Company Report

May 15, 2025

Strategy Advisors Inc.
Keita Fujino

Q1 Results: Sales Up, But Profits Down YoY. However, Progress Towards Achieving the Full-Year Forecasts is In-Line with Company Plans

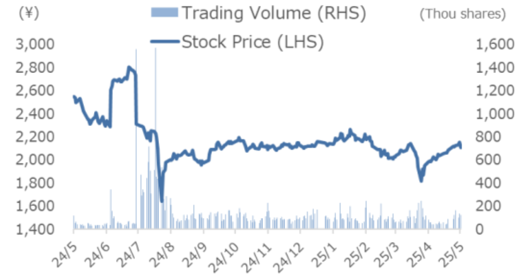
For Q1 FY12/2025, JINUSHI (hereinafter "the Company") reported a 2.7% YoY increase in sales, driven by real estate for sale. However, the sales of low-margin warehousing projects led to a decline in gross profit, resulting in a 28.6% decrease in operating profit and a 34.4% drop in net profit attributable to parent company shareholders.

Progress toward the company's full-year forecasts stood at 43.6% for sales and 29.7% for net profit, consistent with its initial plan, which assumes that the bulk of profit will be recorded in the second half.

On the procurement side, activity slowed YoY as the Company strategically limited contracts in specific sectors to maintain portfolio balance. Many of the reduced deals were small in scale, so the decline in contract value was not as sharp as the decline in the number of deals. Meanwhile, the asset balance of JINUSHI REIT, which completed its 9th capital increase in January 2025, rose 16.2% from the previous period to ¥257.6 billion, reflecting strong fundraising conditions.

Relative to TOPIX, the Company's stock price has significantly underperformed due to the major financing implemented in July 2024. However, that financing was conducted because of the Company's confidence in a robust procurement pipeline that supports future earnings. Given the current valuation, which is lower than peers, we expect the stock price to more closely reflect business performance as earnings expand.

Stock Price & Volumes



Source: Strategy Advisors

Key Indicators

Stock Price (25/5/14)	2,110
52-Week High (24/7/5)	2,802
52-Week Low (24/8/5)	1,642
All-Time High (24/7/5)	2,802
All-Time Low (20/4/3)	1,121
Shares on Issue (mn)	21.6
Market Capitalization (¥ bn)	45.5
EV (¥ bn)	74.6
Equity Ratio (FY12/24, %)	38.6
ROE (FY12/24, %)	16.0
PER (FY12/25 est., Times)	7.1
PBR (FY12/24 Actual, Times)	1.0
Div. Yield (FY12/25 est., %)	4.7

Source: Strategy Advisors

Japanese GAAP - Consolidated

FY	Sales (¥ mn)	YoY (%)	OP (¥ mn)	YoY (%)	RP (¥ mn)	YoY (%)	NP (¥ mn)	YoY (%)	EPS (¥)	DPS (¥)
FY12/2024 Q1	29,729	265.7	4,126	351.3	4,292	388.2	2,758	104.3	167.8	-
FY12/2025 Q1	30,529	2.7	2,948	-28.6	2,467	-42.5	1,809	-34.4	88.1	-
FY12/2021	56,177	-	5,475	-	5,002	-	3,124	-	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	57,068	80.6	8,677	41.0	8,265	44.5	6,087	29.3	334.9	85.0
FY12/2025 CoE	70,000	22.7	9,500	9.5	8,000	-3.2	6,100	0.2	295.5	100.0

Note: Due to a change in fiscal year end, FY12/2020 is a nine-month period, so YoY comparisons for FY12/2021 are not available.

Source: Strategy Advisors. Based on Company Data.

Table of Contents

1. FY12/2025 Q1 Financial Results

Q1 Sales Up, Profits Down YoY

In Q1 FY12/2025, sales increased 2.7% YoY to ¥30.52 billion, operating profit declined 28.6% YoY to ¥2.94 billion and net profit attributable to owners of the parent fell 34.4% YoY to ¥1.80 billion. The progress rates against the company's full-year forecasts for FY12/2025 were 43.6%, 31.0% and 29.7% respectively.

Figure 1. Summary of Q1 Results for FY12/2025

(¥ mn)	FY12/2025 Q1 (A)	YoY	Progress (A)/(B)	FY12/2025 Full-Year CoE (B)
Sales	**30,529**	2.7%	43.6%	70,000
Operating Profit	**2,948**	-28.6%	31.0%	9,500
Ordinary Profit	**2,467**	-42.5%	30.8%	8,000
Net Profit Attributable to Owners of the Parent	**1,809**	-34.4%	29.7%	6,100

Source: Strategy Advisors. Based on Company Data.

Growth in Sales Projects Drives Higher Revenue YoY

In Q1 FY12/2025, the Company's sales rose by 2.7% YoY, driven exclusively by an increase in sales transactions. This uptick reflected both the smooth execution of property sales following JINUSHI REIT's 9th capital increase in January 2025 and the completion of several sponsor-support warehousing agreements, as described below.

Gross Profit Margin Decreased 4.3 percentage points YoY

Despite higher top-line results, gross profit fell 22.1% YoY to ¥4.17 billion and the gross profit margin decreased by 4.3 percentage points to 13.7%.

The company's revenue can be categorized into flow business revenue, stock business revenue, and others. The size of others is exceedingly small, so the flow business and the stock business account for the majority of the company's total revenue.

There is a large difference in gross profit margin between the flow business and the stock business, and changes in the composition ratio of the flow business and the stock business have a significant impact on the overall gross profit margin. In terms of the percentage of gross profit in Q1, flow business revenue accounted for 76.8%, down from 81.6% in the same period of the previous year. This shift underscores that the margin decline was driven not by a change in segment mix, but by decline in the flow business margin itself.

Flow Business Gross Margin Decline Primarily Due to Warehousing Projects

Flow business revenues are equal to real estate sales revenues. They are highly variable, depending on the status of sales of leased land and the profitability of individual properties that are sold, regardless of the supply and demand for the company's leased lands.

The gross profit margin of the flow business for the Q1 decreased by 4.4 percentage points to 10.9% primarily because a larger portion of transactions were warehousing agreements.

