

Company Report

February 5, 2025

Strategy Advisors Inc.

Takao Kanai



Steady Progress in Q1 FY8/2025 Results

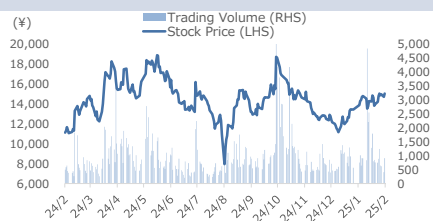
In Q1 of FY8/2025, sales increased 26.2% YoY to ¥15.26 billion, operating income increased 4.56 times to ¥2.97 billion and net income increased 8.90 times to ¥2.0 billion, showing a significant increase in earnings. Net income reached 20% of the company's full-year forecast for FY8/2025. As the company's earnings tend to be concentrated in Q4 every year, progress this Q1 can be said to be going well.

The hotel business was the main contributor to revenue in Q1. Gross profit margin rose significantly to 42.3% from 21.6% in the same period last year. It is believed that there were some highly profitable properties. A major factor was the sale of the land for the Yufuin Hotel Project, which entered the development stage. In addition, there was the sale of land for a rebranding project of a business hotel in Naka-Ku, Nagoya City and the sale of three business hotel properties (Meguro-Ekimae, Kawasaki-Ekimae and Kuramae-Ekimae) of Hotel Mid In.

In Q2, the sale of land related to a rebranding project for a business hotel in Nagasaki was announced, which is expected to contribute to earnings. Inventory assets have been steadily increasing from ¥48.6 billion at the end of FY8/2024 period to ¥51.8 billion at the end of Q1. So, there are plenty of projects that will contribute to future earnings. In addition, with the fundraising through the issuance of CB's worth ¥22 billion in October 2024, the company has obtained the funds necessary for the time being to purchase properties, so the acquisition of land and buildings is also likely to increase.

The stock price has been rebounding since mid-December after softening since October 2024 due to the issuance of CB's and rising macro interest rates. As the pressure for rising interest rates continues, the real estate sector and REIT stock prices will likely continue to be somewhat negative, but the company has its own growth drivers, and it is expected that the stock price will rise as earnings expand. The valuation is slightly higher than other real estate investment companies, with a diluted PER of 16.3 times based on the company's forecast for FY8/2025, but if the medium-term company plan forecast for FY8/2026 is used as the basis, the PER is calculated to fall to 10.9 times. The company's profit growth will continue to attract attention.

Stock Price & Trading Volume



Source: Strategy Advisors

Key Indicators

Stock Price (2/3)	14,720
52-Week High (20/5/24)	18,910
52-Week Low (24/8/5)	7,950
All-Time High (20/5/24)	18,910
All-Time Low (18/12/26)	594
Shares on Issue (mn)	9.84
Market Capitalization (¥ bn)	144.8
EV (¥ bn)	175.6
Equity Ratio (Q1 Actual, %)	25.2
PER (8/25 CoE, Times)	16.3
PBR (8/25 Q1 Actual, Times)	5.3
Dividend Yield (8/25 CoE, %)	1.6

Note: High and low prices are based on closing prices. PER is calculated based on diluted share count.

Source: Strategy Advisors.

Japanese GAAP - Consolidated

FY	Sales (¥ mn)	YoY Change (%)	Operating Income (¥ mn)	YoY Change (%)	Ordinary Income (¥ mn)	YoY Change (%)	Net Profit (¥ mn)	YoY Change (%)	EPS (¥)	DPS (¥)
8/2024 Q1	12,094	61.8	652	96.0	393	65.2	224	44.3	27.5	-
8/2025 Q1	15,264	26.2	2,970	355.3	2,882	632.6	2,002	790.3	203.5	-
8/2020	8,008	49.6	326	-53.3	180	-71.8	134	-69.1	21.7	10.0
8/2021	14,295	78.5	1,328	306.9	1,037	475.6	793	489.9	121.4	20.0
8/2022	20,780	45.4	2,141	61.2	1,732	67.0	1,018	28.3	132.9	30.0
8/2023	37,282	79.4	4,442	107.4	4,119	137.8	2,050	101.4	253.2	60.0
8/2024	65,685	76.2	8,537	92.2	7,860	90.8	5,020	144.8	541.7	170.0
8/2025 CoE	95,000	44.6	16,500	93.3	15,000	90.8	10,000	99.2	1,016.4	240.0

Note: 1:2 stock splits were carried out in September 2019 and September 2021. EPS and DPS are after adjustment.

Source: Company Data. Compiled by Strategy Advisors.

1. Q1 Results Were In-Line with Company Forecasts

High Progress Rate Considering Seasonality

In Q1 of FY8/2025, sales increased 26.2% YoY to ¥15.26 billion, operating income increased 4.56 times to ¥2.97 billion and net profit increased 8.90 times to ¥2.0 billion, showing a significant increase in both sales and profits. As revenues tend to be concentrated in Q4 due to seasonality, revenues tend to be low in Q1, but the progress rate against the annual company forecast for this Q1 was 20.0% for net profits, which is higher than usual, and so it can be said that the company has made a good start.

There Were Sales of Profitable Properties in Q1

Of the ¥6.4 billion gross profit in Q1, it appears that approximately ¥5.7 billion was flow income from the sale of land and other items, and approximately ¥700 million was stock income from project management and other sources. Judging from the company's release, the three properties shown in Figure 2 are thought to have contributed to gross profit in Q1. The gross profit margin in Q1 was 42.3%, a significant increase from 21.6% in the same period last year and it is believed to have included the sale of highly profitable properties. In particular, the Yufuin Hotel Project is a project to build a hotel under the company's high-end brand "seven x seven" and is believed to have made a large contribution to both sales and profitability.

The property in the rebranding project in Naka-Ku, Nagoya City, is an existing business hotel that the company will renovate and rebrand. It is believed that the company plans to open its new cultural business hotel, "BASE LAYER HOTEL". The company acquired the land and building and on-sold the land on the same day, establishing a fixed-term commercial leasehold. As it is located in the center of Nagoya, it is assumed that the transaction was on favorable terms.

The three Hotel Mid In properties were owned by two companies that Kasumigaseki Capital acquired shares in and became subsidiaries. The company had originally planned to rebrand the hotels, but was able to sell them under favorable terms, which appears to have enabled the company to realize profitability early on.

