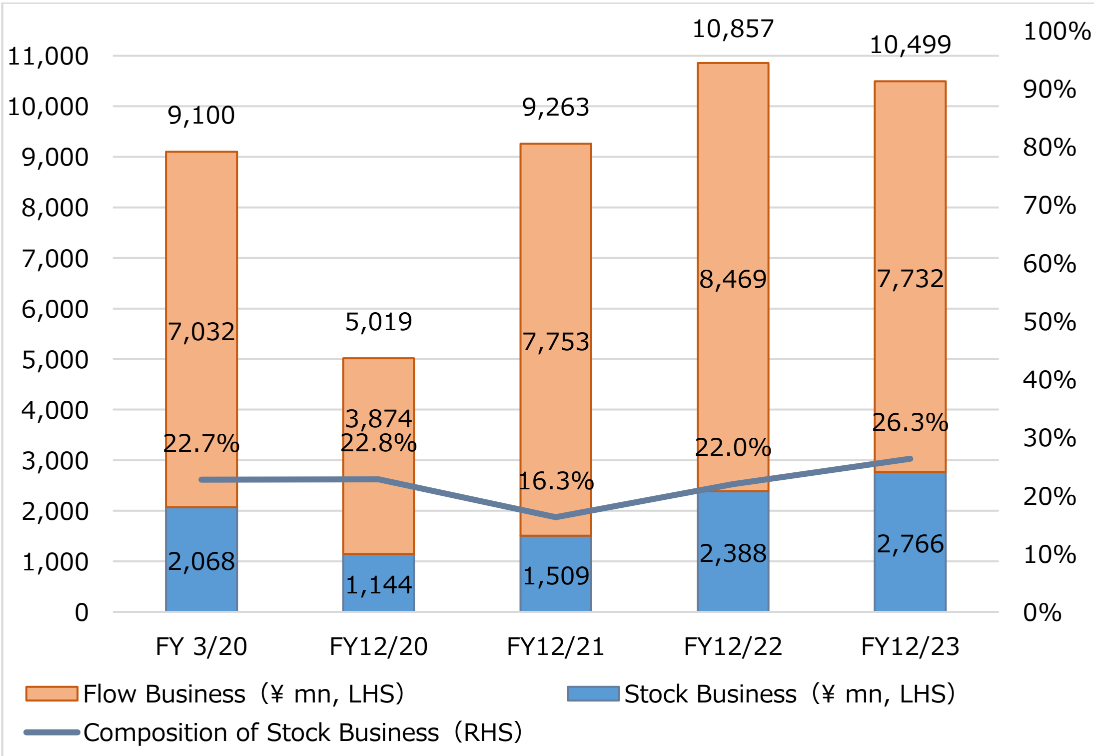
Revenues are Classified into Flow Business & Stock Business

The company's revenues can be categorized into flow business revenues and stock business revenues. Given the large difference in gross profit margins between the two, it is preferable to compare their earnings impact in terms of gross profit. 73.7% of gross profit in FY12/2023 was from flow business, while 26.3% was from stock business. Since a large proportion of flow business revenue comes from the sale of leased land, earnings will fluctuate significantly depending on trends in the sale of leased land.

Flow business revenues consist of real estate sales revenues and brokerage commissions on real estate sales. Revenue from real estate sales is the majority and is highly variable, depending on the status of land sales and the profitability of individual projects that are sold. However, the financial products developed by the company are highly competitive and buyer demand is strong, so there appears to be little concern that the company will not be able to sell the properties.

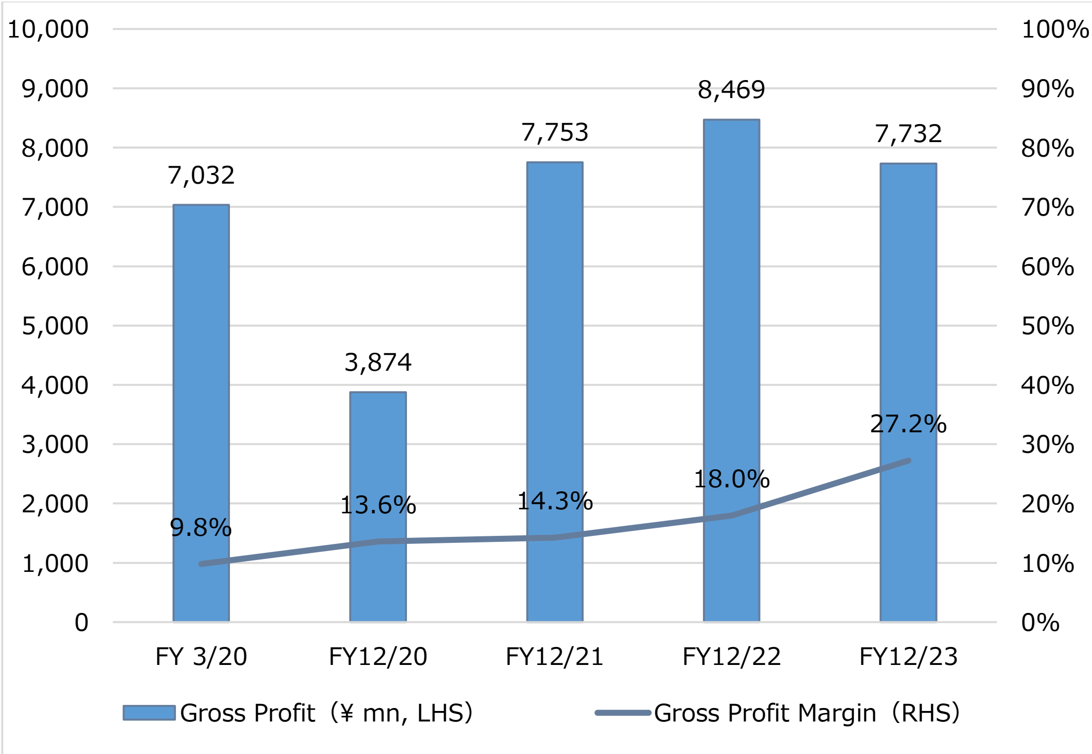
The company's stock business revenues consist of rental income derived from real estate for sale, asset management income, long-term rental income and other income sources (property management, subleasing, and operation and administration). The company has adopted a policy of building up this business from stable revenue sources, with approximately 26% of gross profit coming from the stock business. Over the long term, the company aims to improve earnings stability and stock price variation by covering fixed costs with stable stock revenues.

Figure 12. Gross Profit by Business Type



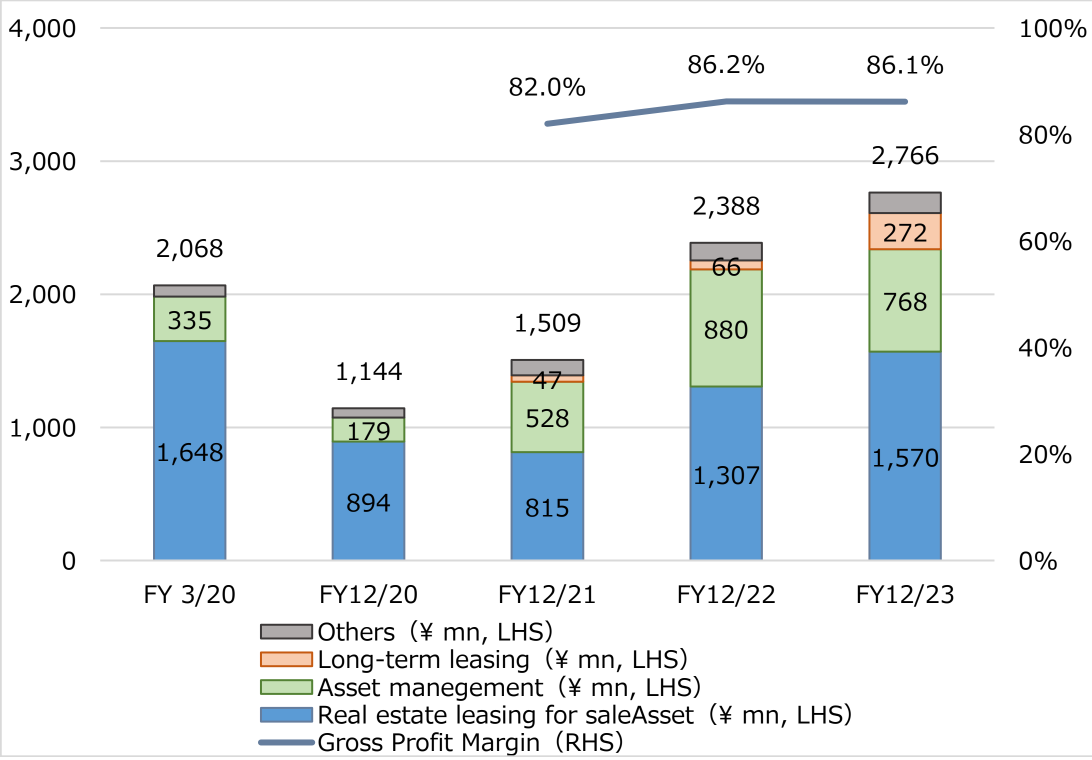
Note: Due to a change in the fiscal year end, FY12/20 is a 9-month accounting period.
Source: Strategy Advisors, based on Company Data

Figure 13. Gross Profit (Flow Business Revenue)



Note: Due to a change in the fiscal year end, FY12/20 is a 9-month accounting period.
Source: Strategy Advisors, based on Company Data

Figure 14. Gross Profit (Stock Business) by Revenue Type



Note: Due to a change in the fiscal year end, FY12/20 is a 9-month accounting period.
Source: Strategy Advisors, based on Company Data

