



# STARMICA HOLDINGS

Find the Value

## FY2024 Financial Results

Jan. 14, 2025



# 1. Progress in our Mid-Term Plan

- a. FY2024 highlights
- b. Revision of quantitative goals
- c. FY2025 forecast

# 2. FY2024 Financial Result Summary (Year Ended Nov.30, 2024)

# 3. APPENDIX

- a. Summary of discussion with shareholders etc. (Q&A)
- b. Our business

For further detail, please see our [Mid-Term Plan “Find the Value 2026”](#) and newly published [“Fact Book”](#).

## FY2024 Highlights

### Best-ever revenue and gross profit. EPS growth: +17%

- Achieved three-year growth goals set in the mid-term plan in one year
- Successfully proved our key strategies: “Back to owner-change condos” & “Market share expansion in urban areas”.
- Efficiency improvement initiatives in FY2024 worked out better than expected.

## Revision of quantitative goals (mid-term plan, FY24-26)

Revised **up EPS growth** from 5+% to **14+%.**

Set new goals for growth and efficiency improvement to further strengthen Management systems focusing on our capital costs and stock prices.

- FY26: Revenue 70.0 /OP 7.0 /NP 3.8 (JPY bn)
- Owner Change turnover period ▲18 months

## FY2025 forecast

Aim to achieve **best-ever operating profit** by keeping our current strategy, restructuring our organization, and deepening our efforts in the high-price range in urban areas.

- FY25: Revenue 64.0 /OP 6.2 /NP 3.4 (JPY bn)

# 1

## **Progress in our Mid-Term Plan**

### **a. FY2024 highlights**

# Achieved best-ever revenue and gross profit.



**Revenue JPY 55.8bn**

YoY+14.3%



**Gross profit JPY 9.8bn**

YoY+16.6%

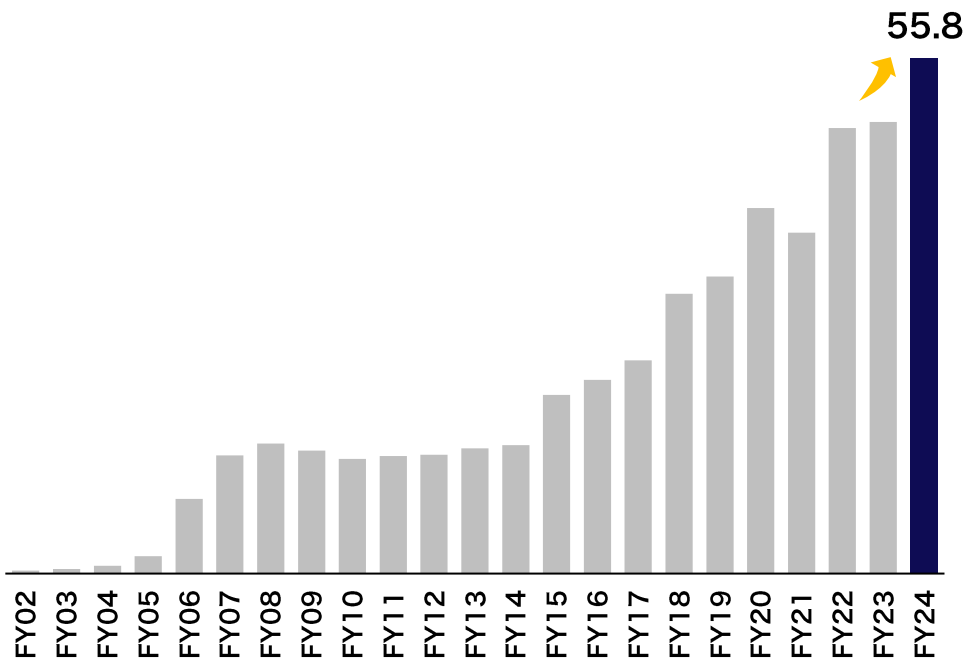
**Operating profit JPY 5.5bn**

YoY+14.0%

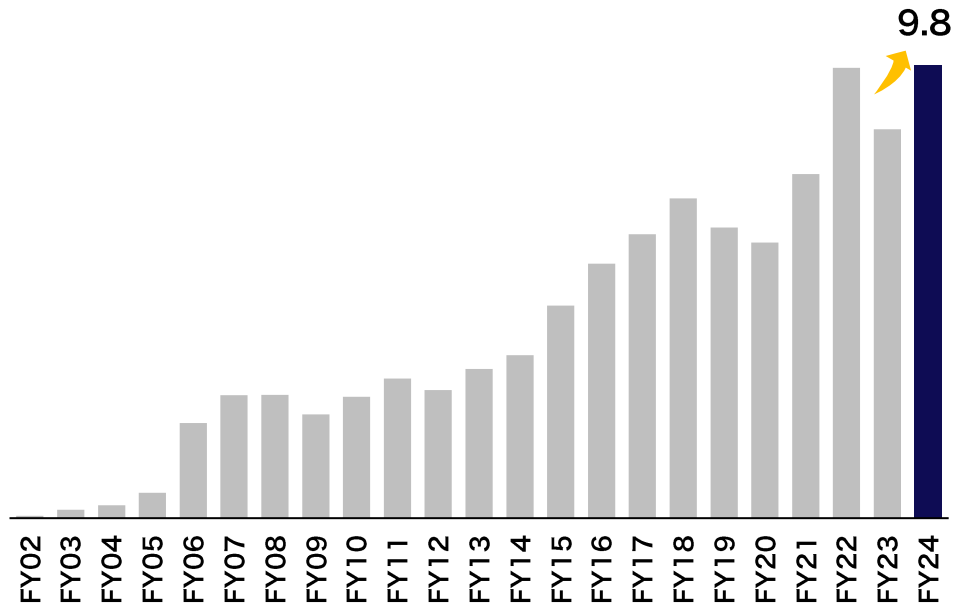
**Net profit JPY 3.1bn**

YoY+16.6%

<Historical revenue (JPY bn)>



<historical gross profit (JPY bn)>



# EPS growth +17%=Achieved three-year growth goals set in the mid-term plan in one year.

- Also achieved other KPIs successfully, but we see further improvement in our stock price.

	KGIs/KPIs	Goals	FY24 Results	
Business strategy	ROE	12.0+%	12.8%	<ul style="list-style-type: none"> <li>Successfully implemented “Back to owner-change condos*2” and “Market share expansion in urban areas” strategy                             <ul style="list-style-type: none"> <li>Back to owner-change condos (purchase): Our largest bulk purchase ever</li> <li>Back to owner-change condos (sale): Diversifying and sophisticating our exit strategies</li> <li>Mkt. share expansion in urban areas: Achieved high profit margin and shortened days for sales</li> </ul> </li> </ul>
	OP margin	10.0+%	9.9%	
	EPS growth	5.0+%	16.8%	
	Sales turnover	▲1.5 months	▲1.5 months	
Financial strategy	Inventory	JPY 100+bn	JPY 95.8bn	<ul style="list-style-type: none"> <li>The turnover improvement measures initiated in FY2024 had good results better than expected                             <ul style="list-style-type: none"> <li>Introduction of a system that utilizes company and market data</li> <li>Incorporating it into company-wide management indicators and establishing it in the workplace</li> </ul> </li> <li>Maintained our disciplined financial strategy based on our capital allocation policy                             <ul style="list-style-type: none"> <li>Improved our equity ratio compared to Nov. 30, 2023</li> <li>Hedge impacts of rising interest rates as much as possible and maintain our target WACC</li> <li>Through flexible share buybacks and increased dividends, our total return ratio target has been almost achieved</li> </ul> </li> </ul>
	Equity ratio	25.0+%	24.8%	
	WACC	2.0%	2.4%	
	Total shareholder return (dividend + buyback)	40.0%	39.8%	
IR strategy	PBR	1.0x	0.9x	<ul style="list-style-type: none"> <li>Great progress in our IR activities                             <ul style="list-style-type: none"> <li>Significant increase in dialogue with institutional and individual investors</li> <li>Enhanced disclosures (IR materials and company websites)</li> </ul> </li> <li>Stock price didn't improve enough (PBR &lt; 1.0x, as of 11/30/2024)                             <ul style="list-style-type: none"> <li>Need to improve in dialogue with shareholders and disclosure</li> </ul> </li> </ul>
	Stock price	N/A	JPY 679*1 (YoY: +11.9%)	

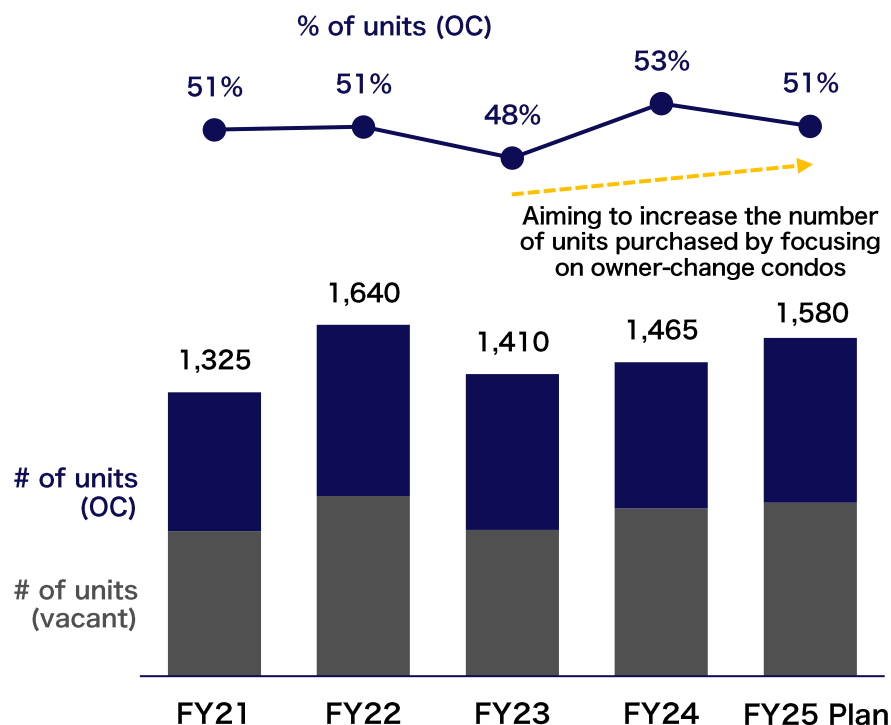
\*1 As of Nov. 29, 2024 (closing price)

\*2 Pre-owned condos with tenants, in the following pages, it may be written as "OC"

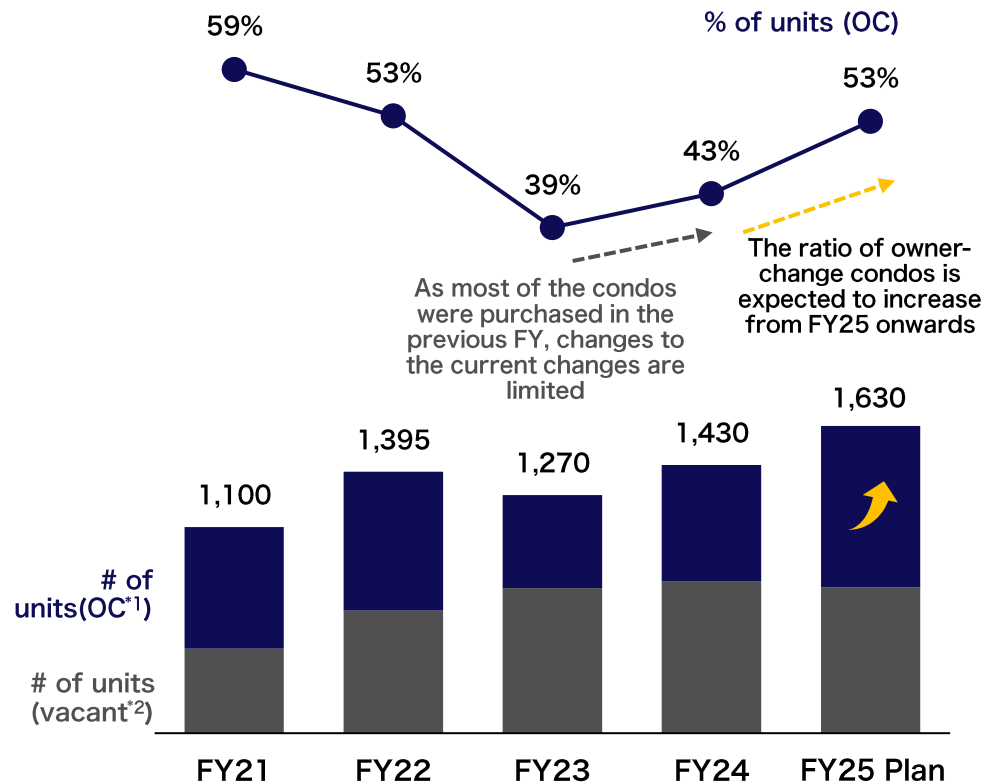
# A big success in “Back to OC condos” strategy in both purchase & sale.

- The ratio of owner-change condos among purchased units rose to 53% in FY2024.
- Changes in the mix of units sold are halfway through, but we plan to increase the proportion of highly profitable owner-change condos from FY2025 onwards.

<Composition of condo purchased (OC/vacant)>



<Composition of condo sold (OC/vacant)>



<sup>1</sup> Purchase as an owner-change condo, renovate it after the tenant's leave, and then sell it, or sell it while it is still with tenants (tenants are still living in the condo and generating rental income)

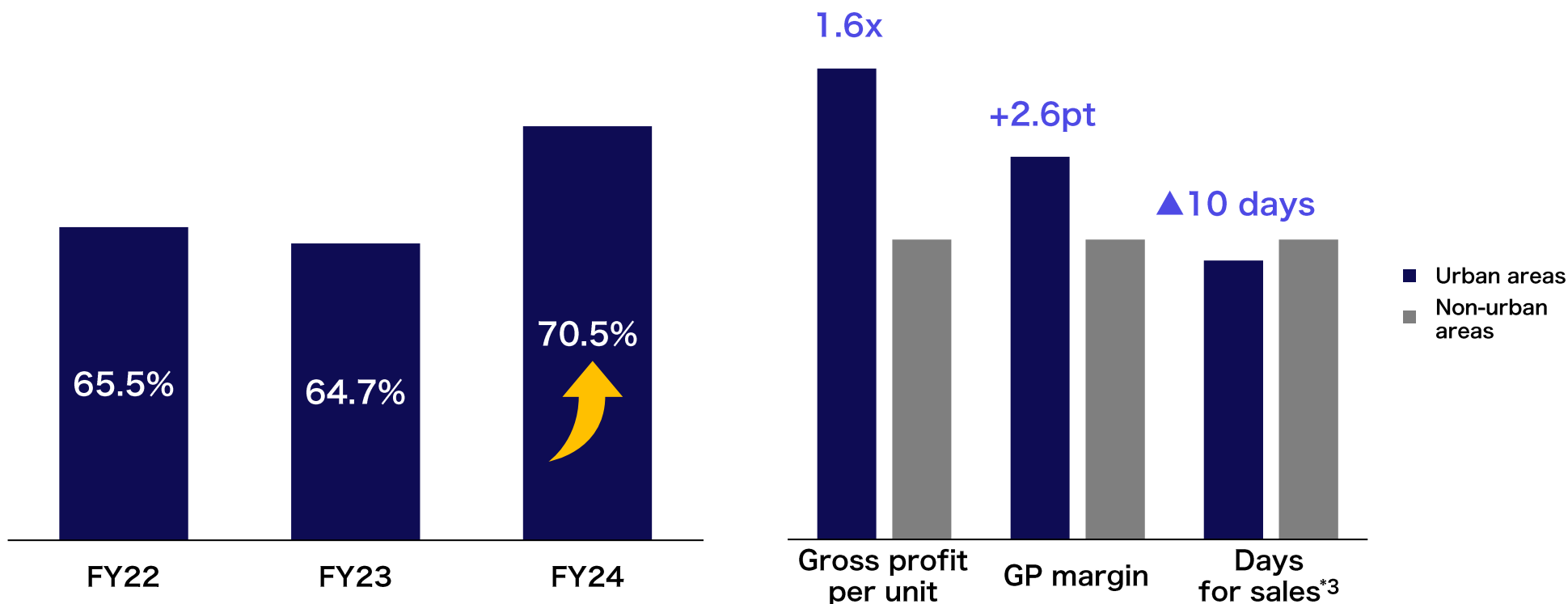
<sup>2</sup> Purchase as a vacant condo, renovate and sell it

# Focusing on urban areas has boosted profit growth in renovated condo business.

- Steadily executing strategies set in our mid-term plan. The proportion of purchases in urban areas has increased to over 70%
- Thanks to the solid demand, pre-owned condos in urban areas are selling faster with higher prices.

