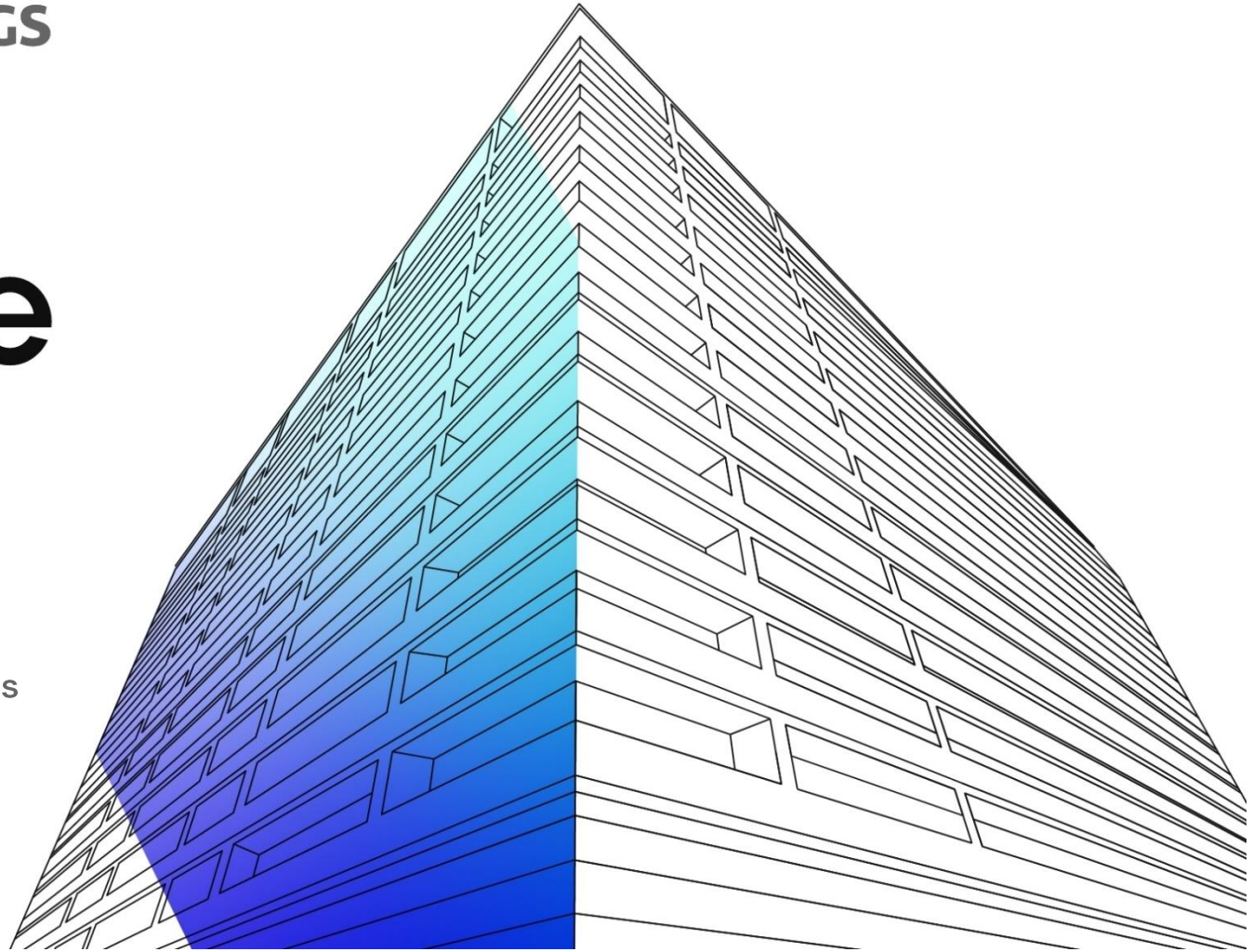


# Find the Value

Focus on what we have now,  
and shine a light on the hidden values



## FY2024 Third Quarter Financial Results

Sep. 30, 2024

- 1. FY2024 Third Quarter Financial Result Summary**
  - a. Financial result summary**
  - b. Topics of the Mid-Term Plan**
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  - a. What we aim for**
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# 1

## **FY2024 Third Quarter Financial Result Summary**

### **a. Financial result summary**

- Achieving about 90% progress in profits by driving strategies set in the Mid-Term Plan.

(JPY mn)	FY23 Q3 YTD	FY24 Q3 YTD	FY24 Forecast	YoY Change	Progress	Main Reasons (vs. FY23 Q3 YTD)
Revenue	37,107	<b>40,626</b>	54,157	+9.5%	75.0%	- Successfully implementing our Mid-Term Plan strategies and achieved higher sales in each business segment
Gross profit	6,638	<b>7,643</b>	8,913	+15.1%	85.7%	
Renovated condominium Business	6,263	<b>6,707</b>	7,998	+7.1%	83.9%	- Higher rent revenue by increasing number of owned owner-change condos - Increasing sales volume and improving profit margins through active sales efforts leveraging high-quality inventories, leading to higher sales profit
Investment business	-	<b>197</b>	248	-	79.7%	- Sold some shares of our invested company (Feb.) - Sale of a whole building (the first resumed case in Mar.)
Advisory business	374	<b>738</b>	667	+96.9%	110.6%	- Increase in the number of cases in agent business through active sales efforts - Increase in consulting fee including highly profitable incentive fee
SG&A	2,576	<b>3,124</b>	3,885	+21.3%	80.4%	- Temporary increase in consumption tax burden due to the largest-scale bulk purchase project (137 units, Mar.)
Operating profit	4,062	<b>4,518</b>	5,028	+11.2%	89.9%	
Recurring profit	3,359	<b>3,806</b>	4,102	+13.3%	92.8%	
Net profit	2,326	<b>2,635</b>	2,800	+13.3%	94.1%	

\* Pre-owned condos with tenants

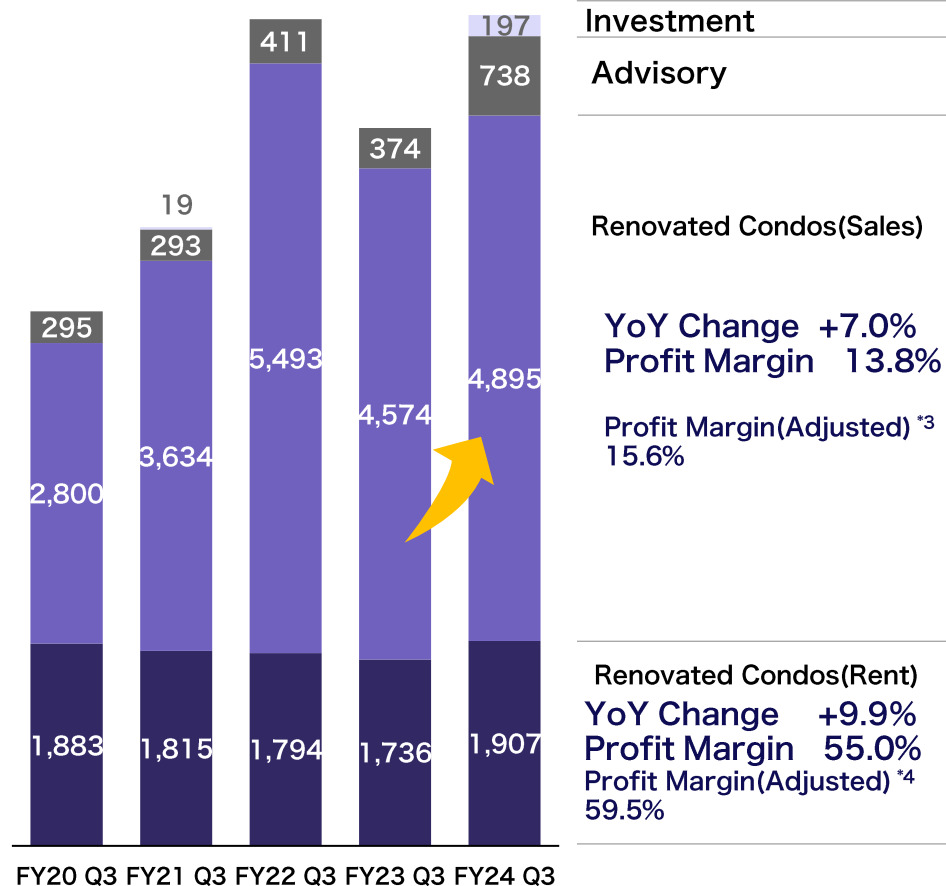
- Steadily increasing sales and profits with revenue and profit growth across all businesses.
- Inventory quality improvement has boosted the Renovated condominium business (Sales).

**Consolidated P/L (Summary)**

	(JPY mn)	FY23 Q3 YTD	FY24 Q3 YTD	YoY Change
<b>Revenue</b>		<b>37,107</b>	<b>40,626</b>	<b>+9.5%</b>
Renovated condominium business		36,566	38,839	+6.2%
Investment business		-	888	-
Advisory business		541	899	+66.0%
<b>Gross profit</b>		<b>6,638</b>	<b>7,643</b>	<b>+15.1%</b>
Renovated condominium business *1		6,263	6,707	+7.1%
Investment business		-	197	-
Advisory business		374	738	+96.9%
<b>SG&amp;A</b>		<b>2,576</b>	<b>3,124</b>	<b>+21.3%</b>
<b>Operating profit</b>		<b>4,062</b>	<b>4,518</b>	<b>+11.2%</b>
<b>Recurring profit</b>		<b>3,359</b>	<b>3,806</b>	<b>+13.3%</b>
<b>Net profit</b>		<b>2,326</b>	<b>2,635</b>	<b>+13.3%</b>

**Gross Profit (by segment) \*2**

(JPY mn)



\*1 Including mark-to-market (MTM) loss  
 FY23 Q3 YTD JPY 47.0mn / FY24 Q3 YTD: JPY 95.1mn)

\*2 MTM loss in each business segment is excluded in this figure

\*3 Profit margin excluding property agent fee from COGS and depreciation

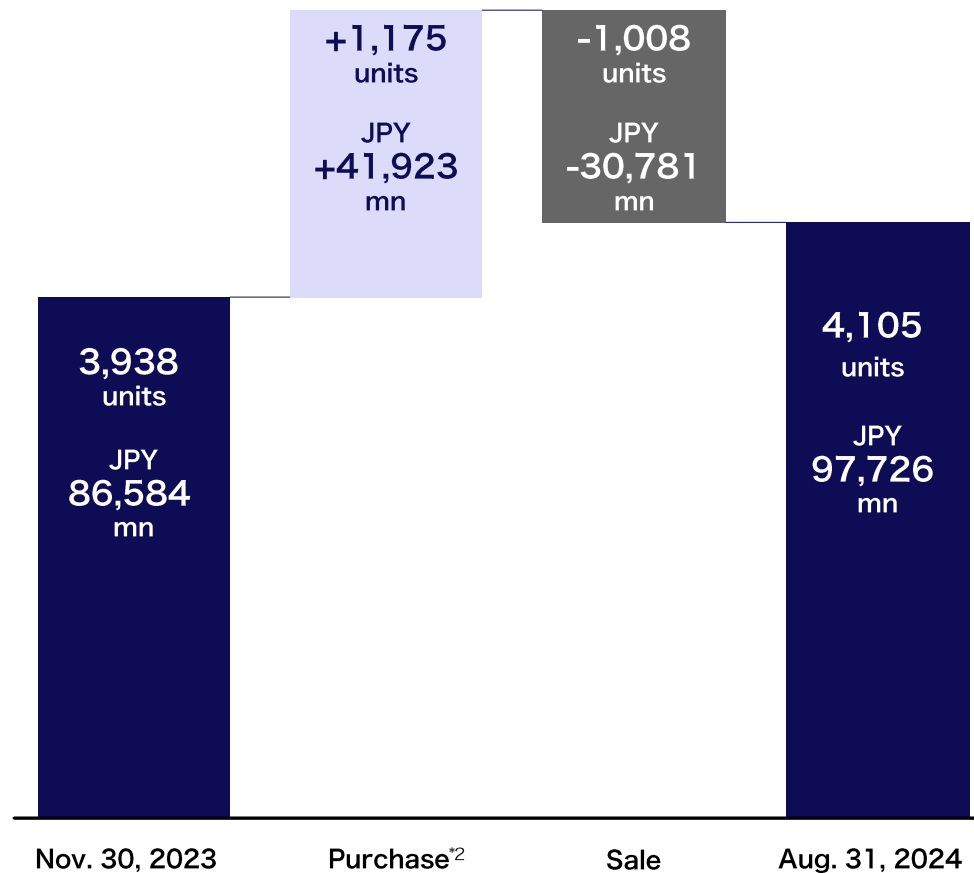
\*4 Profit margin excluding depreciation (JPY 156.3mn)

- Increasing inventories through continuous & active property purchase as growth investments.
- Managing to improve our Equity ratio that temporarily decreased due to the largest bulk purchase ever.

## Consolidated BS(Summary)

(JPY mn)	Nov. 30, 2023	Aug. 31, 2024	Change
Current assets	92,464	102,388	+10.7%
Cash and deposits	4,199	2,950	-29.7%
Inventories*1	86,584	97,726	+12.9%
Fixed assets	2,516	2,870	+14.1%
Total assets	94,982	105,259	+10.8%
Short-term liabilities	12,868	16,053	+24.8%
Long-term liabilities	58,883	64,006	+8.7%
Shareholder's equity	23,173	25,141	+8.5%
Equity Ratio	24.4%	23.9%	

## Change in Inventories



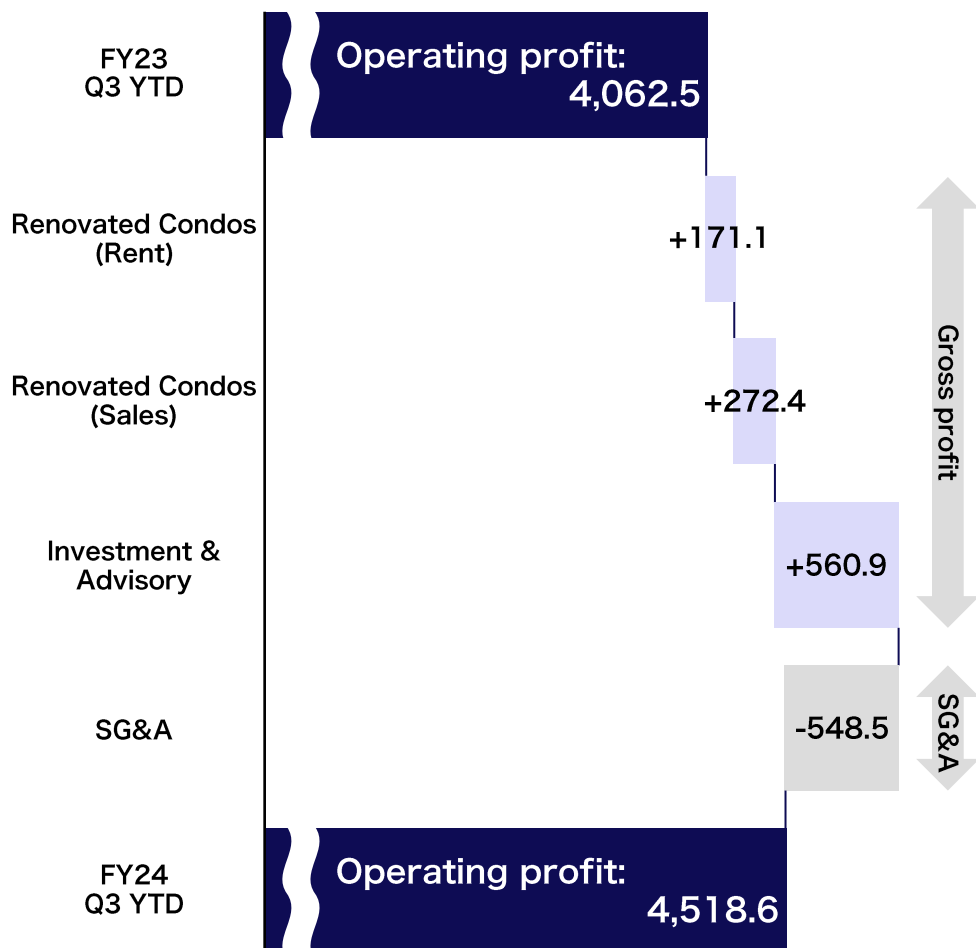
\*1 All owned condominiums (with or without tenants) and income-generated whole building

\*2 Including increase in book value through renovation

- Steadily executing current strategies and achieving earning increase.  
Good progress in each business segment.

Delta b/w FY23 Q3 YTD and FY24 Q3 YTD (JPY mn)

Main reasons



#### Renovated Condos (Rent)

- Increase from a rise in the number of owned units (FY23 Q3 YTD: 3,879 units -> FY24 Q3 YTD: 4,105 units, JPY +171.1mn)

#### Renovated Condos (Sales)

- Increasing sales volume and improving profit margins through active sales efforts leveraging high-quality inventories
  - # of units we sold (FY23 Q3 YTD: 976 units -> FY24\_Q3 YTD: 1,008 units, JPY +147.7mn)
  - Profit margin (FY23 Q3 YTD: 13.7% -> FY24 Q3 YTD: 13.8%, JPY +160.5mn)
- Increase in MTM loss recognized by timely & appropriate pricing to shorten the number of days for sale (FY23 Q3 YTD: JPY -47.0mn -> FY24 Q3 YTD: JPY -95.1mn, JPY -48.0mn)

#### Other Gross Profit

- Investment: Partial sale of trading securities (Feb., JPY 128.7mn) / Sale of a whole building in the first resumed case (Mar., JPY 59.3mn)
- Advisory: Increase in the number of cases in agent business (JPY +155.3mn) / Increase of consulting fees (JPY +209.1mn)

#### SG&A

- Increase in consumption tax burden due to purchase of owner change condos (Temporary increase due to the large-scale bulk purchase project: JPY -324.8mn / Increase from regular purchase: JPY -114.5mn)

**1**

# **FY2024 Third Quarter Financial Result Summary**

## **b. Topics of the Mid-Term Plan**



- The Mid-Term Plan initiatives implementing from this fiscal year are gradually contributing to good financial results.

### Started unit sales of Harumi Island Triton Square View Tower

- Acquired 71 units in March as part of the largest bulk purchase ever (64 owner-change units and seven vacant units)
- Started unit sales of the first renovated condo from Sep.
- We expect profit and margin per unit are the highest levels in our current portfolio



### Boosting our sales profits through a strong sales in the central five wards of Tokyo\*

- Sales prices and profit margins in the central five wards of Tokyo are particularly high in FY24 Q3 YTD
- Also, the sales prices is rising compared to FY23 Q3 YTD

### Strengthening property sales to investors

- Some properties (with tenants) we own have been sold as investment products through our subsidiary, Star Mica Asset Management Co., Ltd.
- In the current period, as part of our efforts to optimize our B/S, we have strengthened sales to investors more than usual, selling a total of 47 units in FY24 Q3 YTD
- Revenue from property sales is accounted for the Renovated condominium business (Sales), while brokerage fee is accounted for the Advisory business

\* Minato, Shinjuku, Shibuya, Chuo and Chiyoda ward

- Following a disciplined financial strategy, implemented prompt initiatives during the market fluctuations in August.

