JINUSHI | 3252 (TSE Prime)

Company Report

August 26, 2024

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Strategy Advisors

H1 Results Shows Strong Progress in Both Sales and Profit, Compared to Full-Year Forecasts

JINUSHI (hereafter "the company") reported their H1 FY12/2024 results with a 333.1% YoY rise in net sales and a 339.3% YoY rise in net profit attributable to owners of the parent entity. The increase in revenue was driven by the flow business, off the back of which, net income for the interim period also increased significantly.

The percentage of progress toward the company's full-year forecasts for FY12/2024 was high with 81.7% in sales and 104.8% in net profit attributable to owners of the parent entity. Net profit in H1 exceeded the net profit forecast for the full-year due to the strong performance of the business, a lower effective tax rate as a result of the liquidation of a subsidiary and foreign exchange gains due to the depreciation of the yen.

Purchases, which are important in predicting future trends in earnings, are considered to remain strong, with 44 agreements in H1, nearly the same level as 45 agreements in 1H of last year. One of the company's growth strategies is to diversify its clients in its business sectors and it has recently increased the number of tenants from businesses that play a role in social infrastructure. As a result of this strategy, about 60% of its agreements are with social infrastructure companies.

The company's full-year forecasts for FY12/2024 remain unchanged. Although net profit in H1 has already exceeded the full-year forecast, partly due to foreign exchange gains, the company has retained the full-year forecasts unchanged because of the uncertainty surrounding the exchange rate at the end of the year.

Even excluding the foreign exchange gains, the company's performance in H1 showed strong progress to meet the initial full-year forecasts, and we therefore believe that the probability of the company achieving the initial forecasts has increased.

The company's relative stock price has been significantly underperforming the TOPIX due to a major round of financing implemented in July. The financing was conducted because the company has greater confidence that current strong purchases would lead to good future performance and we expect the strong performance to be factored into the stock price in the future.

Stock Price and Volumes

Source: Strategy Advisors

Key Indicators

Stock Price (2024/8/23)	2,041
YTD High (24/7/4)	2,802
YTD Low (24/8/4)	1,642
52-Week High (2024/7/4)	2,802
52-Week Low (2024/8/4)	1,642
Number of Shares Issued	21.1
Market Capitalization (¥bn)	41.0
EV (¥bn)	78.0
Equity Ratio (12/2023, %)	30.9
ROE (FY12/2023	15.1

Source: Strategy Advisors

Japanese GAAP - Consolidated

FY End	Sales (¥ mn)	YoY (%)	OP (¥ mn)	YoY (%)	RP (¥ mn)	YoY (%)	NP (¥ mn)	YoY (%)	EPS (¥)	DPS (¥)
FY12/2023 H1	10,373	-61.7	693	-81.5	711	-81.8	1,193	-53.6	65.3	–
FY12/2024 H1	44,929	333.1	6,962	903.6	7,100	898.2	5,242	339.3	318.2	–
FY12/2021	56,177	–	5,475	–	5,002	–	3,124	–	170.9	50.0
FY12/2022	49,887	-11.2	6,411	17.1	5,943	18.8	3,641	16.5	199.2	55.0
FY12/2023	31,597	-36.7	6,154	-4.0	5,718	-3.8	4,709	29.3	267.8	55.0
FY12/2024 CoE	55,000	74.1	8,200	33.2	7,300	27.7	5,000	6.2	277.3	85.0

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

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1. H1 FY12/2024 Results Show Strong Progress in Sales & Profits Compared to Full-Year Forecasts

Strong Progress in Both Sales & Profits Compared to the Company's Full-Year Forecasts

In H1 FY12/2024, sales increased 333.1% YoY to ¥44.92 billion, operating income increased 903.6% YoY to ¥6.96 billion and net income attributable to owners of the parent increased 339.3% YoY to ¥5.24 billion. The percentage of progress toward the company's full-year forecasts for FY12/2024 was 81.7%, 84.9% and 104.8% respectively, showing strong progress in both sales and profits. Net income attributable to owners of the parent exceeded the full-year forecasts of ¥5.0 billion due to an increase in profit (¥350 million) resulting from 2 reasons; a lower effective tax rate following the liquidation of a subsidiary and foreign exchange gains (¥410 million) resulting from a loan to a US subsidiary.

Figure1 . Summary of H1 Results for FY12/2024

(¥ mn)	FY12/2024 H1 (A)	YoY	Progress (A)/(B)	FY12/2024 Full-Year CoE (B)
Sales	**44,929**	333.1%	81.7%	**55,000**
Operating Income	**6,962**	903.6%	84.9%	**8,200**
Recurring Income	**7,100**	898.2%	97.3%	**7,300**
Net Income Attributable to Owners of the Parent	**5,242**	339.3%	104.8%	**5,000**

Source: Strategy Advisors. Based on Company Data.

Significant YoY Increase in Sales Due to an Increase in the Number of Sales Deals

The great rate of progress in sales was due to an increase in the number of sales deals. This was result of the steady progress of sales to JINUSHI REIT, whose AUM increased as a result of the 8th capital increase in January 2024, and sales through the use of bridge schemes by leasing companies proceeding smoothly.