<% of condos purchased in urban areas\*1 >

<Comparison of sales performance in urban\*1 and non-urban\*2 areas (FY2024 results) >

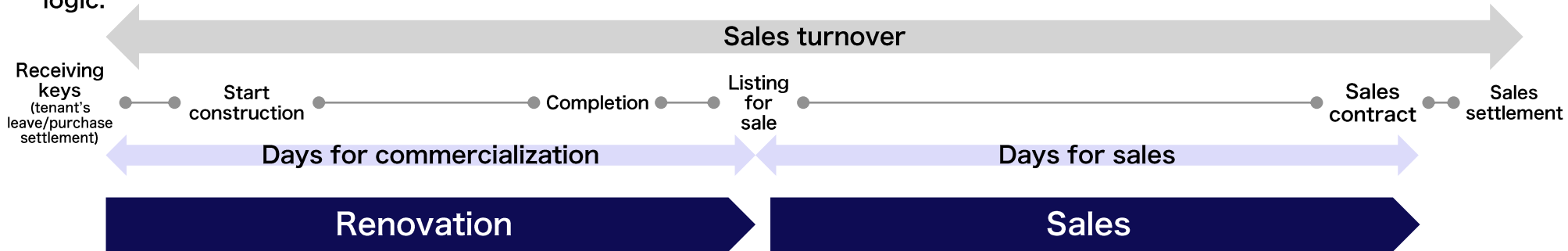


\*1 Urban areas: Cities where our branches are located (Tokyo is consisted of 23 wards) \*2 Non-urban areas: Prefectures in which our branches are located, excluding urban areas  
\*3 Start date of sales listing ~ End date of sales listing (Contract date)

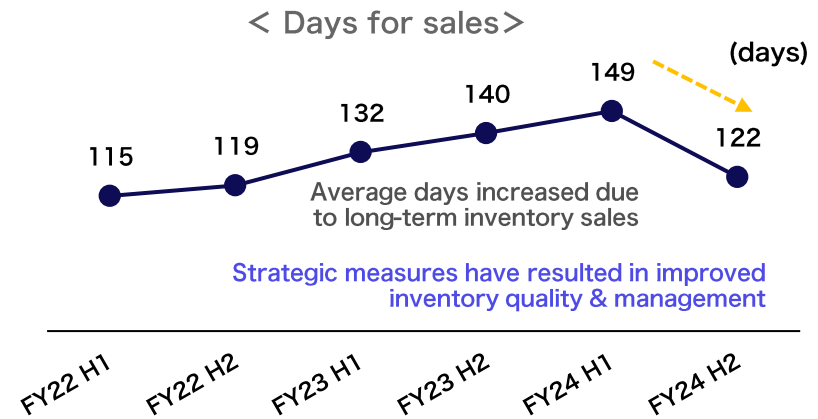
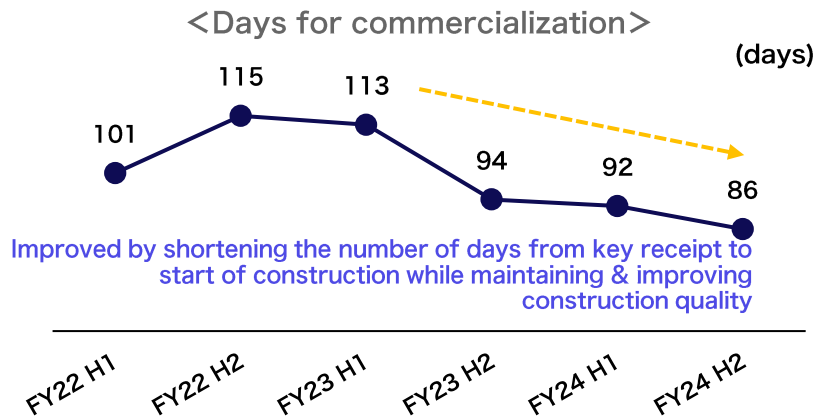


# Significantly shorten sales business turnover while maintaining profitability.

- By strengthening our management system, we will control condo inventories for sale with even greater emphasis on data & logic.



Performance Trends



Initiative

- Select the most suitable renovation plan from both profitability and efficiency, based on the condo's condition and consumer needs.
- By streamlining / standardizing planning and improving operations such as construction applications, the number of days from receiving the keys to starting construction has been reduced.

- Promote the acquisition of condos with high liquidity based on Plan-Do-Check-Action such as data analysis of long-term/loss-record condos.
- Formulate sales plans using data such as past sales records and nearby competing inventory, and promote disciplined inventory management by visualizing inventory status.

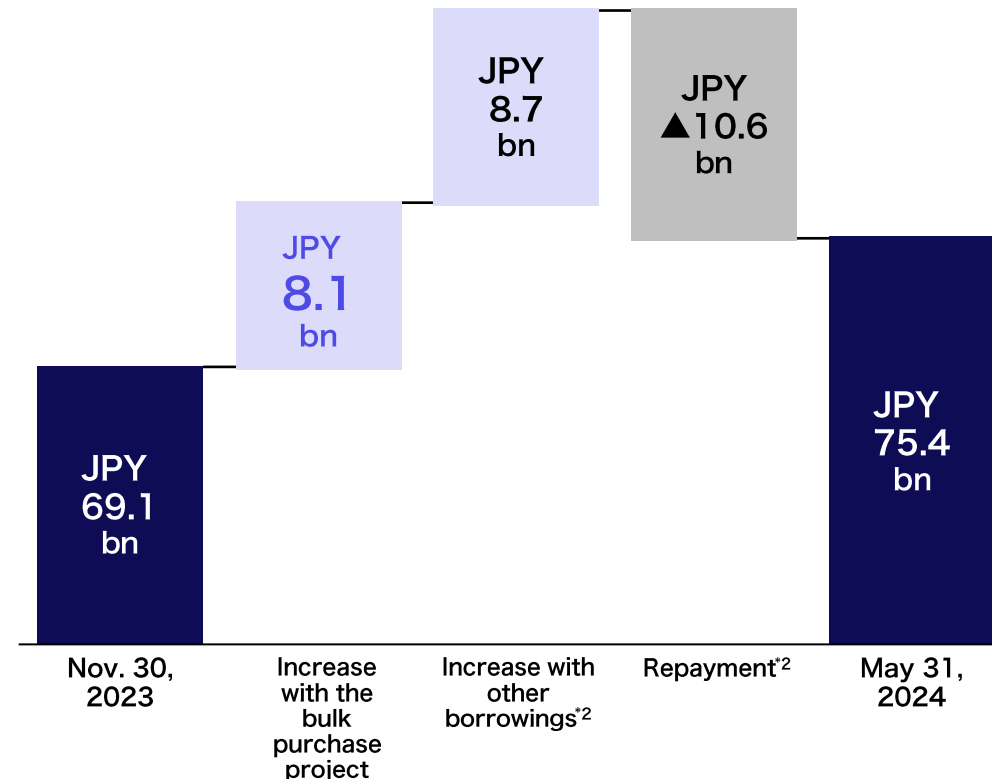
# Successfully completed the largest-ever bulk purchase and raised large-scale financing.

<Track records of bulk purchase\*1>

		Number of purchase	Purchase year
1 <sup>st</sup>	This project	137 units	FY24
2 <sup>nd</sup>	Past project A	134 units	FY10
3 <sup>rd</sup>	Past project B	97 units	FY15
4 <sup>th</sup>	Past project C	95 units	FY13
5 <sup>th</sup>	Past project D	94 units	FY15

<Change in interest-bearing debt (FY24 H1)>

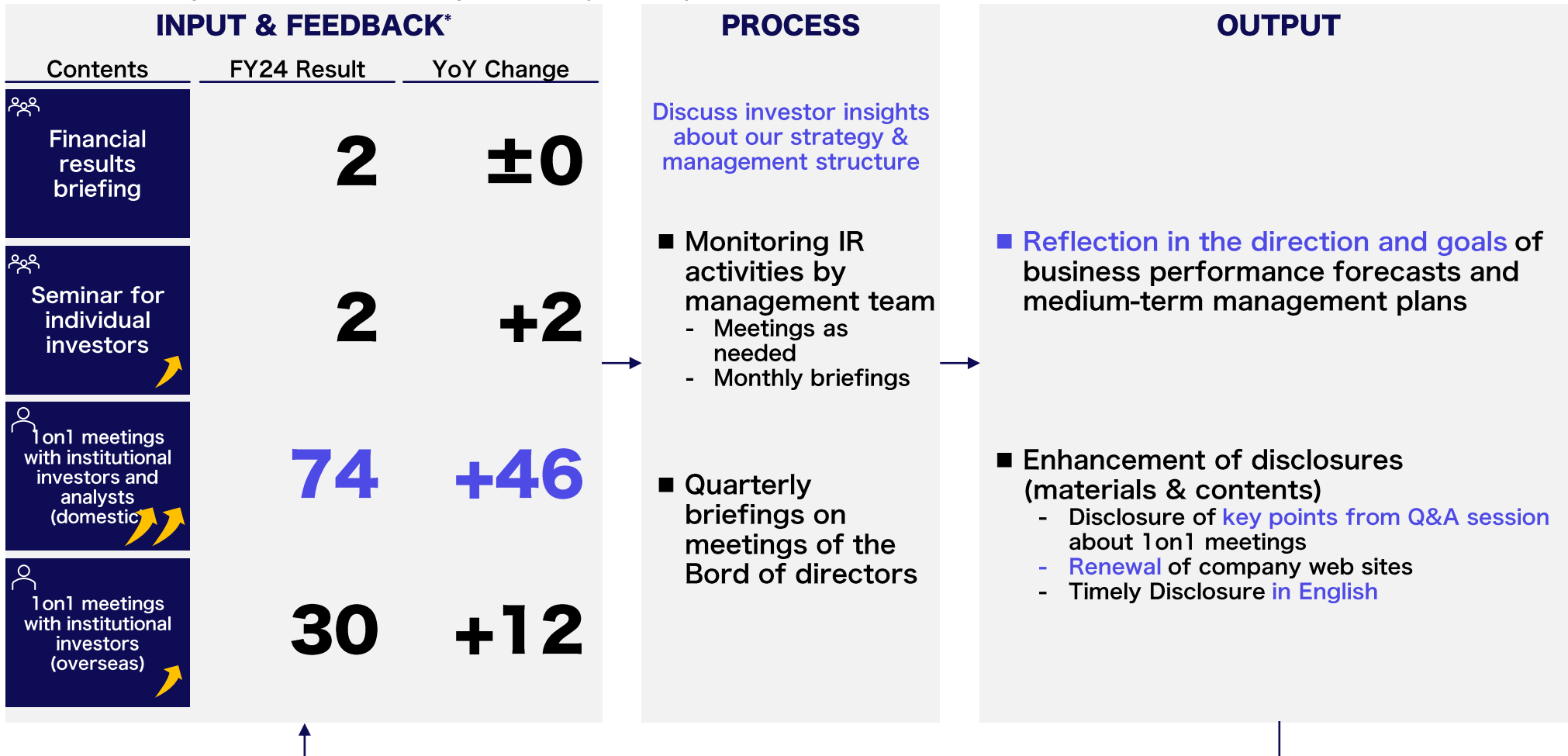
Financed 10+% of FY23 debt with a single purchase



\*1 Bulk purchase: purchase of multiple units (5 or more) bundled together from the same seller \*2 Borrowings and repayments from 50+ banks

# Establish a robust system to promote management & IR activities considering capital costs & stock prices.

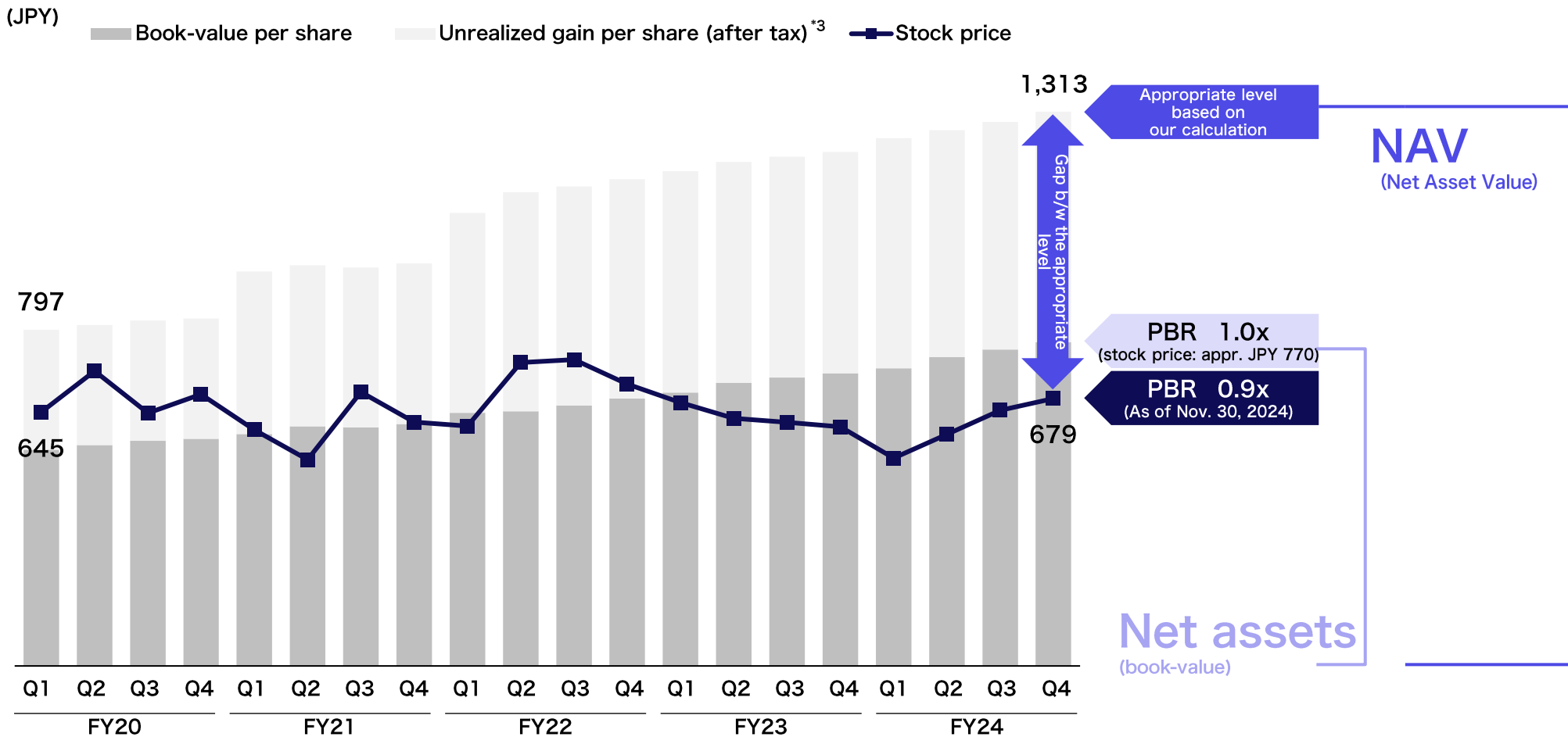
- Doubled the number of meetings with investors to gather information on their expectations and challenges to bridge the perception gap.
- Establish a communication cycle to discuss the insights from investor meetings among our management and further promote better dialogue b/w investors & management to improve corporate value.