### **In addition to the existing interest rate fixes, additional interest rate swaps were executed**

- To address the risk of fluctuations in procurement interest rates, our group has implemented interest rate fixes for a portion of the variable interest rates on borrowings, in accordance with our established disciplined hedging policy
- During the current period, we have been discussing how to manage the hedge portion reduction when the swap agreements expire
- Recognizing the opportunity in the market fluctuation narrowing gap between long & short-term interest rate, we actively entered into additional agreements

### **We resolved to proceed with a share buyback up to JPY 100mn worth of our own shares (currently in progress), believing our stock was particularly undervalued**

- While aiming for the total shareholder return ratio of 40% to ensure substantial profit distribution, conducting share buybacks in a timely and flexible manner with consideration for our financial condition and stock price levels
- In response to the significant decline of our stock price on August 5, influenced by the sharp decline in Tokyo Stock Exchange, we believed that the stock was particularly undervalued.
- At the board meeting on August 6, we resolved to conduct up to JPY 100mn of share buyback

- To maximize our corporate value, increased engagement with new investors and developed our internal Plan-Do-Check-Act (PDCA) cycle.

### Conducted a roadshow targeting European investors

- Aiming to cultivate new overseas investors, visited three European countries in July (UK, France, Switzerland)
- Conducted **nine 1on1 meetings** with overseas institutional investors

### Participated in additional company briefings for individual investors

- Following the May event, presented at a company briefing for individual investors in August, which was a joint session hosted by the Shonan Investment Group Seminar featuring four companies
- After a general presentation attended by approximately 50 participants, held a Q&A session with over 20 individual investors
- An archive video of the event is currently available on the organizer's YouTube channel

### Management team trying to enhance corporate value in collaboration with the IR team by monitoring IR activities

- **Enhancing reporting and monitoring at the board level** regarding evaluations from the capital markets, such as stock price trends, as well as the status of the group's IR activities (earnings presentations, 1on1 meetings, company briefings, overseas roadshows, etc.)
- Sharing key points on the status of dialogues with investors and topics of high interest between executives and the IR team, and discussing improvement methods and future strategies

# 1

## **FY2024 Third Quarter Financial Result Summary**

**c. Summary of discussion with shareholders etc. (Q&A)**

## Updated

How the rising interest rates affects Star Mica's business?



### ■ Addressing rising borrowing rates as needed

- The cost of borrowing from financial institutions in our group is influenced by interest rate fluctuations. To limit the impact on performance, we have been implementing interest rate fixes through measures such as interest rate swaps, in accordance with a disciplined hedging policy
- Going forward, we will continue to monitor financial conditions and respond flexibly

### ■ We believe unlikely to have a sharp rise in mortgage rate and will have little impact on consumer demand

- A large segment of Japanese mortgage borrowers choose floating rates (linked to short-term interest rates)
- Some financial institutions are announcing revisions to their base interest rates for variable rates in line with the policy change, however, there has been no significant impact on our current sales activities.
- Although some concern that mortgage rates (variable) will rise in line with the policy rate hike, most of analysts / professionals predict a sharp increase is unlikely, and we do not expect the level to significantly reduce housing demand
- Most of the buyers of our properties select floating rates or cash, and have higher annual household incomes than the target of our competitors and local home resale operators
  - Even if interest rates were to rise, households would not be "unable to pay their loans"
  - More affluent customers are increasing (dual-income households & seniors aim to buy 2nd house)

The market has been rising after the Covid-19 Pandemic, but seems the tailwind is over. How do you assess the market outlook in the future?



### ■ From long-term perspectives, we believe pre-owned condo prices are on an upward trend

- Even with the burst of the bubble economy and the financial crisis in the past, the rate of decline was limited in actual demand
- As we expect new condo prices to remain high due to the cost structure, it is difficult to assume only existing condos will see price declines
- However, we will hedge our risk by avoiding high-valued prime location condos that often come with high volatility

### ■ In the short-term, we see possible stagnating risk

- We increase the urban share in case the market is to enter a downtrend and see polarization between urban & rural areas
- Carefully select to purchase vacant properties that are highly competitive (quantity & quality is a trade-off, so we will proceed focusing on quality)
- To prevent worsened inventory turnover (=longer sales turnover), we will promote data utilization & internal rules in the future

What are the changes in external factors surrounding construction of renovation? / How are you responding to these changes?



### ■ Renovation costs: Establish a specialized department for BPR and process improvement

- Currently, renovation costs are slightly increasing due to external factors such as inflation and rising material prices, as well as internal factors like improving product quality for high-end properties. However, this increase is being absorbed by rising sales prices
- To aim for competitive product development and cost reduction, we have started a thorough review by establishing a specialized department with knowledgeable members

### ■ Talent acquisition: Increasing product supply capacity and strengthening collaboration with partner companies

- We outsource renovation work to external business partners
- Currently, there are no delays in starting or extending projects due to labor shortages
- Aiming to improve product supply capacity by strengthening collaboration with partner companies

Why does the Mid-Term Plan state “Back to owner-change condos” and “Market share expansion in urban areas” as business strategies?

■ **Focusing on vacant properties and regional expansion was successful during strong market upswings in the past**

- The market from H2 of FY21 to FY22 was in a strong upswing, with further price increases occurring during the period between the purchase and sale of vacant properties
- In such a market environment, even vacant condos, which have relatively lower profit margins than owner-change condos, could secure sufficient profits. This strategy, combined with regional expansion, played a significant role in broadening our market presence

■ **Considering future market stagnation risks, we focus on higher profitability properties**

- Moving forward from FY23, the market has begun to lose its overheating, with concerns raised about short-term market stagnation
- In such market conditions, awareness of efficiency in sales turnover and of profitability is also required
- Prioritizing stable growth over rapid expansion, we aim to build a property portfolio that emphasizes profitability and efficiency through a return to owner-change condos and an increase in urban market share

Why is there no specific quantitative target set for revenue and profit in Mid-Term Plan “Find the Value 2026”?

■ **Maximizing corporate value while flexibly responding to changes in the business environment**

- While we expect solid demand for pre-owned condominiums and anticipate future market growth, short-term market fluctuations are possible
- Rather than being overly focused on revenue and profit, which are relatively sensitive to market conditions, we prioritize profitability and efficiency, aiming to maximize corporate value regardless of market changes

■ **As our base scenario, we continue to aim for business expansion and profit growth**

- Assuming current market conditions persist, we expect business expansion and profit growth in the medium to long term
- Our business strategy, including area expansion and focus on vacant condos until FY23, played its expected roles in the then-business environment (during a heated market)
- As part of a strategy anticipating a stabilization in market conditions, we plan to continue increasing transaction volumes by focusing on owner-change properties and enhancing our urban market share

Why did you select total shareholder return as a measure of shareholder return?

■ **Dividends and share buybacks allow us for a variety of means of shareholder return**

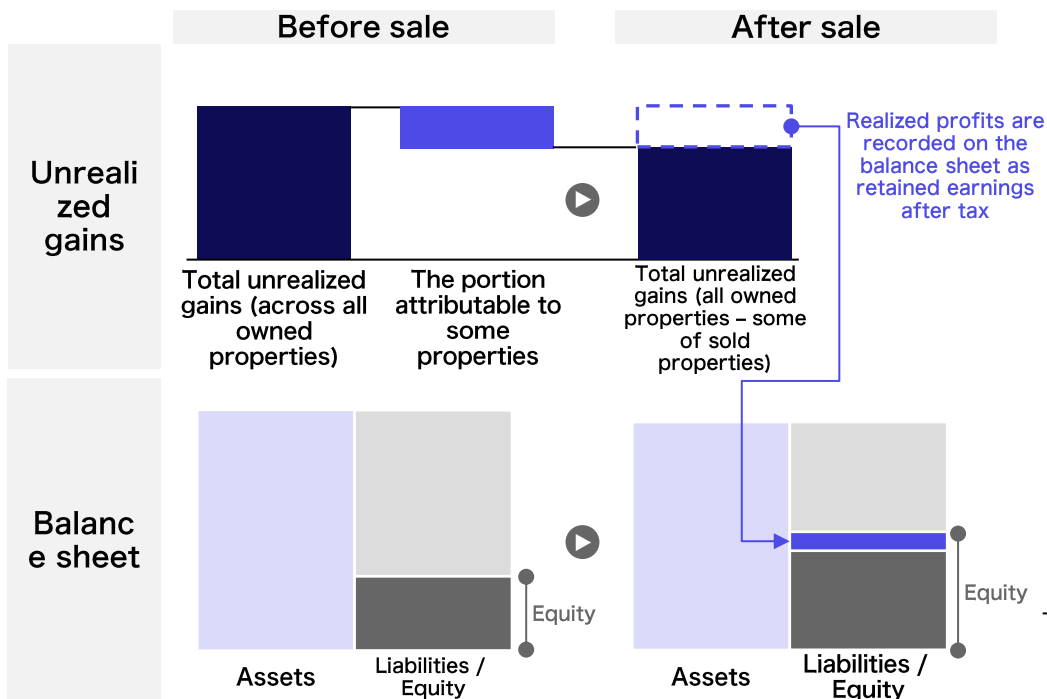
- Dividend:
  - Aim to increase dividends to reward long-term shareholders. Refrain from sudden dividend increases / cuts, and would like you to hold our stock with peace of mind
- Share Buyback:
  - In addition to supporting the stock price, we expect EPS & BPS growth and efficiency improvement. We also aim for win-win shareholder returns for both shareholders and the company
- Total Shareholder Return:
  - As we understand that shareholder return is one of the most important themes of us, we set a quantitative target of 40% in order to achieve a certain level of shareholder return

Will unrealized gains\*<sup>2</sup> be realized? What are the benefits of increasing unrealized gains?

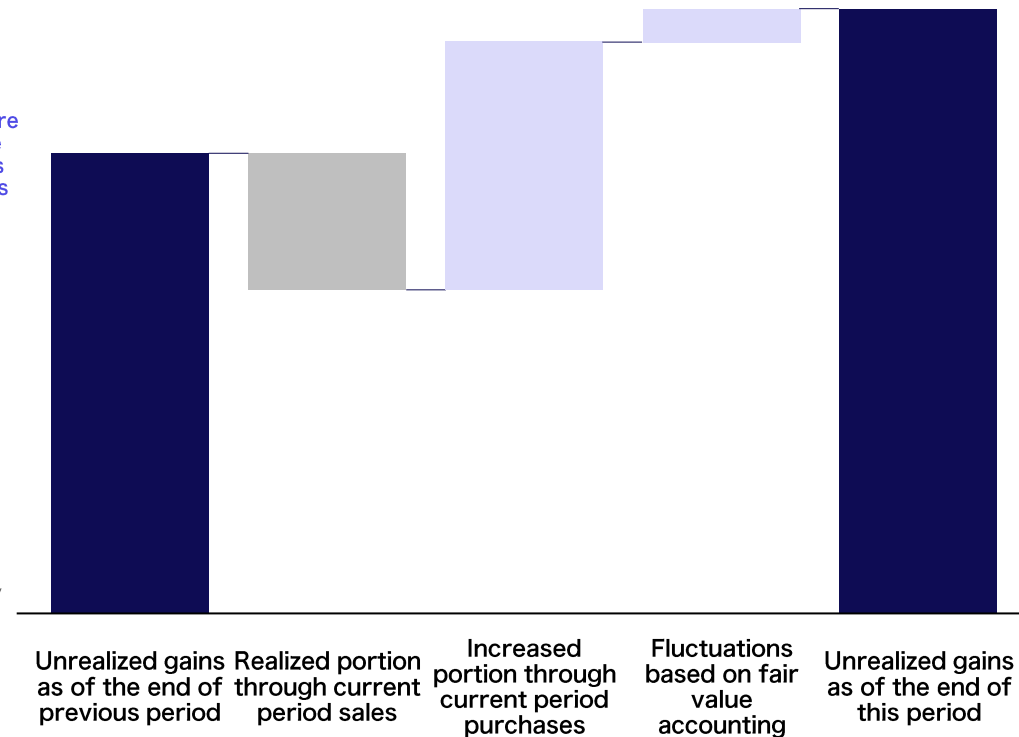


- **Realizing unrealized gains from sales contribute to an increase in the equity ratio**
  - Selling each property's unrealized gains turning to profits, accumulating retained earnings to boost the equity ratio
  - Unrealized gains as of the end of FY23 amounted to approximately JPY 25.8 bn (Refer to Chapter 2 for long-term trends)
- **Further increases in unrealized gains due to purchases exceeding sales pace**
  - The realized gains from property sales occur partially throughout the year, but with ongoing purchases surpassing sales in pursuit of business expansion, the total unrealized gains are on an increasing trend

<Image diagram: Impact of unrealized gains from property sales on the balance sheet>



<Image diagram: Trend of unrealized gains\*<sup>2</sup>>



\*<sup>1</sup> Key points from Q&A sessions with institutional investors, individual investors, analysts, and media personnel since January 2024, focusing on particularly noteworthy topics

\*<sup>2</sup> Unrealized gains (of all owned properties) = Estimated sales - Book value - Estimated cost (Property agent cost, renovation cost, etc.)

Are there any reasons for  
the negative trend in  
operating cash flow?



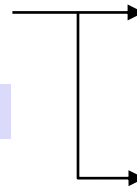
- **Property purchases as growth investments negatively impact operating cash flow**
  - The properties held are classified as current assets (inventories) on the balance sheet, regardless of the type of properties
  - We strategically purchase properties at a pace exceeding sales, which has resulted in a negative trend in operating cash flow
- **The proforma operating cash flow is positive, and concerns about soundness are minimal**
  - Our purchased properties can be broadly categorized into two types: vacant condos that are quickly turned around from purchase to sale, and owner-change condos that are held until tenant leave, generating rent revenue, resulting in longer business cycles
  - Considering the nature of upfront investment in purchasing owner-change condos, if we were to categorize it as an investment activity, we could segregate the changes in owner-change condos from “the increase or decrease in inventories” in consolidated cash flow statement as investment cash flow
  - In this assumption, it is possible to consider that the operating cash flow is positive
- **Property purchases, which are the source of business growth, are crucial, and we will continue to strategically pursue purchases in the future**
  - Given our business model, expanding purchases of owner-change condos directly contributes to business growth. Therefore, we plan to actively pursue purchases of owner-change condo in the future

<Consolidated cash flow statement>

	FY24 Q2 YTD (JPY mn)
<b>CF from operating activities</b>	<b>▲6,767.6</b>
Net profit before income tax	2,413.9
Decrease in inventories* <sup>2</sup>	▲8,877.8
Others	▲303.6
<b>CF from investing activities</b>	<b>▲20.1</b>
-	-
-	-
<b>CF from financing activities</b>	<b>5,761.8</b>
Borrowing from banks	6,265.5
Dividend for the end of FY23	▲334.1
Share buyback	▲169.5

<(Reference) Proforma cash flow statement>

	FY24 Q2 YTD (JPY mn)
<b>CF from operating activities (proforma)</b>	<b>3,858.2</b>
Net profit before income tax	2,413.9
Increase in vacant condos* <sup>2</sup>	1,748.0
Others	▲303.6
<b>CF from investing activities (proforma)</b>	<b>▲10,645.9</b>
Decrease in owner-change condos etc.* <sup>2,3</sup>	▲10,625.8
Others	▲20.1
<b>CF from financing activities</b>	<b>5,761.8</b>
Borrowing from banks	6,265.5
Dividend for the end of FY23	▲334.1
Share buyback	▲169.5



\*<sup>1</sup> Key points from Q&A sessions with institutional investors, individual investors, analysts, and media personnel since January 2024, focusing on particularly noteworthy topics

\*<sup>2</sup> The negative cash flow indicates that the purchase amount exceeded the sales amount, resulting in an increase in real estate balance

\*<sup>3</sup> Including the changes of single property

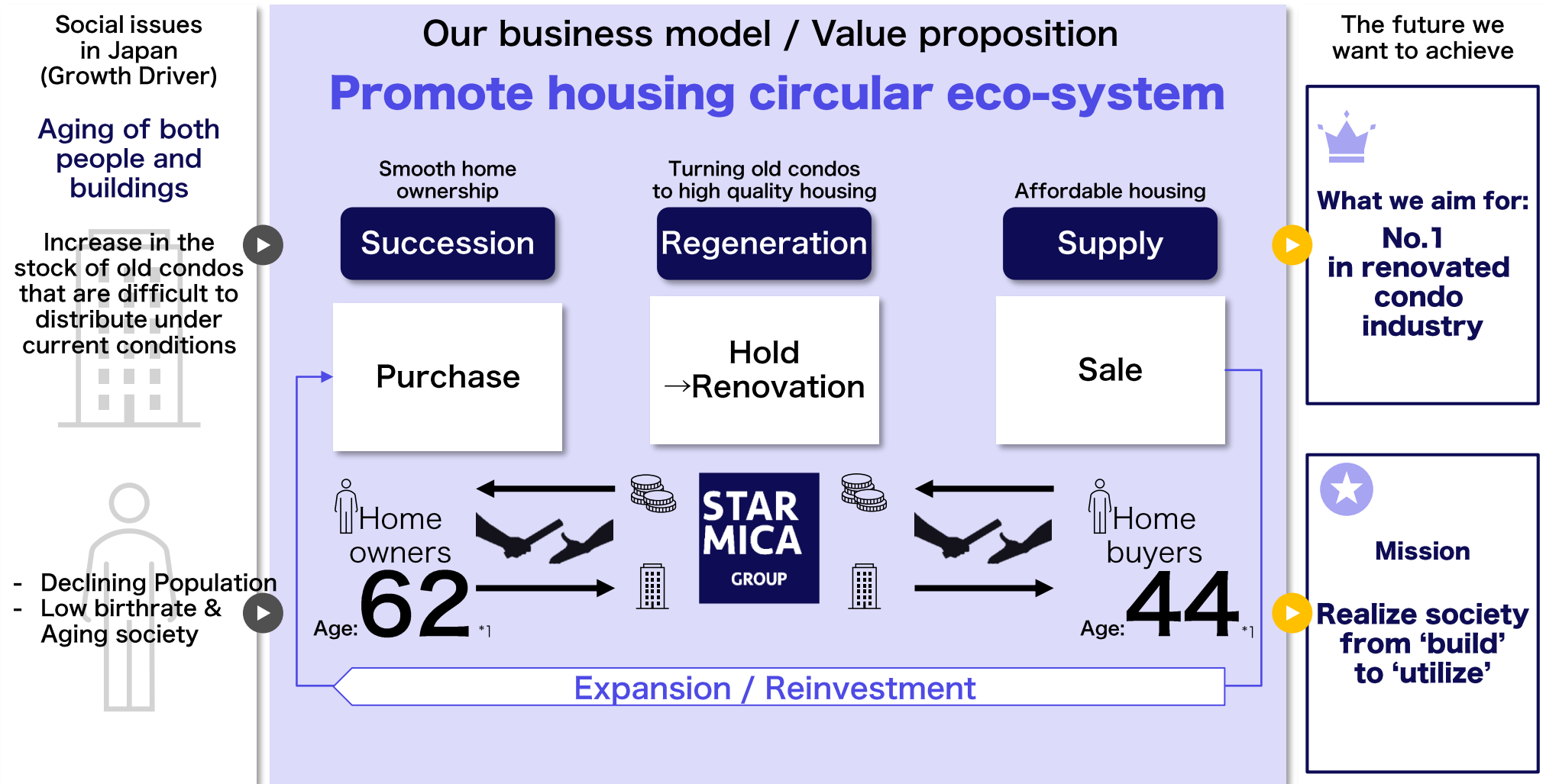


# 2

## **Mid-Term Plan “Find the Value 2026” (FY2024-2026)**

### **a. What we aim for**

- Contribute to popularization & establishment of the housing circular eco-system through solving social issues and our growth.