5. Japan's Only Privately Owned REIT Specializing in Leased Land "JINUSHI REIT"

JINUSHI REIT with Low-Risk and Low-Volatility

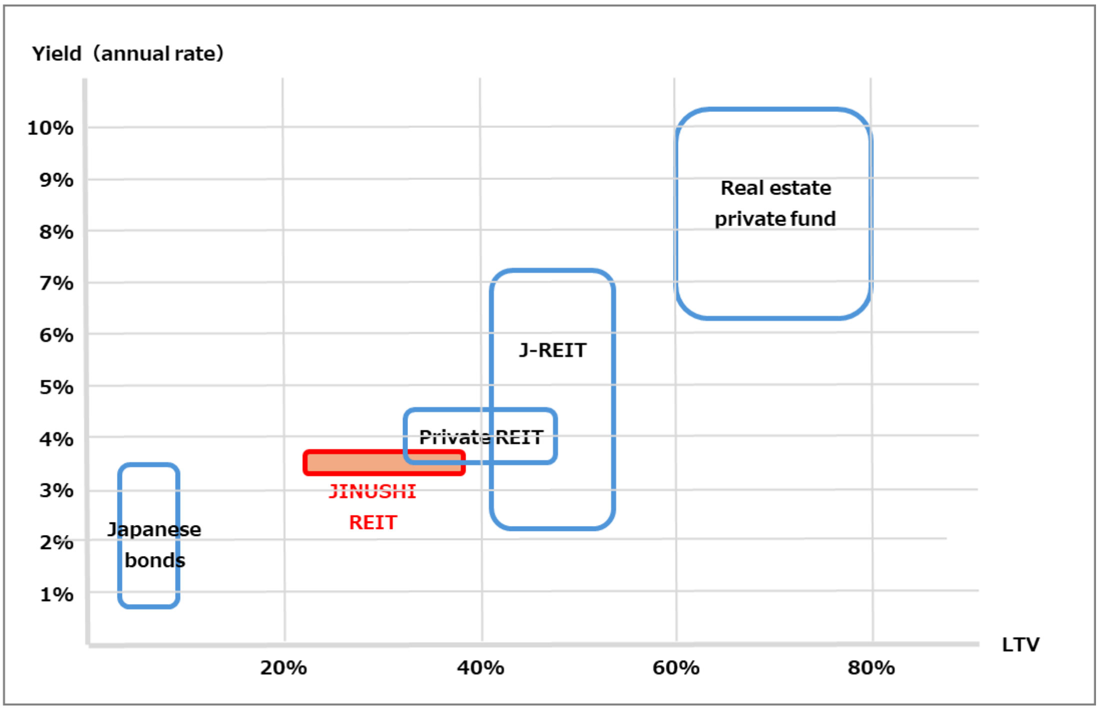
JINUSHI REIT, managed by wholly owned subsidiary JINUSHI Asset Management, is the only REIT in Japan specializing in leased land. The product concept is based on an LTV level of approximately 20-40%, with an emphasis on financial stability and a distribution yield of approximately 3.5% per annum. As for the track record, since the start of operations, the fund has operated at an LTV level of about 30% and a distribution yield of about 4.0% per annum, and as of January 10, 2024, after the 8th offering, both the LTV and distribution yield have remained at these levels. As of the same date, the fixed loan ratio was 100% and the average remaining loan term was 5.3 years.

Thus, while being an equity investment, it is characterized by low risk and low volatility and is positioned between yen-denominated bonds such as corporate bonds and conventional private REITs, a product characteristic not found in conventional financial products.

In order to avoid the risk of capital market fluctuations, the company does not intend to list the JINUSHI REIT and intends to continue managing it solely as a private REIT. By doing so, the company will maintain a high affinity with the long-term stable

JINUSHI Business. Since the company does not intend to list it, the unit price will be determined by the appraisal value at the end of the fiscal period.

Figure 15. Position of JINUSHI REIT in Terms of Merchantability

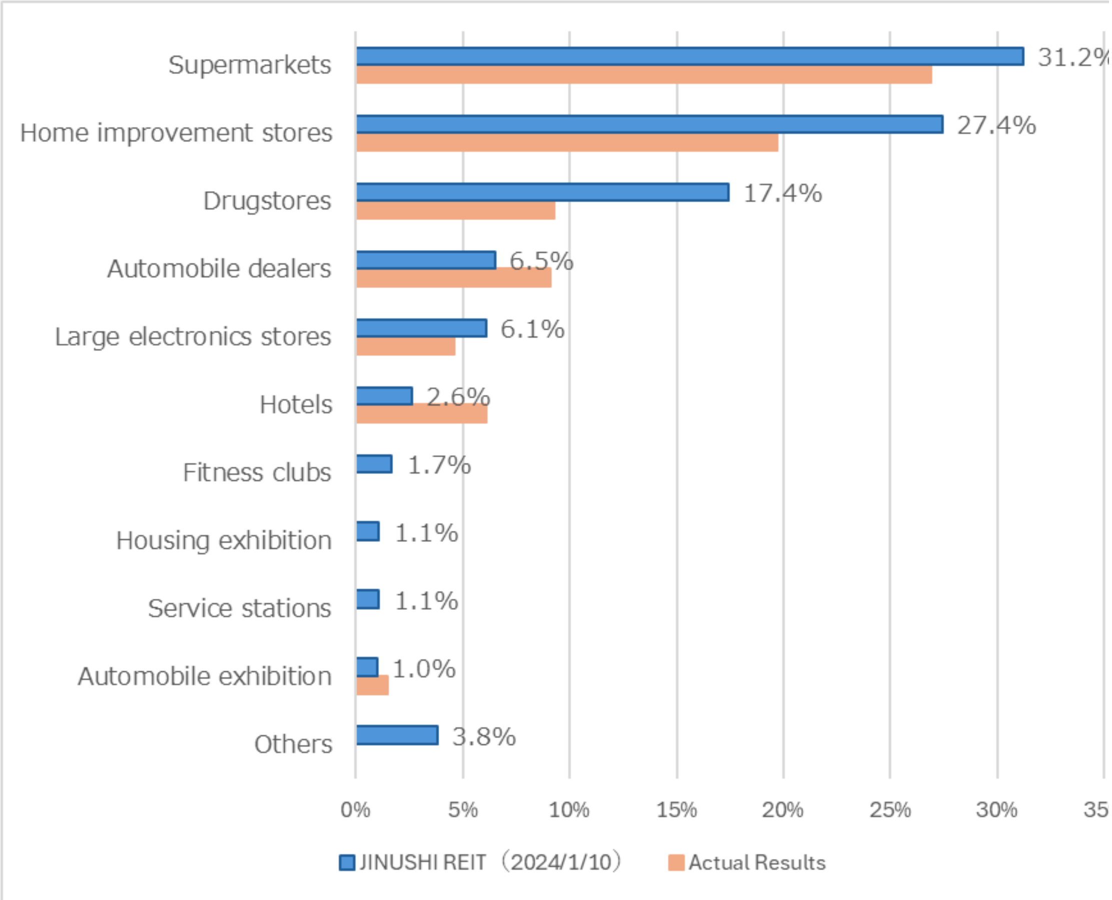


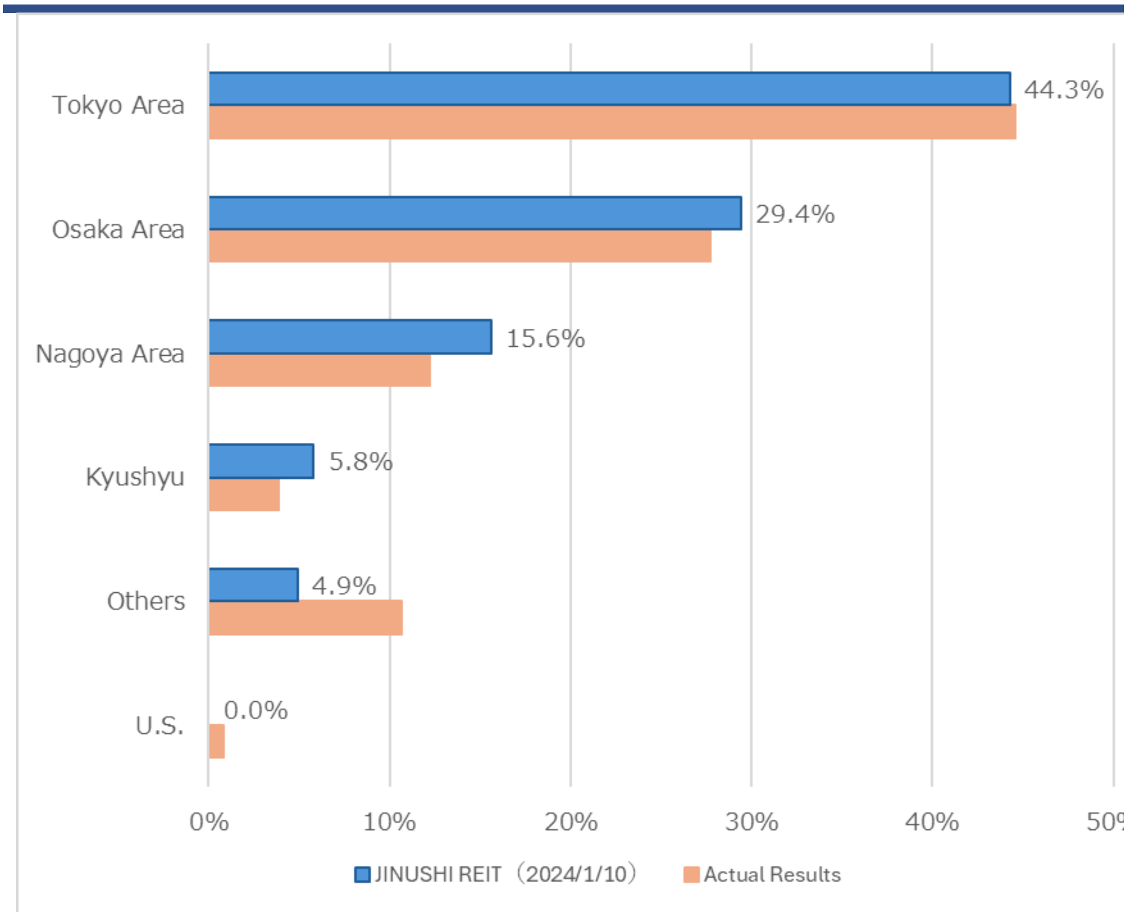
Source: Strategy Advisors, based on Company Data

JINUSHI REIT Portfolio with High Concentration in 3 Retail Sectors

As of January 10, 2024, after the completion of the 8th capital increase, the number of properties under management is 154 and 76.0% of the portfolio by tenant by industry is derived from the three tenant industries: supermarkets (31.2%), home improvement stores (27.4%) and drugstores (17.4%). Compared to the historical total of 55.9% for the top three industries, the portfolio is highly concentrated in the top three industries.