# On a NAV basis, we see rooms for further valuation improvement.

- Although we have achieved high profitability & profit growth and focused on proactive IR activities, we believe the current valuation is not sufficient enough.

<Stock price\*<sup>1</sup> and NAV\*<sup>2</sup>(Market value of net assets with unrealized gains (after-tax))>

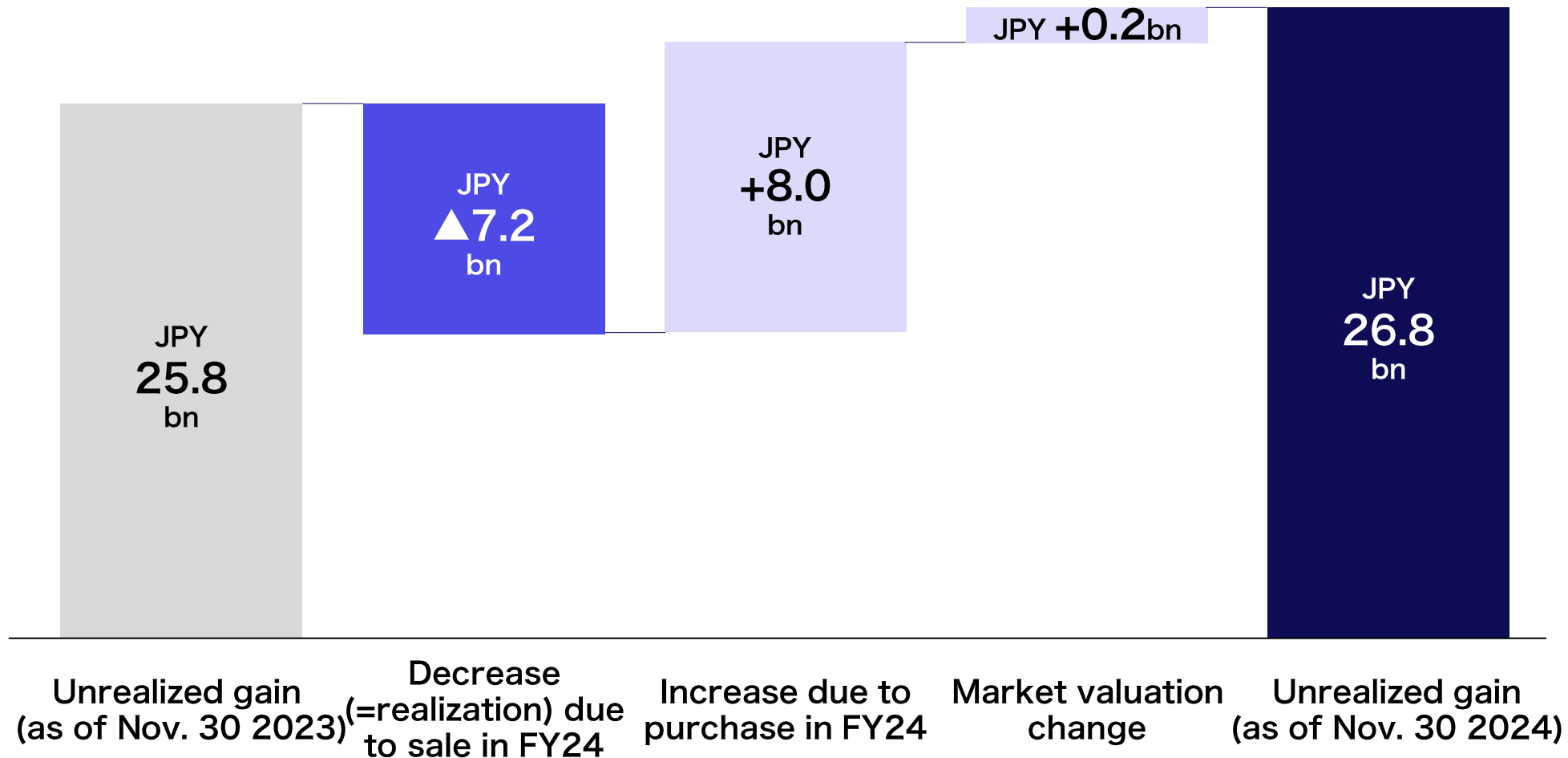


\*<sup>1</sup> Stock prices are calculated with the closing price at the end of each fiscal year (after stock splits)

\*<sup>2</sup> NAV = Unrealized profit after tax (as of the end of each fiscal period x (1 - effective tax rate)) + book value of net assets as of the end of each quarter

\*<sup>3</sup> Unrealized gain per share = Unrealized profit after tax / Number of shares at the end of each quarter (excluding treasury stock)

- Achieved 30% of unrealized profit through sales activities.
- Unrealized gains increased by JPY 1.0bn thanks to property purchases & valuation increases of our owned properties.



\* Estimated sales – Book value – Estimated cost (Property agent cost etc.)

# 1

## **Progress in our Mid-Term Plan**

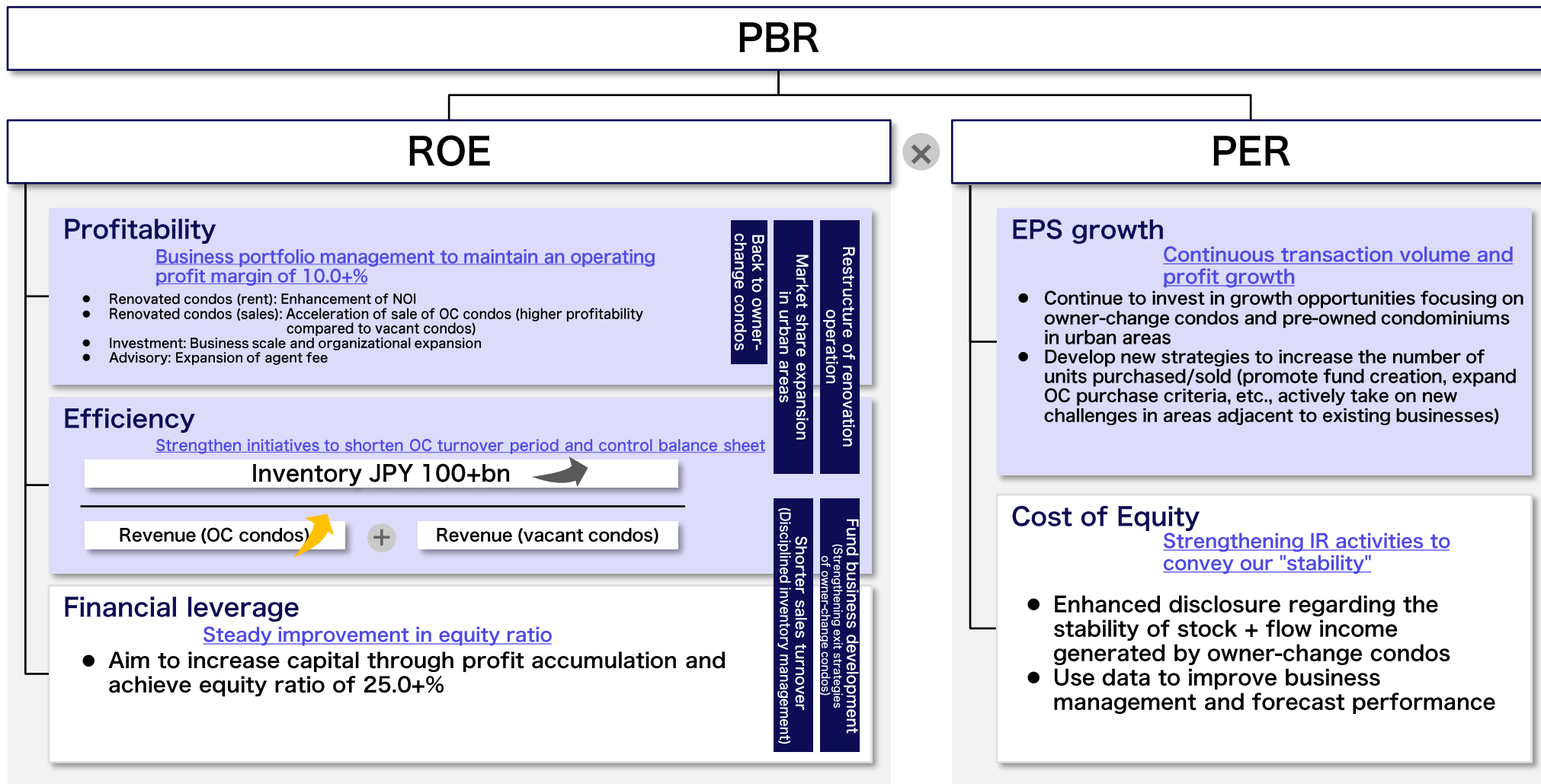
### **b. Revision of quantitative goals**

- Added / Revised our quantitative goals to clarify growth & efficiency improvement.

FY26 Numerical goals						
<p><b>Revenue</b> JPY <b>70.0</b>bn</p> <p><b>Operating profit</b> JPY <b>7.0</b>bn</p> <p><b>Net profit</b> JPY <b>3.8</b>bn</p>	Business strategy	ROE	12.0+%	=	No change	
		OP margin	10.0+%	=	No change	
		EPS growth	5.0+%	🚀	<b>14.0+%</b>	
	Financial strategy	Sales turnover	▲1.5 months	+	OC turnover period*	▲18months
		Inventory	JPY 100+bn	=	No change	
		Equity ratio	25.0+%	=	No change	
		WACC	2.0%	—	Withdrawn (alternatively monitoring cost of equity)	
		Total shareholder return (Dividend + Buyback)	40%	=	No change	
		IR strategy	PBR	1.0x	=	No change
	Quantitative goals	Initial goals	Additional/revised goals			

\* Inventory turnover period for owner-change condos (= end-of-period balance of real estate for sale / sales)

- To maximize corporate value, pursue profitability, efficiency and business growth with monitoring our cost of equity.



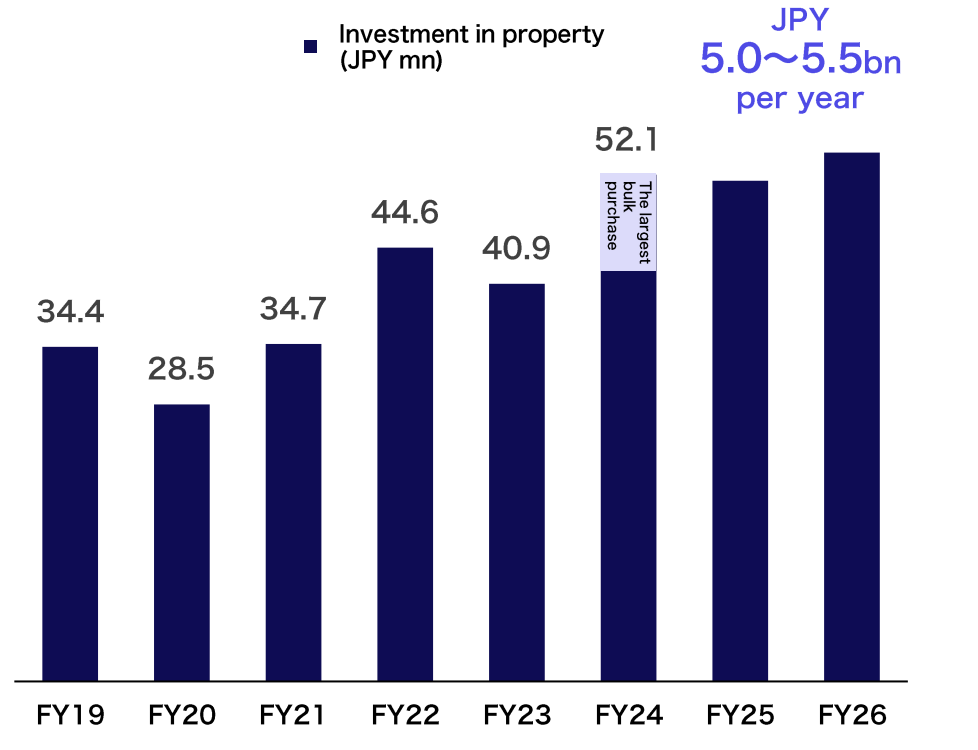
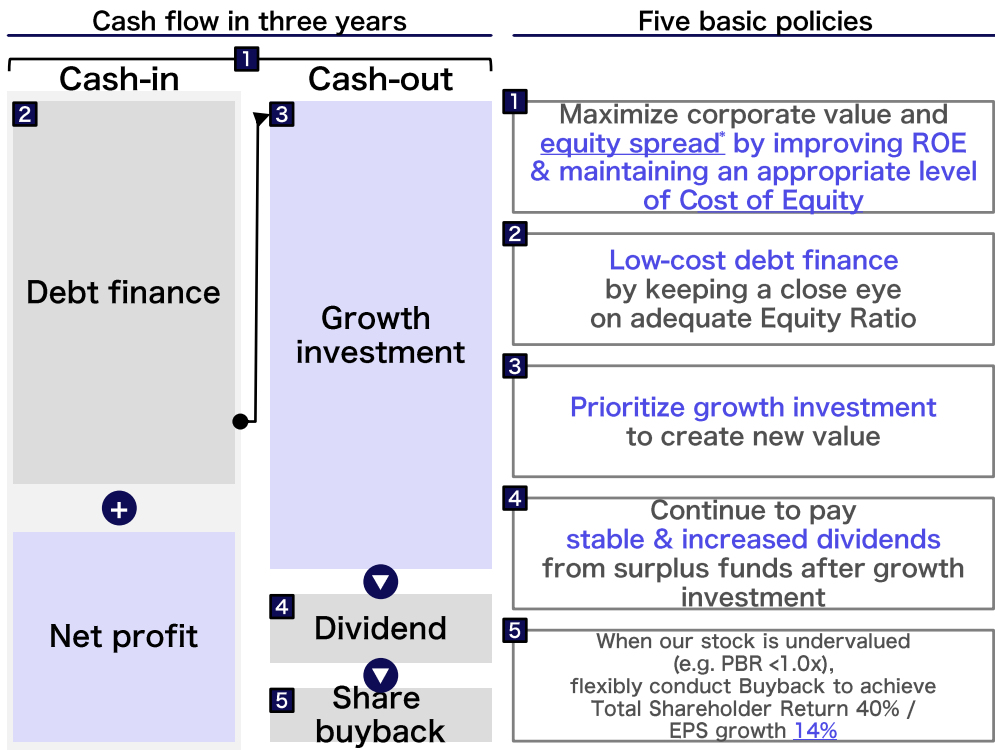


- Actively allocate our capital to the growth investment considering the situation where our ROE & growth rates far exceed cost of capital.