\*1 Median age of seller/buyer of condos with our company (FY2022 & FY2023)

- Implement three strategies to maximize corporate value.

## Maximize corporate value

Enhance ROE

Maintain appropriate level of WACC

### Mid-Term Plan (FY2024-2026)

#### Business strategy

- ❑ Back to owner-change condos<sup>\*1</sup>
- ❑ Market share expansion in the urban areas
- ❑ Restructure of renovation operation
- ❑ Shorter sales turnover<sup>\*2</sup> (Disciplined inventory management)
- ❑ Fund business development

Shift to corporate management focusing on Profitability and Efficiency

Strengthen disclosure of important strategy progress

#### Financial strategy

- ❑ Maximize cash utilization
- ❑ Disciplined growth investment and shareholder return

Establish explicit capital allocation policy

#### IR strategy

- ❑ Establish IR team structure
- ❑ Renew IR materials/Website
- ❑ Increase dialogue with shareholders

\*1 See page 35 for more details

\*2 Number of days from 1) tenants moving out or 2) purchase of vacant condos to sales/ delivery (incl. renovation work period)

- Set quantitative goals to increase corporate value.
- No specific targets for revenue, profit, etc. to respond the market environmental changes.

## Maximize corporate value

ROE:  
**12.0+%**

WACC:  
**2.0%**

### Mid-Term Plan (FY2024-2026)

#### Business strategy

Shift to corporate management focusing on Profitability & Efficiency

OP margin:  
**10.0+%**

EPS growth:  
**5.0+%**

Sales Turnover:  
**▲1.5~2 months**

Inventory:  
**JPY 100+bn**

Strengthen disclosure of important strategy progress

#### Financial strategy

Establish explicit capital allocation policy

#### IR strategy

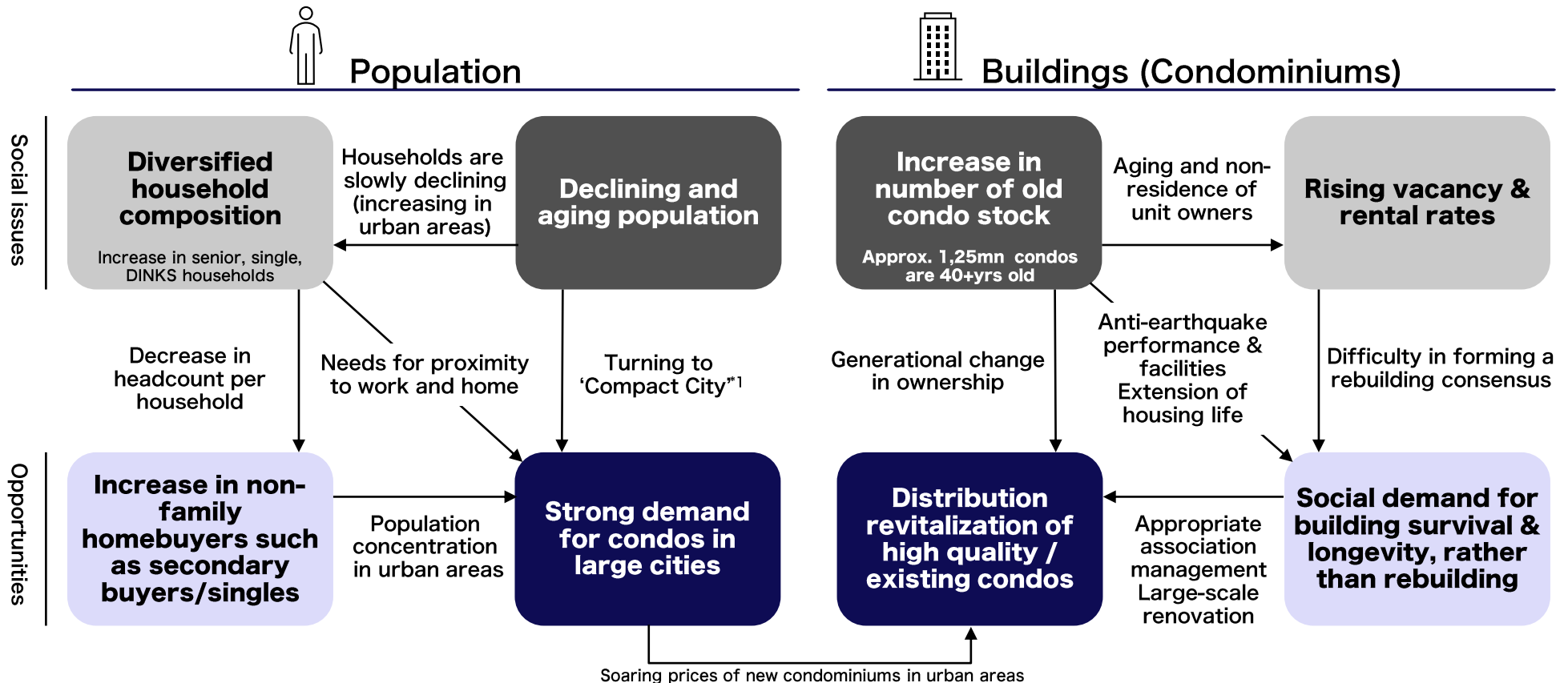
Equity Ratio:  
**25.0+%**

Total Shareholder Return (Dividend + Buyback):  
**40.0%**

PBR:  
**1.0+X**

- As people and buildings are aging, increasing needs to achieve a sustainable society through the effective use of existing resources.

## Social issues in Japan : Aging population and buildings



<sup>\*1</sup> Formation of an intensive urban structure that improves the Quality of Life (QOL) for the elderly and reduces the cost of maintaining social infrastructure

- Promote the rebirth & distribution of more convenient & comfortable condos to meet Japan's housing needs.

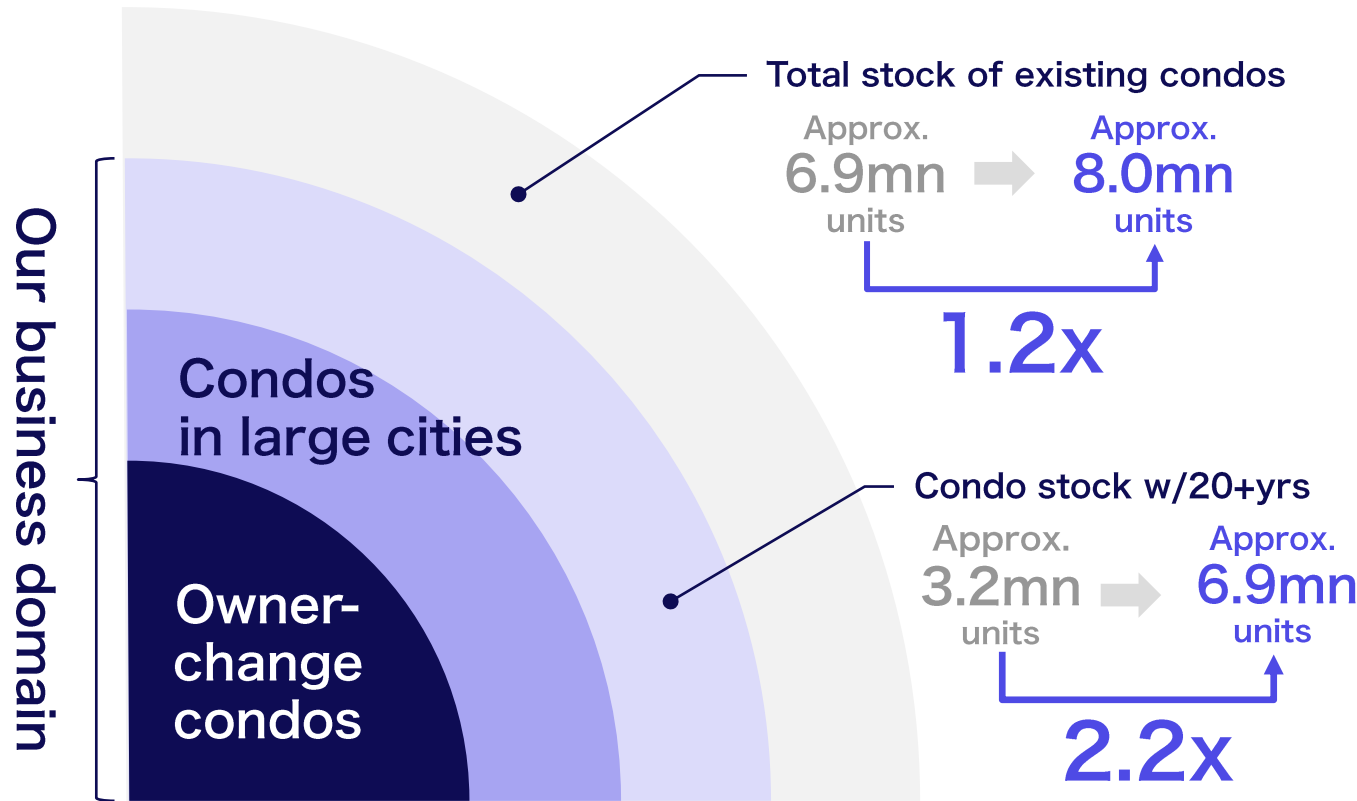


(Source) MLIT Heisei 30 Condominium Research

\*1 Percentage of units vacant for more than 3 months

- Our main business domain will continue to expand by aging condo stock.
- Continue to pursue No. 1 in the industry through strategic business expansion.

**Our business domain and expected change in number of condo stock**



**Three No.1s**

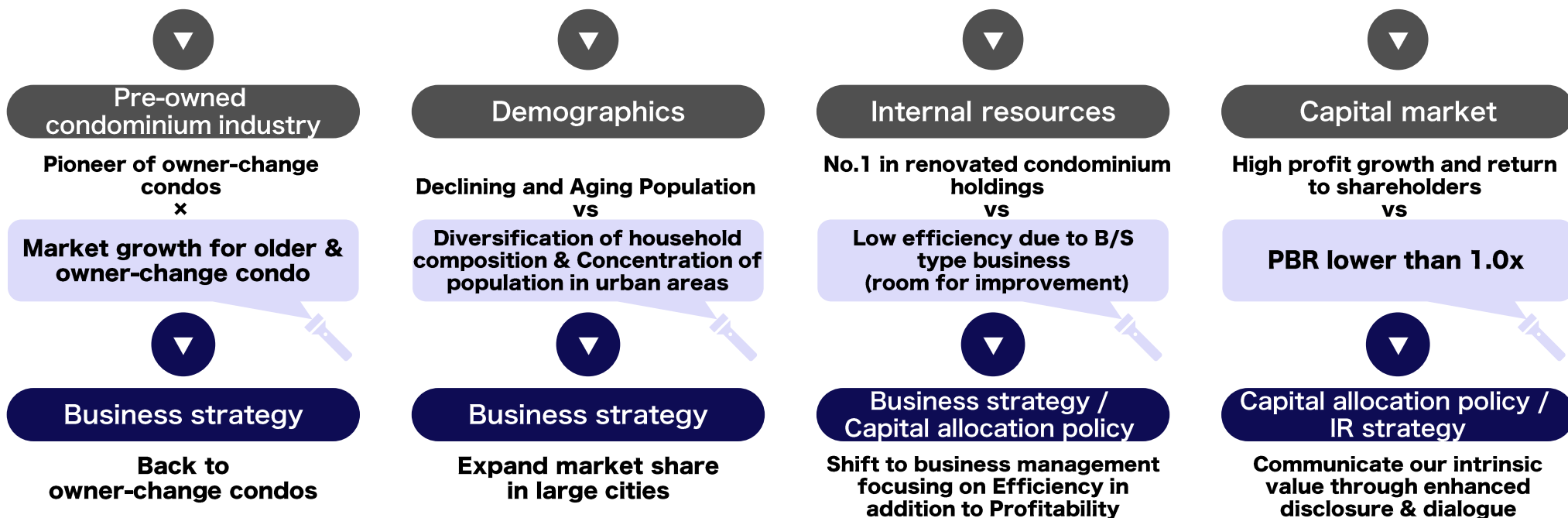
<b>Sales</b>	# of offerings × Unit price
	Lead renovated condo market in large cities
<b>Profits</b>	Profit from vacant + OC condos - Cost
	Quality business model and high productivity
<b># of holds</b>	Company owned + Fund owned
	Stock business mainly OC condos

(Source)MLIT Statistics and data of condominium market / Starmica Holdings  
Our estimate is based on the rate of change in the supply of new condos over the past five years and the status of reconstruction of condominiums as of March 2023  
Assuming i) the total number of condos rebuilt is 282, or about 23,000 units, ii) stock removal due to rebuilding, etc. is negligible, and iii) the current stock of existing condos will become "20+yrs condo" in 20 years'

- Establish a management foundation for sustainable growth by implementing Mid-Term Plan embodying our corporate slogan.

## “Find the Value 2026”

# Focus on what we have now, and shine a light on the hidden values





# 2

## **Mid-Term Plan “Find the Value 2026” (FY2024-2026)**

### **b. Market landscape / Competitive advantage**

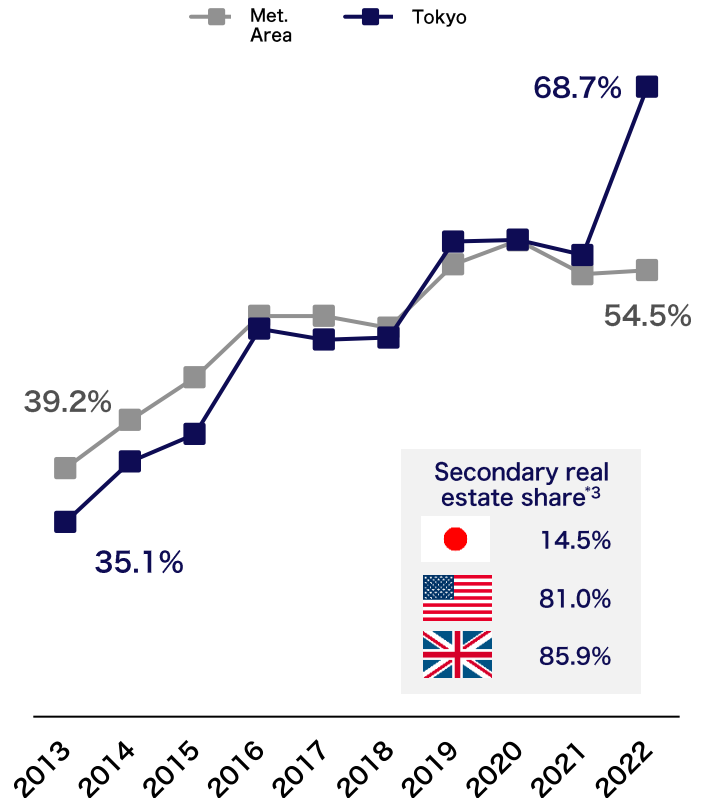
- Secondary real estate market share in Japan is 1/6 of that compared to the U.S. and European countries.
- We anticipate pre-owned condominiums take the initiative in the expansion of the market share.

**Housing Market Trends in Urban Areas**

Demand side	Supply side			
Population decline	Purchase	Condominiums	Pre-owned	<ul style="list-style-type: none"> <li>• Prices continue to rise, but are less expensive than new construction</li> <li>• Variety of choices from compact to family type</li> <li>• Can remain standing for a long time through proper management and repair (Difficult to build consensus for rebuilding condos. Limited to 282 cases and approx. 23,000 units).</li> </ul>
# of household unchanged in urban areas			New	<ul style="list-style-type: none"> <li>• Land acquisition is difficult in central Tokyo and popular areas, and the number of units sold declines year by year</li> <li>• Price hike coupled with rising construction costs</li> <li>• Condos tend to become compact &amp; smaller to limit the price</li> </ul>
Diversified household composition		House		<ul style="list-style-type: none"> <li>• Mainly supplied in suburbs / for families</li> <li>• Not as long-lived as condos and more likely to be rebuilt from used to new (Avg. 37yrs<sup>1</sup>).</li> </ul>
Diversified home buyer needs				
Diversified mortgage plans		Rent		<ul style="list-style-type: none"> <li>• Unit rent prices are rising</li> <li>• For the same level of space and grade, mortgage repayment &lt; rent in many cases</li> <li>• Family type is hard to get vacancies</li> </ul>
Continued lower mortgage rates				

**Urban condos drive the secondary home distribution**

<Percentage of pre-owned condo transactions\*2>



<sup>1</sup>(Source)Federation of Housing Organizations of Japan, "FY2022 Custom Detached Houses Customer Survey

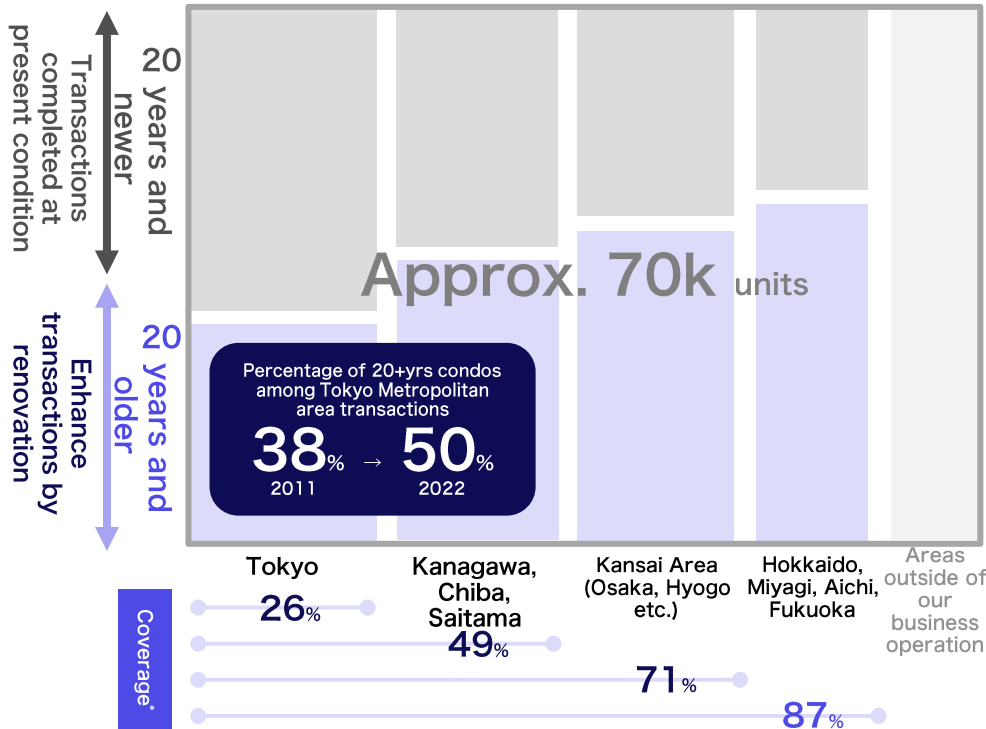
<sup>2</sup>(Source)Calculated by # of new/pre-owned condo sold and Real Estate Economic Institute, "National New Condominium Market Trend 2022" and Real Estate Information Network for East Japan "Metropolitan Area Real Estate Distribution Market Trend (2022)

<sup>3</sup>(Source)MLITT: Revitalization of the Existing Housing Market (May 7, 2020)

- The pre-owned condo market has approx. 70k contracts/year.
- Our focused condo market ('urban' x '20+ yrs old') is expected to expand in the future.