Figure 1. Summary of 8/25 Q1 Financial Results

(¥ mn)

	8/24 Q1	Progress for Full Year	8/25 Q1	YoY	Progress (A)/(B)	FY8/25 CoE (B)	YoY
Sales	12,094	18.4%	15,264	26.2%	16.1%	95,000	44.6%
Gross Profit	2,611	14.1%	6,460	147.4%	NA	NA	NA
Gross Margin	21.6%	-	42.3%	-	-	-	-
Operating Income	652	7.6%	2,970	355.5%	18.0%	16,500	93.3%
Operating Margin	5.4%	-	19.5%	-	112.0%	17.4%	-
Ordinary Income	393	5.0%	2,882	632.6%	19.2%	15,000	90.8%
Net Income	224	4.5%	2,002	790.3%	20.0%	10,000	99.2%

Source: Company Data. Compiled by Strategy Advisors.

Figure 2. Projects Estimated to Have Contributed to Sales in Q1 of FY8/25

Release	Sales Deals in Q1
2024/11/15	Sales of Development Site for Yufuin Hotel Project
2024/11/26	Three Hotel Mid In properties (Meguro-Ekimae, Kawasaki-Ekimae and Kuramae-Ekimae)
2024/11/29	Land Sale for Hotel Rebranding Project in Naka-Ku, Nagoya

Source: Company Data. Compiled by Strategy Advisors.

Selling and Administrative Expenses Increased Significantly

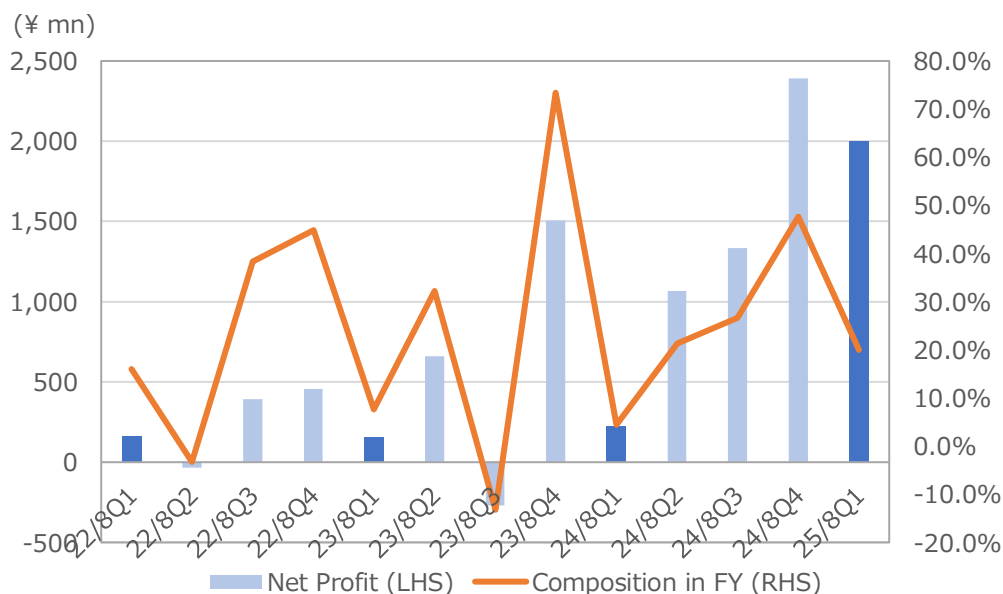
Selling, general and administrative expenses increased significantly from ¥1.96 billion in the same period of the previous year to ¥3.49 billion. This is thought to be due to an increase in personnel expenses, advertising and promotion expenses. The number of group employees at the end of the FY8/24 was 436, a significant increase from 190 a year ago and personnel expenses continue to increase.

Increase in Advertising & Personnel Expenses

In addition, it appears that the company is currently actively advertising and promoting its hotels and logistics. With 15 hotels already open, the company is aiming to increase the number of repeat customers through advertising to promote its brand. As for logistics, the company is focusing on promoting its "COLD X NETWORK" automated refrigerated warehouse system, which began accepting goods in November 2024. Specifically, the company appears to be increasing taxi advertising, event sponsorship and TV Tokyo commercials. As a result, advertising and promotion expenses for the full FY8/25 are expected to increase by around ¥1 billion compared to the previous fiscal year.

Inside of the non-operating income and expenses for Q1, there was a foreign exchange gain of ¥260 million. In the same period of the previous year, there was a foreign exchange loss of -¥50 million. This was due to the yen's depreciation from 144.80 ¥/US\$ at the end of August 2024 to 150.74 ¥/US\$ at the end of November, which led to an increase in the valuation of real estate holdings in Dubai and other locations.

Figure 3. Trends in Net Income (by Quarter)



Source: Company Data. Compiled by Strategy Advisors.

2. Outlook for Q2 and Beyond

Already Sold Land for Nagasaki Rebranding Project in Q2

So far in Q2, the company has announced the sale of land for a rebranding project in Nagasaki. This is expected to contribute to earnings in Q2. As with the Nagoya project mentioned above, the company plans to sell only the land and retain the building for renovation and rebranding. In addition, many of the properties acquired in FY8/24 have yet to sell the land, mainly for hotel development and many of these will likely start generating sales during FY8/25.

Although there may be Quarterly Fluctuations, there is a High Probability of Achieving the Full-Year Forecast

However, since revenue does not accumulate at the same pace each quarter, quarterly earnings may fluctuate. Considering seasonality, the progress rate was high in Q1, but this is presumably due in part to the presence of profitable properties.