**Maximize corporate value**

**Prioritize growth investment**



\* Equity spread = ROE - Cost of equity

Revise the underlined part from FY25

- Both ROE and ROIC (FY2024) exceeded the corresponding costs.
- Costs may vary depending on the calculation method, but secured a sufficient spread between the cost and return.

**ROE 12.8%**

	NP margin		Asset turnover ratio		Leverage
=	5.6%	×	0.54	×	4.2x



**CoE 6.9%**

	Mkt. risk premium		$\beta^{*1}$		Risk free rate <sup>*2</sup>
=	6.0%	×	0.979	+	1.064%
Calculated by Capital Asset Pricing Model					

**ROIC 3.7%**

	NOPAT		Invested capital (Avg.)
=	JPY 3.7 bn	/	JPY 100.2 bn
	Operating profit JPY 5.5bn		Working Capital (Avg.) JPY 93.5bn
	Tax rate 32.6%		Fixed assets (Avg.) JPY 2.7bn
			Cash and deposits (Avg.) JPY 3.9bn



**WACC 2.4%**

Mkt. cap	JPY 22.4bn
CoE	6.9%
Interest-bearing debt (Avg.)	JPY 75.2bn
CoD (after tax) <sup>*3</sup>	1.0%

Company financials are as of Nov. 30, 2024  
Balance with "(Avg.)" are average balance at the end of each month from Nov. 30, 2023 to Nov. 30, 2024

<sup>\*1</sup> Calculated by Star Mica Holdings, using share price of recent two fiscal years (from Nov. 30, 2022 to Nov. 30, 2024)  
<sup>\*2</sup> 10 year yield of Japanese government bond (as of Nov. 29, 2024)  
<sup>\*3</sup> (interest + commission) × (1 - tax rate)

**1**

# **Progress in our Mid-Term Plan**

**c. FY2025 forecast**

- Pursue profit growth by +10% (YoY), best-ever revenue, gross & operating profit.

## FY25 Forecast

### Revenue

JPY **64.0**bn

YoY +14.7%

### Net profit

JPY **3.4**bn

YoY +10.8%

### Gross profit

JPY **10.8**bn

YoY +10.0%

### EPS

JPY **103.9**

### Operating profit

JPY **6.2**bn

YoY +14.0%

### ROE

**13.0%**

## Business strategy

Back to owner-change  
condos

Market share expansion  
in urban areas

Restructure of  
renovation operation

Shorter sales turnover  
(Disciplined inventory management)

Fund business  
development  
(Strengthen our exit strategies  
of owner-change condos)

- **Maintain and further strengthen our strategic direction.**

**Business  
strategy**

- ✓ With the successful experience focusing on urban areas, we will drive our efforts in the high-price range.
- ✓ Shorten OC turnover period including fund development.

**Organizational  
changes**

- ✓ Expanding market share in the Tokyo & Kansai areas/Maximizing Group profits through agent subsidiaries.
- ✓ Strengthening our organization to increase # of purchase and sale of OC condos.
- ✓ Just changed internal management system to improve renovation Quality-Cost-Delivery (dedicated staff to be assigned to all locations).

**Financial  
strategy &  
capital  
investment**

- ✓ Continue investing in systems for data utilization (improving measures to shorten project periods).
- ✓ Maintain a total return ratio of 40.0% (DPS of JPY 26.0 + share buyback)

**IR strategy**

- ✓ Disclose the assumptions for our guidance to indicate the possibility of targeted goals (see later section).
- ✓ Initiate the Fact Book disclosure & Presentation video distribution.
- ✓ Cultivating new investors who would focus on "stable growth" and "long-term hold".

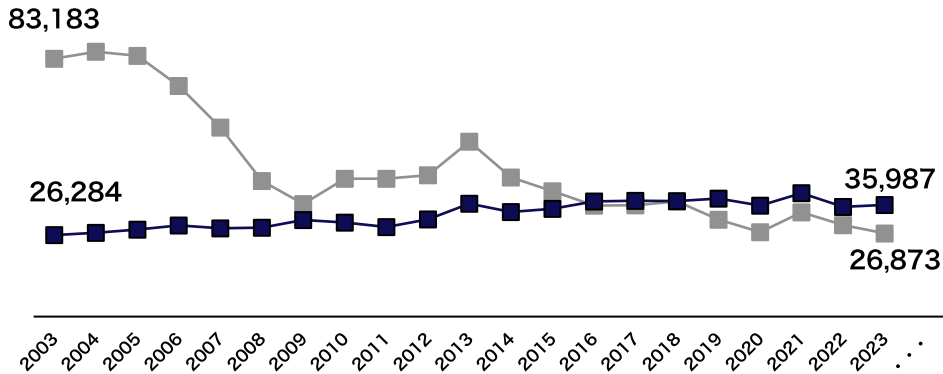
# Initiatives in High-priced condos (vs. new condominiums)

- The market for high-priced pre-owned condominiums is expanding due to the reduced supply of new condominiums and rising prices.
- Drive sales initiatives in high-priced condos mainly in metropolitan areas.

Pre-owned condos are more affordable than new ones and the number of pre-owned condo transactions has surpassed the new condos

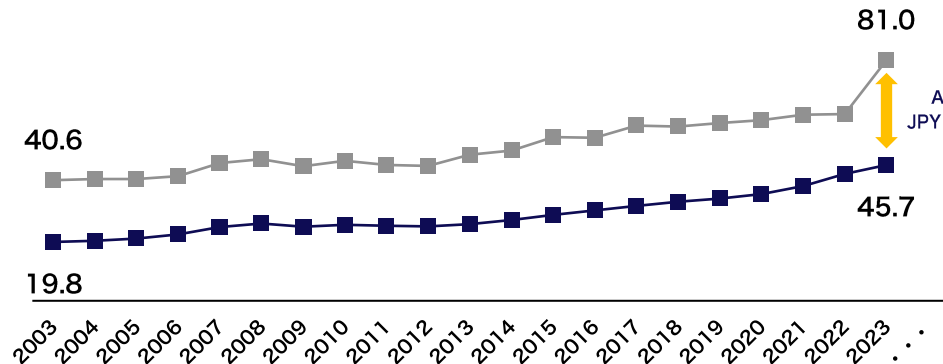
<Transactions of New/Existing Condos (Tokyo Metropolitan Area)>

—■— New      —■— Pre-owned



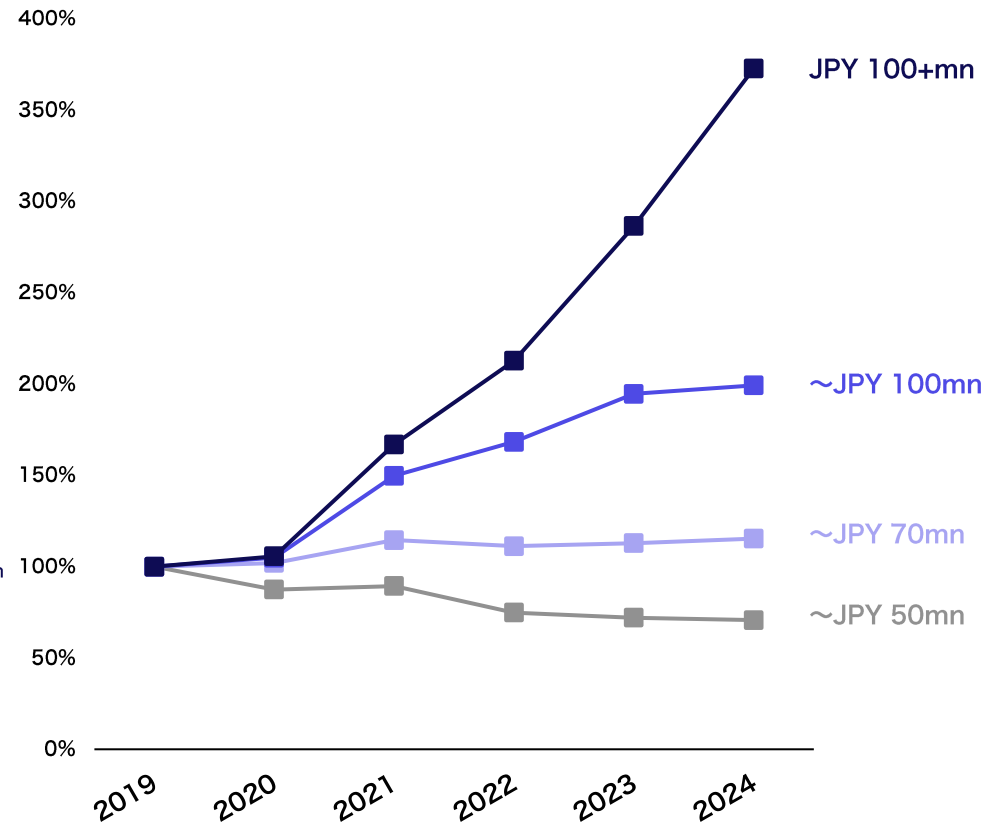
<Average Selling Price of Condos in Tokyo Metropolitan Area (JPY mn)>

—■— New      —■— Pre-owned



The market for high-priced pre-owned condominiums is expanding due to an influx of people considering new condos purchase

<Transactions of pre-owned condos in Tokyo pref.(By price range, 2019=100%)>  
2024 figures are estimates calculated by Star Mica Holdings, using results from Jan. 2024 to Sep. 2024



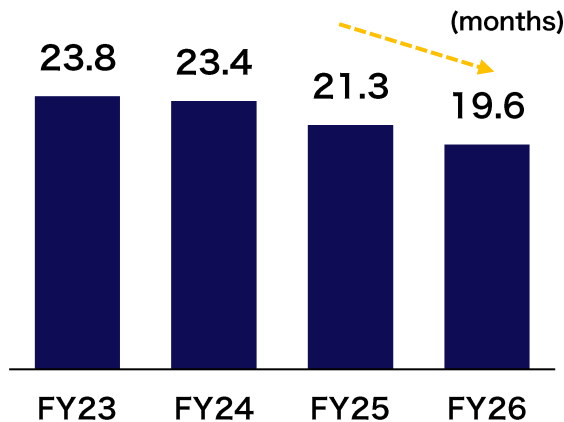
(Source)National Federation of Real Estate Brokerage Associations Real Estate Institute Research "Real Estate Market Annual Statistics", Real Estate Economics Research Center "Market Data in Tokyo Metropolitan Area", REINS "Annual Market Watch"

- Significantly shortened the inventory turnover in FY2024 by actively selling vacant condos with long-term holding.
- Aim to significantly improve the turnover of owner change condos by diversifying exit strategies based on holding period, etc.

<Forecast of inventory turnover period (=inventory/revenue)>

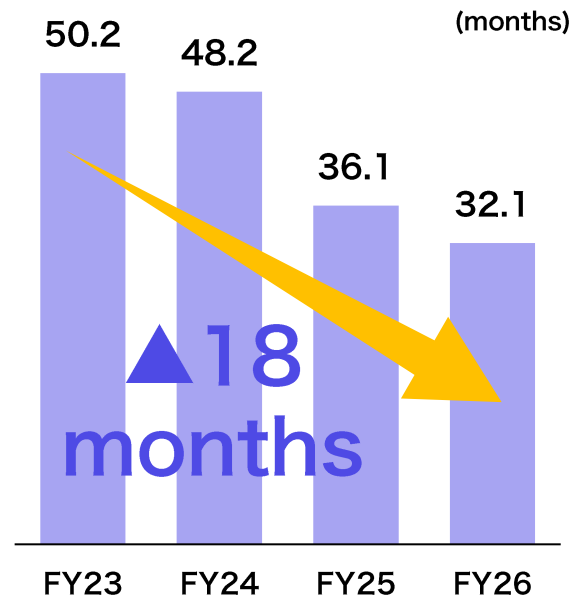
**Overall turnover**

Improve efficiency of overall trading with shortening OC turnover period as a key driver



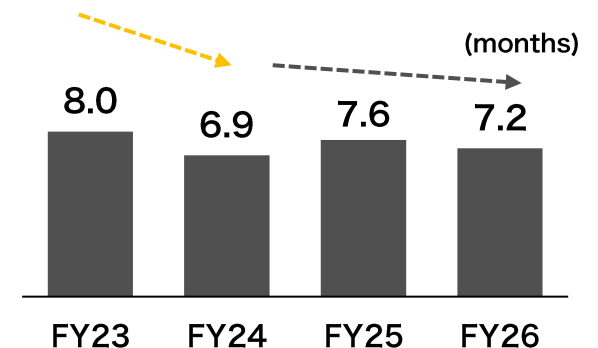
**OC condo turnover**

- In FY24, improved efficiency by actively selling long-term inventories (i.e. condos with low probability of tenant vacancy) while they were still with tenants
- From FY25 onwards, continue to improve turnover period including fund development



**Vacant condos turnover**

- In FY24, greatly shortened the turnover thanks to long-term inventory sales
- Going forward, we will maintain the current level balancing with profitability



- Pursue best-ever revenue and GP for second consecutive year and best-ever operating profit.
- Expect +10% increase in revenue & profit with stable table growth in existing businesses.