Our business operation covers 90% of all completed transactions, more than half of them is 20+ yrs old

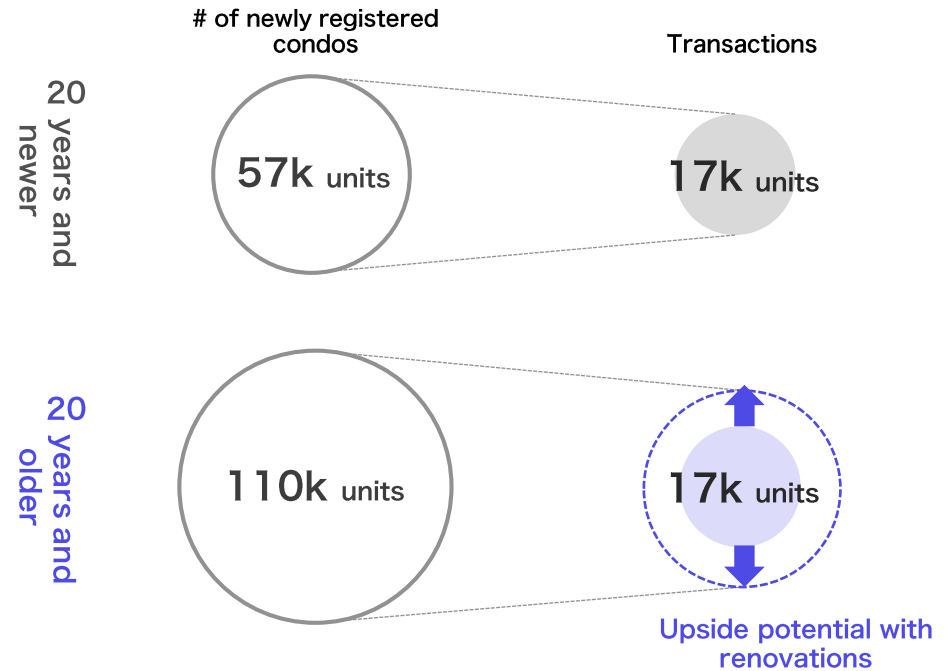
< Area x Age completed transaction volume (2022) >



Expect solid demand as number of households will likely to remain steady

Needs to promote distribution through renovation as older properties are difficult to distribute among consumers

< Number of condo transactions by age in Tokyo Metropolitan area (2022) >

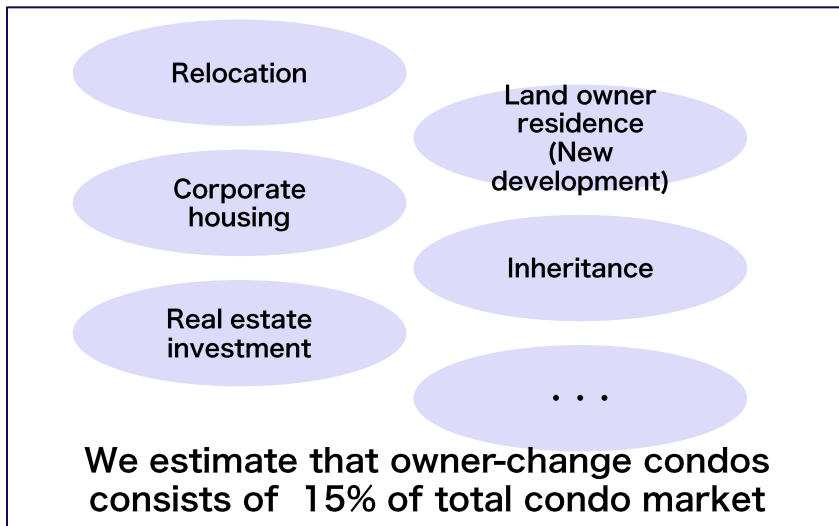


Older properties are often in poor condition (difficult to live in as is) and are less likely to be sold between consumers than newer properties.

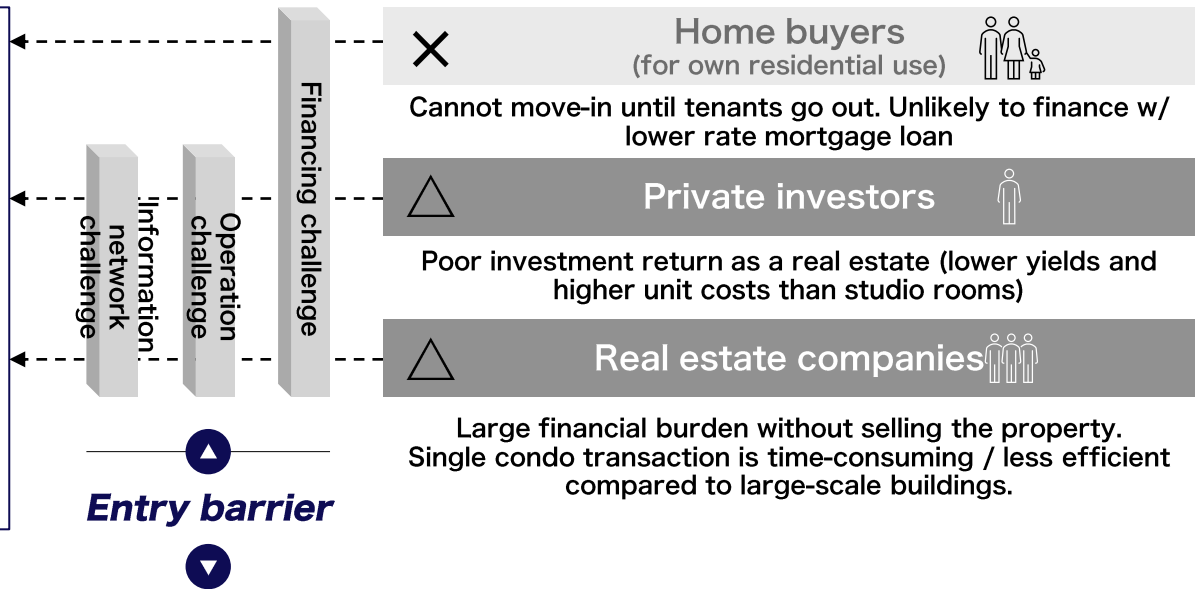
(Source) REINS "Market Watch", Starmica Holdings  
\* Percentage of national contracts (cumulative)

- Unique business model to purchase owner-change condos in the investor market and sell them in the actual demand market.

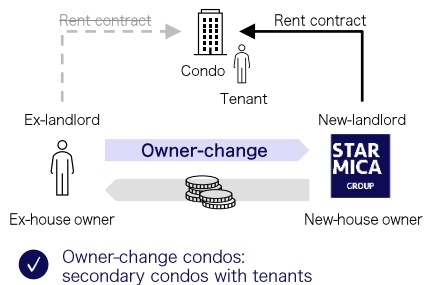
Various reasons for turning to owner-change condos



Owner-change condos are only sold in the investor market, and few buyers



**We have been creating a secondary market for family-type / owner-change properties**



**Networking with real estate agents**

- Recognized as a pioneer in family-type /owner-change condos with few buyers

**Operation capability**

- In-house operation of labor-intensive contract, settlement (escrow), and rental management
- Quick decision-making by sophisticated operation structure from appraisal to contract and settlement

**Financing capability**

- Expanding biz w/a variety of financing methods during the start-up period
- Continued to strengthen competitive advantage in/after the expansion phase
  - Long-term debt w/track records
  - Stable number of sales (cash flow) w/the law of large numbers

- Owner-change & urban-centered business model enable us to continue earning "stable" profits.

Owner-change centered

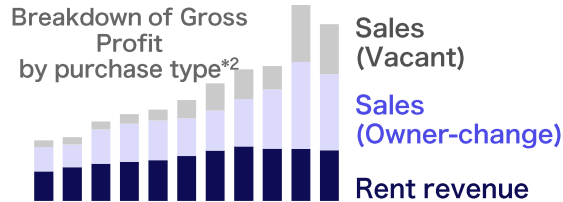


- While other players in this industry focus on purchasing vacant properties that are highly competitive, we focus on purchasing **owner-change condos that are difficult to imitate**, enabling us to generate highly repeatable profits.

Higher profit margin

Vacant margin 7.6%<sup>\*1</sup>

Owner-change margin 18.0%<sup>\*1</sup>



JPY 25.8bn<sup>\*3</sup>

Flow & Stock revenue

Unrealized gain

Urban centered



- Even as we expand nationwide, will focus on **urban areas/each region** where demand is firm and stable earnings can be expected, achieving both higher unit price and volume.

Sales = Unit price × # of sold

	Sales	Unit price	# of sold
<b>Star Mica</b>	<b>47.4bn</b>	<b>34.9mn</b>	<b>1,395</b>
Co. A	30.0bn	17.9mn	1,673
Co. B	30.3bn	26.3mn	1,152
Co. C	26.0bn	24.0mn	1,066
Co. D	29.3bn	67.0mn	441
Co. E	26.2bn	39.4mn	664

Nationwide (upward arrow) / Only large cities (downward arrow)

Star Mica No.1 Sales in secondary condo

Higher unit prices with urban area focus

Top ranked with nationwide footprint

<sup>\*1</sup> Profit margin based on properties for sale in FY2023 (unconsolidated)  
<sup>\*2</sup> The breakdown of profit is an approximate figure from FY2013 to FY2023 (consolidated)  
<sup>\*3</sup> As of Nov. 30, 2023

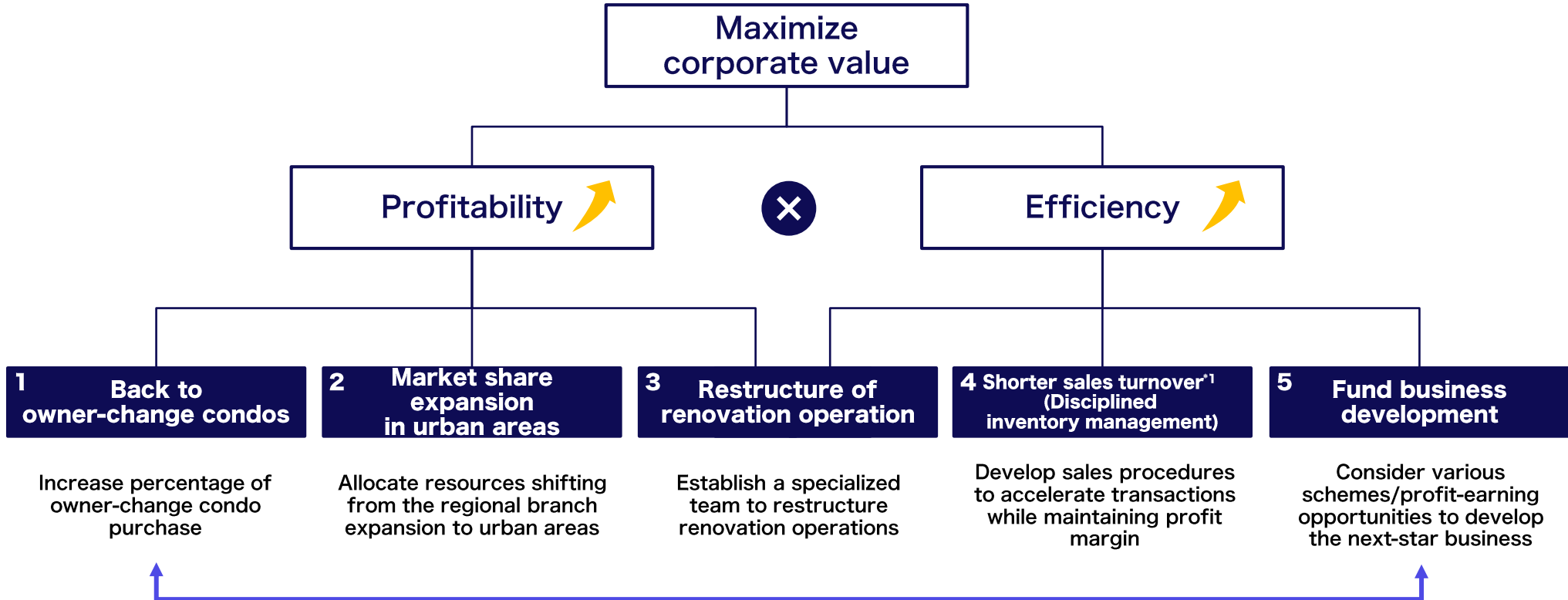
(Source)The Japan Journal of Remodeling "The Ranking of Secondary Real Estate Business 2023", Starmica holdings  
 Our sales/unit price/# of properties for sale based on results in FY2022

# 2

## **Mid-Term Plan “Find the Value 2026” (FY2024-2026)**

### **c. Business strategy**

- Achieve sustainable growth and increase corporate value based on five strategies.

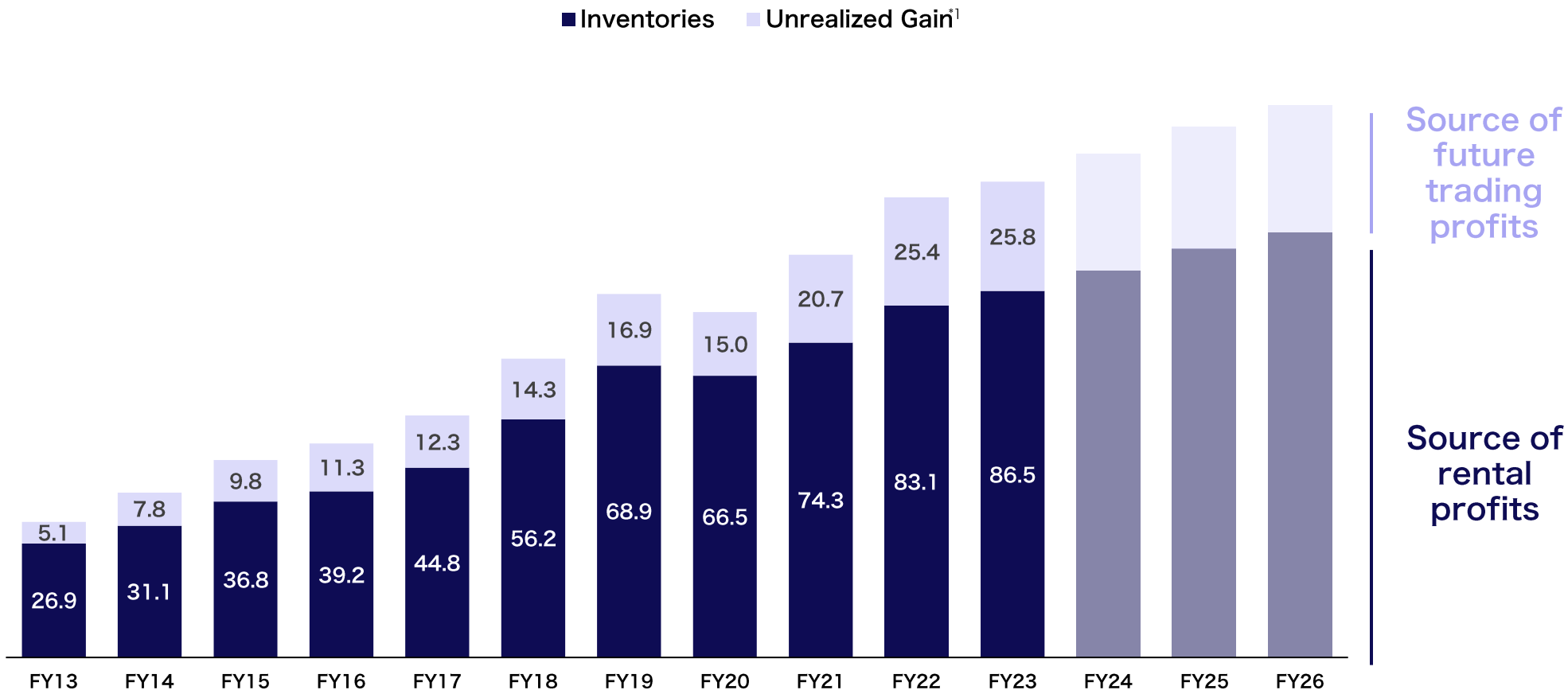


**Strategy key point:**  
**Sustainable & Stable growth through purchase of competitive owner-change condos**

<sup>1</sup> Days form key received → Renovation → Listing for sale → Contract date

- Continue to aggressively purchase properties and accumulate high-quality stock for a source of profits.
- Inventories & unrealized gains are expected to further increase by “back to owner-change condo”.