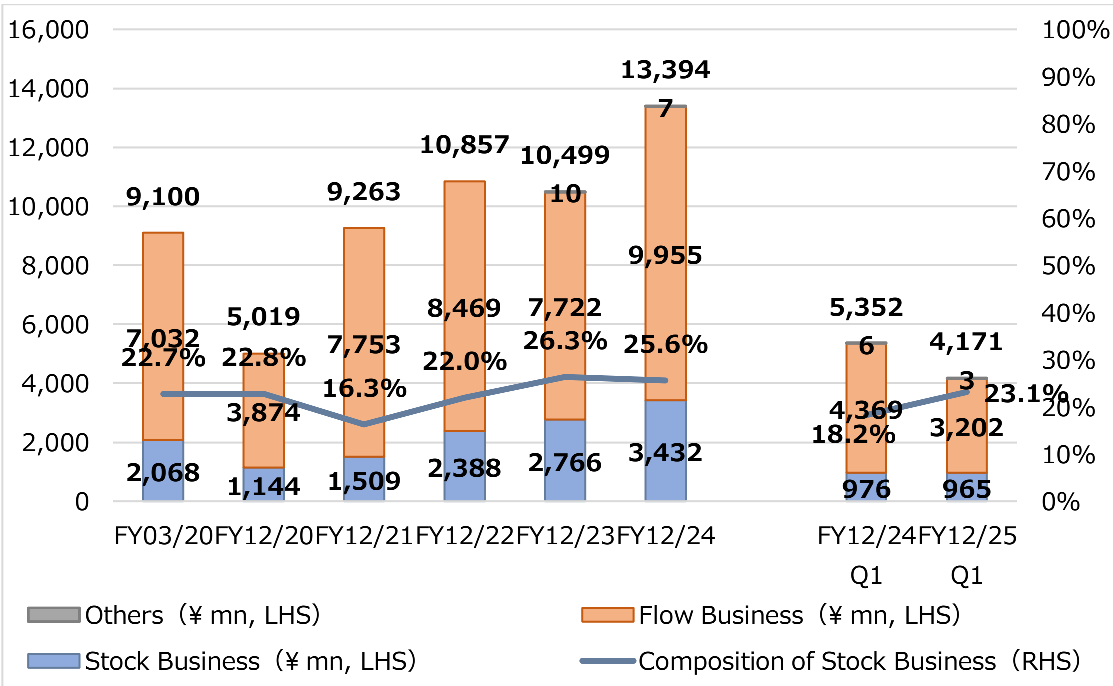
This was due to the large projects using “real estate warehousing schemes” sold in Q1. Projects using “real estate warehousing schemes” are one of the functions of sponsor support for JINUSHI REIT, in which properties that would normally be acquired directly by JINUSHI REIT from a third party are acquired by the company in advance and subsequently sold to JINUSHI REIT to optimize acquisition timing for JINUSHI REIT. Projects using “real estate warehousing schemes” generally have low gross profit margins at the time of sale, resulting in lower gross profit margins on flow business revenues.

The company proceeded with these sponsor-support activities as planned; and it anticipates that conventional sales transactions will reassert themselves and drive margin recovery in the second half of FY12/2025.

Stock Business Gross Margin Remain Stable

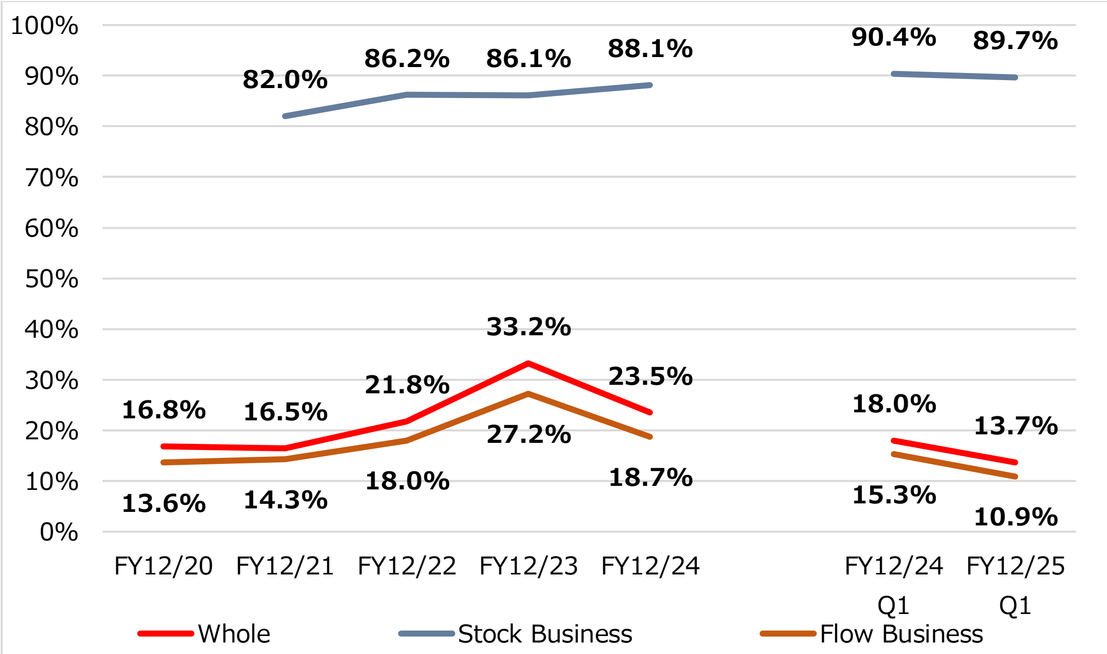
Stock business is categorized by business segment into leasing income from Real Estate Investment Business (leasing income while holding), Real Estate Leasing Business and Asset Management Business. The composition of stock business revenues also rises and falls as they are affected by increases and decreases in ones of flow business. However, the company's long-term policy is to improve earnings stability by using stable stock revenues to cover fixed costs, and so it is essential that the amount of stock business revenues continues to increase.

Figure 2. Gross Profit by Business Type



Note: Due to a change in the fiscal year end, FY12/20 is a 9-month accounting period.
Segment classifications have been changed from FY12/24; figures for FY12/23 are based on the new classifications. Prior to FY12/22, "Others" in the new classification is included in "Flow Business".
Source: Company data compiled by Strategy Advisors

Figure 3. Gross Profit Margin Trends



Note: Due to a change in the fiscal year end, FY12/20 is a 9-month accounting period.
Segment classifications have been changed from FY12/24; figures for FY12/23 are based on the new classifications. Prior to FY12/22, "Others" in the new classification is included in "Flow Business".

Source: Strategy Advisors. Based on Company Data.

Operating Profit Margin Declined, but was in Line with Expectations

In Q1 FY12/2025, the Company reported a slight reduction in Selling, General and Administrative (SG&A) expenses to ¥1.22 billion. As a result, the SG&A-to-sales ratio improved by 0.1 percentage points to 4.0%.

Because the gross profit margin decreased more sharply, the operating profit margin declined by 4.2 percentage points YoY to 9.7%. This decline in gross profit margin remained within the Company’s initial guidance range, the results were considered to be in line with expectations.

While Quarterly Net Profit Will Decline, Most Profits are Expected in 2H

In non-operating activities, the Company recorded a foreign-exchange loss of ¥230 million, compared with a ¥240 million gain in Q1 FY12/2024, reflecting currency movements on loans extended to its U.S. subsidiary. In addition, the Company recognized an extraordinary gain of ¥170 million on the liquidation of its Australian affiliate, New Real Property (no extraordinary gains were booked in the prior-year period). After accounting for these non-recurring items, net profit attributable to owners of the parent declined 34.4% YoY and net-profit margin narrowed by 3.4 percentage points to 5.9%.