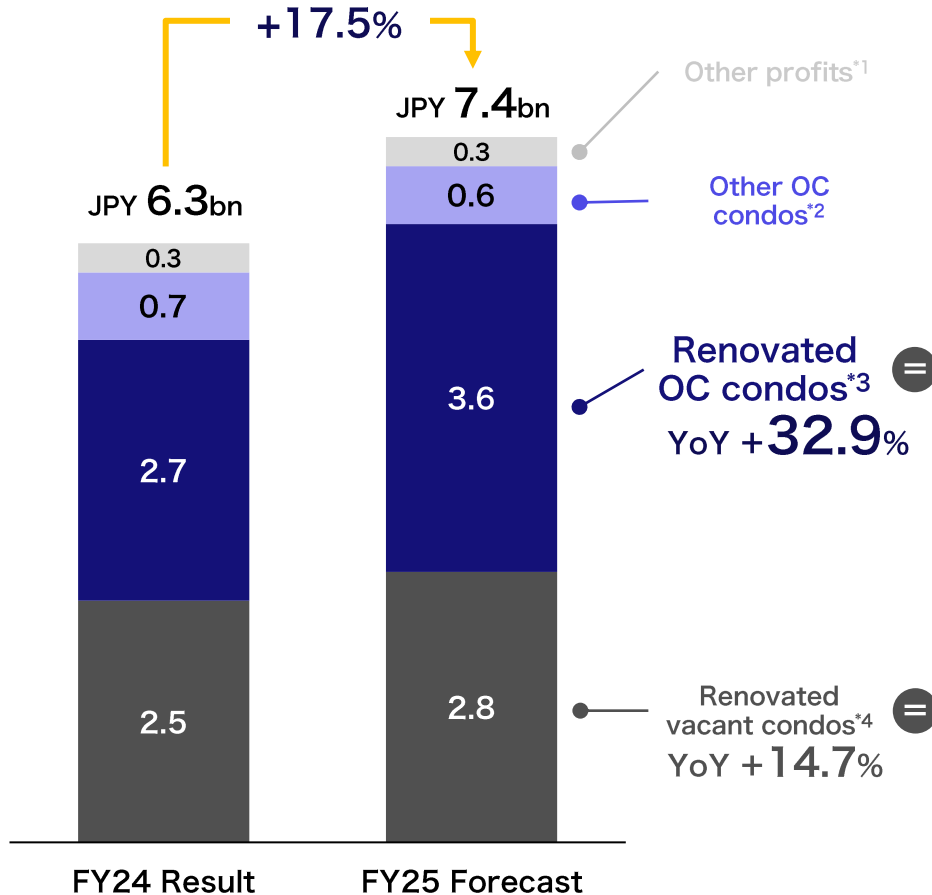
(JPY mn)	FY24 Result	FY25 Forecast	YoY change	Assumptions for the plan
<b>Revenue</b>	<b>55,849</b>	<b>64,061</b>	<b>114.7%</b>	
Renovated condominium business (Rent)	4,667	4,470	95.8%	
Renovated condominium business (Sales)	49,068	56,679	115.5%	
Investment business	896	1,973	220.2%	
Advisory business	1,218	938	77.1%	
<b>Gross profit</b>	<b>9,816</b>	<b>10,800</b>	<b>110.0%</b>	
Renovated condominium business (Rent)	2,473	2,327	94.1%	Decrease in the number of rental units due to increased sales of units currently being rented
Renovated condominium business (Sales)*	6,140	7,424	120.9%	Increase in sales volume and improvement in profitability (details on next page)
Investment business	200	322	161.1%	Active sales of the whole buildings
Advisory business	1,002	727	72.5%	Increase in brokerage commission/ large spot commission not included
<b>SG&amp;A</b>	<b>4,292</b>	<b>4,502</b>	<b>104.9%</b>	
Personnel expenses	2,151	2,370	110.2%	Increase in # of employees etc.
Consumption tax	918	725	78.9%	Fluctuations due to an increase in the number of units sold/Excluding temporary increases in FY24
Other expenses	1,221	1,406	115.2%	Increase in promotional expenses etc. due to increase in number of units sold/system investment etc.
<b>Operating profit</b>	<b>5,524</b>	<b>6,298</b>	<b>114.0%</b>	
<b>Recurring profit</b>	<b>4,607</b>	<b>4,981</b>	<b>108.1%</b>	
<b>Net profit</b>	<b>3,106</b>	<b>3,442</b>	<b>110.8%</b>	

\* Including mark-to-market (MTM) loss

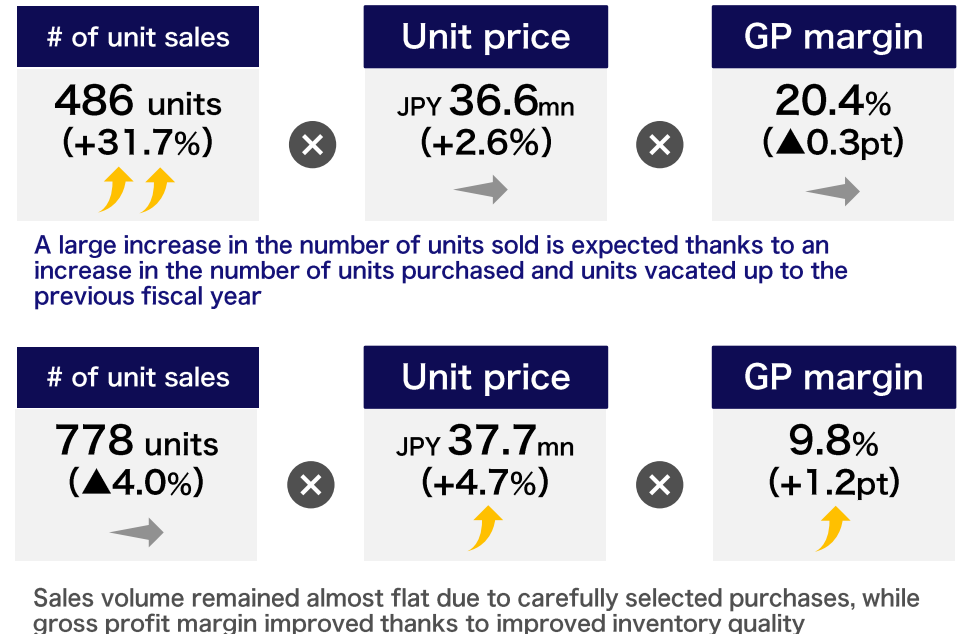


- Expand profits by increasing the number of units sold of owner-change condos which have relatively high profit margin.

Breakdown of gross profit in renovated condos (Sales)



Detailed assumptions (YoY change)



<sup>1</sup> Dividend income from funds etc.

<sup>2</sup> Purchase as an owner-change condo and sell it while it is still with tenants

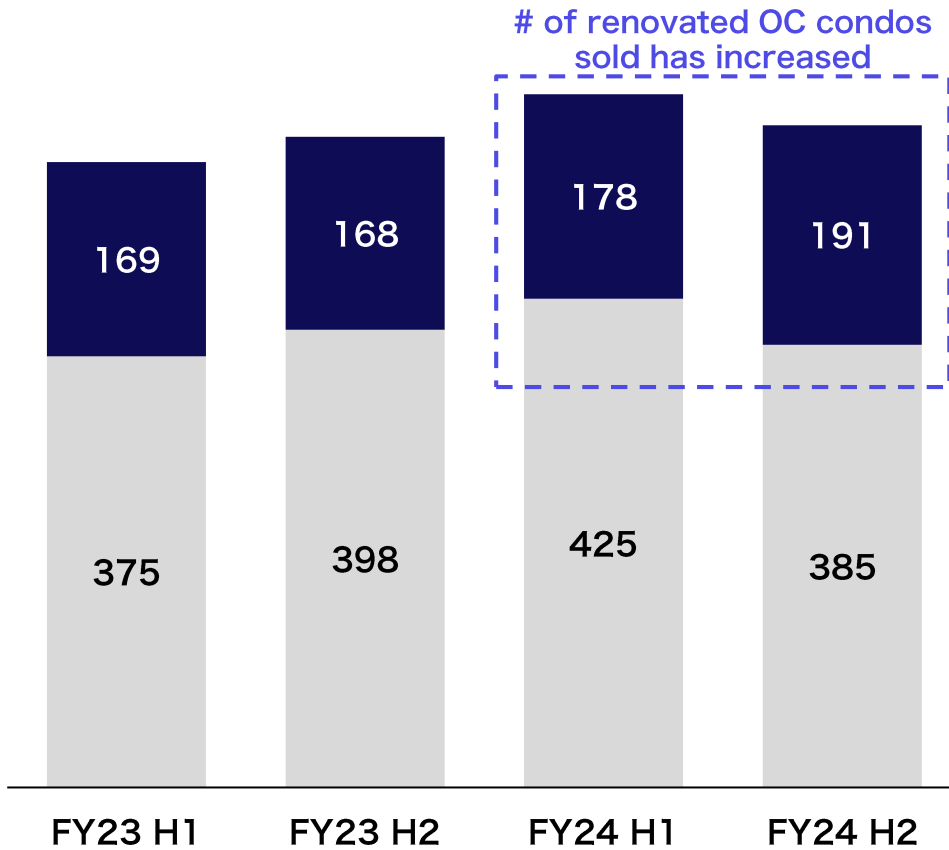
<sup>3</sup> Purchase as an owner-change condo, renovate it after the tenant's leave, and then sell it

<sup>4</sup> Purchase as a vacant condo, renovate and sell it

- # of units sold: Increased # of renovated OC condos contributed to higher GP.
- GP margin: GP margin of renovated vacant condos was improved with high-quality inventories.