<History of Inventories and Unrealized Gain (JPY bn)>

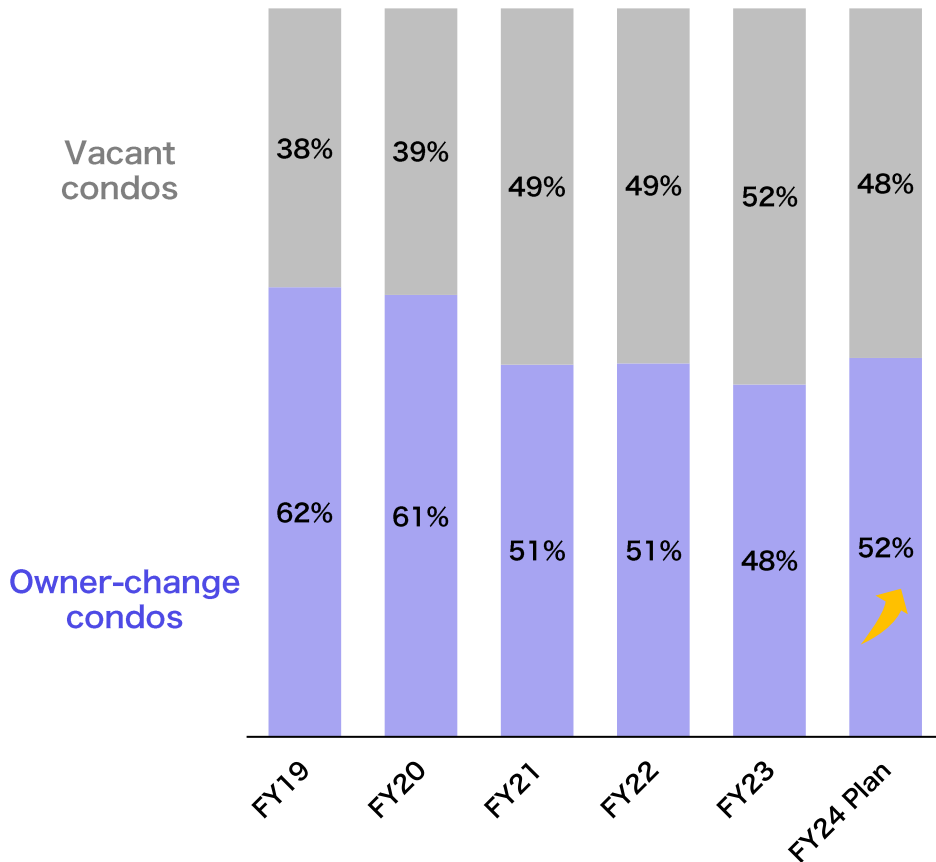


<sup>1</sup> Estimated sales – Book value – Estimated cost (Property agent cost etc)

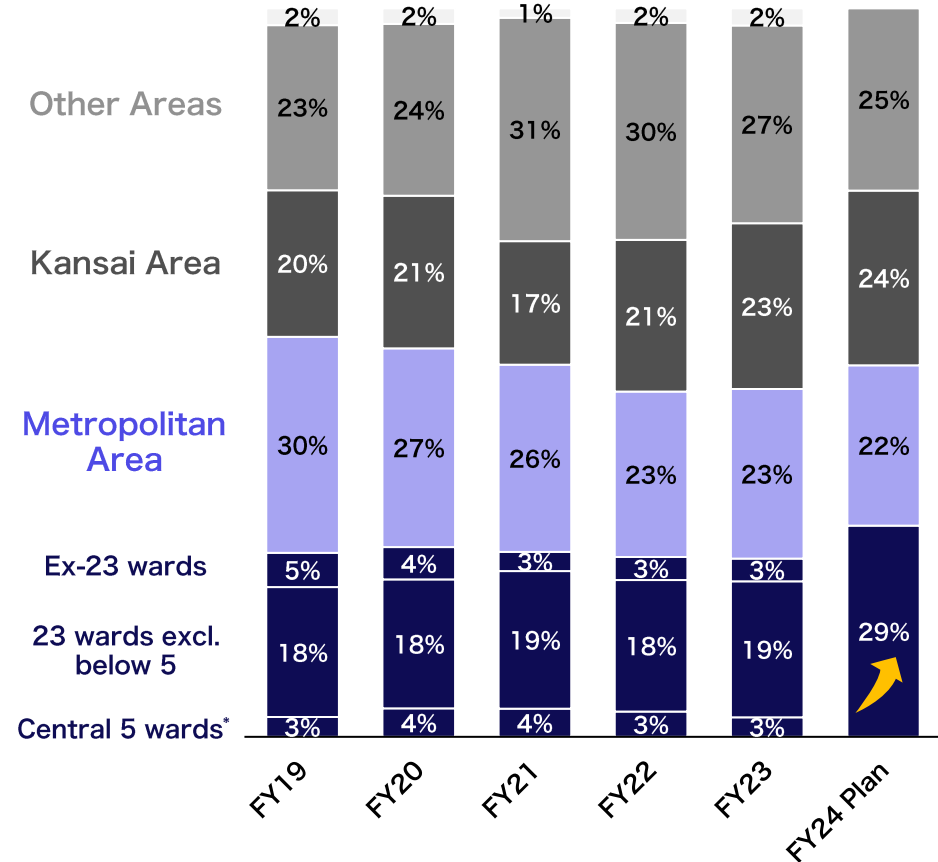


- Have been deepening our area focusing on regional cities x vacant condos for the last 5 years.
- However, plan to increase market share by raising the owner-change ratio & investing resources in urban areas.

Composition of condo purchased (owner-change/vacant)



Composition of condo purchased (by region)



\* Minato, Shinjuku, Shibuya, Chuo and Chiyoda ward

- Both internal & external factors resulted in 20% cost increase & additional 10 days turnover.
- Establish a specialized team for renovation operation restructure to optimize Quality / Cost / Delivery (QCD).

	Renovation cost per unit*1	Sales turnover days*2								
<b>Trend</b>	<table border="1"> <tr> <td>FY2020</td> <td>100%</td> </tr> <tr> <td>FY2023</td> <td>122%</td> </tr> </table>	FY2020	100%	FY2023	122%	<table border="1"> <tr> <td>FY2020</td> <td>Approx. 93 days</td> </tr> <tr> <td>FY2023</td> <td>Approx. 104 days</td> </tr> </table>	FY2020	Approx. 93 days	FY2023	Approx. 104 days
FY2020	100%									
FY2023	122%									
FY2020	Approx. 93 days									
FY2023	Approx. 104 days									
<b>External factors</b>	<ul style="list-style-type: none"> <li>● Increase in construction and labor costs due to inflation and materials price hikes, etc.</li> </ul>	<ul style="list-style-type: none"> <li>● Extension of construction period due to labor shortage such as craftsmen</li> <li>● Delayed delivery of building materials and housing equipment (now almost normalized)</li> </ul>								
<b>Internal factors</b>	<ul style="list-style-type: none"> <li>● Increase in condo age (more areas requiring for renovation)</li> <li>● Improve of product grade in high-priced condos in urban areas</li> </ul>	<ul style="list-style-type: none"> <li>● Increased difficulty in planning for older condos</li> <li>● More inspection and corrective work to improve quality</li> </ul>								
<b>Main focus points</b>	<p>Establish a specialized team to improve Business Process Reengineering (BPR) and operation flow.</p> <ul style="list-style-type: none"> <li>Enhance value-added product (Competitive product development in urban areas)</li> <li>Consider cost reduction methods</li> </ul>	<ul style="list-style-type: none"> <li>Deepen cooperation with renovation partner companies.</li> <li>Improve efficiency of internal operations through Digital Transformation investment</li> </ul>								

\*1 Average renovation cost based on properties for sale

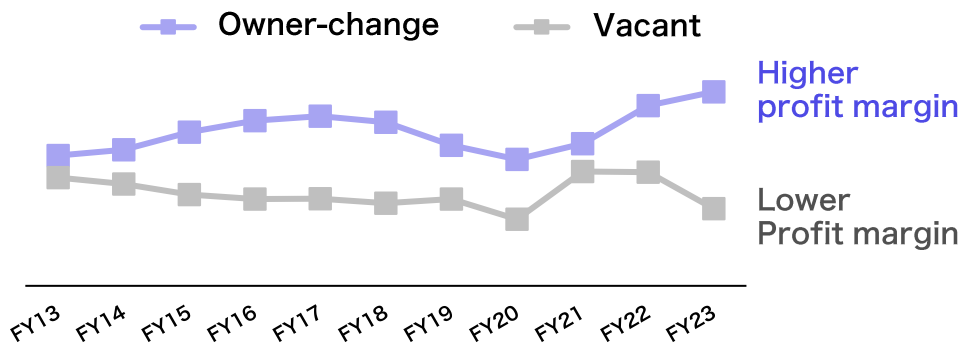
\*2 Days from key received to listing for sale

- Vacant condo ratio has increased since 2018, pushing down the profit margin.
- From this year, plan to increase owner-change condo ratio to improve overall profit margin.

Previous sales strategy:  
Aggressive regional expansion & vacant purchases since 2017

Future sales strategy:  
Increase in owner change condos will contribute to better profit margins

<Profit margin\*1 (%)>



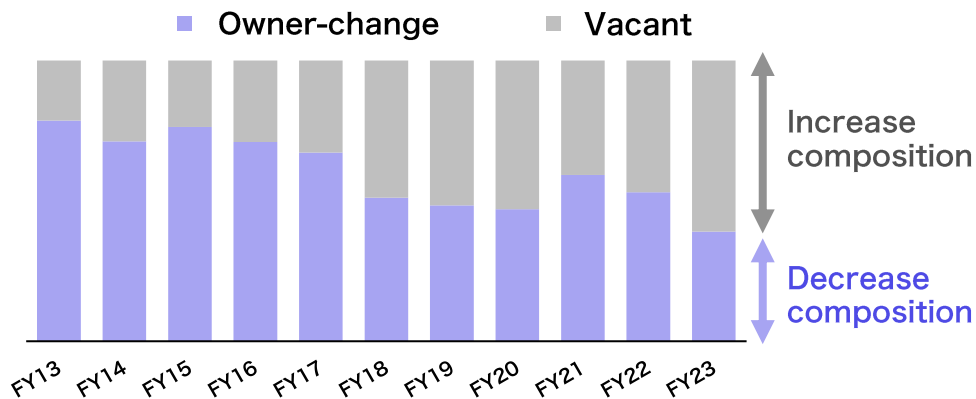
Profit margin



Improved profits by improving the quality of properties purchased

Improved overall sales margin

<Composition of condo sold by ownership>



Number of condo for sale

Owner-change    Vacant    Total

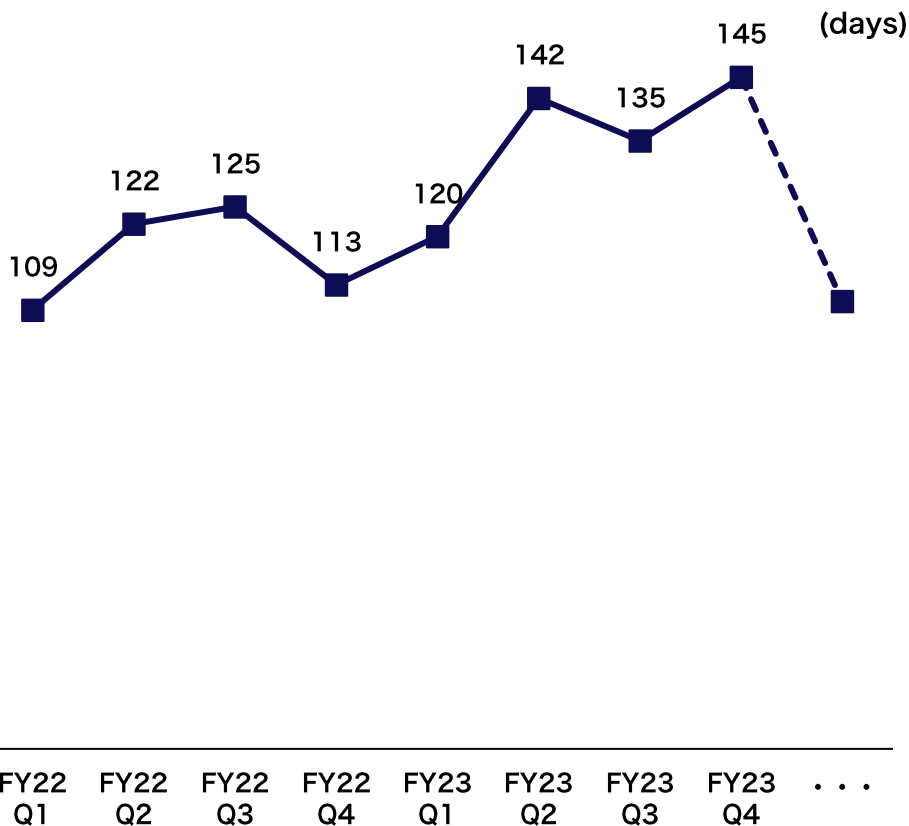
Increase the number of units sold for both owner-change and vacant, but increase the ratio of owner-change.



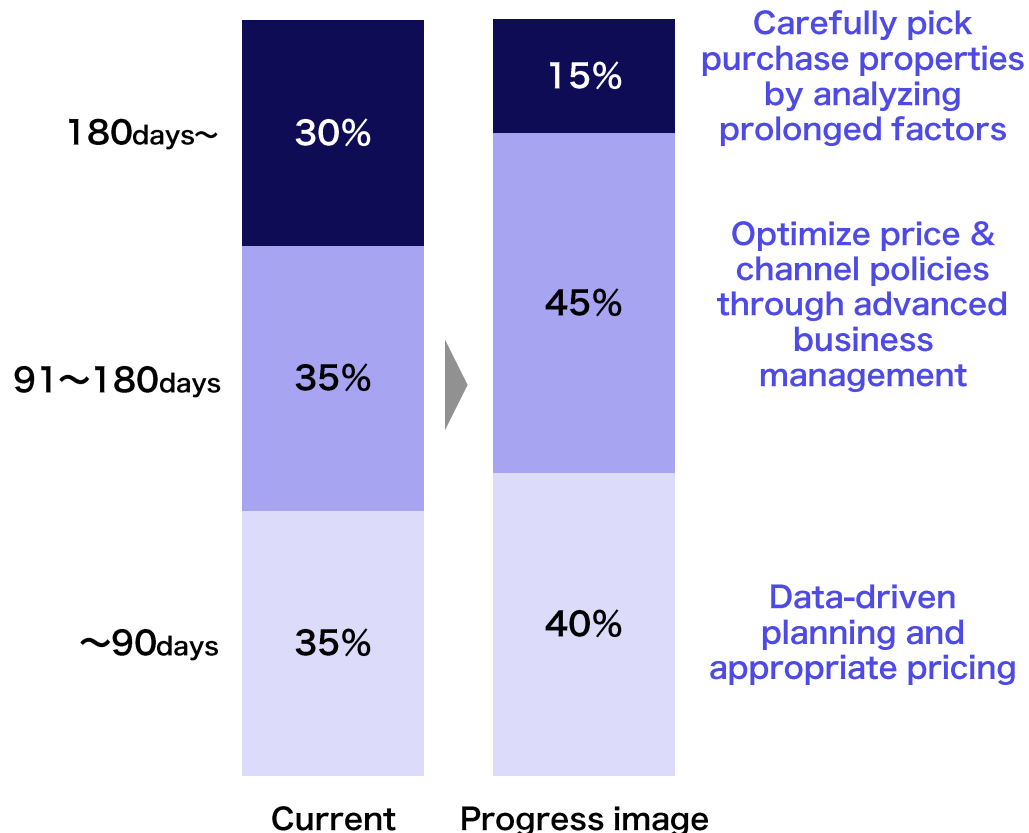
\*1 The breakdown of profit (vacant condos / condos with tenants) is an approximate figure

- Days for sales are becoming longer mainly due to market environment changes.
- Improve sales turnover (1.0~1.5months) through disciplined inventory management.

Days for sales\*1



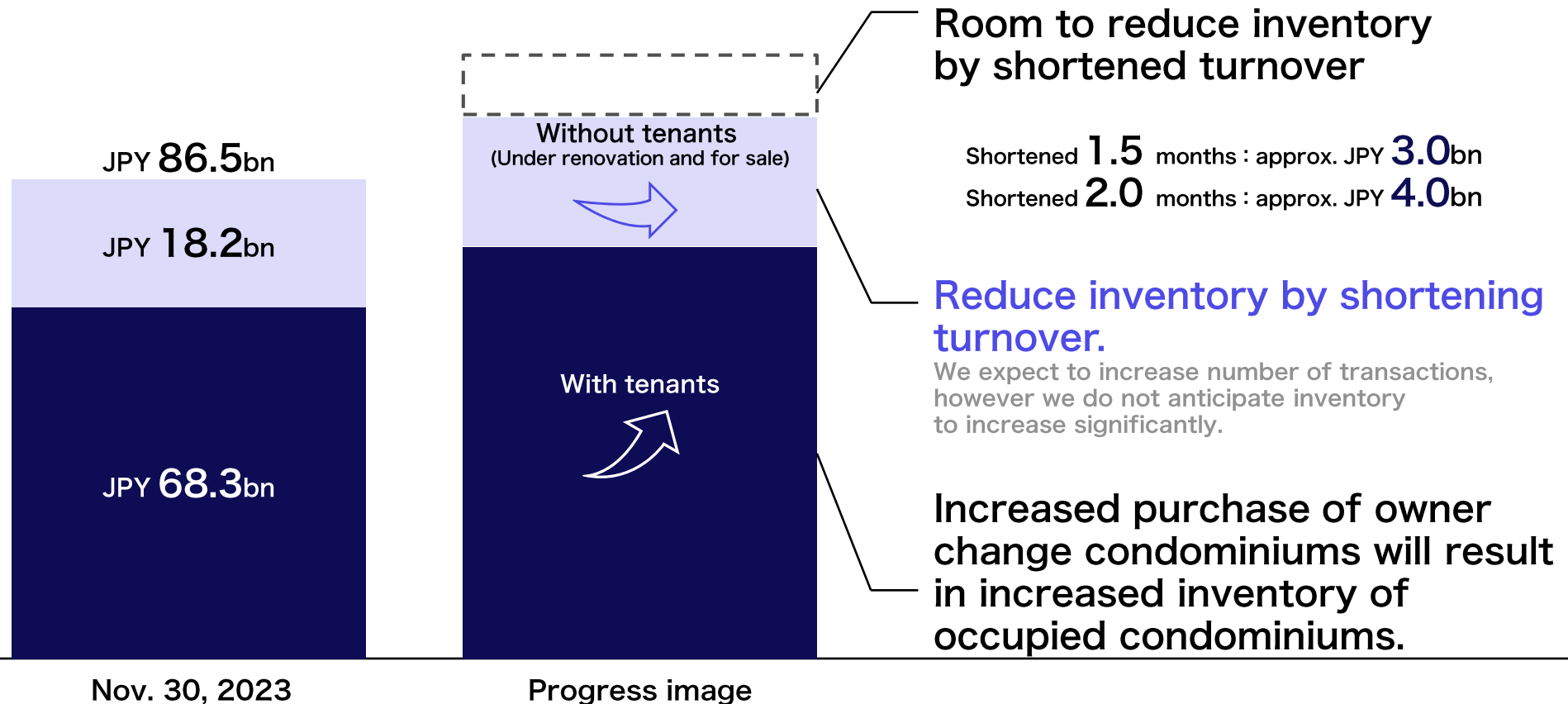
Kaizen approach by days for sales



\*1 Start date of sales listing ~ End date of sales listing (Contract date), data includes both vacant and owner-change condos

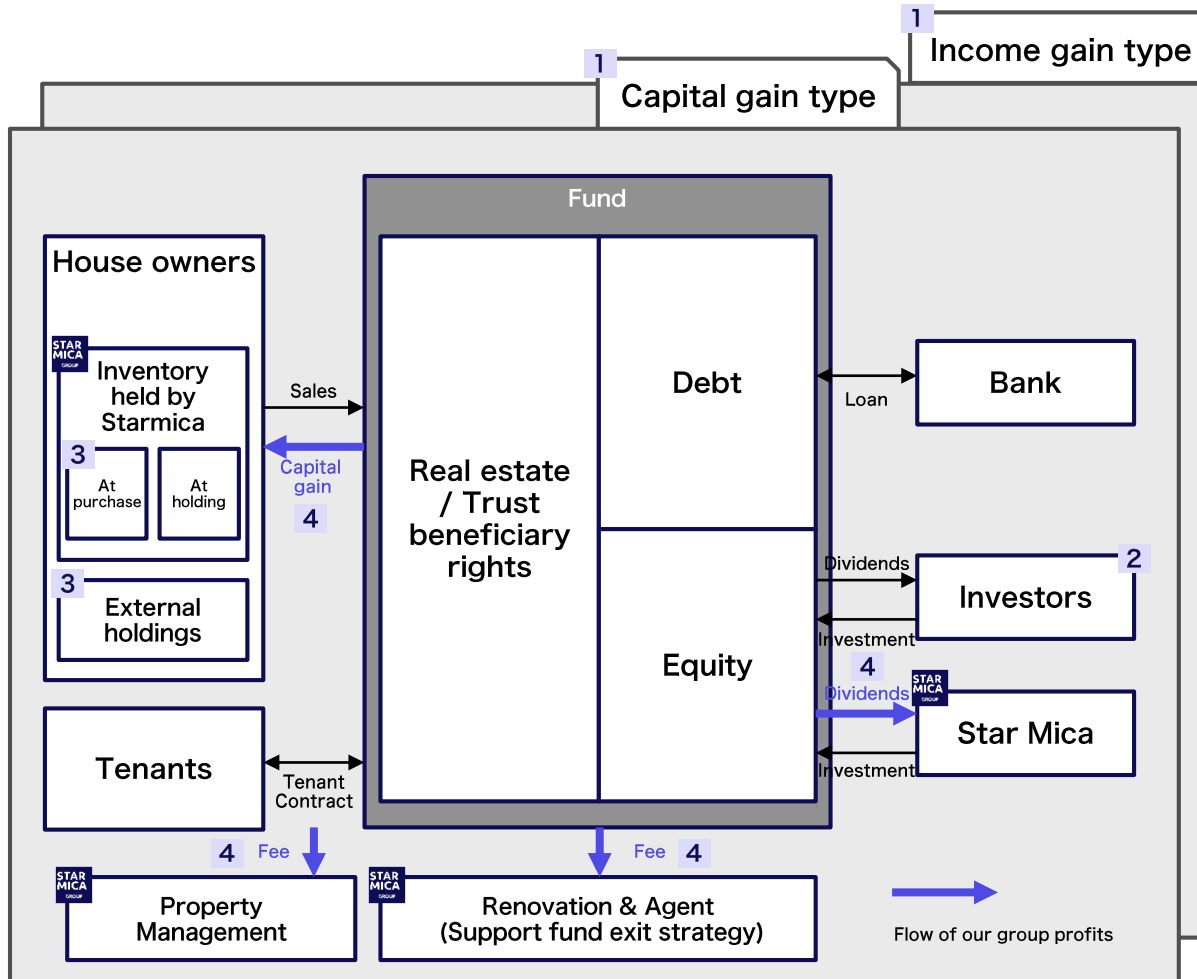
- We expect shortened turnover will reduce inventories of vacant condominiums (both acquired vacant and vacant after tenant departure).