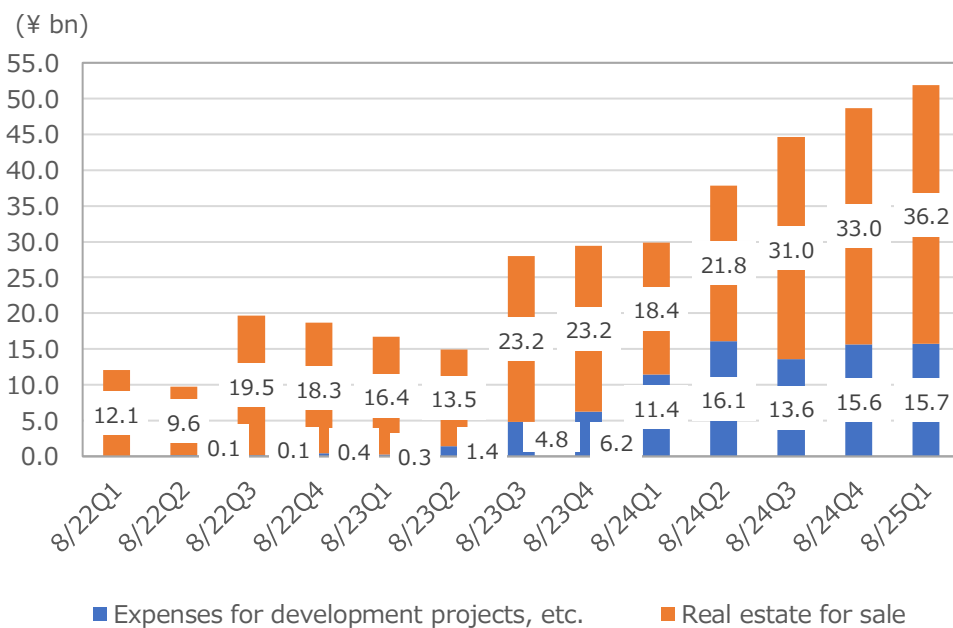
In Q2 and Q3, revenue may plateau somewhat depending on the properties sold. However, as shown in Figure 5, inventory is steadily increasing, so the company appears to be confident in achieving its earnings forecast for FY8/25.

**Figure 4. Acquisitions Made so far in FY8/25
(excluding Projects Already Sold)**

Release	Acquisitions Made so far in FY8/2025
2024/11/20	Fuji-Kawaguchiko Hotel Project development site
2024/11/26	Osaka Honmachi Hotel Project development site
2024/11/29	Asakusa Kaminarimon Hotel Project development site
2024/12/20	Miyako Irabujima Hotel Project development site
2024/12/23	Izumo Hotel Project development site
2025/01/17	Kamakura City Yukinoshita Hotel Project development site

Source: Company Data. Compiled by Strategy Advisors.

Figure 5. Changes in Inventory (by Quarter)



Source: Company Data. Compiled by Strategy Advisors.

Figure 6. Quarterly Earnings Trends

(¥ mn)	8/23				8/24				8/25
FY	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1
Net Sales	7,475	9,014	1,974	18,819	12,094	8,723	12,778	32,090	15,264
Cost of Sales	5,962	6,605	941	13,675	9,482	5,039	8,711	23,893	8,803
Gross Profit	1,512	2,410	1,032	5,145	2,611	3,685	4,066	8,197	6,460
Gross Profit Margin	20.2%	26.7%	52.3%	27.3%	21.6%	42.2%	31.8%	25.5%	42.3%
SG&A Expenses	1,179	1,305	1,427	1,745	1,958	2,346	2,415	3,303	3,490
Sales to SG&A Expenses Ratio	15.8%	14.5%	72.3%	9.3%	16.2%	26.9%	18.9%	10.3%	22.9%
Operating Income	332	1,106	-395	3,399	652	1,339	1,652	4,894	2,970
Operating Income Margin	4.4%	12.3%	-20.0%	18.1%	5.4%	15.4%	12.9%	15.3%	19.5%
Non-Operating Income	1	35	160	53	4	336	554	-547	273
Interest and Dividend Income	1	0	6	-4	1	1	1	2	6
Exchange Gains	0	30	152	0	0	328	548	-569	261
Others	0	5	2	57	3	7	5	20	6
Non-Operating Expenses	96	110	124	242	263	129	283	350	361
Interest Expense and Discount	67	64	90	149	133	127	171	236	259
Exchange Losses	1	-1	0	0	53	-53	0	0	0
Others	28	47	34	93	77	55	112	114	102
Ordinary Income	238	1,030	-359	3,210	393	1,547	1,921	3,999	2,882
Ordinary Income Margin	3.2%	11.4%	-18.2%	17.1%	3.2%	17.7%	15.0%	12.5%	18.9%
Extraordinary Items (Net)	24	7	0	-177	19	237	8	-78	92
Profit before Tax	262	1,037	-359	3,033	413	1,783	1,929	3,920	2,974
Total Corporate Taxes	111	373	-94	1,097	157	653	470	1,347	898
(Corporate Tax Rate)	42.4%	36.0%	26.2%	36.2%	38.0%	36.6%	24.4%	34.4%	30.2%
Net Income Attributable to Owners of Parent	155	661	-271	1,505	224	1,068	1,335	2,393	2,002
Net Income Margin	2.1%	7.3%	-13.7%	8.0%	1.9%	12.2%	10.4%	7.5%	13.1%

Source: Company Data. Compiled by Strategy Advisors.

3. Stock Price Trends and Outlook

Stock Prices Fluctuate Widely within a Range

Kasumigaseki Capital's stock price rose sharply to ¥18,650 (closing price on October 4th) following the announcement of its financial results for FY8/24 on October 2nd, 2024 and its new medium-term management plan (FY8/25 to FY8/29). However, due to the announcement of the issuance of CB's on October 17th and the slump in REIT stock prices due to macro factors such as rising interest rates, the stock price fell to ¥11,170 on December 13th. Since then, the stock price has been recovering as the selling pressure has subsided and the stock price has rebounded on its own.