The company will refine its sales plan throughout the year to strike an optimal balance between maximizing revenues from individual projects and maintaining financial prudence. It continues to expect the majority of FY12/2025 profits to be realized in the second half, driven by a return to higher-margin sales transactions and the ongoing contribution of stable stock-business revenues. Q1 results are fully aligned with these strategic assumptions.

2. Recent Trends in the JINUSHI Business

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

Of the four steps, the "managing investors' funds" process is handled by JINUSHI REIT which JINUSHI Asset Management, a wholly owned subsidiary, manages and will be described in the following chapter, "Recent Trends of JINUSHI REIT".

1) Buying (Purchasing) Land

Agreement-based Purchases Declined YoY Due to Strategic Restraints in Specific Industries Designed to Maintain Portfolio Balance

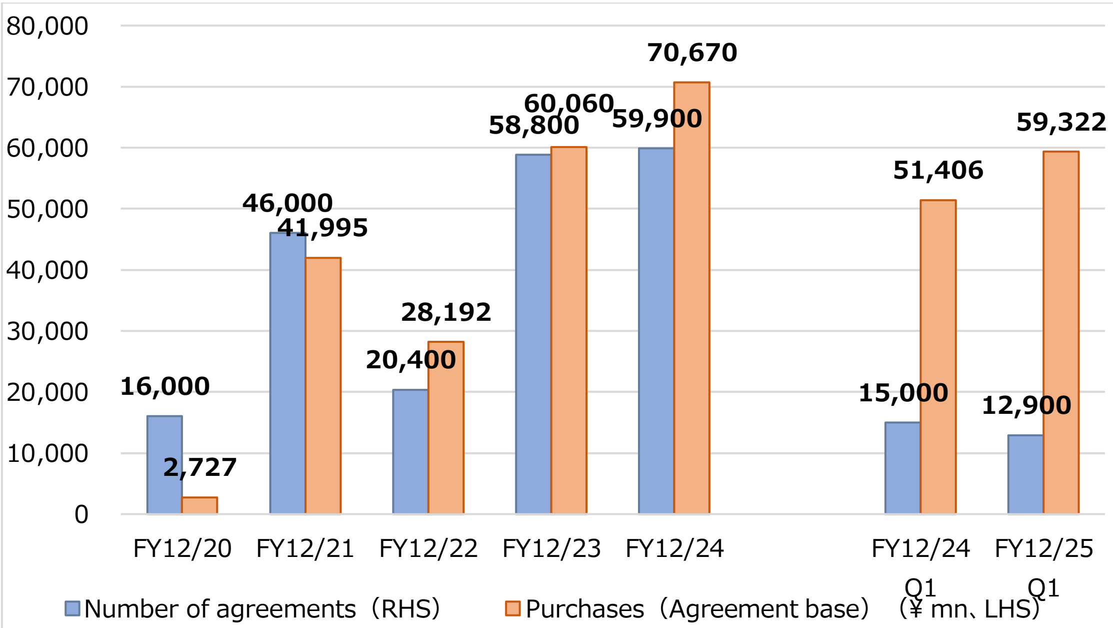
The number of purchases (agreement basis) for Q1 was 10, down 14 from the same period last year, and the volume of purchases was ¥12.9 billion, down 14.0% YonY.

The reason for the decrease in the number of purchases was that, as funeral halls deals were on the rise, the company took into consideration the balance of its portfolio and strategically restrained purchases related to this industry from the second half of 2024. As deals in this industry were small-scale, the number of purchases decreased by 41.7% compared to the same period last year, while the purchase volume decreased by only 14.0%.

Real Estate Held for Sale Rose 15.4% YoY in Anticipation of Future Sales Growth

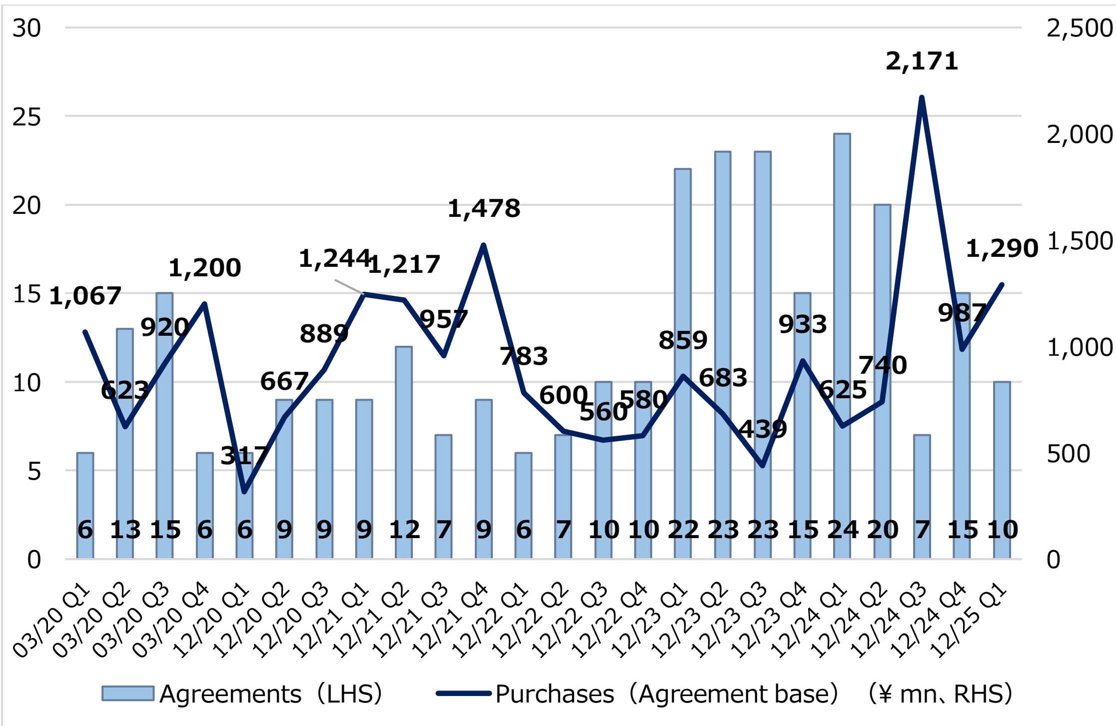
The balance of real estate for sale (booked basis) at the end of Q1 was ¥59.32 billion, up 15.4% from ¥51.40 billion at the end of Q1 of the previous term and is steadily building up in anticipation of future sales increases. Overall, it appears that there are no negative factors occurring in the external environment surrounding procurement.

Figure 4. 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.

Figure 5. Number of Agreements for Purchases and Value of Purchases Per Agreement (Quarterly)



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.