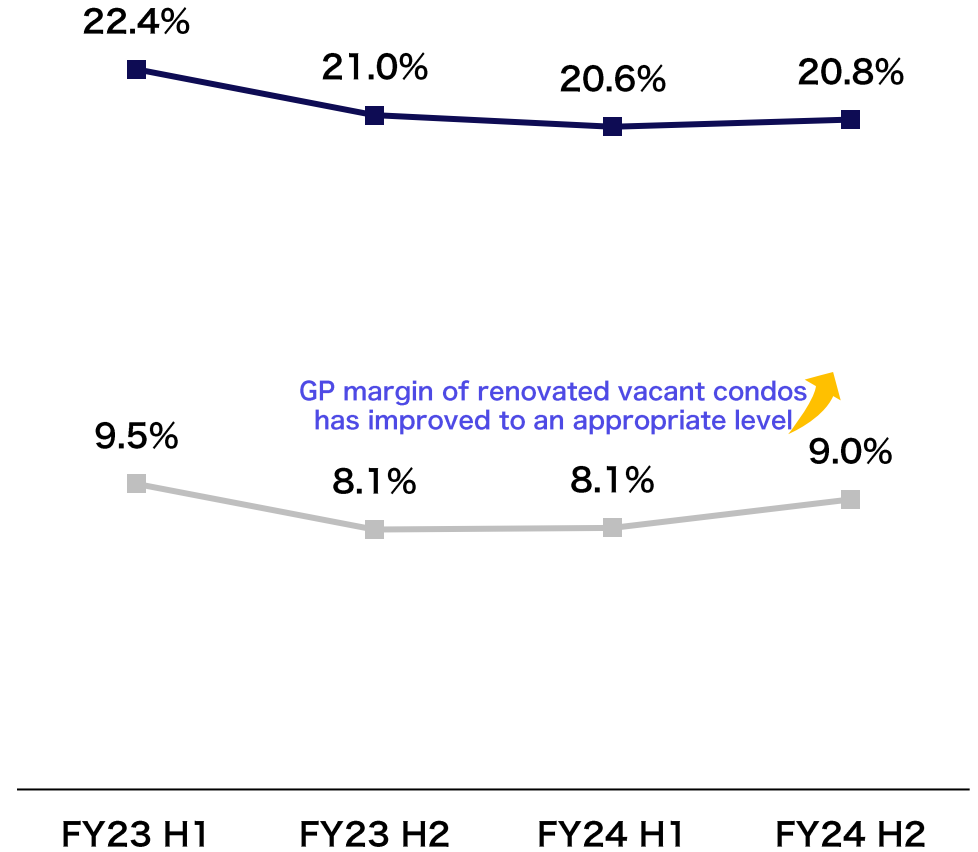
<# of renovated condos sold>

■ Renovated vacant condos ■ Renovated OC condos



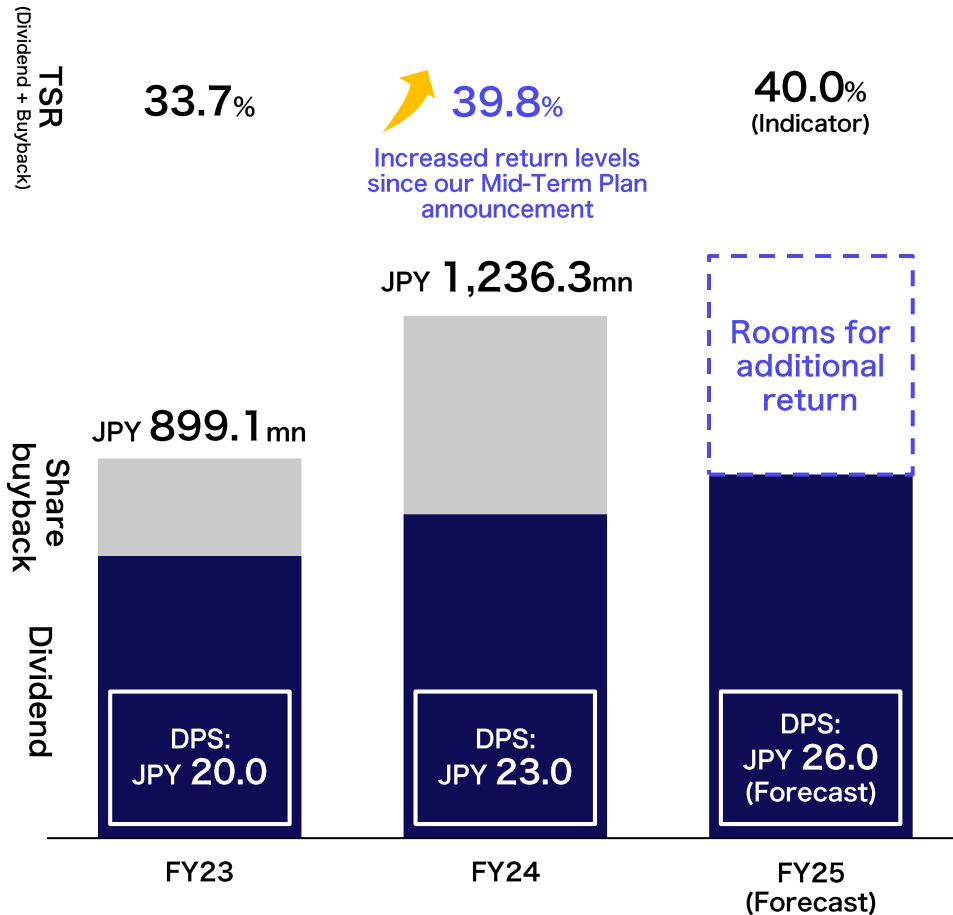
<GP margin (by products\*)>

■ Renovated vacant condos ■ Renovated OC condos



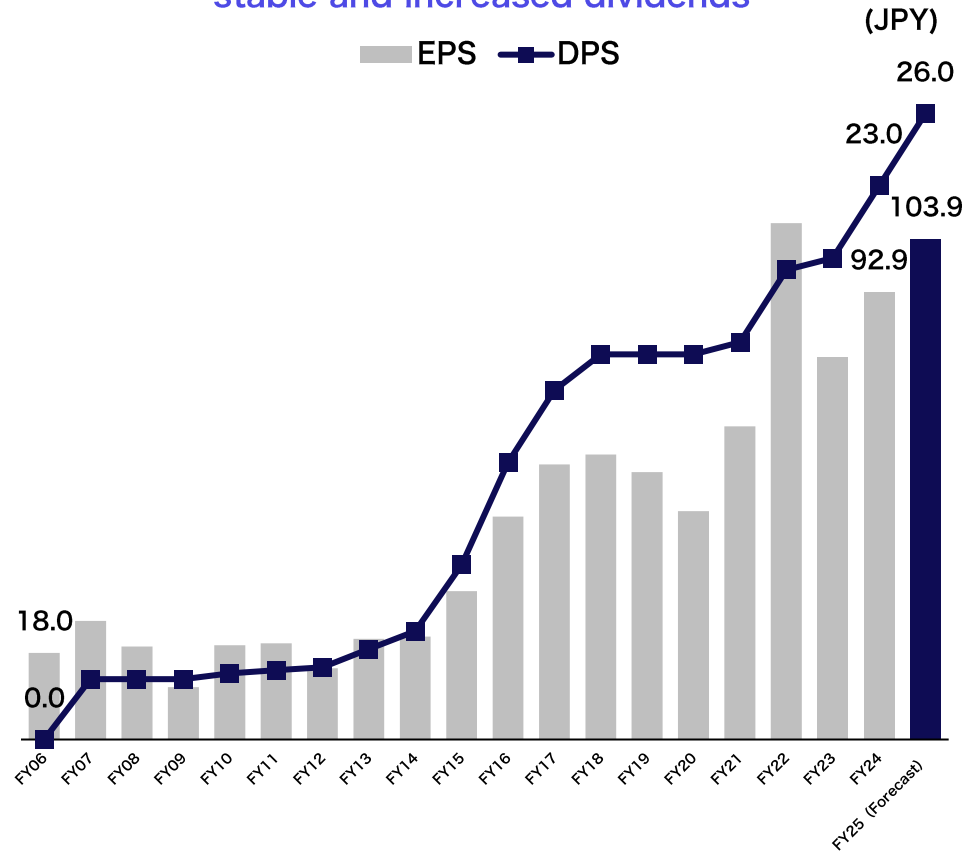
- Significantly strengthened shareholder returns in line with our Mid-Term Plan. The total shareholder return ratio ended at 39.8% in FY2024.
- In FY2025, plan to pay JPY 26.0 of DPS and additional returns towards 40.0% of TSR.

Recent results and FY2025 forecast



Dividend records

In addition to growth investments, continuing with stable and increased dividends



**2**

# **FY2024 Financial Result Summary**

- Best-ever revenue and gross profit mainly thanks to # of units sold.
- Achieved strong performance throughout the year and exceeded initial profit forecasts.

(JPY mn)	FY23	FY24	FY24 Forecast <sup>*1</sup>	YoY Change	% of Ach.	Main Reasons (vs. FY23)
Revenue	48,877	<b>55,849</b>	54,157	+14.3%	103.1%	- Successfully implementing our Mid-Term Plan strategies and achieved higher sales in all business segments
Gross profit	8,422	<b>9,816</b>	8,913	+16.6%	110.1%	- Achieved best-ever profit thanks to solid revenue in all segments (details are as follows)
Renovated condominium Business	7,941	<b>8,613</b>	7,998	+8.5%	107.7%	- Higher rent revenue by increasing number of owned owner-change condos <sup>2</sup> - Increasing sales volume & improving profit margins through active sales efforts leveraging high-quality inventories, which led to higher profit
Investment business	-17	<b>200</b>	248	-	80.7%	- Sold some shares of our invested company (Feb.) - Sale of a whole building (the first resumed case in Mar.)
Advisory business	497	<b>1,002</b>	667	+101.4%	150.2%	- Increase in the number of cases in agent business through active sales efforts - Increase in consulting fee including highly profitable incentive fee
SG&A	3,575	<b>4,292</b>	3,885	+20.0%	110.5%	- Temporary increase in consumption tax burden due to the largest-scale bulk purchase project (137 units, Mar.)
Operating profit	4,846	<b>5,524</b>	5,028	+14.0%	109.9%	
Recurring profit	3,921	<b>4,607</b>	4,102	+17.5%	112.3%	
Net profit	2,664	<b>3,106</b>	2,800	+16.6%	110.9%	

<sup>\*1</sup> Previously announced forecasts (as of Jan. 12, 2024)

<sup>\*2</sup> Pre-owned condos with tenants

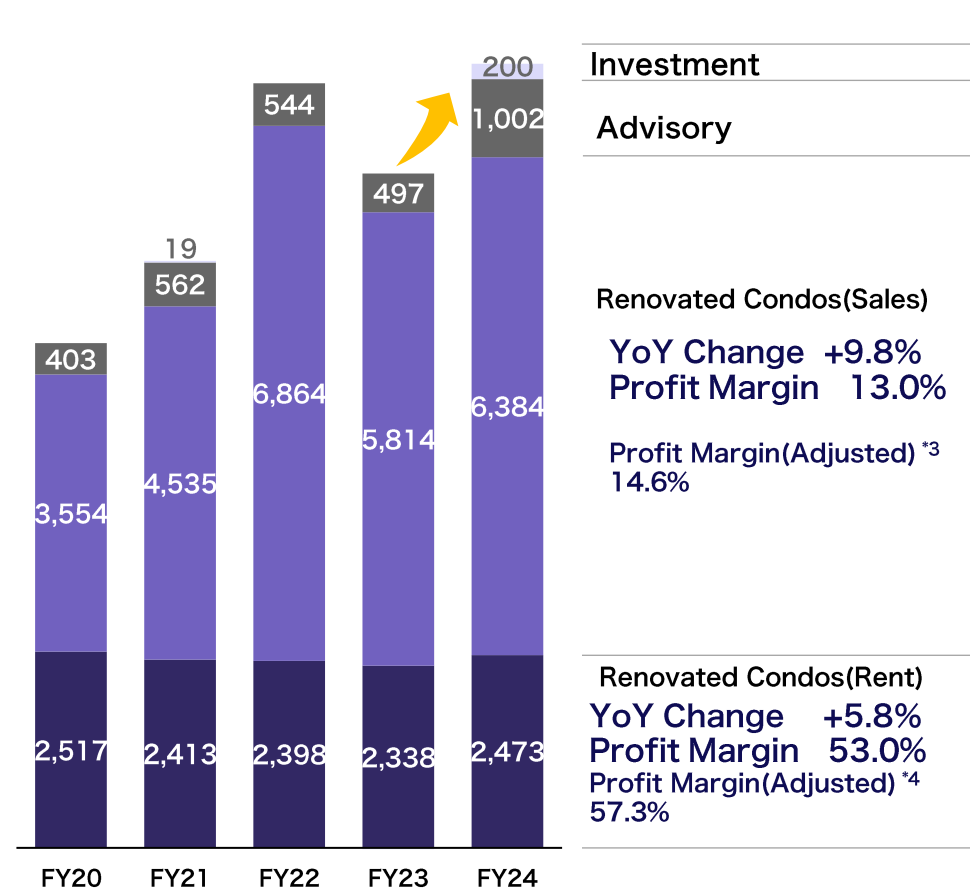
- Achieved best-ever revenue and gross profit by driving strategies set in the Mid-Term Plan.
- Maximized our group entire profit thanks to our agent business growth in the advisory segment.

**Consolidated P/L (Summary)**

	(JPY mn)	FY23	FY24	YoY Change
<b>Revenue</b>		<b>48,877</b>	<b>55,849</b>	<b>+14.3%</b>
Renovated condominium business		48,154	53,735	+11.6%
Investment business		6	896	-
Advisory business		716	1,218	+70.1%
<b>Gross profit</b>		<b>8,422</b>	<b>9,816</b>	<b>+16.6%</b>
Renovated condominium business *1		7,941	8,613	+8.5%
Investment business		-17	200	-
Advisory business		497	1,002	+101.4%
<b>SG&amp;A</b>		<b>3,575</b>	<b>4,292</b>	<b>+20.0%</b>
<b>Operating profit</b>		<b>4,846</b>	<b>5,524</b>	<b>+14.0%</b>
<b>Recurring profit</b>		<b>3,921</b>	<b>4,607</b>	<b>+17.5%</b>
<b>Net profit</b>		<b>2,664</b>	<b>3,106</b>	<b>+16.6%</b>

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

(JPY mn)



\*1 Including mark-to-market (MTM) loss  
FY23: JPY 211.2mn / FY24: JPY 244.8mn

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

\*3 Profit margin excluding property agent fee from COGS and depreciation (JPY 39.6mn)

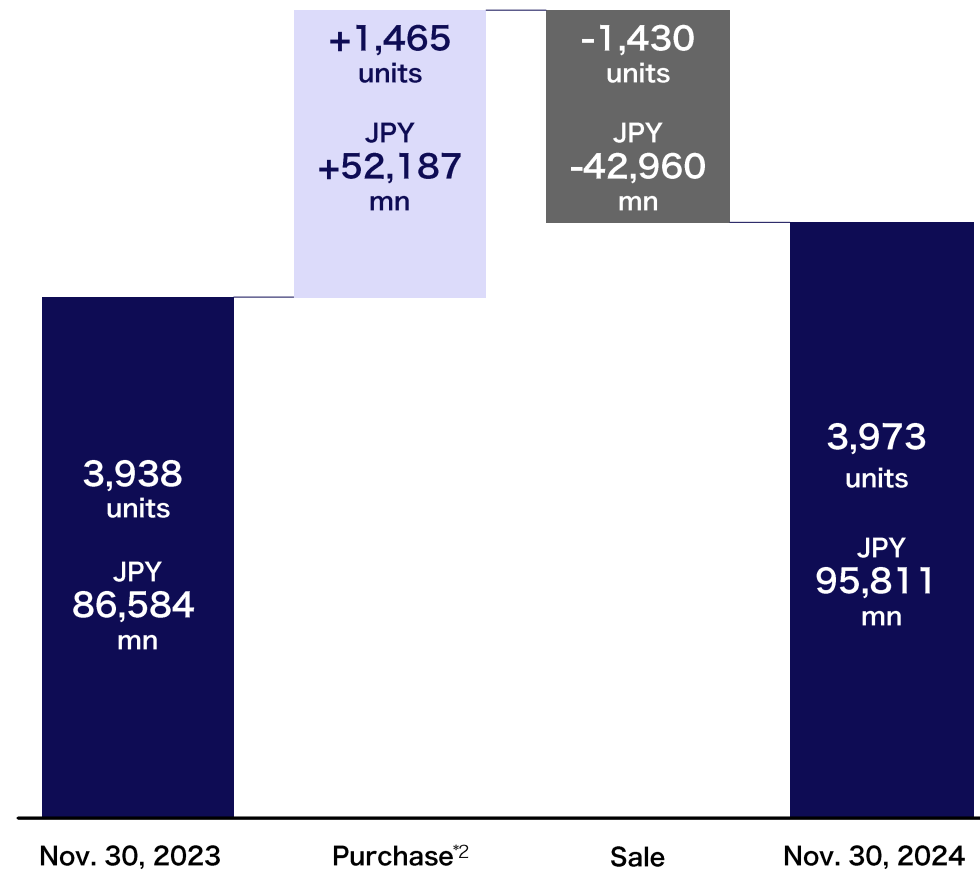
\*4 Profit margin excluding depreciation (JPY 201.9mn)

- Continue purchasing properties as the growth investment while replacing property portfolio by focusing on efficiency improvement.
- Improve the equity ratio by controlling our leverage level.

## Consolidated BS (Summary)

(JPY mn)	Nov. 30, 2023	Nov. 30, 2024	Change
Current assets	92,464	99,532	+7.6%
Cash and deposits	4,199	1,904	-54.6%
Inventories*1	86,584	95,811	+10.7%
Fixed assets	2,516	3,227	+28.2%
Total assets	94,982	102,760	+8.2%
Short-term liabilities	12,868	16,065	+24.8%
Long-term liabilities	58,883	61,195	+3.9%
Shareholder's equity	23,173	25,441	+9.8%
Equity Ratio	24.4%	24.8%	

## Change in Inventories

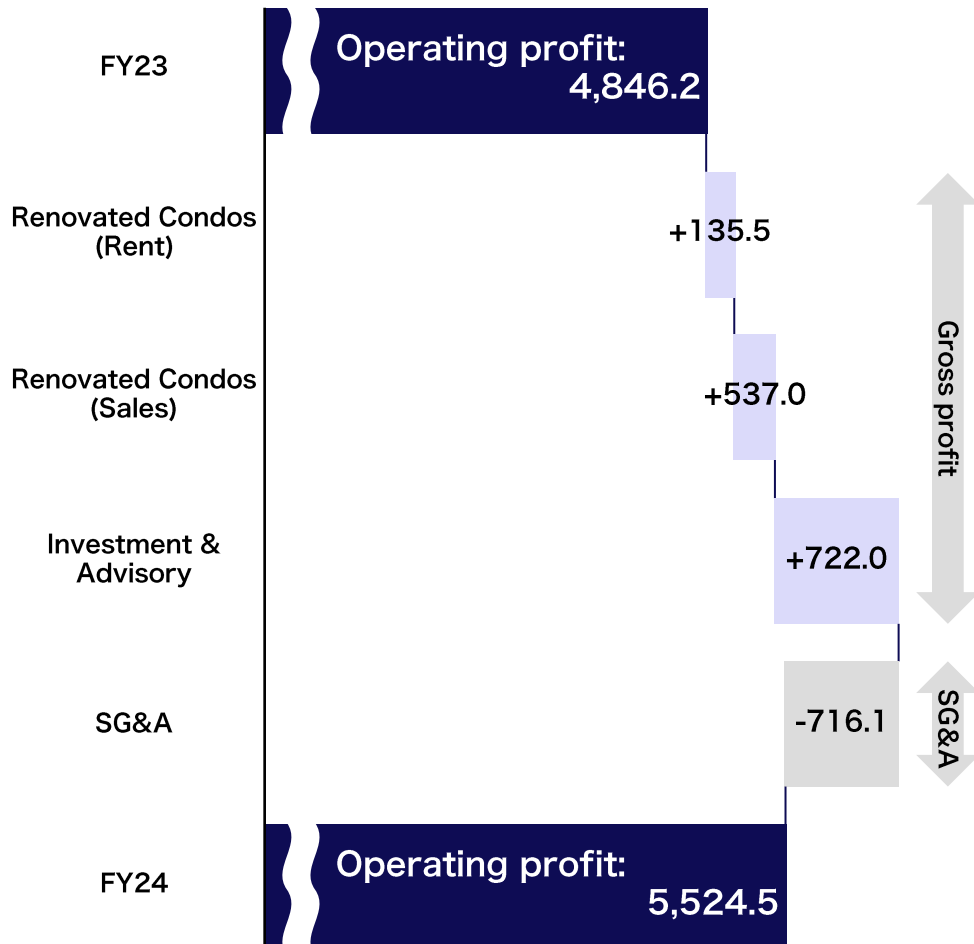


\*1 All owned condominiums (with or without tenants) and income-generated whole building

\*2 Including increase in book value through renovation

- Steadily executed our Mid-Term Plan strategies & achieved profit increase in all segments.