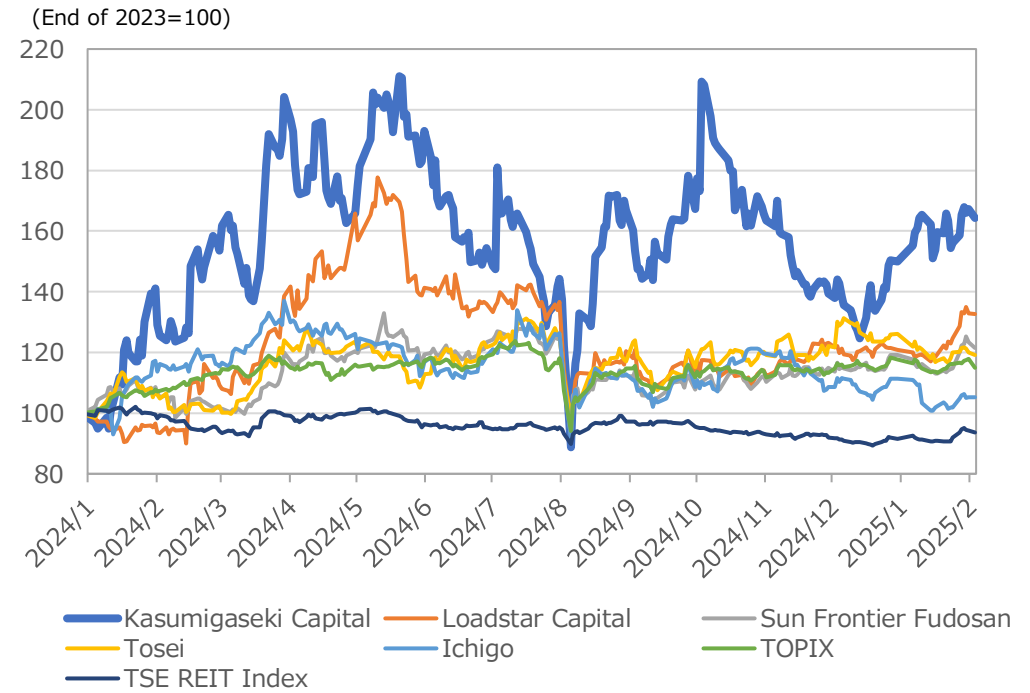
Real Estate and REIT Prices are Stagnant with Only Minor Price Movements

Although the share prices of real estate investment companies vary by company, they were generally strong in the early part of 2024, but after the sudden drop in the overall stock market in August, they have fluctuated in a narrow range or been weak. The Tokyo Stock Exchange REIT Index has been gradually declining since last summer. Figure 8 shows the relationship between the 10-year government bond yield (inverted scale), the Tokyo Stock Exchange Real Estate Industry Index and the Tokyo Stock Exchange REIT Index. REITs, which also have the features of financial products, are heavily influenced by interest rates. But in comparison, the Tokyo Stock Exchange Real Estate Industry Index was strong until mid-2024 due to rising real estate prices. Since then, it has been somewhat weak due to the influence of the overall stock market and interest rate trends.

The Trading Value of the Company's Shares is Exceptionally Large. Price Fluctuations are Also Large

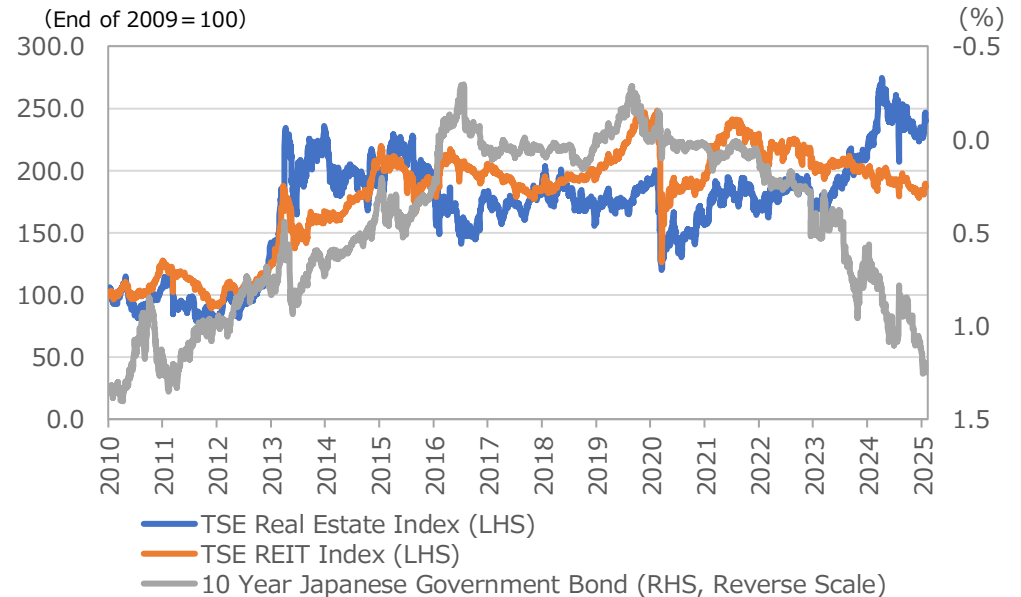
Kasumigaseki Capital's share price is more volatile than other real estate investment companies, developers, REITs, etc. The company is in a period of rapid earnings growth and is attracting a lot of attention in the market, so the trading volume is also very large. Figure 9 compares the shareholder composition and trading volume (average from the beginning of 2024 to January 23, 2025) with other real estate investment companies and shows that the company's trading value is exceptionally large. The average trading value is also larger than that of Mitsui Fudosan (TSE 8801) and Mitsubishi Estate (TSE 8802), which have significantly higher market capitalizations. In this situation, there are profit-taking sales at the peak of the trading range and bargain-hunting at the bottom.

Figure 7. Stock Price Trends of Real Estate Investment Companies



Source: Strategy Advisors.

Figure 8. Interest Rates and Stock Price Trends in the Real Estate Industry



Note: The right axis is a reverse scale.

Source: Compiled by Strategy Advisors. Based on Ministry of Finance Documents.