"Off-balance-sheet Schemes for land" As a Focus Area from FY12/2023 Onwards

Since FY12/2023, the Company has prioritized Purchases by "Off-balance-sheet Schemes for land" as a key growth strategy. In situations where the client company owns both land and an operating building, it divests only the land and simultaneously enters into a fixed-term land lease agreement, thereby retaining uninterrupted use of the facility. This scheme preserves operational continuity while strengthening the balance sheet through the infusion of growth capital, the realization of land-sale profits and the reduction of on-balance-sheet assets. The company estimates the addressable market for such transactions at approximately ¥45 trillion and regards this segment as a high-potential avenue for future expansion.

As of Q1 FY12/2025, the cumulative number of transactions using "Off-balance-sheet Schemes for land" reached 28, with total acquisition proceeds of ¥77.9 billion. The Company is ready to continue to focus on acquiring such transactions using "Off-balance-sheet Schemes for land."

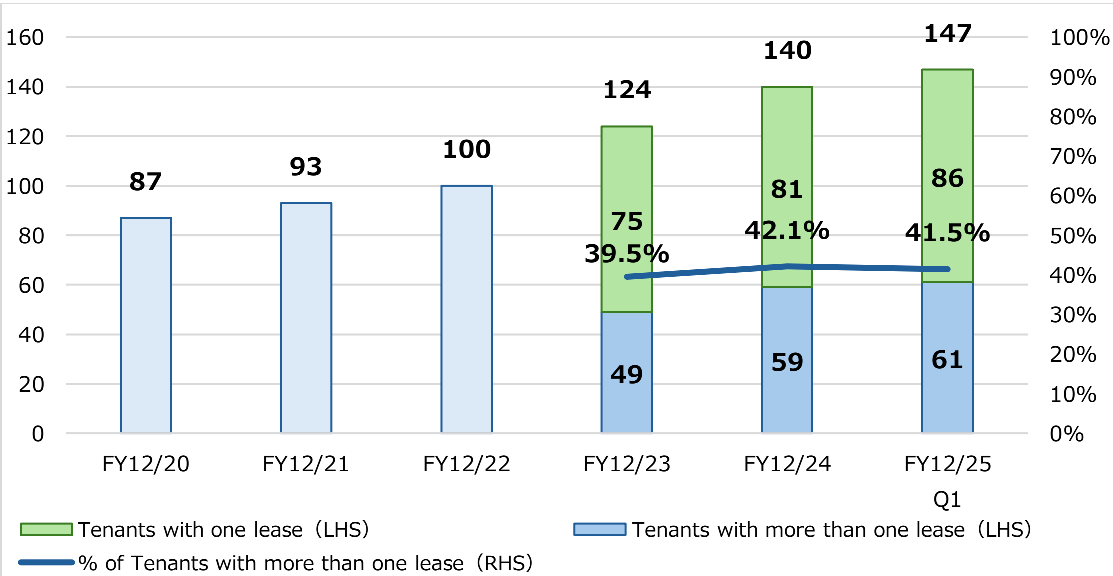
2) Leasing Land

Number of Tenants Increased by 7, Versus the End of FY12/2024

The number of tenants with long-term fixed-term lease agreements with the company increased by 7 companies from the end of FY12/2024 and reaching 147 at the end of Q1.

The company's tenants include supermarkets, which accounted for 27 of the 147 tenants at the end of Q1, then followed by drug stores (12), automobile dealers (11), restaurants (10), funeral halls (9), factories & warehouses (9), home improvement stores (8) and large electronics stores (8). As a mid-to-long-term policy, the company is trying to expand its tenant base to include businesses that serve social infrastructure.

Figure 6. Number of Tenants (Companies)



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.

3) Sales

The company has been relentlessly buying land and then leasing it out to tenants, turning it into a real estate financial product that generates long-term stable cash flows, which it then sells to funds such as JINUSHI REIT and other investors. As of the end of Q1 FY12/2025, the company has cumulatively been involved in 443 projects worth roughly ¥553.4 billion.

Although many tenants have historically come from the retail industry, esp. supermarkets, who have been the most common type of tenant, they still account for less than 24% of the total tenant base. In terms of region, about 82% of the company's development projects are in the Tokyo, Nagoya and Osaka areas, and approximately 43% are in the Tokyo metropolitan area (Tokyo, 3 prefectures, and Ibaraki prefecture), but there is no concentration of development in any one specific area.

The percentage of sales by JINUSHI REIT and group companies (sponsor pipeline support ratio) is 68.3%, including bridge schemes, cumulatively from FY03/2017 to Q1 FY12/2025. 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 JINUSHI Asset Management (in effect, presumably the JINUSHI REIT). The intermediary is a bank-affiliated leasing company.

In addition, the company sets the approximate time from land purchase to sale at 1 to 1.5 years, emphasizing the extent of the turnover of the funds.