Delta b/w FY23 and FY24 (JPY mn)



Main reasons

**Renovated Condos (Rent)**

- Increase from a rise in the number of owned units (FY23: 3,938 units -> FY24: 3,973 units, JPY +135.5mn)

**Renovated Condos (Sales)**

- Increasing sales volume and improving profit margins through active sales efforts leveraging high-quality inventories
  - # of units we sold (FY23: 1,270 units -> FY24: 1,430 units, JPY +570.6mn)
- Increase in MTM loss recognized by timely & appropriate pricing to shorten the number of days for sale (FY23: JPY -211.2mn -> FY24: JPY -244.8mn, JPY -33.6mn)

**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 in personnel expenses due to # of employees change etc. (FY23: JPY 1,966.0mn -> FY24: JPY 2,151.6mn, JPY -185.6mn)



# 3

## **APPENDIX**

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

**NEW !**

How to improve PBR?

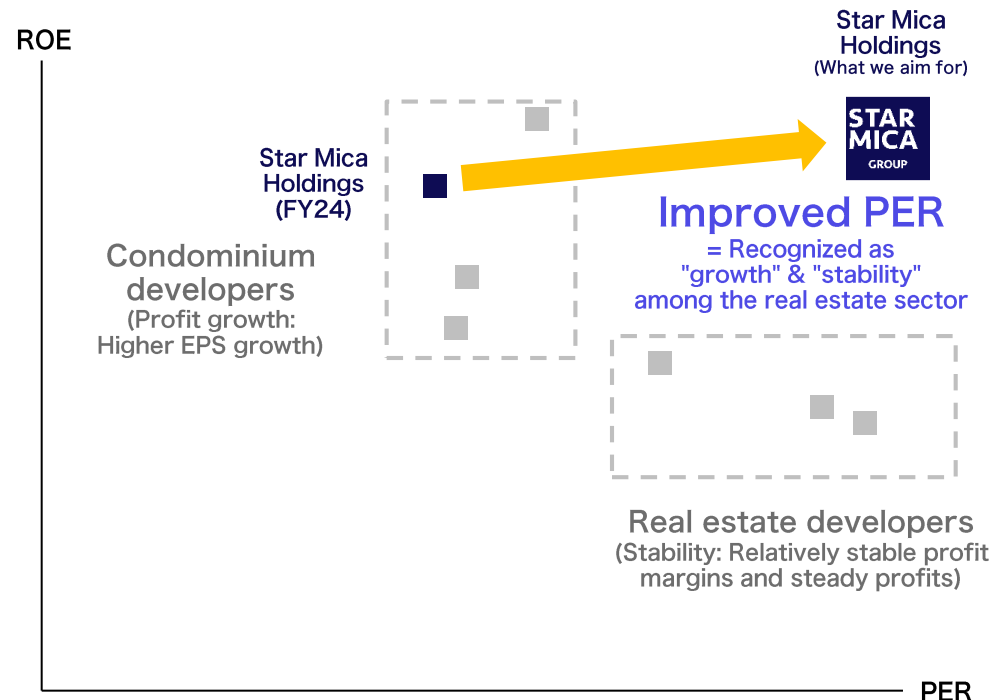


- **ROE has remained at a high level, but we believe the current low valuation is due to PER decline.**
  - ROE is typically 10% or higher (FY2020 was the first year of COVID-19, and we recognize that it was a low level as a result of prioritizing organizational improvements).
  - PER decline is due to the decline in growth expectations. The withdrawal of the previous mid-term management plan (2021), and the failure to achieve FY2023 earnings forecasts.
- **Approach to ROE: Steady implement of initiatives focusing on profitability & efficiency.**
  - Profitability: Optimizing resource allocation to sales, rentals, and fee businesses (business portfolio management).
  - Efficiency: Significantly improve efficiency by increasing OC turnover and the number of units sold.
- **Approach to PER: Steady achievement of EPS growth targets (profit growth) and penetration of intrinsic value and fostering growth expectations (strengthening IR activities).**
  - EPS growth: Continue to appeal to investors as a growth company by achieving high growth with high targets.
  - IR Activities: a.) Mitigate risks by further promoting the value of a business model that is recession-proof and capable of stable profit growth. b.) In recent years, we have focused on the forecast accuracy for the guidance & Mid-Term Plan by being "neutral" (i.e. not overly conservative). Will foster the conviction of growth expectations and eliminate uncertainty by disclosing the background of goals and strategies.

<Change in valuation (FY20 vs. FY24)>



<Valuation of major real estate companies listed to TSE prime\*2>



PER

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

\*2 Extracted from Tokyo Stock Exchange Prime listed companies in the real estate sector, created by Star Mica Holdings, as of Dec. 2024

**Updated**

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



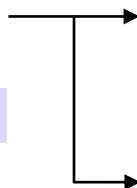
- **Property purchases as growth investments negatively impact operating cash flow**
  - The properties held are classified as current assets (inventories) on the balance sheet, regardless of the type of properties
  - We strategically purchase properties at a pace exceeding sales, which has resulted 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>

(JPY mn)	FY24
CF from operating activities	-5,269.2
Net profit before income taxes	4,607.3
Increase in inventories <sup>*2</sup>	-9,226.6
Others	-649.9
CF from investing activities	-56.6
-	-
-	-
CF from financing activities	3,030.7
Borrowing from banks	4,187.1
Dividends paid	-686.8
Share buyback	-469.4

<(Reference) Proforma cash flow statement>

(JPY mn)	FY24
CF from operating activities (proforma)	5,447.0
Net profit before income taxes	4,607.3
Decrease in vacant condos <sup>*2</sup>	1,489.6
Others	-649.9
CF from investing activities (proforma)	-10,772.9
Increase in owner-change condos etc. <sup>*2,3</sup>	-10,716.3
Others	-56.6
CF from financing activities	3,030.7
Borrowing from banks	4,187.1
Dividends paid	-686.8
Share buyback	-469.4



\*<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

**Updated**

It seems the price differences in the pre-owned condo market are coming in depending on the area. What do you think about the future trend of this market?



- **Even if the non-urban market stagnates in the short term, demand from real buyers in urban areas is expected to support the high prices.**
  - Even with the burst of the bubble economy and the financial crisis in the past, the rate of decline was limited in actual demand (our main business areas).
  - 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.
  - In the short-term adjustment phase, there will be no significant fluctuations in housing demand nor price decline.
- **Our business activities have been successful in increasing the market share in urban areas, which would contribute to minimize the future business performance risks.**
  - In case the market is to enter a downtrend, we have been increasing the urban share from FY24, anticipating that the market will be polarized between urban & rural areas.
  - We are transforming a high-quality property portfolio by replacing our properties with data utilization & disciplined internal guidelines.
  - We believe that executing the current area strategy is a crucial factor in successfully achieving profit growth.

**NEW!**

Why can you continuously purchase attractive properties?



- **Information Network: Advanced information gathering capabilities as an industry pioneer.**
  - Since our business initiation, we have established a strong information network with real estate agencies as a pioneer in the family-type owner-change condo market which has limited buyers.
  - We collect 30,000+ potential transaction information per year.
- **Operation: Systematization for rapid business execution.**
  - We own in-house operations of labor-intensive price assessment, contract and settlement. By developing these operations, approximately 3,000 purchase contracts and payments are made annually with a small number of staff.
- **Financing: Realization of long-term borrowing based on past track records.**
  - Have considered various financing methods supported by 13,000+ transaction track records and secured long-term borrowings.
  - Currently, we have raised over JPY 73bn from 50 financial institutions, which enabling fast and stable fund settlement.

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 condos. 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

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

## 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)

## 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

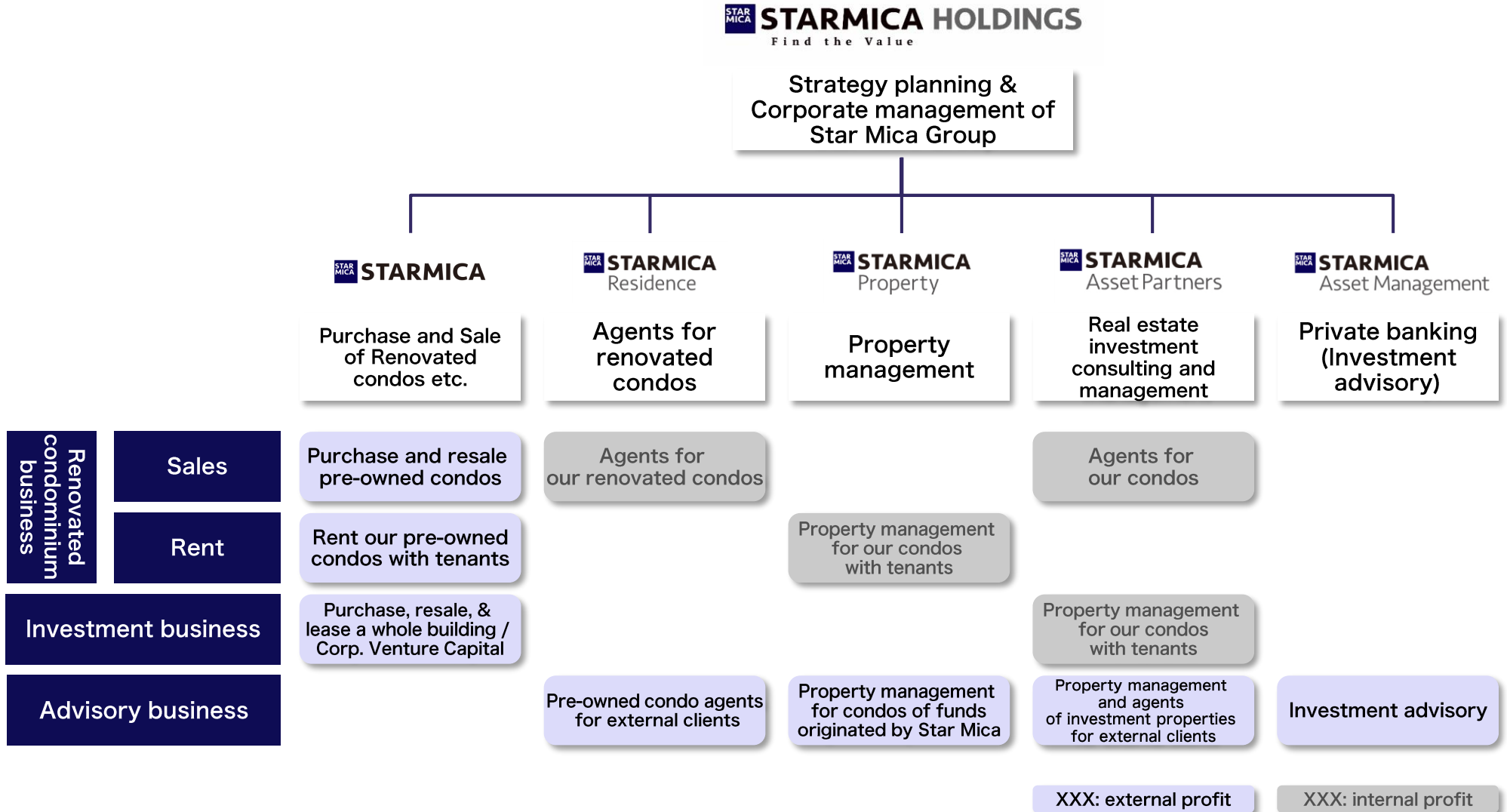
- Dividend:
  - Aim to increase dividends to reward long-term shareholders. Refrain from sudden dividend increases / cuts, and would like you to hold our stock with peace of mind
- Share Buyback:
  - In addition to supporting the stock price, we expect EPS & BPS growth and efficiency improvement. We 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

# 3

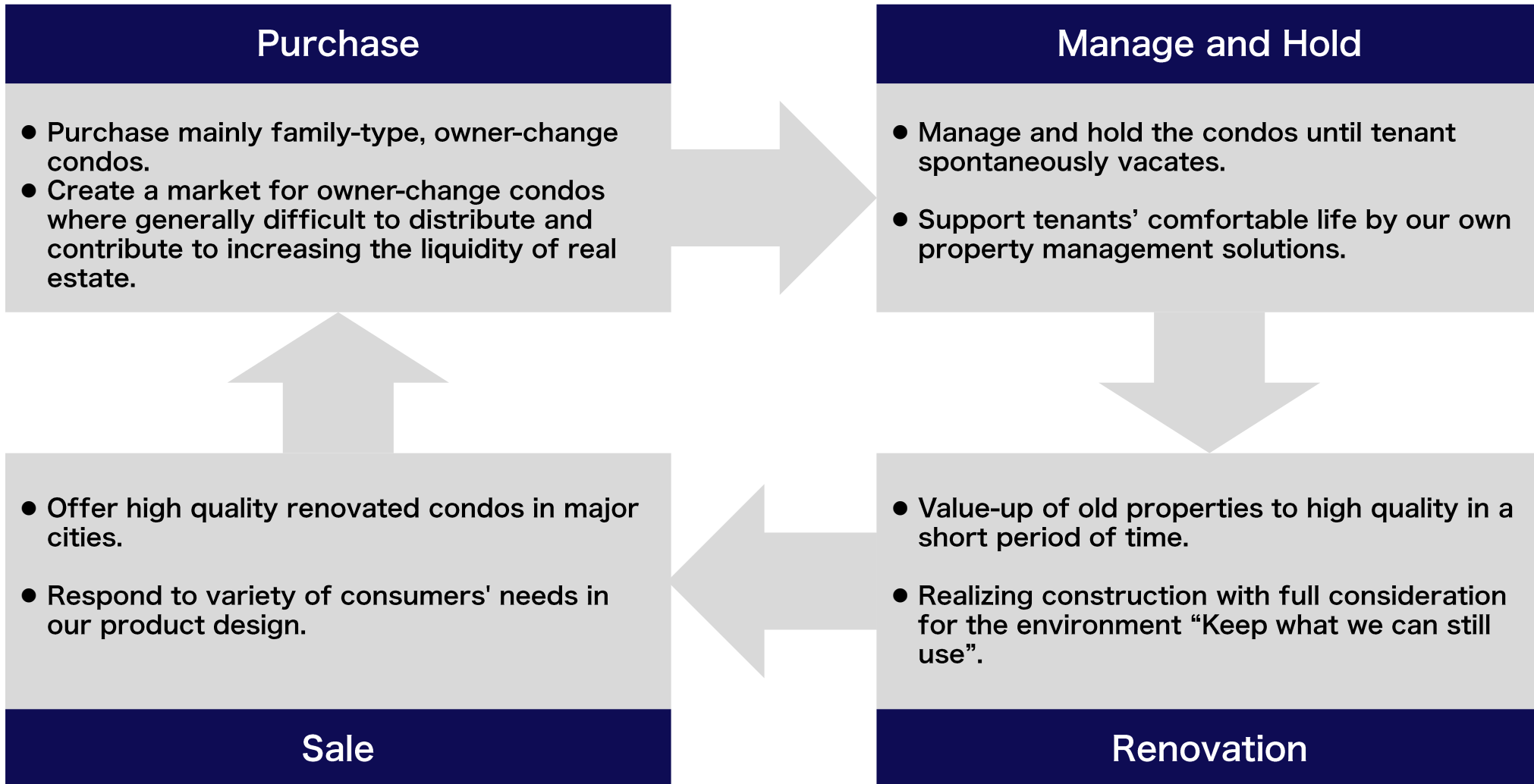
## **APPENDIX**

### **b. Our business**

- Regard the condominium business as our core and aim to maximize profits across the entire group.