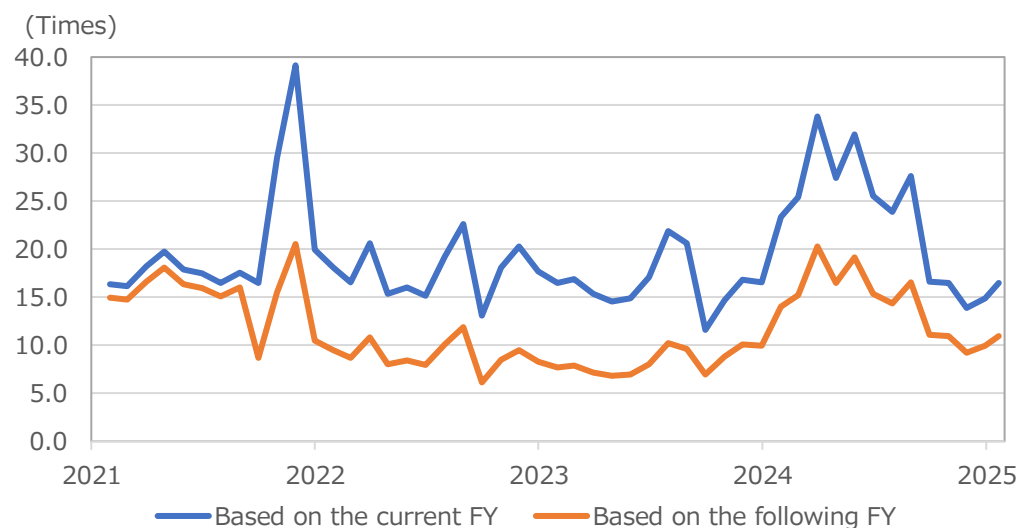
Figure 9. Shareholder composition of real estate investment companies (excluding specific major shareholders) and transaction value

Code	Company	FY	Japan			Foreign	Specific Major Shareholders	Ave. Trading Value Per Day (¥ mn)	Ratio to Market Cap. (%)
			Financial Institutions	Financial Service Provider	Individual	Corporation			
3498	Kasumigaseki Capital	8/24	12.5%	3.5%	44.2%	6.2%	31.9%	15,012	10.5
2337	Ichigo	2/24	8.1%	6.2%	18.2%	16.0%	51.1%	393	0.2
3482	Loadstar Capital	12/23	10.4%	7.2%	47.2%	8.3%	20.5%	426	0.8
8923	Tosei	11/23	13.2%	2.7%	17.2%	27.8%	39.0%	329	0.3
8934	Sun Frontier Fudosan	3/24	13.4%	2.7%	20.2%	19.5%	43.1%	276	0.3

Note: Specific major shareholders are presumed to be founders, individual owners, and the corporations they own. Average daily trading value is from 2024 to January 23, 2025.

Source: Compiled by Strategy Advisors from Various Securities Reports

Figure 10. Trends in PER



Note: FY8/25 forecast EPS is calculated by dividing the company's forecast net income by the number of diluted shares issued. FY8/26 forecast EPS is calculated based on projected net income and diluted number of shares issued in the mid-term plan.

Source: Strategy Advisors.

Valuation is Not High Considering Growth Potential

In terms of valuation, the PER is 16.3 times diluted EPS of ¥902.4, calculated by dividing the company's forecast net income for FY8/25 by the number of diluted shares. Although this is a high level compared to other real estate investment companies, the difference is easily explained by the company's significantly higher profit growth rate.

The diluted PER for the forecast for FY8/26 indicated in the company's medium-term management plan is calculated to be 10.9 times, which is close to the PER forecast for this fiscal year for real estate investment companies.

As Profits Grow, Stock Prices will Also Tend to Rise

It is assumed that the current stock price has already factored in the achievement of the company's forecast for FY8/25 to a certain extent. This can also be seen from the fact that the progress of the Q1 financial results was smooth. Meanwhile, the acquisition of real estate for development is currently expanding, but the mid-term plan's forecast of a net profit of ¥15 billion for FY8/26 is also dependent on future acquisition, so it is assumed that the stock price has not yet fully factored in this. For the time being, the stock price is expected to gradually incorporate the forecast for FY8/26 while watching the trend of the acquisition of real estate for development. There is an expectation that profits will expand in line with the company's forecast, and the current stock price level can be said to be low compared to the growth potential.

In the medium-term management plan announced in October 2024, the company has set a target of ¥50 billion in net income for FY8/29. The company obtained ¥22 billion in cash through the issuance of CB's in October 2024 and raised funds for real estate acquisitions. Given that hotels, logistics facilities, hospices, etc. are growing markets and the company's share is still very low, the company is expected to have a lot of room to grow in the future. For this reason, the stock price is expected to raise the trading range in the medium term, incorporating the expansion of earnings.

Figure 11. Comparison with Other Companies in the Same Industry (Profitability)

Code	Company Name	Latest FY	Sales ¥ bn	Gross Profit Margin %	Operating Income Margin %	Net Income Margin %	ROE %	ROA %	Leverage Times	Total Asset Turnover Times
3498	Kasumigaseki Capital	8/24	65.7	28.3	13.0	7.6	26.3	8.3	2.9	1.08
Real Estate Investment										
2337	Ichigo	2/24	82.7	25.2	15.7	14.6	11.6	3.4	3.5	0.23
3482	Loadstar Capital	12/23	28.7	35.1	28.7	17.0	28.7	6.9	3.9	0.41
8923	Tosei	11/24	82.2	42.8	22.5	14.6	13.9	4.6	3.1	0.31
8934	Sun Frontier Fudosan	3/24	79.9	33.1	22.0	14.9	13.9	7.0	2.1	0.47
	Average			34.0	22.2	15.3	17.0	5.5	3.1	0.36
Major Developers										
3003	Hulic	12/24	591.6	33.2	27.6	17.3	12.8	3.7	3.2	0.21
8801	Mitsui Fudosan	3/24	2,383.3	24.9	14.3	9.4	7.5	2.5	3.1	0.26
8802	Mitsubishi Estate	3/24	1,504.7	26.1	18.5	11.2	7.4	2.3	3.2	0.21
	Average			28.1	20.1	12.6	9.2	2.8	3.2	0.23
Hotel										
4681	Resorttrust	3/24	201.8	84.6	10.5	7.9	12.9	3.5	3.6	0.44
9616	Kyoritsu Maintenance	3/24	204.1	24.0	8.2	6.1	15.4	4.6	3.1	0.75
9722	FUJITA KANKO	12/23	64.5	15.1	10.3	12.6	33.4	8.4	3.6	0.67
	Average			41.2	9.6	8.8	20.6	5.5	3.5	0.62
Healthcare										
7061	Japan Hospice Holdings	12/23	9.9	19.5	13.0	6.9	29.0	5.1	5.6	0.74
7071	Amvis Holdings	9/24	42.5	40.2	25.0	17.5	24.9	11.7	2.2	0.67
9158	CUC	3/24	33.0	48.2	11.3	7.9	13.3	5.1	2.3	0.64
	Average			36.0	16.4	10.8	22.4	7.3	3.4	0.68

Source: Company Data. Compiled by Strategy Advisors.