Decline in Gross Profit Margin was Mainly Due to an Increase in Sales of Leased Land

Gross profit grew 3.4 times YoY to ¥9.41 billion, but the gross profit margin declined 6.0 percentage points YoY to 20.9%.

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

There is a large difference in gross profit margin between flow business and stock business; and the change in the composition of flow business and stock business has had a significant impact on the overall gross profit margin.

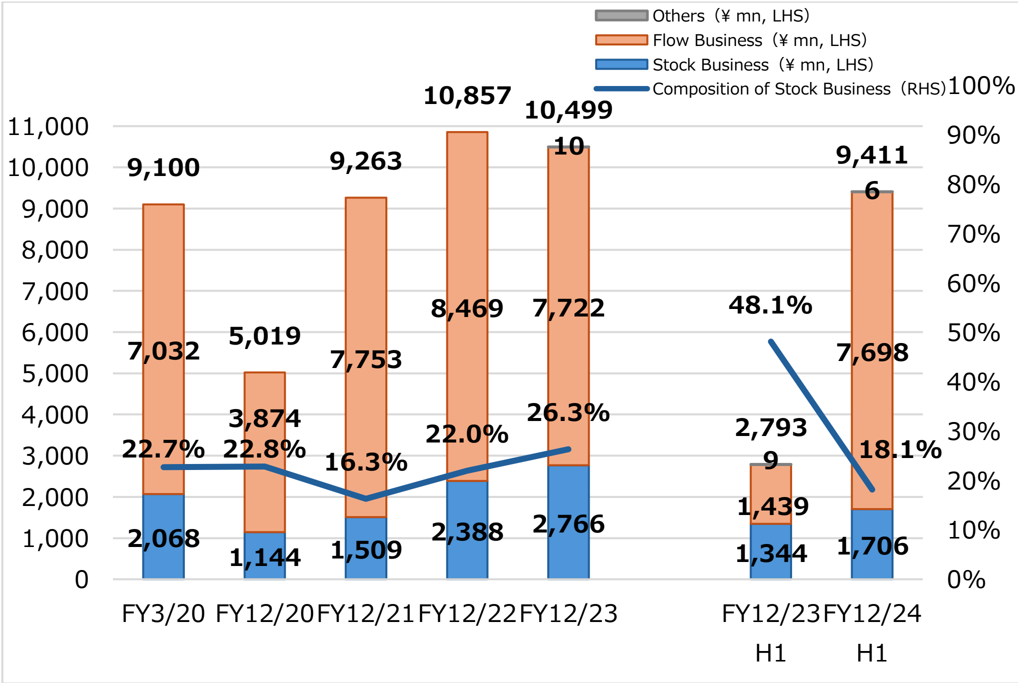
81.8% of gross profits in H1 FY12/2024 was derived from the flow business revenue, while 18.1% was from the stock business revenue and just 0.1% was from others. The main reason for the overall decline in gross profit margin was the increase in revenues from the flow business, which has a relatively low gross profit margin, due to the significant increase in sales of leased land.

Gross profit margin for H1 raised from Q1, even if only flow business revenues were considered

Flow business revenues are equal to real estate sales revenues. They are highly variable, depending on status of sales of leased land and the profitability of individual properties that are sold. The gross profit margin of the flow business was 17.9% in H1 FY12/2024, up from 16.4% in H1 FY12/2023. The gross profit margin of the flow business is highly dependent on the individual deals. The gross profit margin of the flow business was low at 15.3% in Q1, but the profit margin increased in H1 as the company gradually added deals for sale, as the company had planned.