3. Recent Trends of JINUSHI REIT

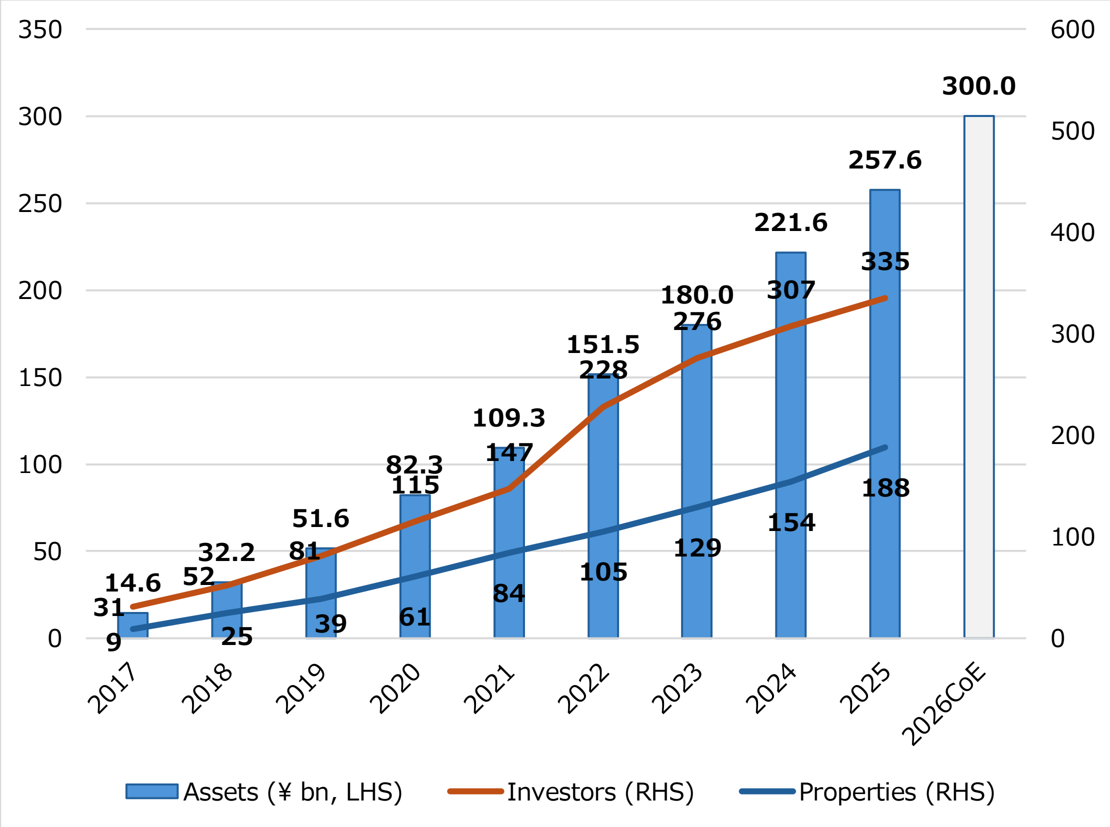
JINUSHI REIT Low-Risk, Low-Volatility

JINUSHI REIT, managed by JINUSHI Asset Management, a wholly owned subsidiary, is the only private REIT in Japan that specializes 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 its 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 these levels are expected to be maintained even at the time of the completion of the 9th offering, currently scheduled for January 2025. The fixed loan ratio at that time is also expected to be 100%, with an average remaining loan term of 5.1 years.

JINUSHI REIT's AUM is ¥257.6 billion After the 9th Offering in January 2025

As there are no other REITs that specialize in leased land, either listed or privately placed, it has been accepted by investors as a financial product that offers unique investment opportunities, and the size of its assets has expanded since the start of operations in 2017. The balance of assets under management was ¥257.6 billion as of January 9, 2025, after the completion of the 9th offering, and is expected to increase to ¥300 billion during FY12/2026.

Figure 7. JINUSHI REIT (Private REIT for Leased Land) AUM Growth



Source: Company data compiled by Strategy Advisors

JINUSHI REIT's Portfolio is Heavily Concentrated in 3 Retail Sectors

After the completion of the 9th capital increase in January 2025, JINUSHI REIT's portfolio comprised 188 properties under management. Relative to the Company's broader development pipeline, these assets are disproportionately concentrated in 3 core tenant sectors; supermarkets, home improvement stores and drugstores.

4. Business Outlook

Company Plan for FY12/2025 Remains Unchanged

For FY12/2025, the Company forecasts sales of ¥70.0 billion(＋22.7% YoY), operating profit of ¥9.5 billion (+9.5% YoY) and net profit attributable to owners of the parent of ¥6.1 billion (+0.2% YoY). These full-year forecasts remains unchanged upon the release of Q1 results.

Sales are Expected to Increase, Underpinned by the Opening Balance of Real Estate Held for Sale

As illustrated in Figure 4, the balance of real estate for sale at the beginning of FY12/2025 increased by 17.7 % compared to the beginning of the previous fiscal year. This uptick underpins anticipated sales growth, as the favorable land-acquisition environment that prevailed in FY12/2024 is expected to continue into FY12/2025.

Despite Declining Margins, Operating Profit is Projected to Rise on Higher Gross Profit

Approximately 70% of the Company's gross profit comes from the flow business and purchases are decided based on various conditions such as the size of the project, the period from purchase to sale and the balance with the surrounding market price in the project's area. Therefore, gross profit margins are merely results, but looking ahead to projects scheduled for sale in FY12/2025, it appears that the gross profit margin is expected to decrease from the previous fiscal year.

As a result, the operating profit margin for FY12/2025 is expected to be 13.6%, down 1.6% from the previous fiscal year. However, the company plans to increase operating profit thanks to the increase in gross profits.

The Slight Uptick in Net Profit Reflects the Impact of FOREX Gains & Losses

The Company has foreign exchange gains/losses related to loans to its U.S. subsidiary, and it considers that it will be affected by foreign exchange fluctuations. The company's plan calls for an assumed USD/JPY rate of ¥150 for FY12/2025, compared to the actual USD/JPY rate of ¥158 in FY12/2024 (a margin gain will be realized if the yen depreciates against the assumed exchange rate at the end of the period). As a result, a foreign exchange gain of 350 million yen was recorded in FY12/2024, but a foreign exchange loss of 210 million yen is expected in FY12/2025.

In addition, due to the liquidation of the Australian subsidiary, there will not be the 350 million yen reduction in income taxes that occurred in the previous year, but an extraordinary gain of about 500 million yen is expected (of which 170 million yen was already recorded as of Q1 FY12/2025).

These factors are the reason why net profit attributable to owners of the parent company will be only slightly higher than the previous year.

5. Stock Trends and Valuations

To see how the company's stock price has changed over the years, Figure 8 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 2023 is set at 100.

Overall, the Stock Market Experienced Volatility in August 2024 & April 2025

In 2024, the Japanese equity market trended higher, led by large-cap issues and reached its year-to-date peak in July. Thereafter, the market gave back gains and, following a sharp yen appreciation in August that sparked a brief sell-off and rebound, entered a protracted consolidation phase. In April 2025, U.S. President Trump's announcement of mutual tariffs injected fresh uncertainty into global markets, triggering pronounced volatility in Japanese stocks alongside their international peers.

Since 2024, JINUSHI Has Significantly Underperformed TOPIX Twice

In the period under review, the Company's relative share performance registered two notable underperformances against the TOPIX. The first downturn occurred on February 13, 2024, when the Company released its FY12/2023 full-year results, which showed year-on-year declines in both revenue and profit. This outcome heightened investor concerns about the feasibility of the FY12/2024 plan, driving the stock below the TOPIX.

Thereafter, the share price rebounded: the Q1 FY12/2024 results announced in May confirmed satisfactory progress against full-year targets, and Daiwa Securities' initiation of coverage with a Buy recommendation in June provided further upward momentum, at times lifting the Company's stock above the TOPIX benchmark.