Figure 12. Comparison with Other Companies in the Same Industry (Valuation)

Code	Company Name	Stock Price (2/3) ¥	Market Capitalization ¥ bn	PER (CoE) Times	PBR Times	ROE %	Dividend Yield (CoE) %	EV/EBITDA Times
3498	Kasumigaseki Capital	14,720	144.8	16.3	5.3	26.3	1.6	10.3
Real Estate Investment								
2337	Ichigo	356	156.8	11.1	1.5	11.6	2.8	16.4
3482	Loadstar Capital	2,729	44.9	6.5	2.4	28.7	2.6	6.1
8923	Tosei	2,381	115.4	9.0	1.3	13.9	3.7	11.1
8934	Sun Frontier Fudosan	1,984	96.3	6.9	1.1	13.9	3.3	5.6
	Average			8.4	1.6	17.0	3.1	9.8
Major Developers								
3003	Hulic	1,359.5	1,035.4	9.6	1.2	12.8	4.2	14.2
8801	Mitsui Fudosan	1,398.0	3,925.3	16.7	1.3	7.5	2.1	17.5
8802	Mitsubishi Estate	2,246.5	2,844.6	16.3	1.2	7.4	1.9	14.3
	Average			14.2	1.2	9.2	2.8	15.3
Hotel								
4681	Resorttrust	3,232	342.2	20.1	2.6	12.9	1.7	10.3
9616	Kyoritsu Maintenance	3,061.0	239.5	19.1	2.8	15.4	1.0	13.7
9722	FUJITA KANKO	9,960	119.4	15.7	7.7	33.4	0.0	10.0
	Average			18.3	4.4	20.6	0.9	11.3
Healthcare								
7061	Japan Hospice Holdings	1,350	10.9	12.4	4.1	29.0	0.0	9.9
7071	Amvis Holdings	640	62.6	10.8	1.9	24.9	0.6	8.2
9158	CUC	1,511	44.3	15.3	1.6	13.3	0.0	10.8
	Average			12.8	2.5	22.4	0.2	9.6
Global		(US\$)	(US\$ bn)					
BX	Blackstone Inc	173.54	133.3	39.2	19.6	19.2	2.2	22.7

Note: Kasumigaseki Capital's PER (company forecast) is calculated as EPS, which is the company's forecast net income for the current period divided by the number of diluted shares. Blackstone's P/E and dividend yield are taken from FactSet consensus. EBITDA in EV/EBITDA is calculated by adding the company's forecast operating profit and the most recent actual depreciation expenses.

Source: Company Data. Compiled by Strategy Advisors.

Figure 13. List of Hotels Currently in Operation

	Hotel	Opening	Floor Area (m²)	Rooms
1	fav Hida Takayama	26-Oct-2020	1,702	38
2	fav Takamatsu	20-Nov-2020	1,985	41
3	fav Kumamoto	18-Nov-2021	2,957	67
4	fav Ise	1-Dec-2021	1,216	36
5	fav Hiroshima Stadium	22-Aug-2022	1,271	33
6	fav Hakodate	30-Aug-2022	1,380	30
7	fav Kagoshima Chuo	21-Nov-2022	2,226	51
8	fav Hiroshima Heiwa Odori	12-Dec-2022	2,500	51
9	fav Tokyo Nishinippori	21-Dec-2022	772	24
10	fav Tokyo Ryogoku	1-Mar-2023	730	19
11	FAV LUX Hida Takayama	11-Aug-2023	2,908	53
12	FAV LUX Nagasaki	1-Feb-2024	2,552	52
13	seven x seven Itoshima	1-Mar-2024	3,785	47
14	seven x seven Ishigaki	9-Sep-2024	16,974	121
15	FUV LUX Kagoshima Tenmonkan	13-Dec-2024	3,463	63

Note: Total floor area is rounded off to the nearest whole number.

Source: Company Data. Compiled by Strategy Advisors.

Figure 14. List of Planned Hotel Development Projects

	Project	Scheduled Completion	Scheduled Opening	Floor Area (㎡)	Rooms
1	FAV LUX Sapporo Susukino	Mar-2025	Jul-2025	4,285	84
2	Gotemba Todenchu Hotel PJ	May-2025	Aug-2025	3,843	49
3	FAV LUX Shodoshima	May-2025	Aug-2025	4,635	45
4	Awajishima Sumoto Hotel PJ	Aug-2026	Mar-2027	5,073	59
5	Shodoshima Shobu Hotel PJ	Planning	Planning	Planning	Planning
6	Yufuin Hotel PJ	Nov-2026	Mar-2027	7,691	39
7	Miyazaki City, Tachibana Higashi Hotel PJ	Feb-2026	Jun-2026	2,495	41
8	Hakone Gora Hotel PJ	Planning	Planning	Planning	Planning
9	BASE LAYER HOTEL Nagoya	-	May-2025	4,106	186
10	Nagoya Marunouchi Hotel PJ	Planning	Planning	Planning	Planning
11	Kanazawa Katamachi Hotel	Planning	Planning	Planning	Planning
12	Atami Ginza-machi Hotel PJ	Planning	Planning	Planning	Planning
13	Hiroshima Miyajimaguchi Hotel P	Jan-2026	Feb-2026	4,400	34
14	Fukuoka Hotel rebrand PJ	-	Fall 2025	3,273	Planning
15	Asahikawa Hotel PJ	Planning	Planning	Planning	Planning
16	Uji Yamada Hotel PJ	Planning	Planning	Planning	Planning
17	Miyako Nishihama Beach Hotel PJ	Planning	Planning	Planning	Planning
18	Ginza Hotel PJ	Planning	Planning	Planning	Planning
19	Shibuya-Ku Hotel PJ	Planning	Planning	Planning	Planning
20	Nagasaki Hotel rebrand PJ	-	Planning	Planning	Planning
21	Fuji Kawaguchi-ko Hotel PJ	Planning	Planning	Planning	Planning
22	Osaka Hommachi Hotel PJ	Planning	Planning	Planning	Planning
23	Nagoya Nakaku Hotel rebrand PJ	-	Planning	7,461	Planning
24	Asakusa Kaminarimon Hotel PJ	Planning	Planning	Planning	Planning
25	Miyakojima Irabu Hotel PJ	Planning	Planning	Planning	Planning
26	Izumo Hotel PJ	Planning	Planning	Planning	Planning
27	Kamakura Yukinoshita Hotel PJ	Planning	Planning	Planning	Planning

Note: Total floor area is rounded off to the nearest whole number. Schedule, total floor area, and number of rooms are subject to change depending on the development status.