Figure 16. Portfolio of JINUSHI REIT: Composition by Tenant Industry and Region



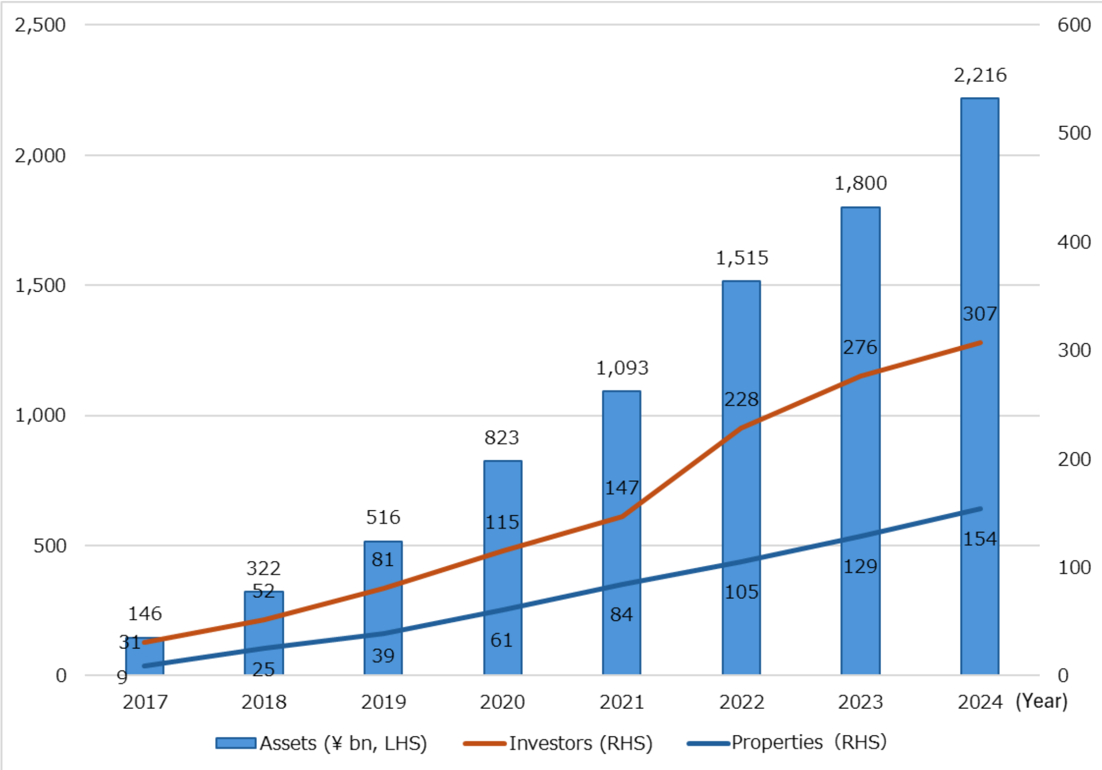


Source: Strategy Advisors, based on Company Data

Expanding Asset Size by Increasing Capital Every Year Since the Start of Operations in 2017

Since no other private REITs specializing in leased land exist, JINUSHI REIT has been accepted by investors as a financial product offering unique investment opportunities and has expanded assets under management since it began operations in 2017.

Figure 17. JINUSHI REIT (Private REIT for leased land) AUM Growth



Source: Strategy Advisors, based on Company Data

Distribution of Investors in JINUSHI REIT

As of January 10, 2024, the top investors in JINUSHI REIT were operating companies, etc. (36.2% of the total), Shinkin Banks and Credit Unions (26.9%) and Central Financial Corporations (22.3%). This stands in contrast to the investor composition of the 54 other private REITs as of December 31, 2023, which are characterized by domination by business corporations with pension funds hold a smaller percentage.

At present, JINUSHI Asset Management is focusing on increasing the percentage of pension funds and central financial corporations. Given the product characteristics of land with leasehold interest that generates long-term stable cash flows, the percentage of these investors is expected to increase in the future.

Figure 18. Investors in JINUSHI REIT Compared to Other Private REITs

JINUSHI REIT (As Of January 10, 2024)		Private REITs (54 Investment Corporations) (As Of December 31, 2023)	
Investor	**Ratio**	**Investor**	**Ratio**
Central Financial Institutions	22.3%	Central Financial Institutions	29.0%
Regional Banks	7.0%	Regional Banks	33.5%
Shinkin Banks & Credit Unions	26.9%		
Operating Companies	36.2%	Operating Companies	16.8%
Pension Funds	7.3%	Pension Funds	20.7%
JINUSHI	0.3%		

Source: Prepared by Strategy Advisors based on Company Data and the Association for Real Estate Securitization's "Private REIT Quarterly.

6. Current Performance Trends

FY12/2023: Significant Decline in Revenues. Net Income Higher than Initially Expectations

The company's performance in FY12/2023 was notable for a significant decline in sales. Sales fell 36.7% YoY to 31,597 million yen, but operating profit declined only 4.0% YoY to 6,154 million yen and net income attributable to owners of the parent company rose 29.3% YoY to 4,709 million yen.

FY12/2023 Sales Expected to Decline vs. Initial Plan

The company's plan at the beginning of the current term was for sales of 42.0 billion yen (-15.8% YoY), operating profit of 6.3 billion yen (-1.7% YoY) and net income attributable to owners of parent of 4.2 billion yen (+15.3% YoY). At the beginning of the term, the company had planned for lower sales and operating profit because the balance of real estate for sale at the beginning of FY12/2023 started 32.9% lower than at the beginning of the previous period, due to fewer purchases in the previous period. Nevertheless, the company had planned an increase in net income attributable to owners of parent because it had factored in an extraordinary gain from the sale of fixed assets. According to the company, the extraordinary gains were expected to drive growth in net income for the period and thus the company apparently curbed the volume of sales of its leased land.

Company Plan Revision for FY12/2023

At the time of the Q2 FY12/2023 results announcement, the company revised its forecasts for sales from 42.0 billion yen to 32.0 billion yen (-35.9% YoY), operating profit from 6.3 billion yen to 6.0 billion yen (-6.4% YoY), and net income attributable to owners of parent company from 4.2 billion yen to 4.4 billion yen (+20.8% YoY), from 4.2 billion yen to 4.4 billion yen. The company has decided to reschedule the sale of some projects it had planned to sell in FY12/2023 to FY12/2024 or later, as it now expects to secure the level of profits in the initial company plan, thanks to the sale of large-scale projects, higher-than-expected profit margins on sold projects; and an increase in rental income from real estate for sale due to steady growth in procurement. This was the reason for the significant reduction in the sales plan.

Net Income Exceeded Upwardly Revised Plans Due to Strong Procurement & Extraordinary Gains

Purchases continued to progress steadily in the second half, reaching 58.8 billion yen in FY12/2023 or 2.86 times that of the previous period, and the balance of real estate for sale at the end of FY12/2023 was 60.0 billion yen or 2.13 times that of the end of the previous period. Net income attributable to owners of parent also exceeded the company's upwardly revised forecast due to an improvement in the overall profit margin, despite a decrease in sales and an extraordinary gain of 1,489 million yen from the sale of fixed assets that had been factored in from the beginning of the fiscal year.

Figure 19. Sales and Profit Trends

(¥ mn)	FY12/20	FY12/21	FY12/22	FY12/23	FY12/24 CoE
Sales	29,886	56,177	49,887	31,597	55,000
YoY	n.a.	n.a.	-11.2%	-36.7%	74.1%
Operating Profit	2,420	5,475	6,411	6,154	8,200
YoY	n.a.	n.a.	16.5%	-4.0%	33.2%
OPM	8.1%	9.7%	12.9%	19.5%	14.9%
Net Income Attributable to Owners Of Parent	1,644	3,124	3,641	4,709	5,000
YoY	n.a.	n.a.	16.5%	29.3%	6.2%
Net Profit Margin	5.5%	5.6%	7.3%	14.9%	9.1%

Note: Due to a change in the fiscal year end, FY12/20 is a 9-month accounting period, so there are no YoY comparisons for FY12/20 and FY12/21.

Source: Strategy Advisors, based on Company Data

Plan to Increase Sales and Profits in FY12/2024

For FY12/2024, the company projects sales of 55.0 billion yen (+74.1% YoY), operating profit of 8.2 billion yen (+33.2% YoY) and net income attributable to parent of 5.0 billion yen (+6.2% YoY).

As shown in Figure 7, the balance of real estate for sale at the beginning of FY12/2024 is expected to increase 113.0% from the beginning of the previous period; and the strong purchasing conditions of the previous period are expected to continue in FY12/2024, resulting in a significant increase in revenue. On the other hand, the gross profit margin is expected to decline from the previous year due to the absence of properties purchased around 2018 that correspond to high-margin, large-scale sales transactions, which occurred in the previous year and operating profit margins for FY12/2024 are projected to decline 4.6 percentage points YoY to 14.9%. Furthermore, the company expects to lose the extraordinary gain from the sale of fixed assets in the previous year, but still expects to secure an increase in net income attributable to parent, driven by a significant increase in sales. Even considering the above factors, the company's profit margins prior to FY12/2023 will continue to be high.

From here, we will examine the certainty of a significant increase in sales, which will be the focus of the FY12/2024 results. Strategy Advisors believes that 55.0 billion yen in sales for FY12/2024 is well within reach.

The company's revenues are mainly derived from flow income from sales of leased land. Therefore, we calculated the ratio of inputs to outputs (here called the "turnover ratio") by using the sum of the amount of real estate for sale at the end of the previous period and the purchase amount (on a recorded basis) for the current period as inputs and the cost of sales for the current period as outputs. The turnover ratio is affected by the length of time between the purchase of land and its sale. It is estimated to be around 55% in FY12/2021 and FY12/2022 for normal periods, although it is lower in FY12/2023, when some properties were delayed in sales (FY12/2020 is a reference value due to a 9-month accounting period).

Assuming a conservative cost of sales ratio of 83.5%, which is as bad as FY12/2021, and a purchase cost of 25.0 billion yen, which is as low as FY12/2022, against the company's planned sales of 55.0 billion yen for FY12/2024, the turnover ratio for FY12/2024 is calculated to be 54.0%, which is set to be the norm for the timeframe. The fact that the turnover ratio is at normal period levels, even using the poor figures for cost of sales and purchases over the last few years, suggests that sales are also likely to be conservative enough to be achievable.

However, in order to achieve the operating income of 8.2 billion yen in the company's plan, sales must exceed the level of for the term, which is a conservative condition, or the cost of sales ratio must be reduced. In order to achieve the company's forecasted operating income of 8,200 million yen, either sales must exceed the level of Sim, which was conservatively estimated or the cost of sales ratio must be reduced. Given the recent favorable procurement situation, we believe that the company's forecast of 8,200 million yen in operating income is achievable.

Figure 20. Turnover Ratio Trends and Verification of FY12/2024

(¥ mn)	03/20	12/20	12/21	12/22	12/23	12/24 CoE	12/24 Sim
Sales	74,187	29,886	56,177	49,887	31,597	55,000	55,000
Cost Of Sales	65,087	24,868	46,914	39,030	21,098	n.a.	45,925
Cost To Sales Ratio	87.7%	83.2%	83.5%	78.2%	66.8%	n.a.	83.5%
Purchases (Recorded Basis)	38,835	24,461	51,146	24,845	52,739	n.a.	25,000
Balance Of Real Estate Held for Sale	43,493	38,387	41,995	28,192	60,060	n.a.	39,135
Turnover Rate	n.a.	36.6%	52.4%	58.4%	26.1%	n.a.	54.0%

Note: Due to a change in the fiscal year end, FY12/20 is a 9-month accounting period, so there are no year-on-year comparisons for FY12/20 and FY12/21.