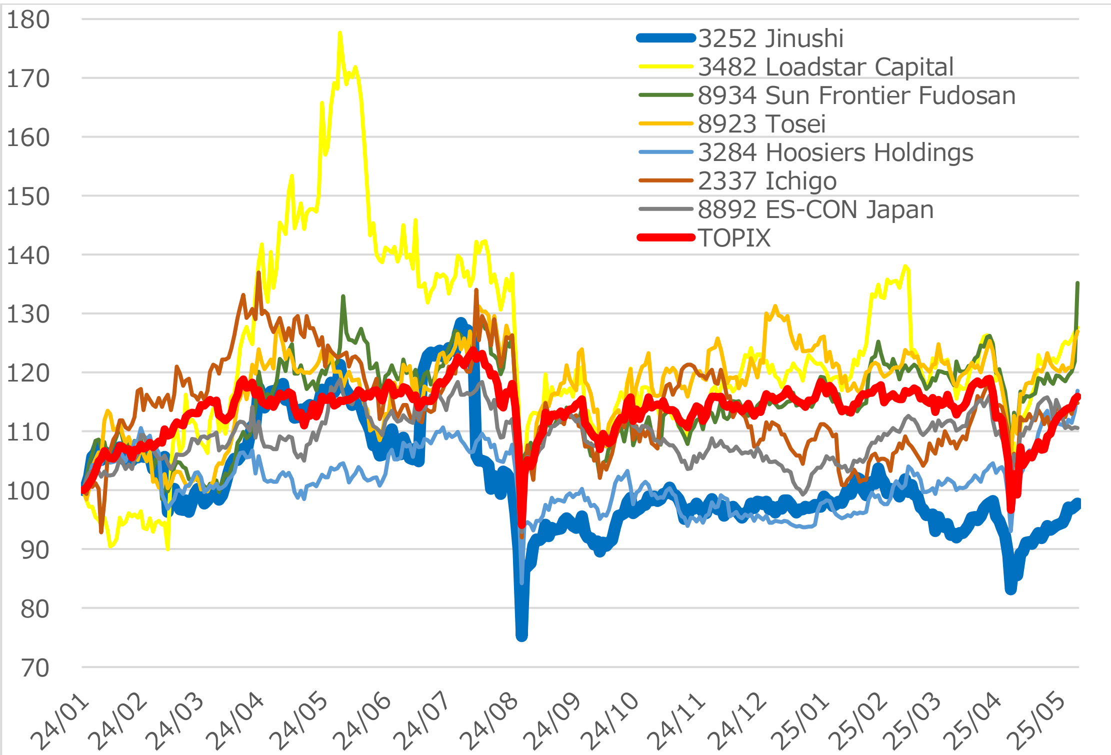
Relative Stock Prices Remained Well Below TOPIX due to the Impact of Major Financing in July 2024

The second relative underperformance occurred on July 11, 2024, when the Company announced a significant public offering. The ensuing dilution drove the share price sharply lower, causing the stock to fall below TOPIX and remain depressed relative to the index thereafter.

The company needs to continue expanding its purchasing in order to expand its business, and this public offering has secured sufficient funds for future growth. Nevertheless, investors are concerned that the company may need to increase capital again to acquire funds for purchasing, which is thought to be one of the reasons why the relative stock price is below the TOPIX. In addition, this fundraising represents the company's confidence in expanding purchasing and future growth, but due to the business structure in which flow revenue accounts for the majority of revenue, when looking at performance over a short quarterly span, it is surmised that this is also having an impact on the company's confidence in growth, which has not yet been reflected in its actual figures.

At present, the stock trades at a PER of 7.1× and a PBR of 1.0×, levels that appear attractive on a valuation basis. Among peers, only Sun Frontier Fudosan (8934 TSE Prime), Loadstar Capital (3482 TSE Prime) and Hoosiers Holdings (3284 TSE Prime) exhibit lower PER's, while the Company, Sun Frontier Fudosan and Hoosiers Holdings share the lowest PBR of 1.0×.

Figure 8. Stock Price Trends: Real Estate Finance Companies (End of 2023=100)



Source: Strategy Advisors.

Figure 9. Comparison with Other Real Estate Finance Companies

Company Name	Code	Acct Period	Sales (¥ mn)	Net Profit (¥ mn)	Net Profit Margin (%)	ROE (%)	ROIC (%)
JINUSHI	**3252**	**12/2024**	**57,068**	**6,087**	**10.7**	**16.0**	**6.5**
Loadstar Capital	3482	12/2024	34,421	6,871	20.0	30.6	11.0
Sun Frontier Fudosan	8934	03/2025	103,174	14,163	13.7	14.7	8.0
Tosei	8923	11/2024	82,192	11,985	14.6	13.9	5.4
Hoosiers Holdings	3284	03/2025	92,153	5,462	5.9	13.5	4.5
Ichigo	2337	02/2025	83,576	15,187	18.2	14.0	2.7
ES-CON Japan	8892	03/2025	113,603	11,193	9.9	14.8	3.9

Company Name	Code	Net D/E Ratio (Times)	DCR (%)	Net Worth Ratio (%)
JINUSHI	**3252**	**0.87**	**149.6**	**38.6**
Loadstar Capital	3482	1.95	481.6	23.9
Sun Frontier Fudosan	8934	0.45	133.6	46.8
Tosei	8923	1.44	247.7	32.7
Hoosiers Holdings	3284	1.61	209.1	23.4
Ichigo	2337	1.79	108.5	27.5
ES-CON Japan	8892	3.68	224.2	17.2

Source: Company data compiled by Strategy Advisors.

Figure 10. Comparison of Valuations with Peers

Company Name	Code	Acct Period	Stock Price (25/5/14)	Market Cap (¥ mn)	PER Company Forecast (Times)	PBR Most Recent Results (Times)	Dividend Yield Company Forecast (%)	ROE Most Recent Results (%)
JINUSHI	**3252**	12/2024	**2,110**	**43,333**	**7.1**	**1.0**	**4.7**	**16.0**
Loadstar Capital	3482	12/2024	2,651	43,876	5.7	1.7	3.1	30.6
Sun Frontier Fudosan	8934	03/2025	2,105	102,267	6.6	1.0	3.6	14.7
Tosei	8923	11/2024	2,449	118,681	9.3	1.3	3.6	13.9
Hoosiers Holdings	3284	03/2025	1,228	43,657	6.7	1.0	6.0	13.5
Ichigo	2337	02/2025	385	164,039	10.1	1.5	3.0	14.0
ES-CON Japan	8892	03/2025	1,006	96,248	8.4	1.2	4.8	14.8

Note: Market cap is calculated using the number of shares outstanding excluding treasury stock.
The market cap of JINUSHI is calculated using the number of shares after the financing.
Source: Company data compiled by Strategy Advisors.

Figure 11. Semiannual/Quarterly Performance Trends

(¥ mn)	12/22 H1	H2	12/23 H1	H2	12/24 H1	H2
Consolidated Statements of Income						
Sales	27,069	22,818	10,373	21,224	44,929	12,139
Cost of Sales	21,105	17,925	7,580	13,518	35,518	8,156
Gross Profit	5,964	4,893	2,793	7,706	9,411	3,983
Gross Profit Margin Ratio	22.0%	21.4%	26.9%	36.3%	20.9%	32.8%
SG&A Expenses	2,215	2,231	2,100	2,244	2,449	2,268
SG&A to Sales Ratio	8.2%	9.8%	20.2%	10.6%	5.5%	18.7%
Operating Profit	3,749	2,662	693	5,461	6,962	1,715
Operating Profit Margin	13.8%	11.7%	6.7%	25.7%	15.5%	14.1%
Non-Operating Income and Expenses	157	-625	17	-453	137	-549
Financial Balance	-276	-305	-177	-217	-181	-340
Equity in Earnings /Losses of Affiliates	173	-181	40	0	0	0
Others	260	-139	154	-236	318	-209
Ordinary Profit	3,906	2,037	711	5,007	7,100	1,165
Ordinary Profit Margin	14.4%	8.9%	6.9%	23.6%	15.8%	9.6%
Extraordinary Income/Loss	-197	-1,134	1,207	282	0	0
Pretax Profit	3,709	903	1,918	5,250	7,099	1,118
Total Income Taxes	1,139	-172	700	1,730	1,856	267
(Corporate Tax Rate)	30.7%	-	36.5%	33.0%	26.1%	23.9%
Net Profit Attributable to Owners of the Parent	2,569	1,072	1,193	3,516	5,242	845
Net Profit Margin	9.5%	4.7%	11.5%	16.6%	11.7%	7.0%