Source: Company Data. Compiled by Strategy Advisors.

Figure 15. Logistics Warehouse Project Pipeline List

	Location	Asset Type	Floor Area (sqm)	Expected Construction Start	Expected Completion
1	Ichikawa City, Chiba	Frozen/Refrigerated	8,609	-	Completed
2	Funabashi City, Chiba	Frozen/Refrigerated	6,960	-	Completed
3	Yokohama Kohoku area	Frozen/Refrigerated	10,979	-	Completed
4	Kyoto-fu, Kyoto	Frozen/Refrigerated	12,012	-	Completed
5	Atsugi, Kanagawa	Frozen/Refrigerated	14,257	-	Completed
6	Osaka Nanko area	Frozen/Automated	36,415	Spring 2025	Fall 2027
7	Koga, Fukuoka	3-Temperature Band	35,901	-	Completed
8	Sendai, Miyagi	3-Temperature Band	36,758	-	Completed
9	Tokorozawa area, Saitama	Frozen/Automated	9,622	-	Completed
10	Ibaraki, Osaka	Frozen/Refrigerated	29,357	Started	Feb-2025
11	Narashino, Chiba	Frozen/Refrigerated	8,850	Started	Early 2026
12	Hachinohe, Aomori	Frozen/Automated	15,918	Started	Completed
13	Kawasaki, Kanagawa 1)	Frozen/Automated	20,777	Started	Summer 2026
14	Kawasaki, Kanagawa 2)	Frozen/Automated	25,402	Spring/Summer 2025	Winter 2027
15	Koshigaya, Saitama	Frozen/Automated	20,711	Fall/Winter 2025	Summer 2027
16	Kobe, Hyogo	Frozen/Automated	25,466	Winter 2025	Winter 2027
17	Nagoya, Aichi	Frozen/Automated	21,620	Started	Spring 2026
18	Fukuroi, Shizuoka	Frozen/Automated	83,000	Spring 2026	Winter 2028

Note: Total floor area is rounded up or down. Total floor area and schedule are subject to change depending on the development situation.

Since an automated warehouse has an open-ceiling structure and no floors, the total floor area listed is the area of a virtual floor.

A logistics facility that can handle three temperature zones: frozen, chilled and dry

Source: Company Data. Compiled by Strategy Advisors.

Figure 16. Hospice Housing Project Pipeline List

	Location (Facility)	Status	Opening/Schedule	Rooms
1	Minami Ward, Sapporo City (PALME Sumikawa)	Completed	Jul-2022	37
2	Chofu City, Tokyo (CLASWELL Senkawa)	Completed	Jul-2023	70
3	Chuo Ward, Sapporo City (PALME Sapporo Chuo)	Completed	Apr-2024	60
4	Itabashi Ward, Tokyo (CLASWELL Kotakemukaihara)	Completed	Nov-2024	59
5	Shinjuku Ward, Tokyo	Developing	Feb-2025	48
6	Toyonaka City, Osaka	Developing	Winter/Spring 2026	56
7	Nerima Ward, Tokyo 1)	Developing	Mar-2025	50
8	Suita City, Osaka	Developing	Winter/Spring 2026	56
9	Fuchu City, Tokyo	Developing	Early 2026	47
10	Fukuoka City, Fukuoka	Developing	Summer 2026	52
11	Saitama City, Saitama 1)	Developing	Winter/Spring 2026	60
12	Saitama City, Saitama 2)	Developing	Winter 2025	58
13	Nishinomiya City, Hyogo	Developing	Fall/Winter 2026	45
14	Nerima Ward, Tokyo 2)	Developing	Fall 2026	57
15	Suginami Ward, Tokyo	Land Sale Contract Completed	Fall 2026	50

Note: The number of rooms and schedule may change depending on development status.

Source: Company Data. Compiled by Strategy Advisors.

Figure 17. Income Statement

(¥ mn)

FY	8/19	8/20	8/21	8/22	8/23	8/24
Net Sales	5,352	8,008	14,295	20,780	37,282	65,685
YoY	32.4%	49.6%	78.5%	45.4%	79.4%	76.2%
Cost of Sales	3,559	5,693	9,885	14,601	27,183	47,125
Gross Profit	1,793	2,315	4,410	6,178	10,099	18,559
Gross Profit Margin	33.5%	28.9%	30.8%	29.7%	27.1%	28.3%
SG&A Expenses	1,094	1,989	3,081	4,036	5,656	10,022
Operating Income	699	326	1,328	2,141	4,442	8,537
YoY	88.9%	-53.4%	307.4%	61.2%	107.5%	92.2%
Operating Income Margin	13.1%	4.1%	9.3%	10.3%	11.9%	13.0%
Non-Operating Income	12	8	7	84	249	347
Interest and Dividend Income	0	3	0	3	3	5
Non-Operating Expenses	71	154	299	493	572	1,025
Interest Expense and Discount	39	83	175	337	370	667
Ordinary Income	639	180	1,037	1,732	4,119	7,860
YoY	86.8%	-71.8%	476.1%	67.0%	137.8%	90.8%
Ordinary Income Margin	11.9%	2.2%	7.3%	8.3%	11.0%	12.0%
Extraordinary Income	0	218	675	89	45	498
Extraordinary Loss	0	201	676	275	191	312
Pretax Profit	639	197	1,035	1,546	3,973	8,045
YoY	84.1%	-69.2%	425.4%	49.4%	157.0%	102.5%
Pretax Profit Margin	11.9%	2.5%	7.2%	7.4%	10.7%	12.2%
Total Corporate Taxes	204	73	245	508	1,487	2,627
(Corporate Tax Rate)	31.9%	37.1%	23.7%	32.9%	37.4%	32.7%
Net Income	435	123	789	1,038	2,486	5,417
Net Income Attributable to Non-Controlling Interests	0	-11	-3	20	435	397
Net Income Attributable to Owners of Parent	435	134	793	1,018	2,050	5,020
YoY	90.8%	-69.2%	491.8%	28.4%	101.4%	144.9%
Net Income Margin	8.1%	1.7%	5.5%	4.9%	5.5%	7.6%
EPS (¥)	81.7	21.7	121.4	132.9	253.2	541.7

Source: Company Data. Compiled by Strategy Advisors.