Source: Strategy Advisors, based on company data

Figure 21. Semiannual/Quarterly Performance Trends

(¥ mn)	12/22 H1	12/22 H2	12/23 H1	12/23 H2
Income Statement				
Net Sales	27,069	22,818	10,373	21,224
Cost Of Sales	21,104	17,925	7,579	13,518
Gross Profit	5,964	4,893	2,793	7,706
Gross Profit Margin	22.0%	21.4%	26.9%	36.3%
SG&A Expenses	2,215	2,231	2,100	2,244
SG&A To Sales Ratio	8.2%	9.8%	20.2%	10.6%
Operating Profit	3,749	2,662	693	5,461
Operating Profit Margin	13.8%	11.7%	6.7%	25.7%
Non-Operating Income and Expenses	157	-625	17	-453
Financial Balance	-276	-305	-177	-217
Equity In Earnings (Losses) Of Affiliates	173	-181	40	0
Other	260	-139	154	-236
Recurring Profit	3,906	2,037	711	5,007
Recurring Profit Margin	14.4%	8.9%	6.9%	23.6%
Extraordinary Income/Loss	-197	-1,134	1,207	242
Pretax Profit	3,709	903	1,918	5,250
Total Income Taxes	1,138	-172	700	1,730
(Corporate Tax Rate)	30.7%	-19.0%	36.5%	33.0%
Net Profit Attributable to Owners of Parent	2,569	1,072	1,193	3,516
Net Profit Margin	9.5%	4.7%	11.5%	16.6%

(¥ mn)	12/22 Q1	Q2	Q3	Q4	12/23 Q1	Q2	Q3	Q4
Income Statement								
Net Sales	19,661	7,408	2,701	20,117	8,130	2,243	14,837	6,387
Cost Of Sales	15,121	5,984	1,829	16,096	6,117	1,462	8,416	5,102
Gross Profit	4,540	1,424	872	4,021	2,012	781	6,421	1,285
Gross Profit Margin	23.1%	19.2%	32.3%	20.0%	24.7%	34.8%	43.3%	20.1%
SG&A Expenses	1,249	966	935	1,296	1,098	1,002	1,072	1,172
SG&A To Sales Ratio	6.4%	13.0%	34.6%	6.4%	13.5%	44.7%	7.2%	18.3%
Operating Profit	3,290	459	-64	2,726	914	-221	5,349	112
Operating Profit Margin	16.7%	6.2%	-2.4%	13.6%	11.2%	-9.9%	36.1%	1.8%
Non-Operating Income and Expenses	-54	211	-136	-489	-36	53	-70	-383
Financial Balance	-126	-150	-149	-156	-72	-105	-126	-91
Equity In Earnings (Losses) of Affiliates	170	3	-137	-44	40	0	0	0
Other	-98	358	150	-289	-4	158	56	-292
Recurring Profit	3,236	670	-199	2,236	879	-168	5,277	-270
Recurring Profit Margin	16.5%	9.0%	-7.4%	11.1%	10.8%	-7.5%	35.6%	-4.2%
Extraordinary Income/Loss	-140	-57	-1,053	-81	1,207	0	-40	282
Pretax Profit	3,095	614	-1,253	2,156	2,086	-168	5,238	12
Total Income Taxes	1,008	130	-34	-138	712	-11	1,751	-21

(Corporate Tax Rate)	32.6%	21.2%	n.a.	n.a.	34.1%	n.a.	33.4%	n.a.
Net Profit Attributable to Owners of Parent	2,086	483	-1,220	2,292	1,350	-157	3,485	31
Net Profit Margin	10.6%	6.5%	-45.2%	11.4%	16.6%	-7.0%	23.5%	0.5%

Source: Strategy Advisors, based on Company Data

7. Medium to Long-Term Outlook

1) Favorable Environment Expected to Continue: Medium to Long-Term

The environment surrounding the company's JINUSHI Business is expected to remain favorable.

The Volume of Leased Land is Expected to Expand to 16 Trillion Yen by 2030

From the supply-side perspective, the distribution volume of leased land is expected to expand. According to a survey by the Japan Real Estate Institute, the size of the leased land market on a cumulative value basis is estimated to be 5.47 trillion yen as of 2021. It is expected to expand to 9.95 trillion yen in 2026 and 16.06 trillion yen in 2030.

Approximately 10% of Store Openings are Based on the Principle of Leasing Land and Owning Buildings

According to the XYMAX Real Estate Research Institute's "Survey 2022 on Commercial Store Exits and Entries," the most common policy for owning or leasing real estate when opening a store was "Building lease (rented) in principle" at 43%, followed by "No particular policy" at 30%. Only 10% of the respondents chose "In principle, own the leased land and building. It is possible that the advantages of owning land and buildings have not been fully communicated to those who have a policy of renting buildings in principle, but there is room for the percentage of those who own land and buildings to increase, depending on future efforts.

Figure 22. Contracts in Place for Commercial Store Openings

Contract Type	Whole	By Number Of Stores (Stores)				
		Less than 10	Up to 50	Up to 100	Up to 200	More than 200
Both Land and Buildings Ownership In Principle	12%	26%	12%	0%	3%	0%
Leased Land and Building Owned by The Company in Principle	10%	13%	11%	13%	0%	7%
Building Lease (Tenancy) In Principle	43%	23%	41%	58%	71%	63%
Nothing In Particular	30%	36%	34%	22%	23%	20%
Other	4%	2%	3%	7%	3%	10%

Contract Type	Whole	By Store Area (Tsubo)				
		Less than 50	Up to 150	Up to 500	Up to 1,000	More than 1,000
Both Land and Buildings Ownership In Principle	12%	1%	6%	14%	30%	31%
Leased Land and Building Owned by The Company in Principle	10%	4%	4%	17%	19%	14%

Building Lease (Tenancy) In Principle	43%	72%	62%	23%	5%	28%
Nothing In Particular	30%	14%	27%	43%	44%	28%
Other	4%	9%	1%	3%	2%	0%

Source: XYMAX Real Estate Research Institute, "Survey on Commercial Store Exits and Entries 2022.

J-REIT and Privately Owned REIT Markets to Expand

From the perspective of the demand side, which seeks leased land as a real estate financial product, the market for J-REITs and privately owned REITs is expected to expand first. According to data from the Association for Real Estate Securitization, the total value of REIT assets (based on acquisition price) at the end of December 2023 was 28.7 trillion yen (22.7 trillion yen for J-REITs and 5.9 trillion yen for privately owned REITs), with 6,287 properties (4,697 for J-REITs and 1,590 for privately owned REITs). Based on the end of December 2017, when the management of J-REITs began, the total assets and number of properties have expanded at an annualized pace of 7.2% and 6.9%, respectively, over the six years to the end of December 2023, while the total assets and number of properties of private REITs have expanded at a pace of 16.1% and 17.8%; respectively, over the same period, with the private REITs' expansion at a faster pace. However, during the same period, the total assets of privately owned REITs expanded at a pace of 16.1% and the number of properties expanded at a pace of 17.8%. The presence of privately owned REITs as investment targets is increasing.

The "Survey on Privately Owned Real Estate Funds" conducted by the Association for Real Estate Securitization since 2003 has published data on the breakdown of real estate held by privately owned REITs. Until now, leased land has been classified according to the primary purpose of the building constructed on the land, but starting with the July 2023 survey, a new category of "leased land " has been established. This is evidence of the growing presence of leased land in REITs' investment portfolio. According to the July 2023 survey, 10% of the properties under management and 4% of the assets under management were allocated to leased land.

Figure 23. Size of REITs (J-REITs + Privately Owned REITs)

	12/2017	12/2018	12/2019	12/2020	12/2021	12/2022	12/2023
Total Assets (¥ bn) *Based on Acquisition Price	189,692	208,603	224,843	241,936	256,048	268,637	287,593
Privately Owned REIT	24,398	28,826	33,578	39,056	43,658	49,906	59,660
J-REIT	165,294	179,777	191,265	202,880	212,390	218,731	227,933
Number Of Corporations(companies)	82	89	95	98	100	105	112
Privately Owned REITs	23	28	31	36	39	44	54
J-REIT	59	61	64	62	61	61	58
Number Of Properties (Properties)	4,206	4,613	4,958	5,278	5,579	5,873	6,287
Privately Owned REIT	595	713	833	987	1,150	1,323	1,590
J-REIT	3,611	3,900	4,125	4,291	4,429	4,550	4,697
Percentage of AUM Managed by Privately owned REITs	12.9%	13.8%	14.9%	16.1%	17.1%	18.6%	20.7%
Percentage of Properties Managed by Privately Owned REITs	14.1%	15.5%	16.8%	18.7%	20.6%	22.5%	25.3%

Source: Prepared by Strategy Advisors based on the Association for Real Estate Securitization's "Private REIT Quarterly.

2) Medium-Term Management Plan for Aggressive Expansion Phase While Maintaining Discipline

Company Name Change Signals Aggressive Expansion

In February 2022, the company announced its medium-term management plan ending in FY12/2026. As indicated by the company name change implemented at the same time, the company has positioned this as a phase to raise awareness of the JINUSHI Business and aggressively expand it. The company is eyeing an asset scale of 300 billion yen for JINUSHI REIT.

Figure 24. Med-Term Management Plan

Financials	FY12/2021	FY12/2023	FY12/2024 CoE	FY12/2026 Mid-Term Plan	Annual Average Growth Rate
Net Sales (¥bn)	56.1	31.5	55	100	12.2%
Net Profit (¥bn)	3.1	4.7	5	7	17.5%
JINUSHI REIT AUM (¥bn)	151.5	221.6	n.a.	Approx. 300	14.6%
ROE	11.9%	15.3%	n.a.	Approx. 13%	
Equity Ratio	32.2%	31.0%	n.a.	30% or more	

Note: Average annual growth rate is the average growth rate from the FY12/2021. AUM of JINUSHI REIT is the amount after the capital increase in the month following the end of the fiscal year.

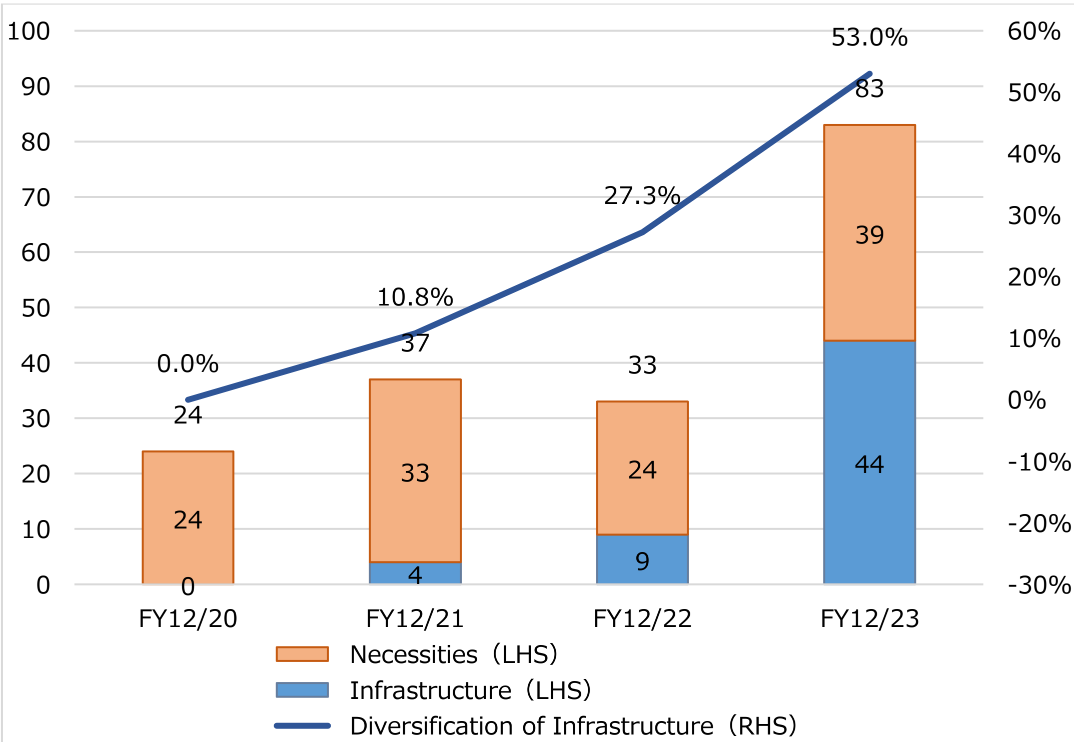
Source: Strategy Advisors, based on Company Data

Growth Strategy Based on Expansion of Both the JINUSHI Business & Growth of JINUSHI REIT

The company has drawn up a growth strategy based on both the expansion of the JINUSHI Business and the growth of JINUSH REIT. With regard to the expansion of the JINUSHI Business, the company is pursuing three measures: (1) diversification of tenant business sectors, (2) expansion of operations to more areas and (3) using off-balance-sheet schemes for land.