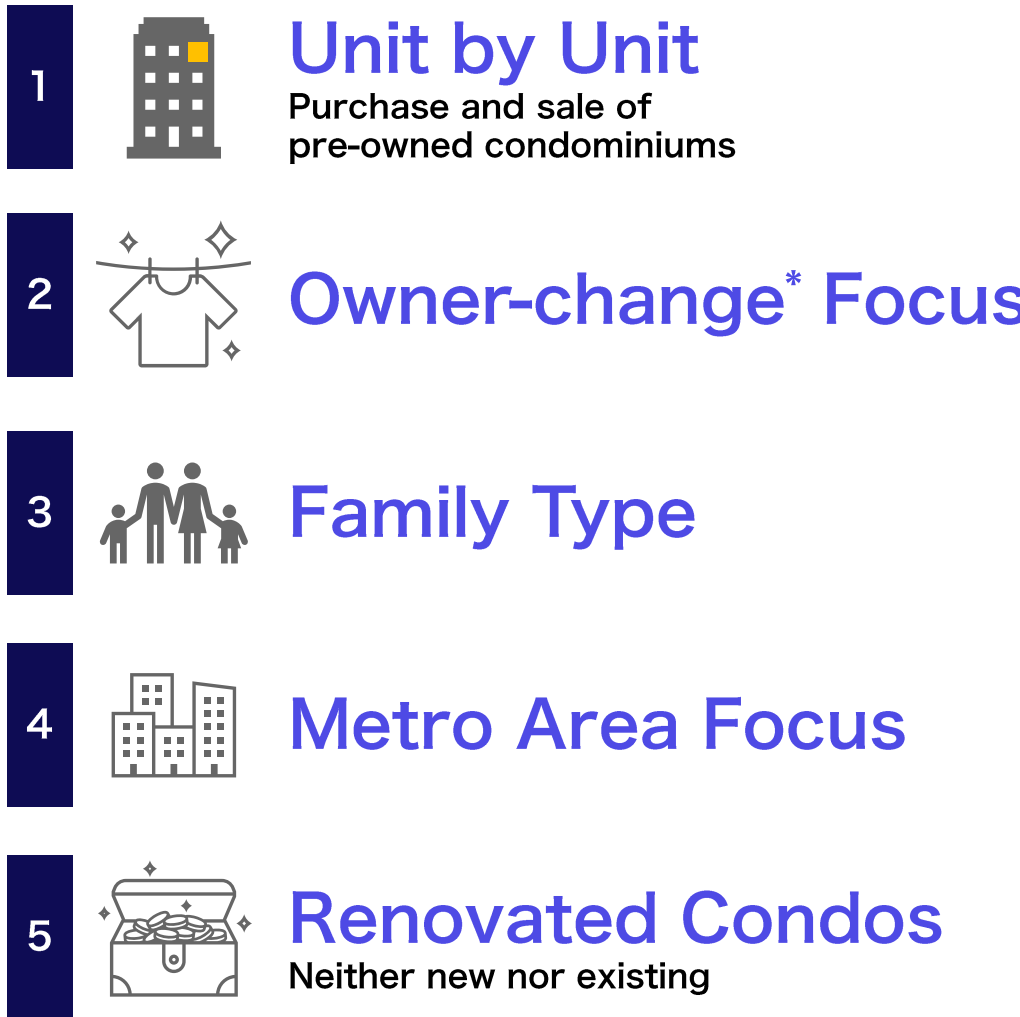


- Value chain creating value for society.





- Steadily gain profit by investing in properties with high liquidity & solid demand.



**Solid demand** for residential use

\* Pre-owned condos with tenants

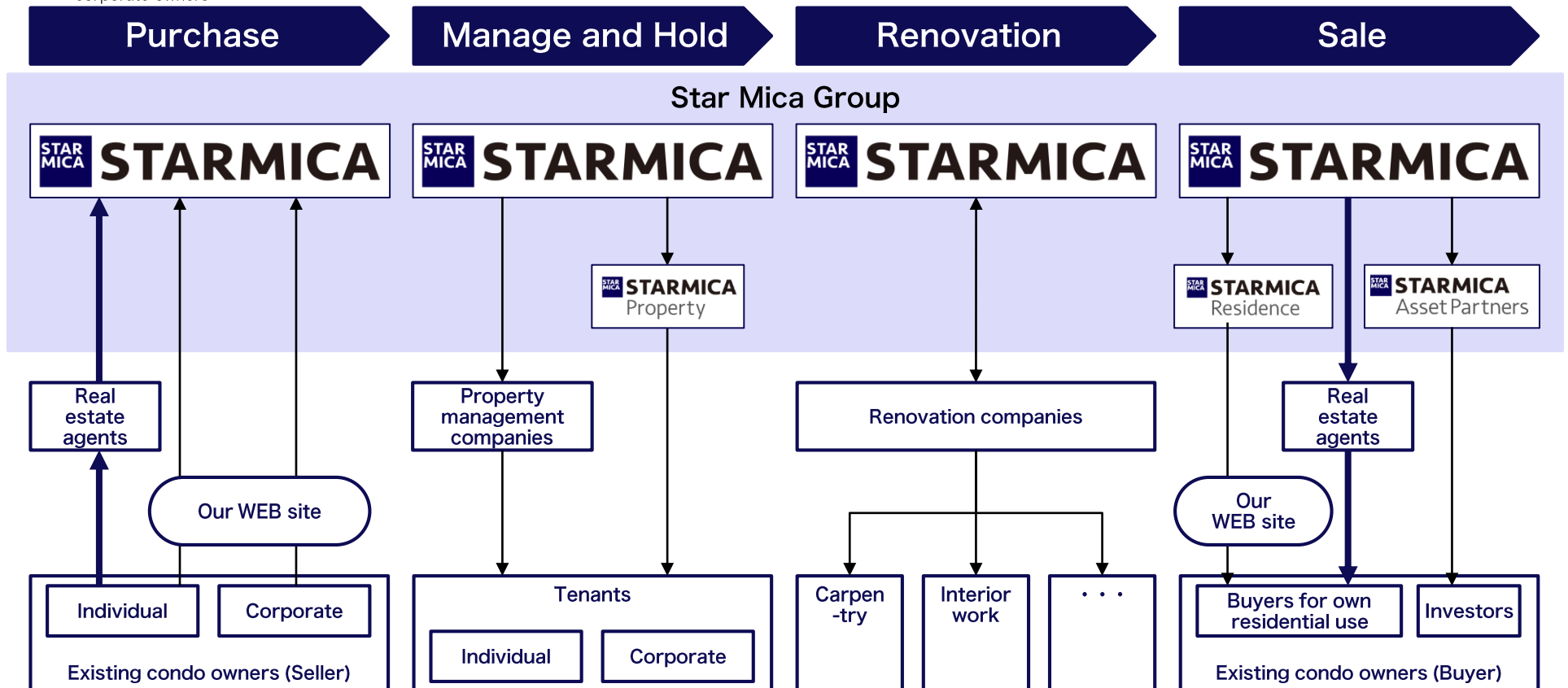
- Purchase and sales transactions are mainly direct with consumers.
- Efficiently operating by balancing between in-house production and outsourcing.

- Receive 30+k potential inquiries per year 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



- 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 >

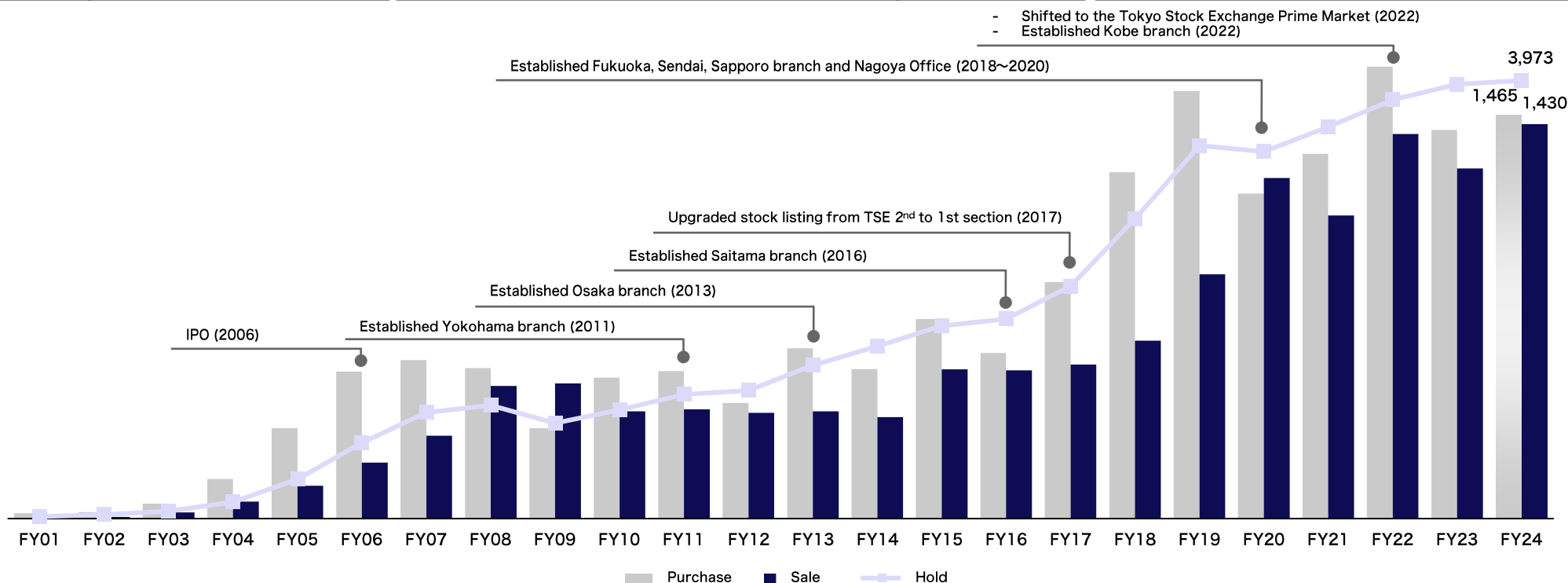
Our unique business led IPO in 6 years

< Establishment stage >

Strengthened our business model by building up inventories

< Expansion stage  
~ Stable growth >

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



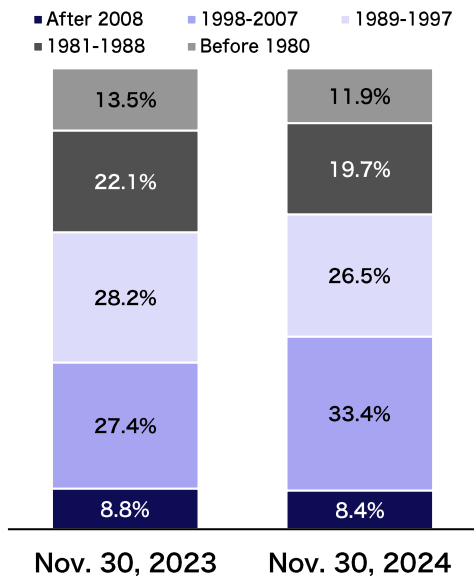
- Well-diversified portfolio by accumulating on a unit-by-unit basis.

Composition\*1

Average

Strategy

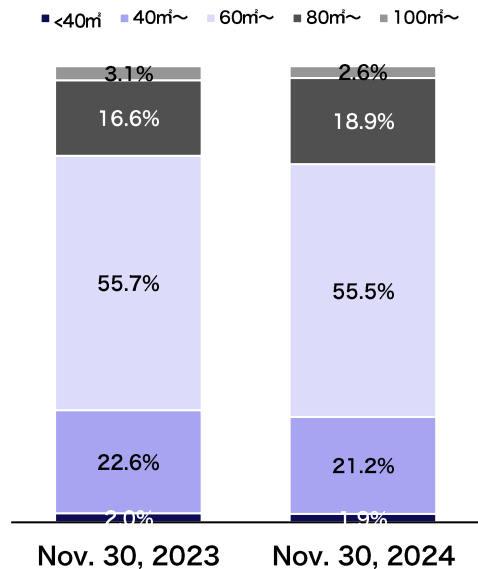
By year built\*2



32.0yrs → 32.4yrs

- Purchase mainly in the age range where value can be increased through renovation
- The purchase ratio of condos in pre-anti earthquake standard is controlled carefully by monitoring their management status, seismic performance, and mortgage loan trends

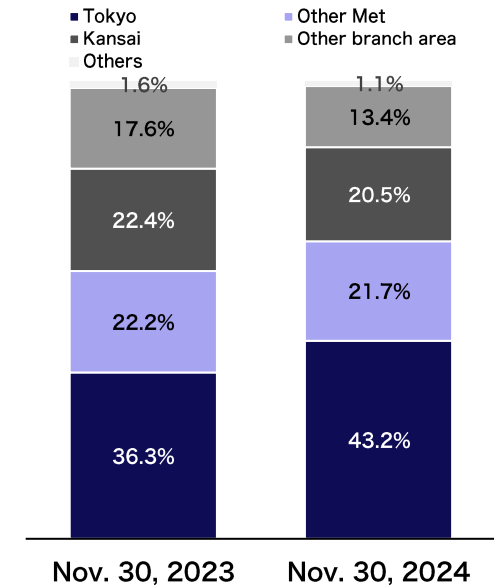
By size\*2



67.4m → 67.5m

- Purchase mainly family-type condos
- Diversify and expand product lineup to meet the homebuyers' needs in each area

By region\*2



-

- Expand by allocating sales resources in metropolitan areas
- Focus on gaining market share in highly liquid central areas

\*1 Based on purchase price as of Nov. 30, 2024

\*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 25,441 mn
<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, 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>	204
<b>Businesses</b>	Renovated Condominium Business, Investment Business, Advisory Business

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

 **STARMICA HOLDINGS**

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