(¥ mn)	12/23 Q3	Q4	12/24 Q1	Q2	Q3	Q4	12/25 Q1
Consolidated Statements of Income							
Sales	14,837	6,387	29,729	15,200	2,965	9,174	30,529
Cost of Sales	8,416	5,102	24,377	11,141	1,696	6,460	26,358
Gross Profit	6,421	1,285	5,352	4,059	1,269	2,714	4,171
Gross Profit Margin Ratio	43.3%	20.1%	18.0%	26.7%	42.8%	29.6%	13.7%
SG&A Expenses	1,072	1,172	1,225	1,224	1,018	1,250	1,223
SG&A to Sales Ratio	7.2%	18.3%	4.1%	8.1%	34.3%	13.6%	4.0%
Operating Profit	5,349	112	4,126	2,836	250	1,465	2,948
Operating Profit Margin	36.1%	1.8%	13.9%	18.7%	8.4%	16.0%	9.7%
Non-Operating Income and Expenses	-70	-383	165	-28	-705	156	-481
Financial Balance	-126	-91	-38	-143	-178	-162	-168
Equity in Earnings /Losses of Affiliates	0	0	0	0	0	0	-21
Others	56	-292	203	115	-527	318	-292
Ordinary Profit	5,277	-270	4,292	2,808	-455	1,620	2,467
Ordinary Profit Margin	35.6%	-4.2%	14.4%	18.5%	-15.3%	17.7%	8.1%
Extraordinary Income/Loss	0	282	0	0	0	0	170
Pretax Profit	5,238	12	4,292	2,807	-494	1,612	2,637
Total Income Taxes	1,751	-21	1,531	325	-114	381	825
(Corporate Tax Rate)	33.4%	-	35.7%	11.6%	-	23.6%	31.3%
Net Profit Attributable to Owners of the Parent	3,485	31	2,758	2,484	-382	1,227	1,809
Net Profit Margin	23.5%	0.5%	9.3%	16.3%	-12.9%	13.4%	5.9%

Source: Company data compiled by Strategy Advisors.

Figure 12. Consolidated Statements of Income (Full-Year Basis) (¥ mn)

	03/19	03/20	12/20	12/21	12/22	12/23	12/24	12/25 CoE
Sales	39,834	74,187	29,887	56,177	49,887	31,597	57,068	70,000
Cost of Sales	31,662	65,087	24,868	46,914	39,030	21,098	43,674	
Gross Profit	8,172	9,100	5,019	9,263	10,857	10,499	13,394	
Gross Profit Margin	20.5%	12.3%	16.8%	16.5%	21.8%	33.2%	23.5%	
Flow Business	6,569	7,028	3,868	7,738	8,275	7,722	9,955	
Stock Business	1,111	2,068	1,144	1,509	2,388	2,766	3,432	
Other	491	3	6	15	194	10	7	
SG&A Expenses	3,725	3,856	2,599	3,788	4,446	4,344	4,717	
Operating Profit	4,447	5,245	2,420	5,475	6,411	6,154	8,677	9,500
Operating Profit Margin	11.2%	7.1%	8.1%	9.7%	12.9%	19.5%	15.2%	13.6%
Non-Operating Expenses	703	403	637	285	435	227	509	
Interest Expense and Discount	27	12	7	5	17	51	134	
Equity In Losses of Affiliates	304	167	130	-	-	40	1	
Profit on Currency Exchange	88	80	-	138	296	84	350	
Others	284	144	500	142	122	52	24	
Non-Operating Expenses	822	1,049	900	758	903	663	921	
Interest Expense and Discount	613	729	392	457	598	445	655	
Equity In Losses of Affiliates	-	-	-	83	8	-	-	
Foreign Exchange Loss	-	-	377	-	-	-	-	
Financing Costs	167	272	120	212	267	186	197	
Others	42	48	11	6	30	32	69	
Ordinary Profit	4,328	4,599	2,157	5,002	5,943	5,718	8,265	8,000
Ordinary Profit Margin	10.9%	6.2%	7.2%	8.9%	11.9%	18.1%	14.5%	11.4%
Extraordinary Profit	333	130	-	-	-	1,489	-	
Extraordinary Losses	829	102	-	73	1,331	40	40	
Pretax Profit	3,831	4,628	2,157	4,927	4,612	7,168	8,217	
Corporate, Inhabitant and Enterprise Taxes	1,312	1,538	612	4,006	1,423	2,268	2,438	
Income Taxes-Deferred	-165	-87	-100	-2,203	-456	162	-315	
Total Income Taxes	1,146	1,451	512	1,803	967	2,430	2,123	
(Corporate Tax Rate)	29.9%	31.4%	23.7%	36.6%	21.0%	33.9%	25.8%	
Net Profit Attributable to Owners of the Parent	2,685	3,177	1,645	3,124	3,641	4,709	6,087	6,100
Net Profit Margin	6.7%	4.3%	5.5%	5.6%	7.3%	14.9%	10.7%	8.7%
EPS (¥)	149.30	174.59	89.94	170.90	199.16	267.76	334.89	295.52
Investment in Tangible and Intangible Fixed Assets	338	197	2,954	14,142	500	723	477	
Depreciation and Amortization of Goodwill	166	116	72	148	148	206	211	
Cash Flow	2,851	3,293	1,717	3,272	3,789	4,915	6,298	
CFPS (¥)	159.6	182.5	93.9	178.9	207.2	268.8	383.0	
ROE	12.8%	14.0%	6.8%	11.9%	12.4%	15.1%	16.0%	
ROIC (Capital Invested)	4.2%	4.6%	2.8%	5.0%	7.5%	4.6%	6.5%	
ROIC (Business Assets)	5.9%	6.5%	4.4%	7.2%	10.3%	6.2%	8.1%	
Dividend (¥)	55.00	55.00	25.00	50.00	55.00	55.00	85.00	100.00
Average Number of Shares During the Period (mn Shares)	17.0	18.0	18.0	18.0	18.0	17.0	18.0	
Number of Shares at End of Period (mn Shares)	18.0	18.2	18.2	18.2	18.2	16.4	20.5	

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. Consolidated Balance Sheets (¥ mn)