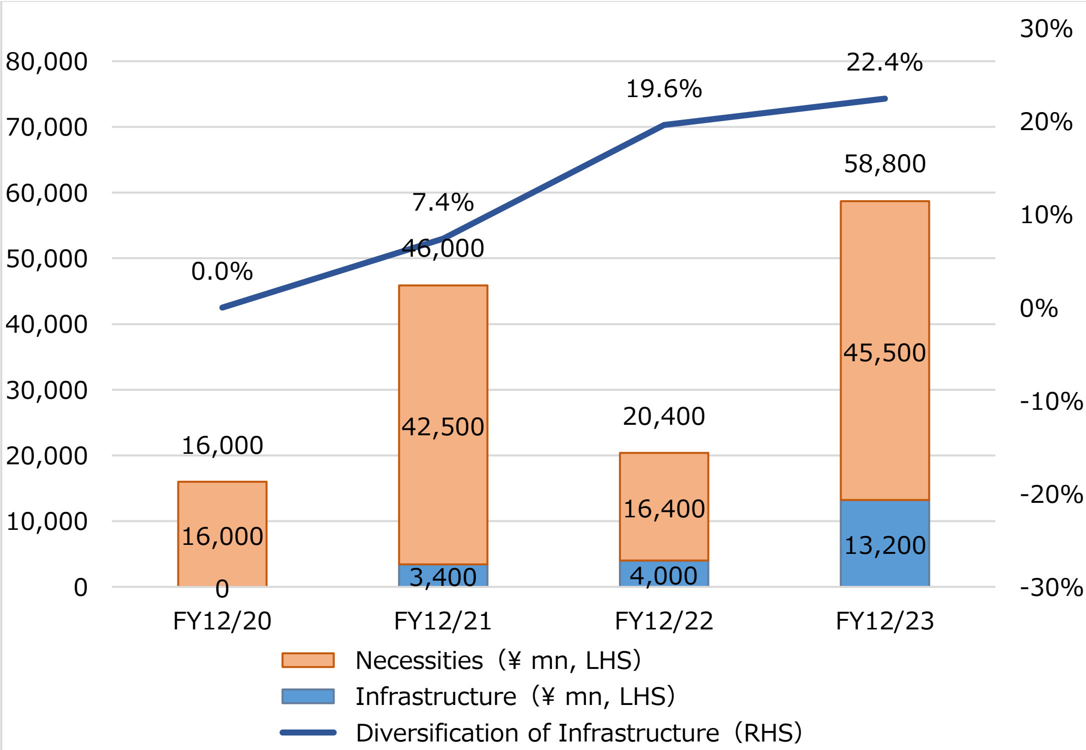
(1) Diversification of tenant business sectors is reflected in the removal of "Commercial Development" from the company name when the company changed its name, which represented the JINUSHI Business targets all types of tenant business sectors. Of the 83 contracts purchased in FY12/11 with a total value of 58.8 billion yen, 44 were for social infrastructure tenants (13.2 billion yen per contract) and the company has already begun acquiring tenants for hospice facilities, nursing homes and funeral halls. Of the 83 contracts and 58.8 billion yen purchased in FY12/2023, 44 were for tenants that play a role in social infrastructure, accounting for 13.2 billion yen. This represents 53% of the total number of contracts and 22% of the total value of contracts purchased.

Figure 25. Percentage of Deals for Social Infrastructure Tenants in Procurement: by Number of Contracts



Source: Strategy Advisors, based on Company Data

Figure 26. Percentage of Social Infrastructure Tenant Deals in Procurement: Based on Purchase Price



Source: Prepared by Strategy Advisors

(2) With respect to the expansion of operations to more areas, with the establishment of the Kyushu branch in December 2022, the company now has a five-base structure with four bases in Japan and one in the United States. In addition, the company relocated its headquarters from Osaka to Tokyo in July 2023. The company has worked on projects in 197 municipalities (cities/wards/towns/villages), but there are still 1,062 municipalities where it has not yet reached. When limited to cities with populations of 200,000 or more and government-designated cities, there are 134 cities with a track record and 156 ones without a track record, indicating that there is still considerable room for regional expansion.

(3) The company's proposals of off-balance-sheet schemes for land are in line with the TSE's request for "Management Conscious of Capital Costs and Stock Prices”. The company's off-balance-sheet proposal for land is an approach for owners who already own land and buildings and is an effective proposal for tenants who need to improve capital efficiency and financial strength. This is a new growth area for the company.

While a similar approach in the real estate industry is the sale and leaseback of land and buildings, the company proposes off-balancing the land only. The advantages of this approach are that the company does not have to perform due diligence on the land and it can operate the property with a high degree of freedom since it can continue to own the building. Given that this scheme offers the same benefits as a sale-and-leaseback (capital efficiency improvement and financial strength improvement) and the considering advantages mentioned above, it is likely to become increasingly popular in the future. One of the disadvantages of using this scheme is that tenants are exposed to the risk of eviction at the time of redevelopment and the risk of higher leasehold fees at the expiration of the contract if the right of land is transferred to another company. However, the company's "JINUSHI REIT" as a stable owner of leased land not only compensates for these disadvantages but are also strengths that other companies cannot imitate.

Strategy Advisors believes that, given the expansion of the leased land market, it is quite possible for JINUSHI REIT to reach the targeted AUM of about 300 billion yen in FY12/2026, and if it continues to increase the number of purchases to that end, the company’s target of sales and net income will also be within reach. However, it should be noted that sales of high-margin properties, as seen in FY12/2023, may alter the timing of sales of other properties, which could result in a swing in sales.

8. Comparison with Other Companies in the Industry

No Competition in the Dedicated Leased Land Business

Although there are competing firms in the transaction of individual leased land deals, there are no other firms that specialize in leased land transactions, so there are no direct competitors in terms of business model. For this reason, real estate finance companies were used for the purposes of comparison.

Comparison with Real Estate Finance Companies

Companies that originate income-producing real estate properties and sell them to investors are considered real estate finance companies and those that own affiliated REITs are considered for comparison. The listed companies included Samty (3244 TSE Prime), Sun Frontier Fudosan (8934 TSE Prime), Tosei (8923 TSE Prime), FUJAS Holdings (3284 TSE Prime), Ichigo (2337 TSE Prime) and ES-CON Japan (8892 TSE Prime). (8892 TSE Prime).

In terms of profitability, the company's return on sales in FY12/2023 was 14.9%, higher than other companies, but its ROE was only 15.3%, lower than other companies except Ichigo. Excluding the impact of debt holdings, the company's ROIC is in the middle of the range, suggesting that the company's profitability is average. The company's beta is 0.928 over the five-year weekly period (0.353 over the two-year weekly period). Assuming a risk-free rate of 0.6% and a stock market excess return of 6%, the cost of equity capital is 6.2%, and the excess return on ROE is calculated to be 8.9%.

Safety Indicators Worsened YoY, But are Generally on Par with Other Companies

The company's safety indicators as of the end of FY12/2023 were equity ratio of 30.9%, net D/E ratio of 1.26x, and DCR of 164.9%; as of the end of FY12/2022, the equity ratio was 42.8%, net D/E ratio of 0.45% and DCR of 92.3%; all of which are numerically worse than the previous year. The deterioration in these figures are due to a significant increase in purchases in FY12/2023 and an increase in real estate for sale and interest-bearing debt due to a delay in planned land sales; but even with the deterioration, the company is still generally on par with its competitors. There are no particular problems with the company's safety and it can be judged to be under control.

Figure 27. Comparison with Other Real Estate Finance Companies

Company Name	Code	Main Target Real Estate	Keiretsu REIT (P) means "Private REIT"
JINUSHI	**3252**	**leased land**	**JINUSHI REIT (P)**
Samty	3244	Mansion Hotels	Samty Residential Investment Corporation
Sun Frontier Fudosan	8934	Office	Frontier Real Estate Investment Corporation
Tosei	8923	Office Commercial	Tosei REIT Investment Corporation
Hoosiers Holdings	3284	Residence	Hoosiers PRIVATE REIT, Inc.(P)
Ichigo	2337	Office Hotels	Ichigo Office REIT Investment Corporation
ES-CON Japan	8892	Retail Residences Lifestyle	ESCON JAPAN REIT Investment Corporation

Company Name	Code	Net D/E Ratio (times)	DCR (%)	Net Worth Ratio (%)
JINUSHI	**3252**	**1.26**	**163.9**	**30.9**
Samty	3244	2.09	205.7	25.5
Sun Frontier Fudosan	8934	0.16	89.2	52.9
Tosei	8923	1.30	120.5	33.4
Hoosiers Holdings	3284	1.32	153.5	23.6
Ichigo	2337	1.48	85.9	30.7
ES-CON Japan	8892	2.08	179.6	25.0

Note: Net income is net income attributable to owners of parent

Note: Sales and net income growth rates are CAGRs over the past 5 years; JINUSHIs have a 9-month FY12/2020, so CAGRs over the past 4.75 years.

Note: Due to a change in the fiscal year end, figures for ES-CON Japan for the FY12/2022 are used.

Source: Prepared by Strategy Advisors

9. Stock Trends and Valuations

To see how the company's stock price has changed over the years, Figure 28 shows an index of the stock prices of major real estate finance companies and the TOPIX (Tokyo Stock Exchange Stock Price Index) when the stock price at the end of 2019 is set at 100.

During the New Corona Disaster, the Company Showed it is More Resistant to Decline Than Peers

In 2020, when the Corona pandemic began, the stock market as a whole fell sharply and the share prices of all real estate finance companies underperformed TOPIX, but JINUSHI's share price remained on par with the TOPIX. This is evidence that the company is at least more resilient than other real estate finance companies in times of market turmoil.