Progress image of Condominiums for sale inventory



- Actively promote the condominium fund business as the next star in response to business & financial strategies.

Image of fund structure



Merit of fund business

- 1 Flexible to design fund type and redemption period  
Simulate eviction probability/default rate/pre-payment rate, etc. by utilizing our own data accumulated to date
- 2 Meet various investors' needs  
Actively accepting investments from non-real estate related companies
- 3 Diversification of real estate portfolio  
Diversify the fund by targeting real estate other than our owned condos
- 4 More revenue-generating opportunities  
Expand comprehensive earnings by utilizing our group assets

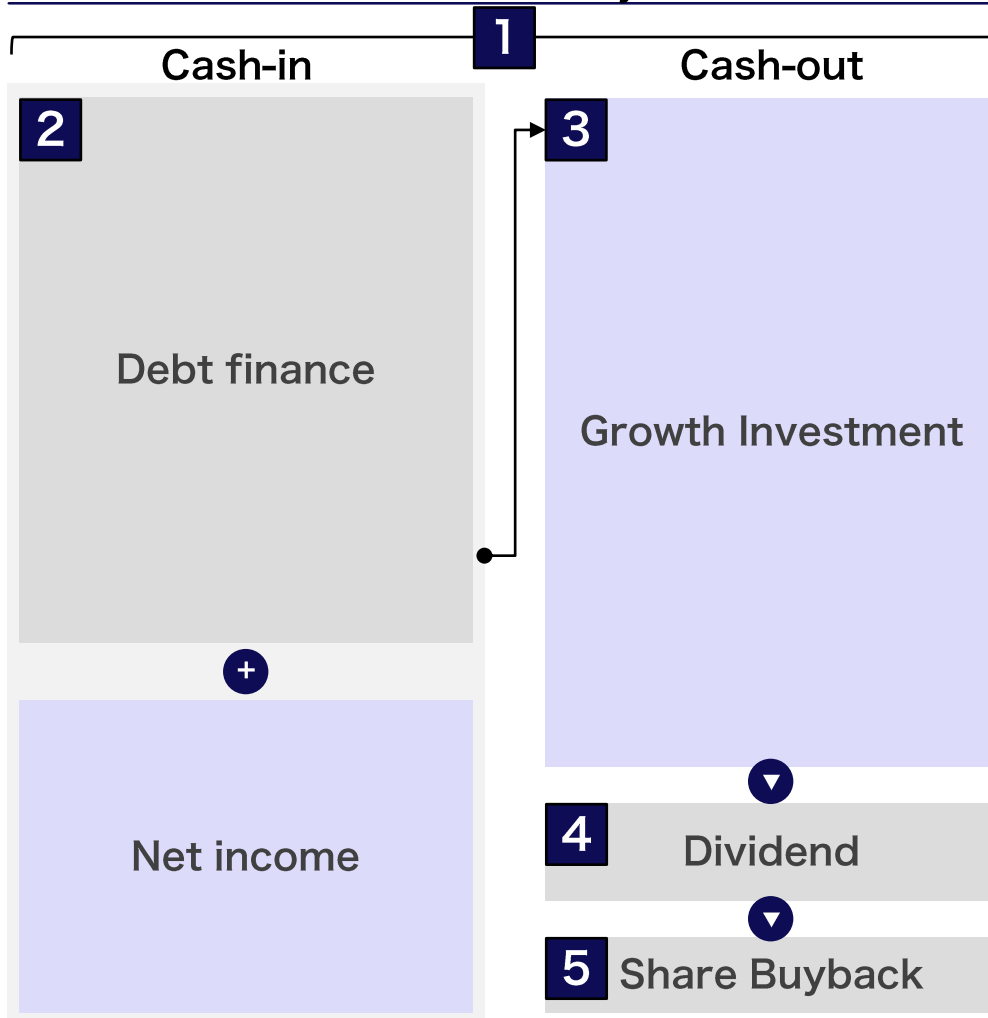
# 2

## **Mid-Term Plan “Find the Value 2026” (FY2024-2026)**

**d. Financial strategy (Capital allocation policy) /  
IR strategy**

- Maximize cash utilization to achieve disciplined growth investment & shareholder returns

Cash flow in three years



Five basic policies

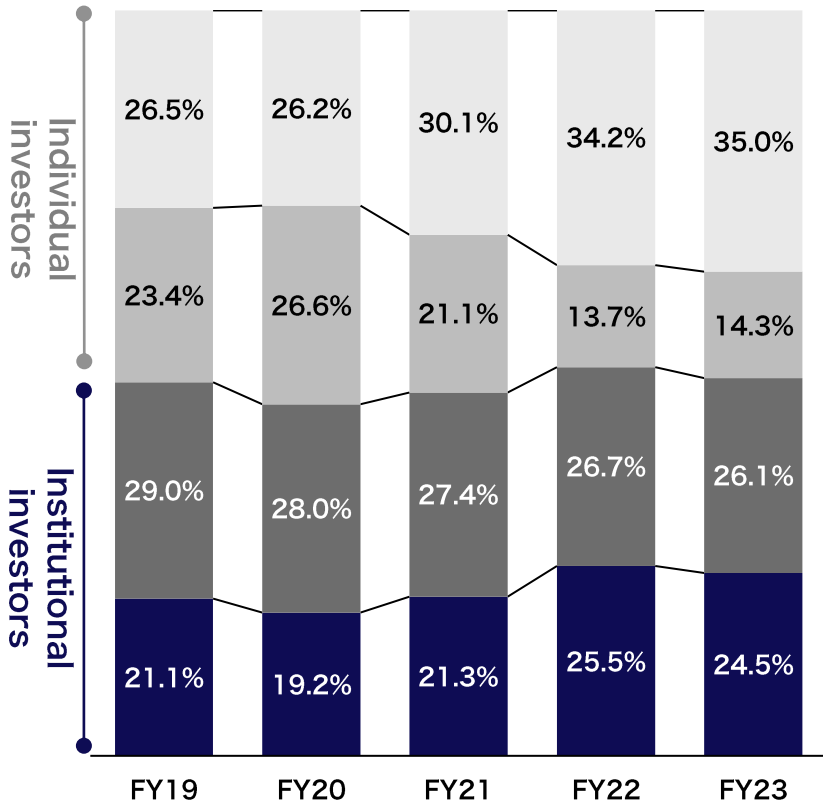
- 1 Maximize corporate value by improving ROE & maintaining an appropriate level of WACC
- 2 Low-cost debt finance by keeping a close eye on adequate Equity Ratio
- 3 Prioritize growth investment to create new value
- 4 Continue to pay stable & increased dividends from surplus funds after growth investment
- 5 When our stock is undervalued (e.g. PBR <1.0x), flexibly conduct Buyback to achieve Total Shareholder Return 40% / EPS growth 5%



- Many long-term / stable shareholders both in Japan and overseas.
- Promote information disclosure & dialogue based on IR/SR strategy and strive for mutual understanding with investors.

### Percentage of voting rights

■ Overseas investors    ■ Institutional investors  
■ Individual investors (Japan)    ■ CEO



### IR/SR activities

Major efforts to  
date

#### Dialogue with existing investors

- Earnings report for institutional investors (twice/year)
- 1-on-1 meeting with institutional investors (Japanese/English, live/online)
- Selected Q&A session (Individual/Institutional investors)
- Exchange of ideas through engagement meetings

#### Increase awareness among new investors

- Speaker at IR events
- Overseas investor visit
- Meetings with individual investors / Distribution of meeting minutes



Ongoing policies

#### Strengthen IR platform

- Develop consistent IR/SR strategies
- Increase personnel

#### Enhance disclosures

- Renewal of IR materials
  - Proactively disclose the progress of our strategy
  - Promote understanding of the market environment & our business
- Renewal of company web sites (Japanese/English)

#### Active dialogue with shareholders

- More 1-on-1 meetings with new investors
- Understanding of market valuation and improving gaps

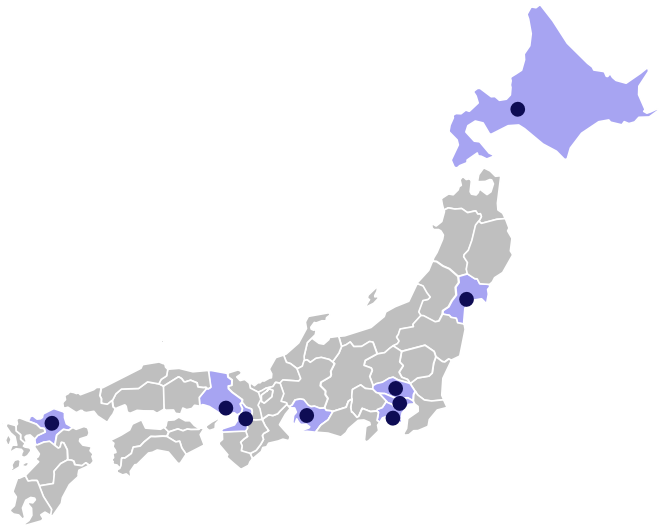
# 3

## **APPENDIX**

### **a. Detailed market data**

- Japan's population will decline, but much slower in urban areas.
- Expect the number of households in our main operation areas remain flat.

**Our main operation areas**



**Focus areas (Prefecture)**

Tokyo Kanagawa Saitama Osaka Hyogo  
Hokkaido Miyagi Aichi Fukuoka

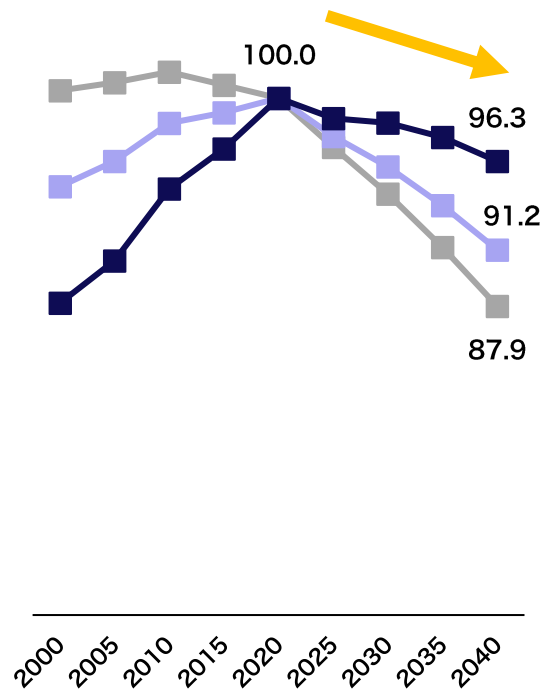
**Focus areas (City)**

Tokyo 23 Wards Yokohama Saitama Osaka Kobe  
Sapporo Sendai Nagoya Fukuoka

**History of Japanese population and households (2020=100)**

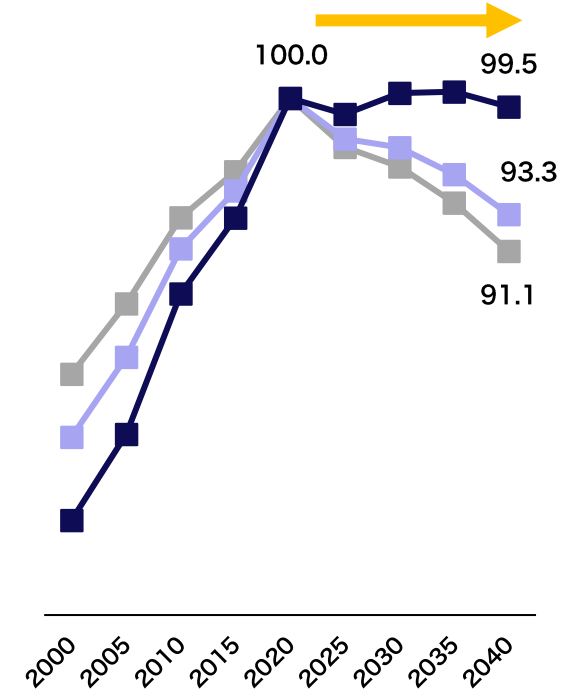
<Population (Index)>

■ Nation-wide  
■ Main operation area (Prefecture)  
■ Main operation area (City)



<Household (Index)>

■ Nation-wide  
■ Main operation area (Prefecture)  
■ Main operation area (City)



(Source) the National Population Census, National Institute of Population and Social Security Research "Projections of Future Population by Region in Japan" and "Projections of Future Number of Households in Japan"

- Mortgage payments are reasonable compared to rents, and more households are choosing to own their homes.

Reasonable monthly repayment by low interest rate

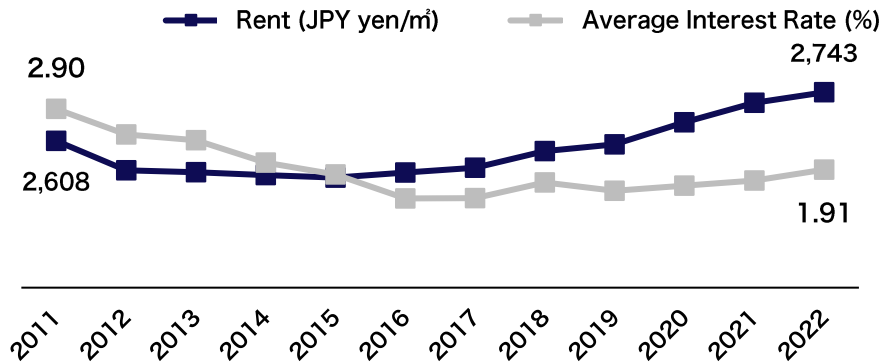
<Monthly payment comparison of our sold condos (FY2023)>

	Standard monthly rent*1	Monthly mortgage repayment*2
Tokyo Metro Area	JPY 126k	JPY 104k
Kansai Metro Area	JPY 117k	JPY 86k
Regional Cities	JPY 107k	JPY 73k

\*1 Based on condos sold by StarMica in FY2023.

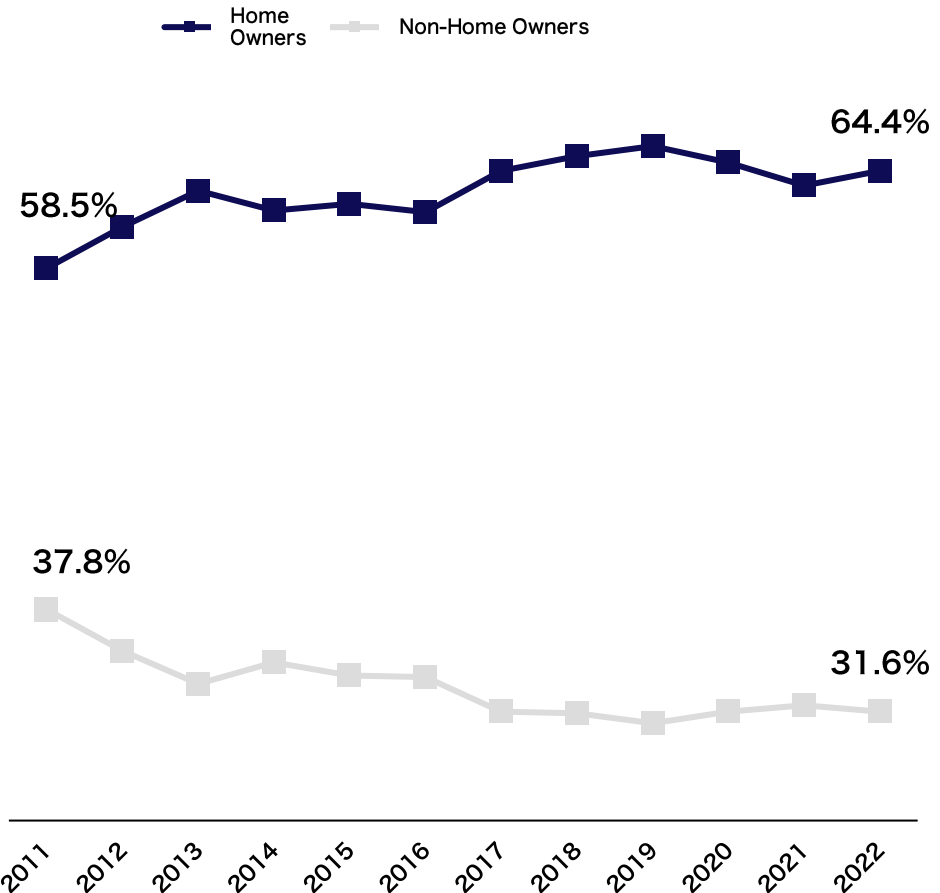
\*2 Assumed mortgage loan at 0.5% for 35 years.