	03/19	03/20	12/20	12/21	12/22	12/23	12/24
Current Assets	90,020	66,886	60,074	60,002	52,850	84,019	95,431
Cash and Deposits	18,857	21,851	20,897	17,264	23,140	23,092	23,701
Accounts Receivable	99	147	198	205	273	330	356
Inventories	69,516	43,493	38,388	41,995	28,192	60,060	70,670
Other	1,548	1,395	591	538	1,245	537	704
Fixed Assets	9,577	8,169	11,146	26,335	19,302	17,462	19,986
Property, Plant and Equipment	456	522	3,437	17,488	16,803	14,859	15,133
Land	4	4	2,884	16,994	16,066	13,971	14,336
Intangible Fixed Assets	9	14	55	225	116	49	41
Investments and Other	9,112	7,633	7,654	8,621	2,382	2,553	4,811
Investments in Securities	1,520	300	293	581	319	343	3,199
Allowance for Doubtful Accounts	-213	-89	-89	-88	-88	-84	0
Other	7,805	7,422	7,450	8,128	2,151	2,294	1,612
Total Assets	99,597	75,055	71,220	86,337	72,153	101,482	115,417
Current Liabilities	11,876	7,854	5,400	13,999	4,583	7,483	7,790
Trade Debt	102	225	187	112	103	110	348
Accounts Payable and Accrued Expenses	501	443	459	581	754	451	365
Interest-Bearing Debt	8,505	3,890	2,863	7,061	1,875	2,359	2,609
Short-Term Debt	4,968	1,099	797	1,126	0	1,440	1,525
Current Portion of L-Term Debt	3,537	2,791	2,066	5,935	1,875	919	1,084
Accrued Income Taxes	920	1,524	5	3,753	232	2,202	1,498
Deferred Tax Liabilities	1,848	1,772	1,886	2,492	1,619	2,361	2,970
Fixed Liabilities	66,109	43,330	40,979	44,555	36,610	62,496	62,826
Interest-Bearing Debt	65,258	42,674	40,437	42,749	35,288	60,414	60,286
Allowance for Retirement Benefits/Payroll	43	0	0	0	0	0	0
Deferred Tax Liabilities	539	448	234	1,000	398	587	324
Others	269	208	308	806	924	1,495	2,216
Net Assets	21,612	23,871	24,841	27,781	30,960	31,501	44,800
Shareholders' Equity	22,220	24,702	25,341	28,009	30,736	30,940	43,960
Capital & Surplus	7,410	7,707	7,707	7,705	7,705	7,705	14,703
Retained Earnings	14,811	16,996	17,635	20,302	23,030	26,733	31,213
Treasury Stock	0	0	0	0	0	-3,499	-1,957
Accumulated Other Comprehensive Income	-629	-832	-500	-227	169	424	606
Subscription Warrant	20	0	0	0	0	0	0
Noncontrolling Interest	0	0	0	0	54	136	233
Total Liabilities and Net Assets	99,597	75,055	71,220	86,337	72,153	101,482	115,417
Interest-Bearing Debt	73,762	46,564	43,300	49,810	37,163	62,773	62,895
Capital Adequacy Ratio	21.7%	31.8%	34.9%	32.2%	42.8%	30.9%	38.6%
D/E Ratio	3.41	1.95	1.74	1.79	1.20	2.00	1.41

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. Consolidated Statements of Cash Flows (¥ mn)

	03/19	03/20	12/20	12/21	12/22	12/23	12/24
Cash Flows from Operating Activities							
Income before Income Taxes	3,831	4,628	2,157	4,927	4,612	7,168	8,217
Depreciation and Amortization	166	116	72	148	148	206	211
Equity in Earnings (Losses) of Affiliated Companies	5	93	-3	378	6,669	-59	-1
Working Capital	-28,770	26,023	2,504	5,277	13,387	-32,210	-10,232
Income Taxes Paid	-1,411	-950	-2,090	-377	-5,426	373	-3,198
Other	-1,842	-229	930	1,020	603	-690	674
Total Amount	-28,021	29,681	3,570	11,373	19,993	-25,212	-4,329
Cash Flows from Investing Activities							
Purchases of Property, Plant and Equipment	-324	-144	-56	-13,373	-379	3,487	-396
Payments for Acquisition of Intangible Assets	-	-	-	-	-	-1	-12
Other	317	1,305	-43	-4,140	223	205	-1,661
Total Amount	-7	1,161	-99	-17,513	-156	3,691	-2,069
Cash Flows from Financing Activities							
Net Increase (Decrease) in Short-Term Loans Payable	1,639	-3,869	-302	329	-930	1,440	60
Net Increase (Decrease) in Long-Term Debt	31,665	-23,232	-3,116	2,521	-12,128	24,160	94
Issuance of Shares	204	290	-	-	-	-	8,279
Payments for Purchase of Treasury Stock	-	-	-	-	-	-3,499	1,454
Dividends Paid	-982	-992	-1,004	-458	-913	-1,005	-1,606
Other	-14	-17	-20	-29	-4	16	-1,406
Total Amount	32,512	-27,820	-4,442	2,363	-13,975	21,112	6,875
Effect of Exchange Rate Changes on Cash	-136	-28	18	57	99	16	267
Cash Increase/Decrease	4,348	2,994	-953	-3,718	5,960	-392	744
Cash Beginning Balance	14,509	18,857	21,851	20,897	17,178	23,140	22,747
Cash Ending Balance	18,857	21,851	20,897	17,178	23,140	22,747	23,492

Note: Due to a change in accounting period, the fiscal year ending December 2012 was a nine-month period.

Source: Prepared by Strategy Advisors based on company materials

Disclaimer

This report is published by Strategy Advisors Inc. (hereinafter referred to as the "Publisher ") and was prepared primarily by external partner companies and analysts.
The purpose of this report is to introduce and explain the target companies using a different approach than usual. In principle, the issuer does not review or approve the contents of the report (however, the issuer will point out to the author only if there are obvious errors or inappropriate expressions).
The Issuer may have received compensation, directly or indirectly, from the Target Company for planning, proposing and providing the infrastructure for issuing this report.
The external partners and analysts who write this report may receive compensation directly or indirectly from the subject company for activities other than preparing this report. In addition, the external partners and analysts who write this report may have or may in the future have transactions in the securities of the subject company.
This report has been prepared solely for the purpose of providing information to serve as a reference for investment decisions, and is not intended as a solicitation for securities or other transactions. Investors should make final decisions regarding securities and other transactions at their own discretion and responsibility.
In preparing this report, the authors received information through interviews with the target companies, etc. However, the hypotheses and opinions expressed in this report are not those of the target companies but are the result of the authors' analysis and evaluation.
This report is based on information that the author believes to be reliable, but does not guarantee its accuracy, completeness or timeliness. The views and forecasts contained in this report are the judgment of the author at the time of publication of this report and are subject to change without notice.
Neither the issuer nor the authors shall be liable for any direct, indirect, incidental or special damages which an investor may suffer as a result of placing reliance on the information or analysis contained in this report.

Strategy Advisors

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