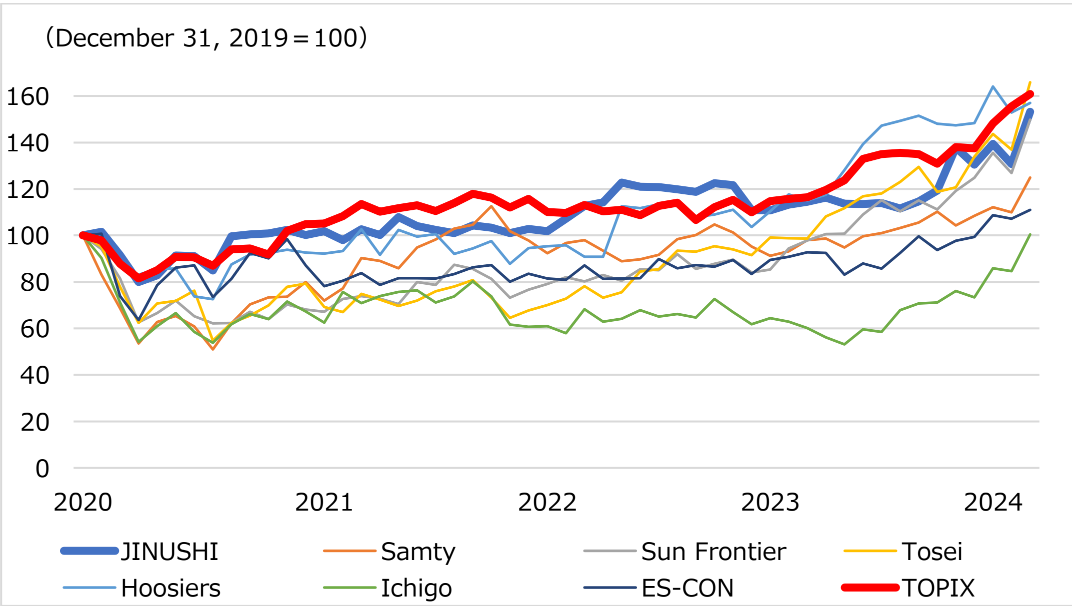
Recent Under Performance vs TOPIX

During the stock price recovery phase after 2021, there was a phase in which the company's stock price outperformed TOPIX sometime after the company's name change in 2022. However, since 2023, the company has generally been TOPIX-dominant. In addition, the company has not overshot TOPIX, especially when compared to other real estate finance companies.

Low PER & PBR

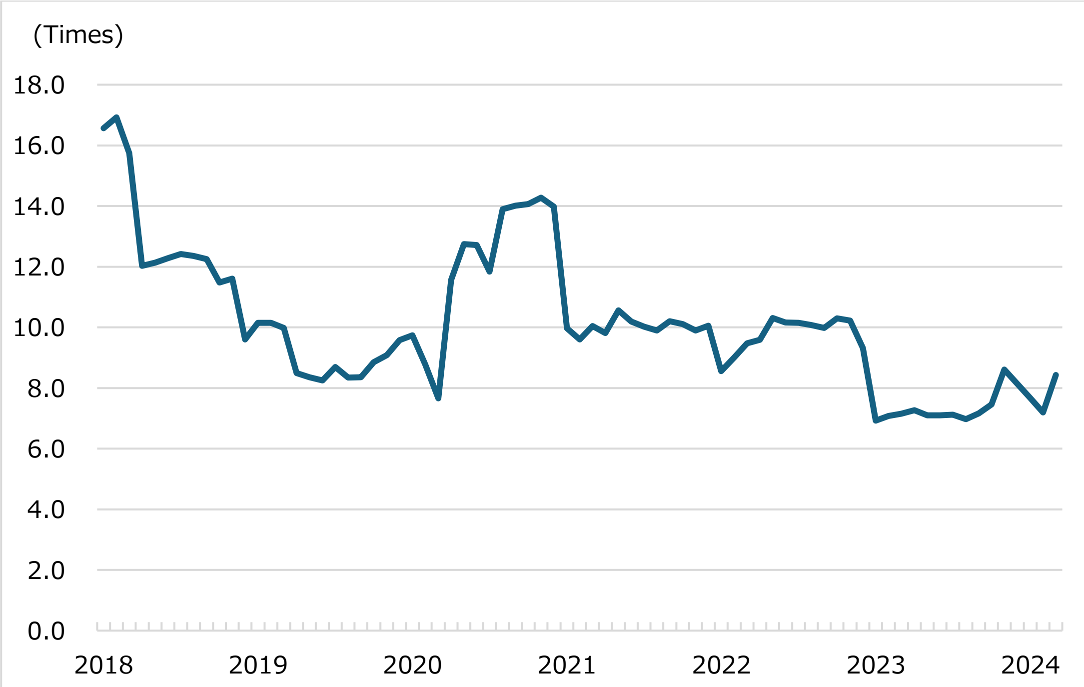
This is also reflected in valuations: only Sun Frontier Fudosan is lower in both PER and PBR and it is not more expensive than other companies. In addition, both the current PER and PBR have remained low over the past five years since 2018.

Figure 28. Stock Price Trends: Real Estate Finance Companies



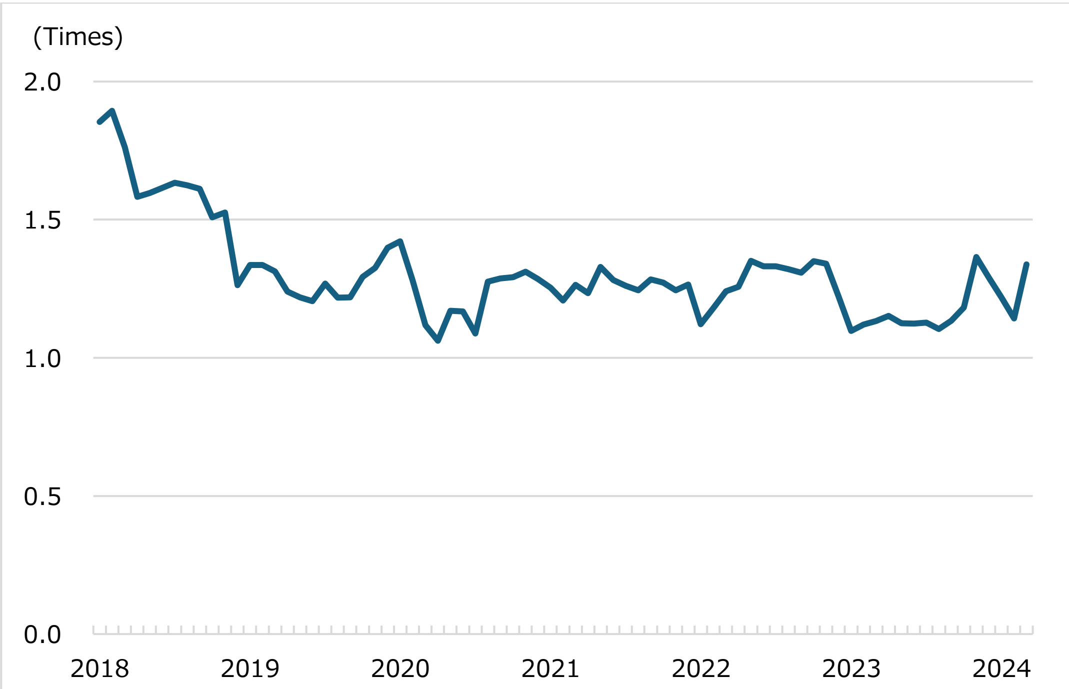
Source: Prepared by Strategy Advisors

Figure 29. PER Trends



Source: Prepared by Strategy Advisors

Figure 30. P/B Ratio Trends



Source: Prepared by Strategy Advisors

Figure 31. Comparison of Valuations with Peers

Company Name	Code	Acct Period	Stock Prices (24/4/5)	Market Cap (¥ mn)	PER Company Forecast (Times)	PBR Most Recent Results (Times)	Dividend Yield Company Forecast (%)	ROE Most Recent Results (%)
JINUSHI	**3252**	**23/12**	**2,551**	**41,945**	**8.4**	**1.3**	**3.3**	**15.1**
Samty	3244	23/11	2,783	129,641	11.4	1.2	3.2	17.1
Sun Frontier Fudosan	8934	23/03	1,910	92,736	8.0	1.1	2.9	19.1
Tosei	8923	23/11	2,411	116,637	10.4	1.4	3.0	16.5
Hoosiers Holdings	3284	23/03	1,081	38,431	8.0	1.1	5.1	22.7
Ichigo	2337	23/02	429	191,793	19.4	1.9	1.9	11.7
ES-CON Japan	8892	22/12*	996	94,944	-	1.4	-	11.3

Note: Due to a change in its fiscal year-end, ES-CON Japan will have a 15-month FY03/2024. PER and dividend yield using company forecasts were not applied.

Source: Prepared by Strategy Advisors

Market Environment Becoming More Favorable for Performance to be Reflected in Stock Prices. Valuations are at the Lowest Levels in 5 years.

The Japanese stock market is continuing to experience strong liquidity since 2023 , especially in large-cap stocks popular with foreign buyers, resulting in the Nikkei Stock Average reaching a new all-time high on February 22, 2024. Many believe that this will be followed by a shift to an earnings focused market, which is more likely to reflect corporate performance.

Even if the real estate finance sector does not see a massive inflow of funds, the stock price is likely to react more honestly if the company's performance is strong. The company's current valuations of 7.2x PER and 1.1x PBR remain at low levels since the end of 2019, just before the start of the new Corona pandemic and further declines in valuations from these levels are likely to be limited.

Share Price to Rise as Awareness Improves

In terms of performance, the company will likely make progress toward its medium-term management plan, which calls for net income of 7 billion yen and for the JINUSHI REIT AUM of about 300 billion yen in the FY12/2026.

The company's stock price has gradually trended up, albeit with some short-term ups and downs, since bottoming out in 2020 when the new Corona pandemic began. Valuations, on the other hand, have remained at one of the lowest levels of the past five years and are undervalued. As we have seen, the company has gained confidence in its JINUSHI Business model, leading to a name change in 2022. The company's current goal is to make widely known the attractiveness of the leased land market as an investment target and its superiority as a pioneer in the leased land market. This means that there is still a lot of room for the company to improve its recognition and as awareness gradually spreads, the superiority of its business and business model should be reflected in its share price through higher valuations.

Dividend Increase is Expected to Raise the Dividend Payout Ratio to 28%

The company plans to pay an estimated dividend of 85.0 yen per share (interim 42.5 yen, year-end 42.5 yen) for FY12/2024. This is a significant increase of 30.0 yen from the 55.0 yen per share (year-end dividend only) in the previous fiscal year and is the result of the company's change to a policy of returning profits to shareholders in the form of cash dividends, rather than the shareholder special benefit program it had offered until FY12/2023. The dividend payout ratio is expected to be 28.0% in FY12/2024, compared to 20.5% in FY12/2023. The company has decided to pay an interim dividend from this fiscal year in order to increase the liquidity of its stock.

10. Risk Factors

At this point, there are no major risks to watch in terms of business execution or performance, but the following three risks can be identified that may prevent the company from performing as expected.