Figure 18. Balance Sheet

(¥ mn)

FY	8/18	8/19	8/20	8/21	8/22	8/23	8/24	8/25Q1
Current Assets	1,566	5,794	7,125	10,705	25,759	37,350	67,066	92,781
Cash & Deposits	607	572	2,179	3,607	5,393	5,897	11,064	33,191
Accounts Receivable	26	134	29	137	233	265	1,203	1,388
Inventory	697	4,076	3,920	5,141	18,704	29,410	48,670	51,870
Allowance for Doubtful Accounts	0	-1	0	0	-8	-13	-16	-15
Other Current Assets	236	1,013	997	1,820	1,437	1,791	6,145	6,347
Fixed Assets	1,761	1,146	1,312	4,321	4,666	6,418	10,474	15,815
Tangible Fixed Assets	1,611	947	774	3,276	3,236	2,382	4,488	6,301
Intangible Fixed Assets	57	19	21	76	74	78	778	833
Investments & Other Assets	93	179	517	968	1,356	3,956	5,207	8,680
Total Assets	3,326	6,944	8,440	15,040	30,437	43,780	77,549	108,713
Current Liabilities	1,056	1,751	2,593	4,139	13,889	16,166	22,130	34,486
Trade Payables	0	0	0	0	0	0	0	0
Interest-Bearing Debt	535	863	2,054	2,725	11,873	13,023	16,227	27,382
Others	521	888	539	1,414	2,016	3,143	5,903	7,104
Fixed Liabilities	1,626	3,635	1,973	5,994	7,187	15,932	27,678	46,027
Interest-Bearing Debt	1,455	3,490	1,920	4,779	6,532	15,260	25,661	44,579
Deferred Tax Liabilities	29	0	0	398	348	358	1,177	397
Others	142	145	53	817	307	314	840	1,051
Net Assets	644	1,556	3,873	4,906	9,360	11,681	27,739	28,199
Shareholders' Equity	644	1,556	3,863	4,833	9,218	11,106	27,125	27,460
Capital	170	408	1,586	1,643	3,514	3,549	9,287	9,290
Capital Surplus	75	313	1,495	1,561	3,438	3,453	9,206	9,209
Retained Earnings	399	834	914	1,644	2,529	4,145	8,673	9,003
Accumulated Other Comprehensive Income	0	0	-3	-1	-21	-56	-274	-86
Stock Acquisition Rights	0	0	12	46	80	134	180	201
Non-Controlling Interests	0	0	0	28	82	496	708	623
Liabilities & Net Assets	3,326	6,944	8,440	15,040	30,437	43,780	77,549	108,713
Equity Capital	644	1,556	3,860	4,832	9,197	11,050	26,851	27,373

Source: Company Data. Compiled by Strategy Advisors.

Figure 19. Cash Flow Statement

(¥ mn)

FY	8/19	8/20	8/21	8/22	8/23	8/24
Cash Flows from Operating Activities						
Net Income Before Taxes and Other Adjustments	639	197	1,035	1,546	3,973	8,045
Depreciation and Goodwill Amortization	141	148	199	269	300	536
Increase/Decrease in Accounts Receivable	-106	104	-106	-96	-31	-636
Increase/Decrease in Accounts Payable	0	0	0	0	0	0
Increase or Decrease in Inventory	-2,426	376	322	-12,812	-9,399	-10,014
Other Operating Cash Flows	-750	-540	-478	-596	-2,771	-6,377
Total	-2,502	285	972	-11,689	-7,928	-8,446
Cash Flows from Investing Activities						
Expenditures for Acquisition of Tangible Fixed Assets	-245	-109	-1,664	-203	-465	-1,899
Proceeds from Sales of Property, Plant and Equipment	0	8	0	9	15	54
Expenditures for Acquisition of Intangible Fixed Assets	0	-10	-8	-4	-15	-249
Proceeds from Sales of Intangible Fixed Assets	0	0	0	0	0	0
Expenditures for Acquisition of Investment Securities	0	-76	-61	-264	-702	-2,419
Proceeds from Sales of Investment Securities	0	0	0	0	8	8
Other Investment Cash Flow	-49	-259	92	26	6	-304
Total	-294	-446	-1,641	-436	-1,153	-4,809
Cash Flows from Financing Activities						
Net Increase/Decrease in Short-Term Interest-Bearing Debt	219	1,138	46	1,526	3,126	4,367
Net Increase/Decrease in Long-Term Interest-Bearing Debt	2,013	-1,505	1,812	9,408	6,739	4,302
Share Issuance	462	2,312	0	3,568	0	10,894
Expenditures for Acquisition of Treasury Stock	0	-199	0	-321	-178	0
Dividend Payment	0	-55	-63	-132	-240	-489
Other Financing Activities Cash Flow	68	-23	400	-148	58	-661
Total	2,762	1,668	2,195	13,901	9,505	18,413
Effect of Exchange Rate Changes on Cash and Cash Equivalents	0	-4	0	10	79	4
Increase in Cash and Cash Equivalents	-34	1,503	1,527	1,786	502	5,163
Cash and Cash Equivalents at Beginning of Period	606	572	2,075	3,603	5,390	5,893
Impact of Changes in Scope of Consolidation	0	0	0	0	0	0
Cash and Cash Equivalents at End of Period	572	2,075	3,603	5,390	5,893	11,056
Free Cash Flow	-2,796	-161	-669	-12,125	-9,081	-13,255

Source: Company Data. Compiled by Strategy Advisors.

Disclaimer

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

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

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

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

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

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

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

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

In principle, the copyright of this report belongs to the publisher. It is prohibited by law to copy, sell, display, distribute, publish, modify, distribute or use for commercial purposes any information provided in this report without the publisher's consent.



Strategy Advisors

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