<Average interest rate (flat 35 housing loan) & Rent for condos in Tokyo metropolitan area>



Home-owner ratio has gradually increased over the past 20 years

<% of Home Owner and Non-Home Owner>



(Source) Japan Housing Finance Agency "Interest Rate of Flat 35 Housing Loan", The Real Estate Transaction Promotion Center "Statistics in Real Estate Industry"

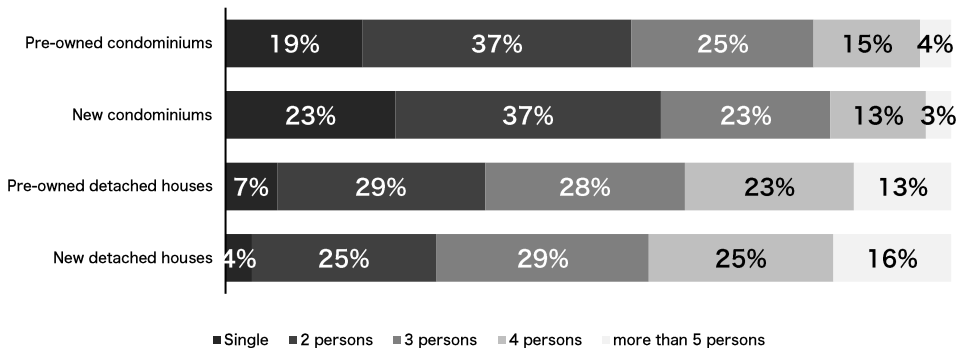
Interest rate is calculated by average of the highest and lowest interest rate (monthly)

(Source) Statistic Bureau, Ministry of Internal Affairs and Communications

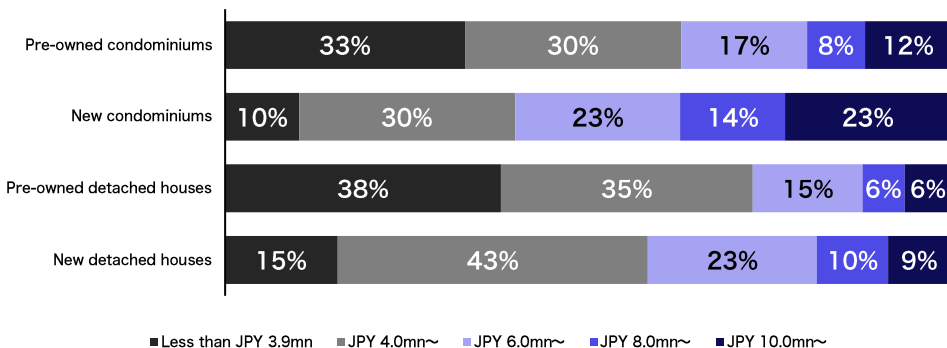
- Compared to detached houses, pre-owned condos can be an option for various household & income ranges.

Pre-owned condos are chosen by a wide range of people

<Number of family members of buyers>



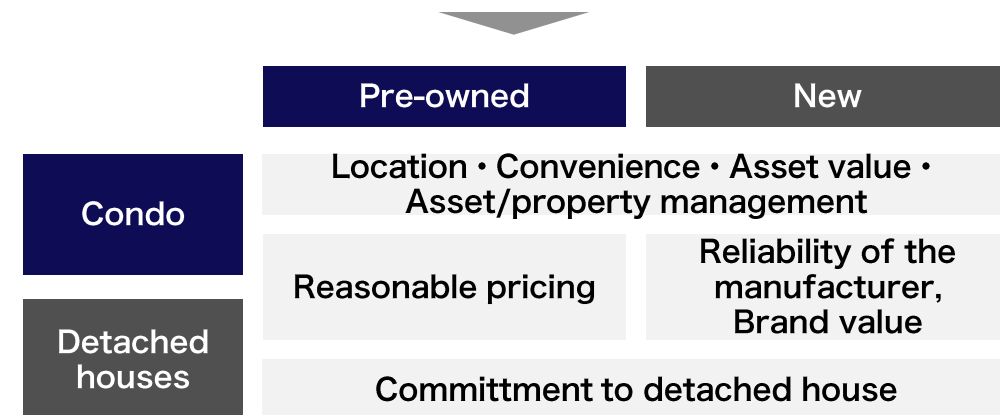
<Buyers' household income>



Pre-owned condos are selected by those who value price, location, and convenience

Reason of buy the following housing (% Multiple Answers)

	Pre-owned Condo	New Condo	Pre-owned Houses	Houses built for sale	Houses custom-built
Good location	52.2	56.9	46.9	46.6	23.7
Preferred house / condos	37.2	52.8	62.4	59.0	42.0
Reasonable pricing	63.1	31.6	57.9	38.0	19.5
Convenience for commute/living	35.2	44.4	18.3	23.6	18.2
Reliable developer, real estate agent	10.6	29.9	8.3	18.4	54.7
Future resale value	12.3	22.9	9.7	9.8	5.2
Appropriate maintenance	11.0	8.3	2.1	2.3	



(Source) Japan Housing Finance Agency "Interest Rate of Flat 35 Housing Loan"  
New houses includes total of custom-built, custom-built with land, and built-for-sale

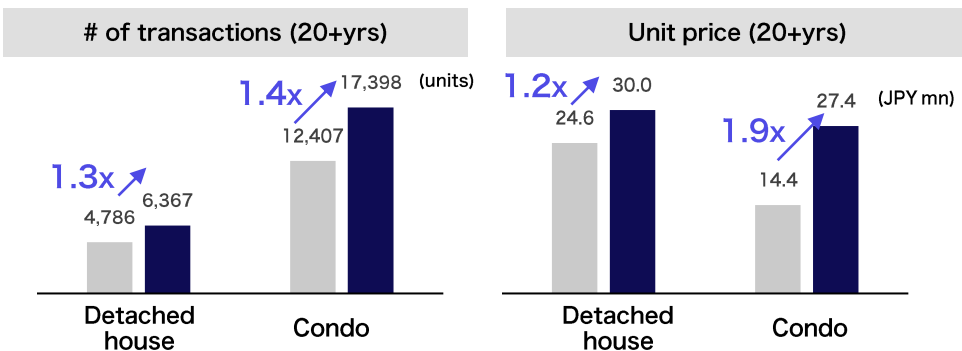
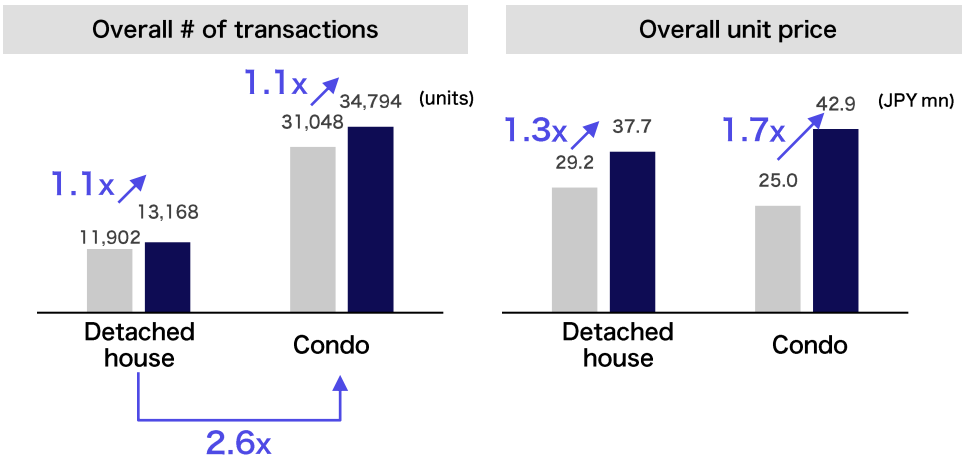
(Source) Ministry of Land, Infrastructure, Transport and Tourism Residential market research 2022

Detailed market data (4/5)  
- vs. pre-owned detached houses

- # of contracts for existing condos in the Tokyo metropolitan area is 2.6x than existing detached houses.
- Condos can have a longer life through maintenance & repair, and the percentage of older condo is increasing year by year.

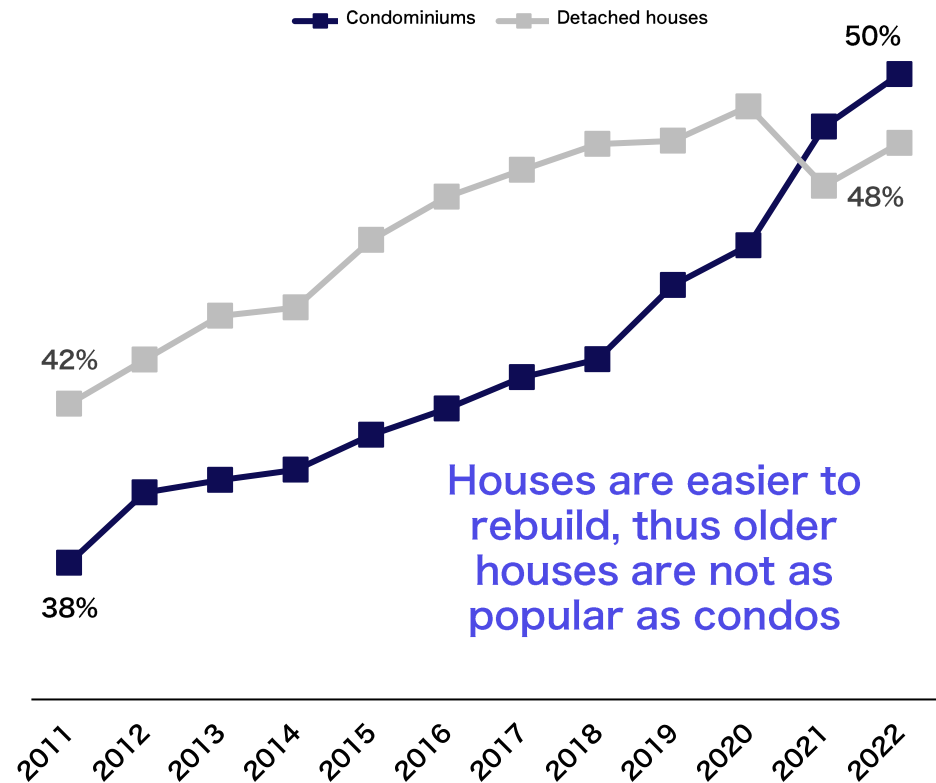
The unit price & # of contracts for condos (20+yrs) increased significantly, supported by strong demand in urban areas

<# of transactions / Unit price in Metropolitan area: 2012 vs. 2022>



Both condos & houses (20+yrs) transactions are increasing year by year, but detached houses seem to have reached its peak

<Ratio of condominiums that are 20+ years old to all transactions>



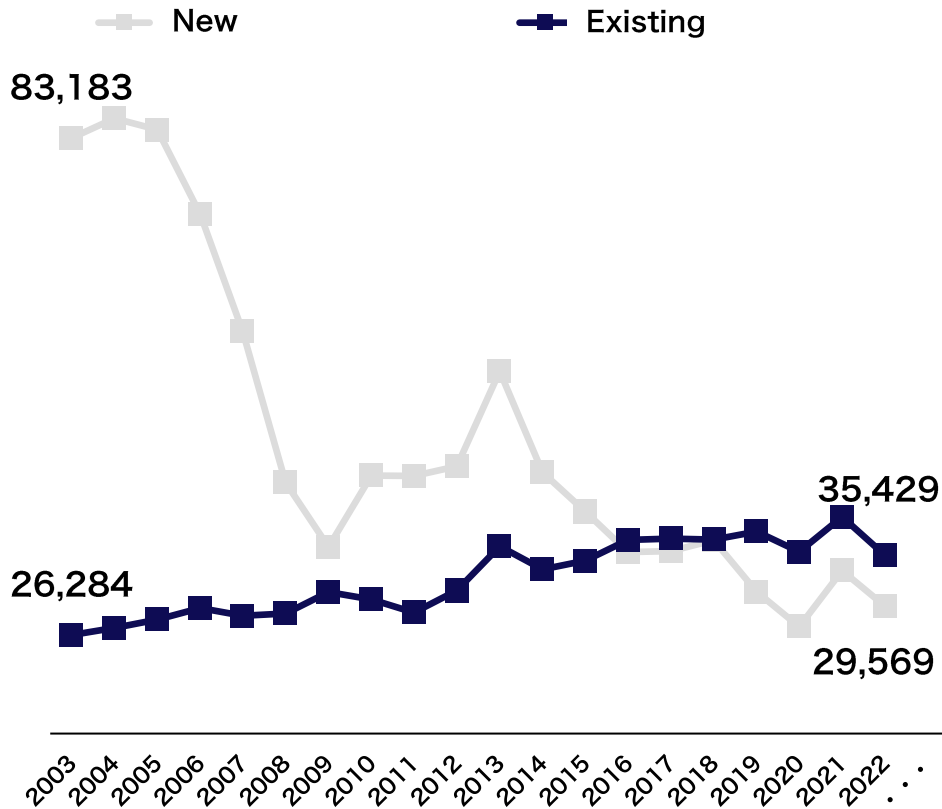
Houses are easier to rebuild, thus older houses are not as popular as condos

(Source) REINS "Market Watch", Starmica holdings

- Demand for existing condo remains solid and the market is expected to expand over the mid-long term.

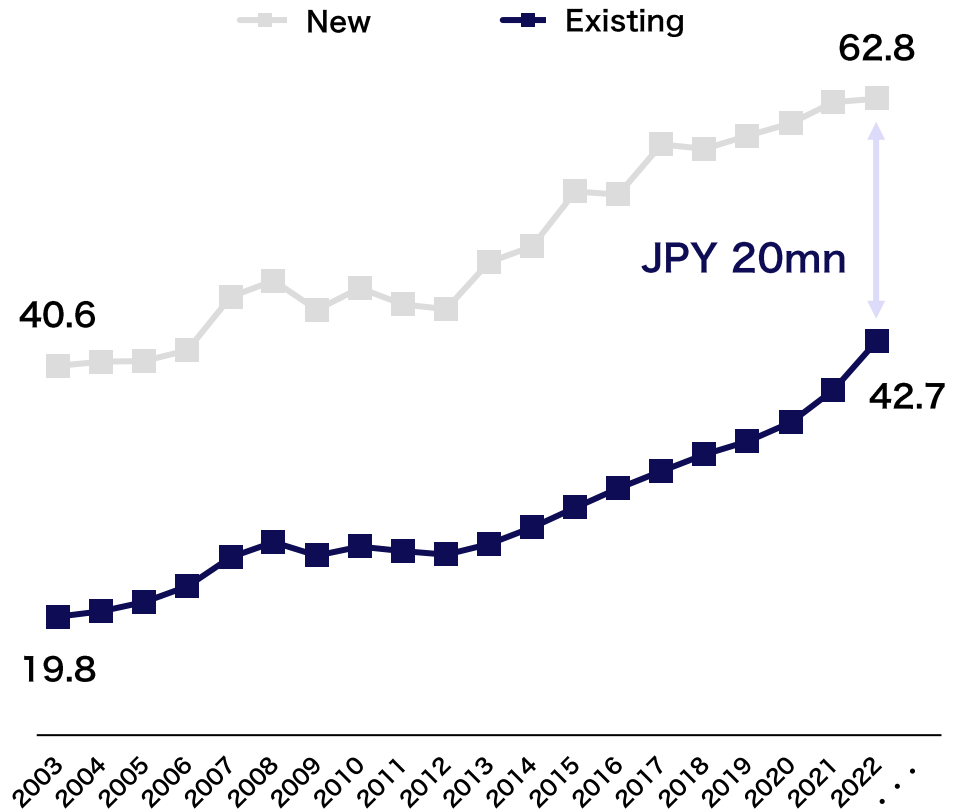
Since 2016, the number of existing condo transactions has surpassed the new condos

<Transactions of New/Existing Condos (Tokyo Metropolitan Area)>



Existing condos are more affordable than new ones

<Average Selling Price of Condos in Tokyo Metropolitan Area (JPY mn)>



(Source) National Federation of Real Estate Brokerage Associations Real Estate Institute Research "Real Estate Market Annual Statistics", Real Estate Economics Research Center "Market Data in Tokyo Metropolitan Area", REINS "Annual Market Watch"

(Source) Real Estate Economics Research Center "Condominium Market in Japan", REINS "Market Watch"

# 3

## **APPENDIX**

### **b. Sustainability**



- Clarify our commitments to stakeholders.

Guided by our corporate philosophy (mission) of “striving to realize society from ‘build’ to ‘utilize,’” we carry out our business with fairness and integrity. We embrace the challenge of creating businesses that benefit society and work to become the Star Mica Group that pursues both growth and profitability.



## Customers

With the customer’s perspective in mind, we constantly strive to improve the level of service that we offer, as professionals.



## Employees

We maintain a highly transparent governance structure, and create workplaces that provide employees with comfortable working environments.



## Business Partners

We build mutual trust and fair business relationships with our business partners, by preventing corruption and taking other measures.



## Global Environment

By stimulating sales of existing homes, we contribute to reducing environmental impact, reducing CO2 emissions, and conserving the global environment.



## Local Communities

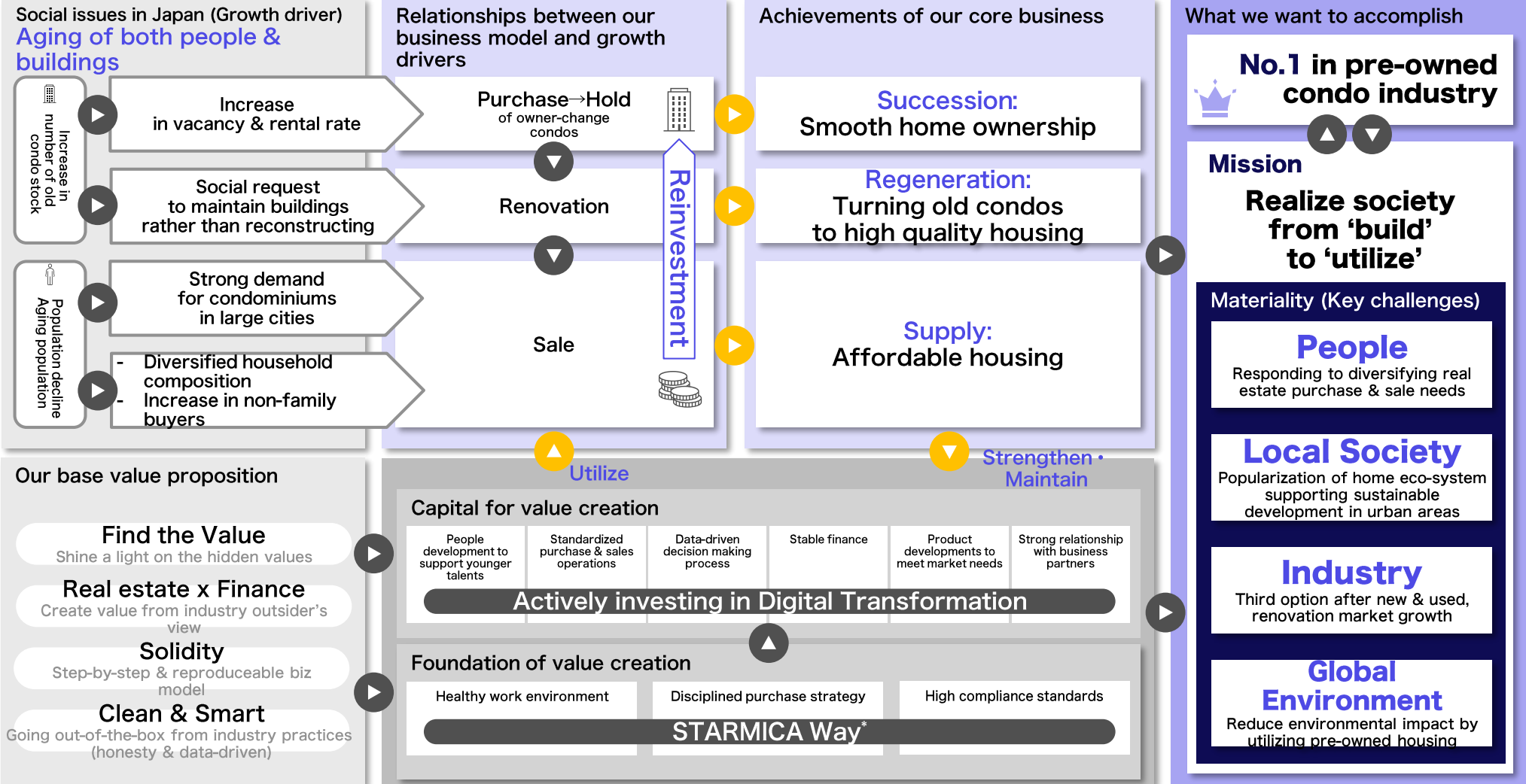
Through our business, we solve problems that are faced by Japanese society, and will maintain our position as a company that is needed by Japanese society in the future.