In the short term, it is conceivable that tenants' willingness to open new stores could decline sharply. In fact, the main reason for the lack of growth in both number and value of purchases in FY12/2022 was that the retail industry as a whole, which is the company's main tenant industry, was in a restrained store opening mode due to the supply chain disruption caused by the outbreak of war in Ukraine and rising concerns over rising prices. Changes in the willingness to open new stores affected the company's purchasing conditions within a relatively short period of time. It is important to pay attention to the retail industry's willingness to open new stores and to macro trends (price hikes, currency fluctuations, etc.) related to this willingness.

Since the company's earnings are largely derived from flow services derived from land sales, changes in the plan for land sales could cause actual earnings to deviate significantly from the company's plan. This can be caused by changes in the environment on the tenant side, as mentioned above, or as seen in FY12/2023, by shifting the sales schedule for properties, which can cause sales to fall far short of the company's plan. Although the company places the highest priority on net income trends in its income statement, the share price could react in the short-term depending on how the financial results come out.

In the medium to long term, it is conceivable that competition for procurement may intensify. In this regard, it is recognized that competition is still occurring at present on an individual property basis. The company believes that it is unlikely that it will be unable to purchase properties due to these factors, as the majority of purchases are made through relative transactions and there are few properties for bidding that are prone to price competition. Rather, the expansion of the market for leased land due to the increased participation of players could be more conducive to growth over the medium to long term.

In the JINUSHI Business, as in other real estate investments, interest rate risk is unavoidable. Rising interest rates have both advantages and disadvantages, since they work negatively on the financing side, but positively on the asset side due to rising real estate prices. In light of the high turnover rate of the JINUSHI Business, the company borrows at variable rates, but with an awareness of the cyclicality of the real estate market itself, it borrows for longer than eight years in principle, and repays the debt in advance when the projects are sold. In principle, J-REITs take out long-term fixed-rate loans, but their loan-to-value (LTV) ratios are lower than those of other REITs at around 30% and their sensitivity to interest rates is presumably low. Since the company has a well-developed financial strategy, there is little problem if interest rates move slowly, but it is important to be careful if interest rates fluctuate rapidly in a short period of time.

11. ESG Initiatives

The company's overall business is generally performing well and there are no major issues from the perspective of growth strategy. However, from the perspective of Environmental, Social and Governance (ESG), which investors have recently been paying a great deal of attention to, there is still room for improvement. The following are the main issues.

Corporate Governance Structure

As a group, the company has 17 JINUSHIs and consolidated subsidiaries. As of December 31, 2023, Tetsuya Matsuoka, Founder and Director, was the largest shareholder, holding 17.55% (23.12% when adding the 5.56% held by Godo Kaisha Matsuoka). The company has an audit committee system, with an independent "Nomination and Compensation Committee" under the Board of Directors, whose main members are independent outside directors.

Of the six directors, four are independent outside directors, and all outside directors are members of the Audit Committee. According to Principle 4-8 of the Corporate Governance Code, companies listed on the prime market are required to appoint a majority of independent outside directors and the company satisfies this principle. The Nomination and Compensation Committee also has 80% (4 out of 5) independent outside directors.

Figure 32. Skill Matrix of JINUSHI Directors

Name (Titles Omitted)	**Hirofumi Nishira**	**Tetsuya Matsuoka**	**Hiroyuki Nishimura**	**Kensuke Shiwa**	**Aya Ozasa**	**Tomonori Ishiwata**
Position	Rep Director President	Board Member	Outside Director (Full-Time)	Outside Director (Part-Time)	Outside Director (Part-Time)	Outside Director (Part-Time)
Gender	Male	Male	Male	Male	Female	Male
Members						
Audit and Supervisory Committee			◎	○	○	○
Nominating and Compensation Committee	○		◎	○	○	○
Skills Matrix						
Corporate Management	●	●			●	
Sales and Marketing	●	●			●	
Finance and Accounting			●			●
Legal, Compliance and Audit		●	●	●		●
Sustainability	●	●			●	●
Overseas	●	●	●		●	

Source: Company Data

However, the ratio of female directors is only 1 out of 6 (16.7% of the total). Until the previous fiscal year, there had been no female directors, but from March 2024, Fumi Ozasa, who has extensive experience and achievements in corporate management, was appointed as an outside director, bringing the number of female directors to one.

In response to the government's "Women's Version of the Framework Policy," the TSE amended its listing rules to require prime market listed companies to (1) strive to appoint at least one female board member by 2025, (2) aim to increase the percentage of female board members to 30% or more by 2030 and (3) recommend the development of an action plan to achieve these goals. Regarding the recommendation in the 3rd point above, the formulation of an action plan to achieve these goals; although this is a recommendation, we expect it could become strongly enforced through the exercise of voting rights by institutional investors.

In order to achieve (2), it will be necessary to appoint one more female director. It is expected that the company will achieve a 30% ratio of female directors as soon as possible in order to enhance its reputation among investors.

Sustainability Initiatives

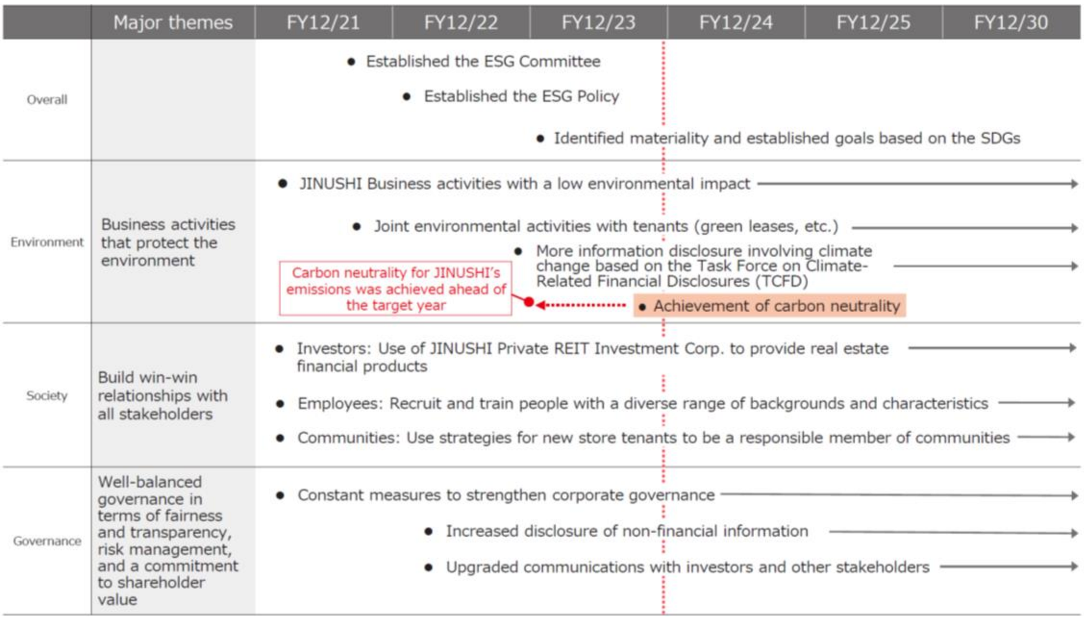
The company has identified material issues related to sustainability and discloses its approach to sustainability.

JINUSHI Business, the company's unique real estate investment approach that does not invest in buildings but only in land, is a real estate investment model that is resistant to natural pandemics and market volatility and emits very little greenhouse gases and industrial waste. Therefore, in its ESG policy, JINUSHI aims to contribute to the realization of a sustainable society.

JINUSHI will expand its business by (1) purchasing land with low risk of natural pandemics such as landslides and flooding, (2) reducing GHG emissions from construction and demolition by tenants by concluding long-term contracts, (3) enhancing its ability to respond to changes in the environment by diversifying tenant types and expanding its business areas and (4) promoting off-balancing of land in existing land and building projects (i.e. promoting long-term use of buildings by tenants).

The company established the ESG Promotion Committee in October 2021, which is chaired by the President and CEO and submits reports to the Board of Directors. The ESG policy was formulated along with the medium-term management plan of February 2022 and an ESG roadmap was formulated in the medium-term management plan.

Figure 33. ESG Roadmap



Source: Company Data

In August 2022, the company announced its endorsement of the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures) regarding the environment and has been disclosing information based on the recommendations on its website. The company is considering transition risks and physical risks/opportunities as of 2030 and 2050.

The scenario analysis employed both the "1.5°C scenario," which is based on the achievement of the Paris Agreement and the realization of decarbonization and the "4°C scenario," which is a case in which climate change measures do not progress sufficiently and natural pandemics become more severe. The company aims to contribute to the realization of a carbon-neutral society in 2050 by encouraging its tenants to install environmentally friendly facilities and to make their own emissions carbon neutral as a measure based on the scenario analysis.

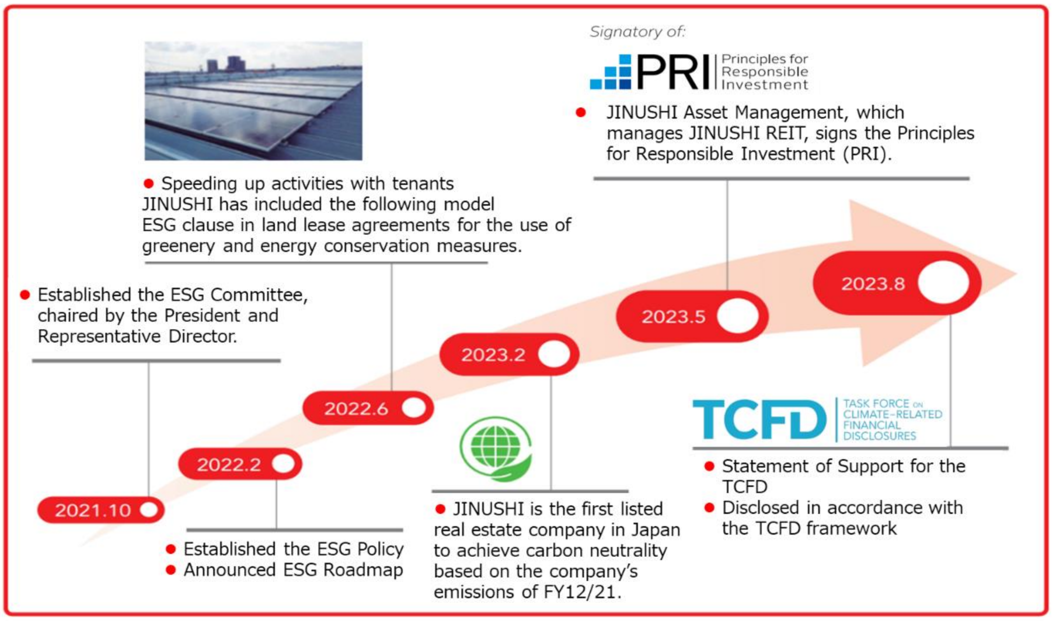
The goals regarding climate change are (1) to remain carbon neutral (own emissions: Scope 1, 2) (2030 target, 2050 target) and (2) 100% incorporation of ESG clauses in fixed-term leasehold agreements with tenants.

In February 2023, the company became the first listed real estate company in Japan to achieve carbon neutrality (for its own emissions). The business model with extremely low CO_2 emissions contributed to the achievement of carbon neutrality.

In addition to its own achievements, the company is accelerating collaboration with tenants and encouraging the installation of environmentally friendly facilities by incorporating ESG clauses into contract documents. As of the end of 2023, 100 environmentally friendly facilities had been installed based on ESG clauses (solar power generation: 47, EV charging facilities: 29, wall and rooftop greening: 24).

Concerning ESG, with regard to the wider society, the company aims to achieve win-win relationships with stakeholders. Specifically, the company provides (1) real estate financial products through the JINUSHI Private REIT Investment Corporation (investors), (2) diverse human resources and training (employees) and (3) contributions to local communities through tenant store opening strategies (local communities). Other activities include supporting sports through contracts with tennis players and cultural support through sponsorship of symphony orchestras, etc.

Figure 34. JINUSHI Sustainability Initiatives



Source: Company Data

Figure 35. Consolidated Statements of Income

(¥ mn)	3/18	3/19	3/20	12/20	12/21	12/22	12/23	12/24 CoE
Net Sales	31,260	39,834	74,187	29,886	56,177	49,887	31,597	55,000
Cost of Sales	24,402	31,662	65,087	24,868	46,914	39,030	21,098	
Gross Profit	6,858	8,172	9,100	5,019	9,263	10,857	10,499	
Gross Profit Margin Ratio	21.9%	20.5%	12.3%	16.8%	16.5%	21.8%	33.2%	
SG&A Expenses	3,174	3,725	3,856	2,599	3,788	4,446	4,344	
Operating Profit	3,684	4,447	5,244	2,420	5,475	6,411	6,154	8,200
Operating Profit Margin	11.8%	11.2%	7.1%	8.1%	9.7%	12.9%	19.5%	14.9%
Non-Operating Income	229	703	403	637	285	435	227	
Interest and Dividend Income	27	27	12	7	5	17	15	
Equity in Earnings of Affiliates	30	303	166	130	n.a.	n.a.	40	
Profit on Currency Exchange	n.a.	88	79	n.a.	138	296	84	
Other	172	285	146	500	142	122	88	
Non-Operating Expenses	869	822	1,049	900	758	903	663	
Interest Expense and Discount	542	613	729	392	457	598	445	
Equity in Losses of Affiliates	n.a.	n.a.	n.a.	n.a.	83	8	n.a.	
Foreign Exchange Loss	127	n.a.	n.a.	377	n.a.	n.a.	n.a.	
Financing Costs	178	167	272	120	212	267	186	
Other	22	42	48	11	6	30	32	
Recurring Profit	3,044	4,327	4,599	2,157	5,002	5,943	5,718	7,300
Recurring Profit Margin	9.7%	10.9%	6.2%	7.2%	8.9%	11.9%	18.1%	13.3%
Extraordinary Income	n.a.	333	130	n.a.	n.a.	n.a.	1,489	
Extraordinary Loss	70	829	102	n.a.	73	1,331	40	
Pretax Profit	2,974	3,831	4,628	2,157	4,927	4,612	7,168	
Corporate, Inhabitant and Enterprise Taxes	992	1,312	1,538	612	4,006	1,423	2,268	
Income Taxes-Deferred	-30	-165	-87	-100	-2,203	-456	162	
Total Income Taxes	962	1,146	1,451	512	1,803	967	2,430	
(Corporate Tax Rate)	32.3%	29.9%	31.4%	23.7%	36.6%	21.0%	33.9%	
Net Profit Attributable to Owners of Parent	1,958	2,684	3,177	1,644	3,124	3,641	4,709	5,000
Net Profit Margin	6.3%	6.7%	4.3%	5.5%	5.6%	7.3%	14.9%	9.1%
EPS (¥)	109.61	149.30	174.59	89.94	170.90	199.16	267.76	304.09
Investment in Tangible and Intangible Fixed Assets	72	338	197	2,954	14,142	500	723	
Depreciation and Amortization of Goodwill	159	166	116	72	148	148	206	
Cash Flow	2,118	2,850	3,293	1,716	3,272	3,789	4,915	
CFPS (¥)	118.6	159.5	182.5	93.8	178.9	207.2	268.8	
ROE	10.4%	12.8%	14.0%	6.8%	11.9%	12.4%	15.1%	
ROIC (Capital Invested)	4.8%	4.2%	4.6%	2.8%	5.0%	7.5%	4.6%	
ROIC (Business Assets)	7.5%	5.9%	6.5%	4.4%	7.2%	10.3%	6.2%	
Dividend (¥)	55.00	55.00	55.00	25.00	50.00	55.00	55.00	85.00
Average Number of Shares During the Period (mn shares)	17.0	17.0	18.0	18.0	18.0	18.0	17.0	
Number of Shares at End of Period (mn shares)	17.8	18.0	18.2	18.2	18.2	18.2	16.4	

Note: Due to a change in the fiscal year end, FY12/20 is a 9-month accounting period.
Source: Strategy Advisors, based on Company Data

Figure 36. Consolidated Balance Sheets

(¥ mn)	3/18	3/19	3/20	12/20	12/21	12/22	12/23
Current Assets	56,577	90,020	66,886	60,074	60,002	52,850	84,019
Cash and Deposits	14,522	18,857	21,851	20,897	17,264	23,140	23,092
Accounts Receivable	194	99	147	198	205	273	330
Inventories	41,049	69,516	43,493	38,387	41,995	28,192	60,060
Other	812	1548	1395	592	538	1245	537
Fixed Assets	10,677	9,577	8,169	11,146	26,335	19,302	17,462
Property, Plant and Equipment	187	455	522	3,436	17,488	16,803	14,859
Land	4	4	4	2,884	16,994	16,066	13,971
Intangible Fixed Assets	12	9	14	55	225	116	49
Investments and Other	10,477	9,112	7,633	7,654	8,621	2,382	2,553
Investments in Securities	2,424	1,520	300	293	581	319	343
Allowance for Doubtful Accounts	-361	-213	-89	-89	-88	-88	-84
Other	8,414	7,805	7,422	7,450	8,128	2,151	2,294
Total Assets	67,251	99,597	75,054	71,220	86,337	72,153	101,482
Current Liabilities	9,131	11,876	7,854	5,400	13,999	4,583	7,483
Trade Debt	140	102	225	187	112	103	110
Accounts Payable and Accrued Expenses	848	501	443	459	581	754	451
Interest-Bearing Debt	4,107	8,505	3,890	2,863	7,061	1,875	2,359
Short-Term Debt	3,329	4,968	1,099	797	1,126	n.a.	1,473
Current Portion of L-Term Debt	778	3,537	2,791	2,066	5,935	1,875	886
Accrued Income Taxes	1,061	919	1,523	5	3,753	232	2,202
Deferred Tax Liabilities	96	136	98	112	126	182	210
Other	2,879	1,713	1,675	1,774	2,366	1,437	2,151
Fixed Liabilities	37,819	66,109	43,330	40,979	44,555	36,610	62,496
Interest-Bearing Debt	36,956	65,258	42,674	40,437	42,749	35,288	60,414
Allowance for Retirement Benefits/Payroll	69	43	n.a.	n.a.	n.a.	n.a.	n.a.
Deferred Tax Liabilities	516	539	448	234	1,000	398	587
Other	278	269	208	308	806	924	1,495
Net Assets	20,304	21,611	23,870	24,841	27,781	30,960	31,501
Capital Stock	20,304	21,611	23,870	24,841	27,781	30,906	31,365
Capital & Surplus	7,201	7,410	7,707	7,707	7,705	7,705	7,705
Retained Earnings	13,108	14,811	16,996	17,635	20,302	23,030	26,733
Treasury Stock	0	0	0	0	0	0	-3,499
Accumulated Other Comprehensive Income	-30	-629	-832	-500	-227	169	424
Subscription Warrant	25	20	n.a.	n.a.	n.a.	n.a.	n.a.
Noncontrolling Interest	n.a.	n.a.	n.a.	n.a.	n.a.	54	136
Total Assets	67,251	99,597	75,054	71,220	86,337	72,153	101,482
Interest-Bearing Debt	41,063	73,763	46,564	43,300	49,810	37,163	62,773
Capital Adequacy Ratio	30.2%	21.7%	31.8%	34.9%	32.2%	42.8%	30.9%
D/E Ratio	2.02	3.41	1.95	1.74	1.79	1.20	2.00

Note: Due to a change in the fiscal year end, FY12/20 is a 9-month accounting period.
Source: Strategy Advisors, based on Company Data

Figure 37. Consolidated Statements of Cash Flows

(¥ mn)	3/18	3/19	3/20	12/20	12/21	12/22	12/23
Cash Flows from Operating Activities							
Income before Income Taxes	2,974	3,831	4,628	2,157	4,927	4,612	7,168
Depreciation and Amortization	160	166	116	72	148	148	206
Equity in Earnings (Losses) of Affiliated Companies	292	5	93	-3	378	6,669	-59
Working Capital	-9,644	-28,770	26,022	2,504	5,277	13,387	-32,210
Income Taxes Paid	-1,041	-1,410	-949	-2,090	-377	-5,426	373
Other	1,619	-1,843	-229	930	1,020	603	-690
Total Amount	-5,640	-28,021	29,681	3,570	11,373	19,993	-25,212
Cash Flows from Investing Activities							
Purchases of Property, Plant and Equipment	-38	-324	-144	-56	-13,373	-379	3,487
Payments for Acquisition of Intangible Assets	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.
Other	192	317	1,305	-43	-4,140	223	205
Total Amount	154	-7	1,161	-99	-17,513	-156	3,691
Cash Flows from Financing Activities							
Net Increase (Decrease) in Short-Term Loans Payable	2,789	1,639	-3,869	-302	329	-930	1,440
Net Increase (Decrease) in Long-Term Debt	4,779	31,665	-23,232	-3,116	2,521	-12,128	24,160
Issuance of Shares	3	204	290	n.a.	n.a.	n.a.	n.a.
Payments for Purchase of Treasury Stock	n.a.	n.a.	n.a.	n.a.	n.a.	n.a.	-3,499
Dividends Paid	-1,018	-982	-992	-1,004	-458	-913	-1,005
Other	-140	-14	-17	-20	-29	-4	16
Total Amount	6,413	32,512	-27,820	-4,442	2,363	-13,975	21,112
Effect of Exchange Rate Changes on Cash	7	-136	-28	18	57	99	16
Cash Increase/Decrease	934	4,348	2,994	-953	-3,718	5,960	-392
Cash Beginning Balance	13,575	14,509	18,857	21,851	20,897	17,178	23,140
Cash Ending Balance	14,509	18,857	21,851	20,897	17,178	23,140	22,747

Note: Due to a change in the fiscal year end, FY12/20 is a 9-month accounting period.
Source: Strategy Advisors, based on Company Data