## Shareholders / investors

We strive to disclose information in a timely and appropriate manner, and to actively communicate through our investor relations efforts.

- Contribute to the sustainable society by creating long-term value through our business.



\* Our employee action guidelines (Value)

# 3

## **APPENDIX**

### **c. Our Business**

- Positioning the purchase, hold, and sale of existing condos as the core business and the business for investors and wealthy individuals as the non-core aiming to maximize profits across the entire Group.

**STAR  
MICA** **STARMICA HOLDINGS**  
Find the Value

Strategy planning & Corporate management of Star Mica Group

**STAR  
MICA** **STARMICA**

**STAR  
MICA** **STARMICA**  
Residence

**STAR  
MICA** **STARMICA**  
Property

**STAR  
MICA** **STARMICA**  
Asset Partners

**STAR  
MICA** **STARMICA**  
Asset Management

Purchase and Sale of Renovated condos

Agents for renovated condos

Property management

Real estate investment consulting and management

Private banking (Investment advisory)

**Core Business**

**Non-core Business**

Sales and marketing of condos to meet consumer's demand

Residential real estate & condos for High Net Worth (HNW) individuals & investors

Purchase, hold and sales cycle with Balance Sheet business

Fee business

- Successfully leading the expansion of the existing condo market by increasing purchase/sale transactions and inventories in our main renovated condo business.

<History of Renovated Condo Business (units)>

< Early stage >

Our unique business led IPO in 6 years

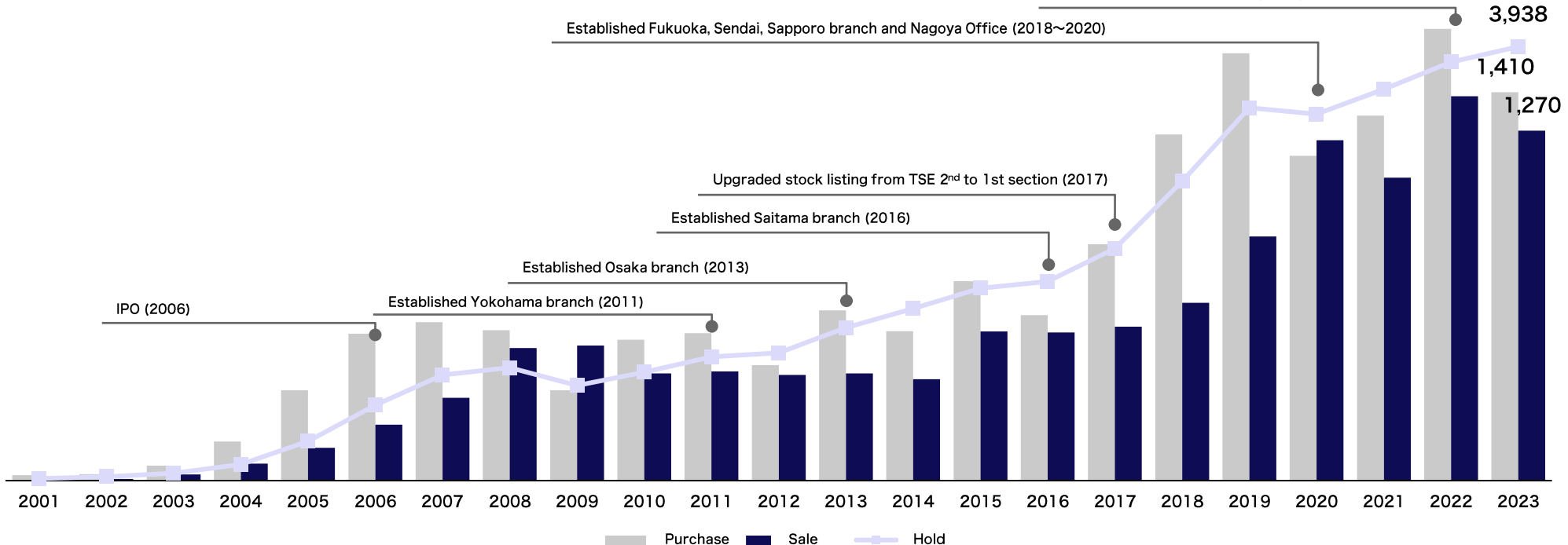
< Establishment stage >

Strengthened our business model by building up inventories

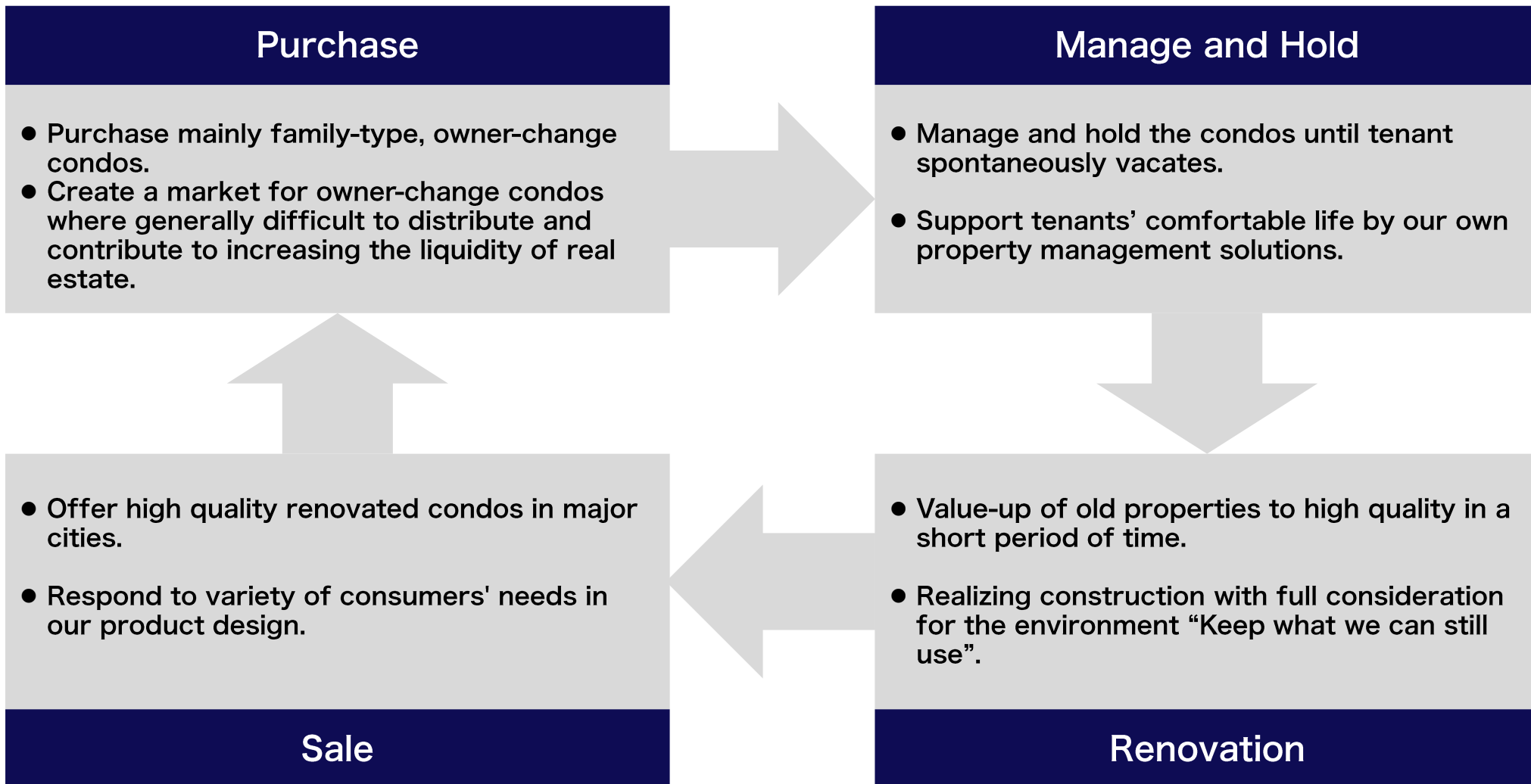
< Expansion stage  
~ Stable growth >

Sharply expanded # of transactions by entering new areas & vacant units

- Shifted to the Tokyo Stock Exchange Prime Market (2022)
- Established Kobe branch (2022)



- Value chain creating value for society.



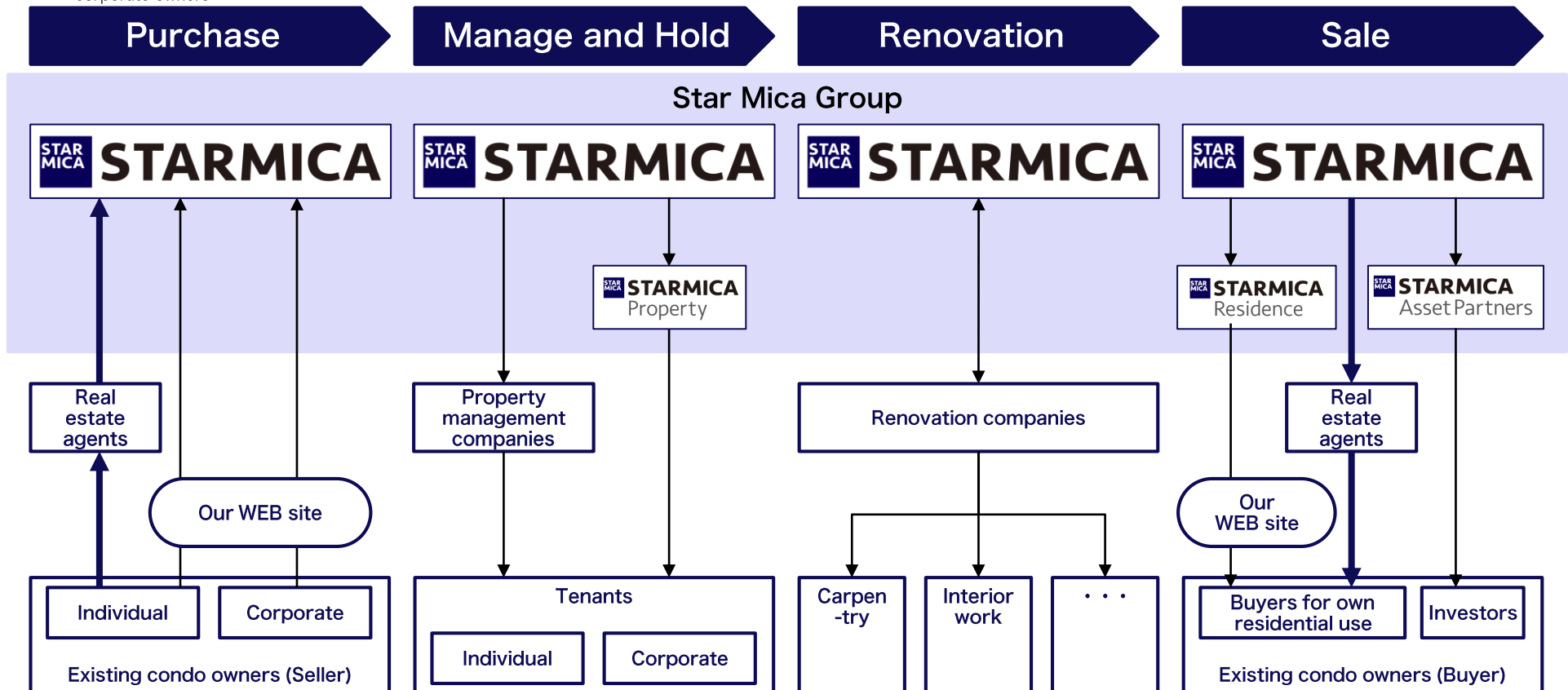
- Purchase and sales transactions are mainly direct with consumers.
- Efficiently operating by balancing between in-house production and outsourcing.

- Receive 3,000+ potential inquiries per month for purchase
- Over half of the purchase are from individual owners through real estate agents
- Some part of our purchase are from corporate owners

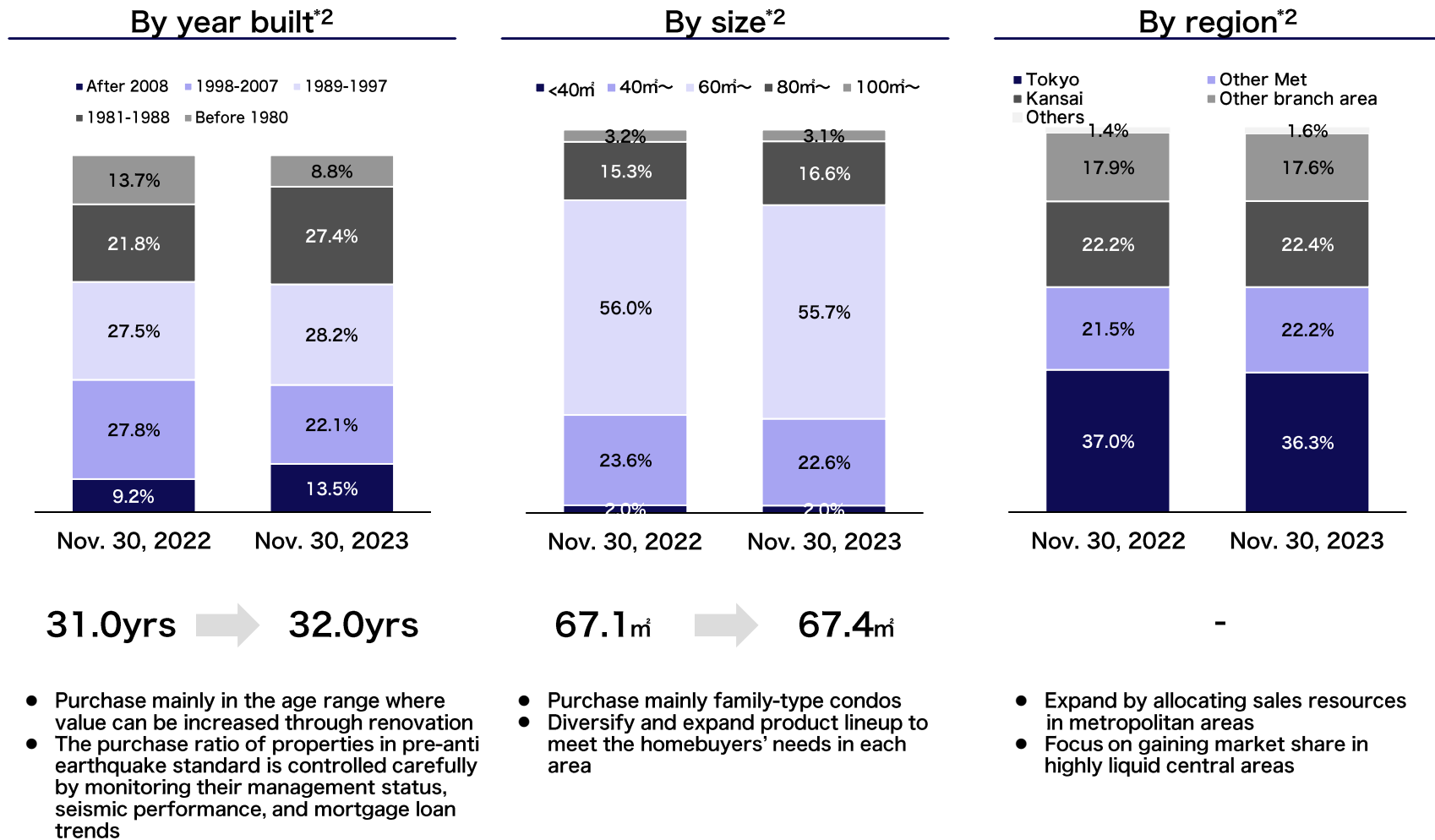
- Over half of our condos in Tokyo metropolitan area are managed by property management subs
- Condos in regional areas are outsourced to external property management companies

- Internally handling quality related business such as renovation planning, specifications, and inspections
- Actual constructions of renovation are outsourced to external business partners

- Our sales main channel is through property agents to individual home buyers
- 20% of transactions are directly through our internal real estate agent



- Well-diversified portfolio by accumulating on a unit-by-unit basis.



\*1 Based on purchase price as of Nov. 30, 2023

\*2 Average year as of each year-ending



<b>Company name</b>	Star Mica Holdings Co., Ltd.
<b>Representative</b>	President and CEO Masashi Mizunaga
<b>Date of incorporation</b>	July 24, 1998
<b>Listing date</b>	June 1, 2019
<b>Listed market</b>	Tokyo Stock Exchange Prime Section (stock code: 2975)
<b>Shareholders' equity</b>	JPY 25,141mn
<b>Group</b>	Star Mica Co., Ltd., Star Mica Residence Co., Ltd., Star Mica Asset Management Co., Ltd., Star Mica Property Co., Ltd., Star Mica Asset Partners Co., Ltd.
<b>Offices</b>	Tokyo head office (Minato-ku) Branches in Sapporo, Sendai, Saitama, Yokohama, Osaka, Kobe, Fukuoka
<b>Main Bank</b>	MUFG Bank, Aozora Bank, Mizuho Bank, Sumitomo Mitsui Banking Corporation, Resona Bank, Sumitomo Mitsui Trust Bank
<b>Auditor</b>	KPMG AZSA LLC
<b>Number of employees</b>	203
<b>Businesses</b>	Renovated Condominium Business, Investment Business, Advisory Business

<sup>1</sup> Consolidated basis unless otherwise noted

 **STARMICA HOLDINGS**

For further information please contact :

Department : President Office IR Group

TEL : +81 3 5776 2785

E-mail : [ir.group@starmica.co.jp](mailto:ir.group@starmica.co.jp)

URL : <https://www.starmica-holdings.co.jp/>

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