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

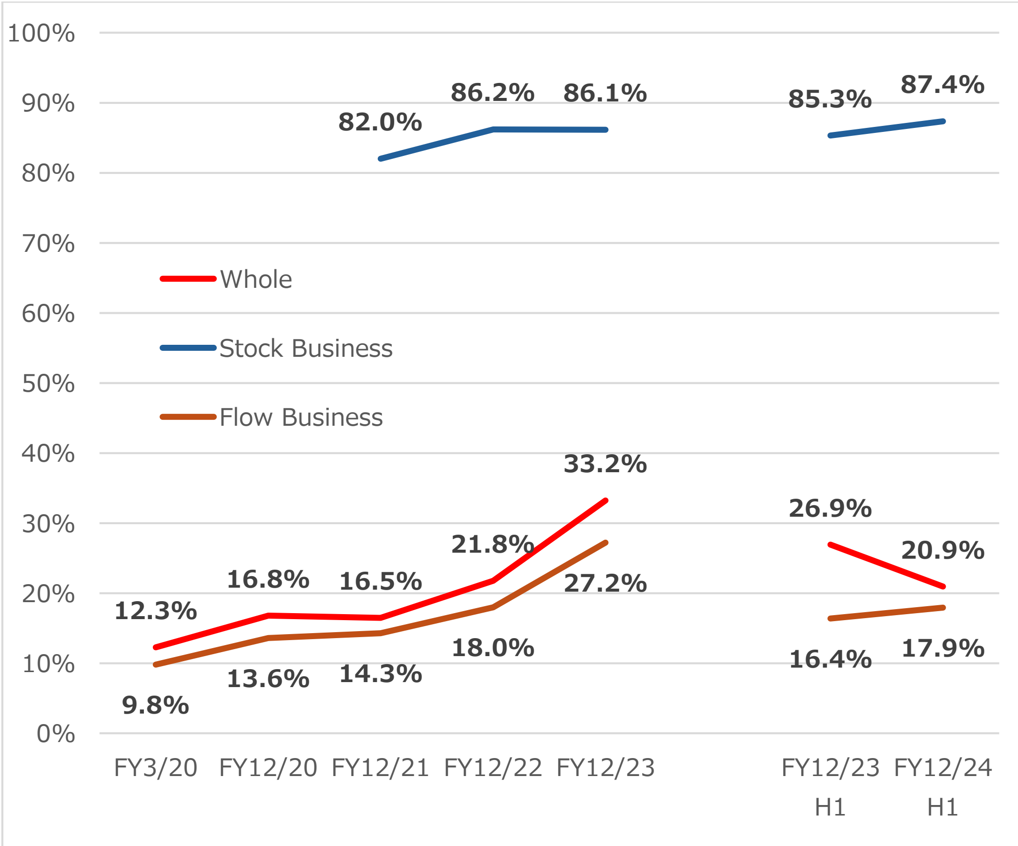
Figure 2. Gross Profit by Business Type



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

Source: Strategy Advisors. Based on Company Data.

Figure 3. Gross Profit Margin Trends



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

Source: Strategy Advisors. Based on Company Data.

Operating Profit Margin Increased Due to an Increase in Total Revenues

Selling, general and administrative (SG&A) expenses increased 16.6% YoY to ¥2.44 billion, but the SG&A-to-sales ratio declined 14.7 percentage points YoY to 5.5% due to a significant increase in gross profit and the operating profit to sales ratio rose 8.8 percentage points YoY to 15.5%.

In addition, there was no corresponding extraordinary profit in H1 FY12/2024, while an extraordinary profit of ¥1.2 billion was posted in H1 FY12/2023. As a result, the net profit margin rose only 0.2 percentage points. However, due in part to a lower effective tax rate following the liquidation of a subsidiary and in part to foreign exchange gains on a loan to a U.S. subsidiary due to a weaker yen in non-operating income, net profit attributable to owners of the parent rose 339.3% YoY.

2. Recent Trends in the JINUSHI Business

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

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

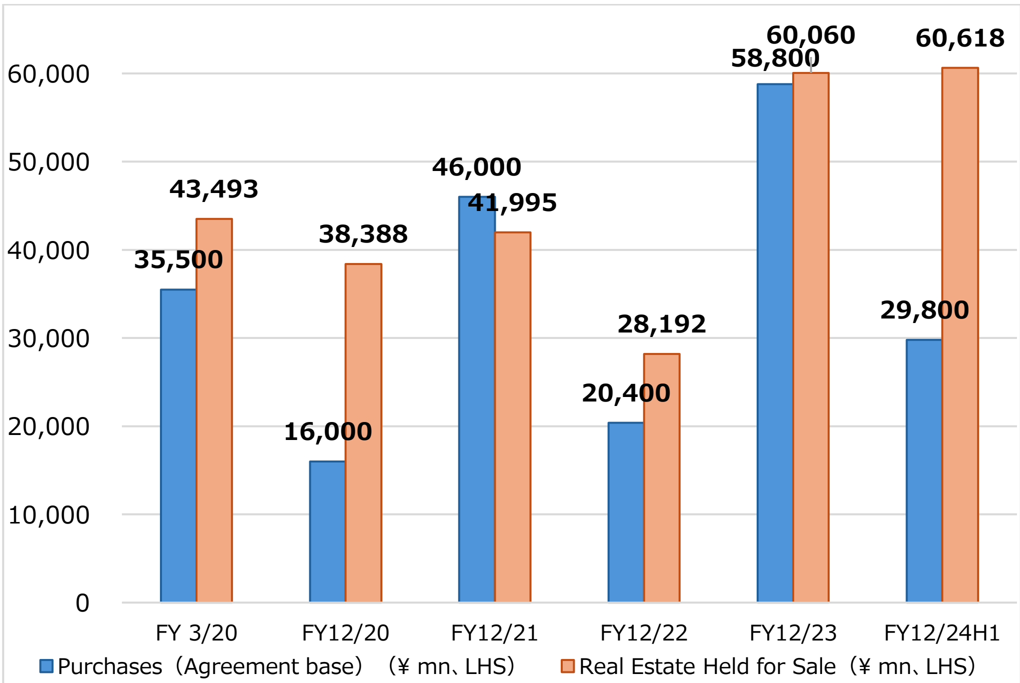
(1) Buying (Purchasing) Land

Purchases in the Volume Was Down YoY. But the Number of Purchases Was at the Same Level as Previous Year and is Judged to be Steady

Purchases (agreement basis) in H1 fell 13.9% YoY to ¥29.8 billion, while the balance of real estate for sale at the end of H1 was ¥60.6 billion, increased by 27.5% over H1 previous year.

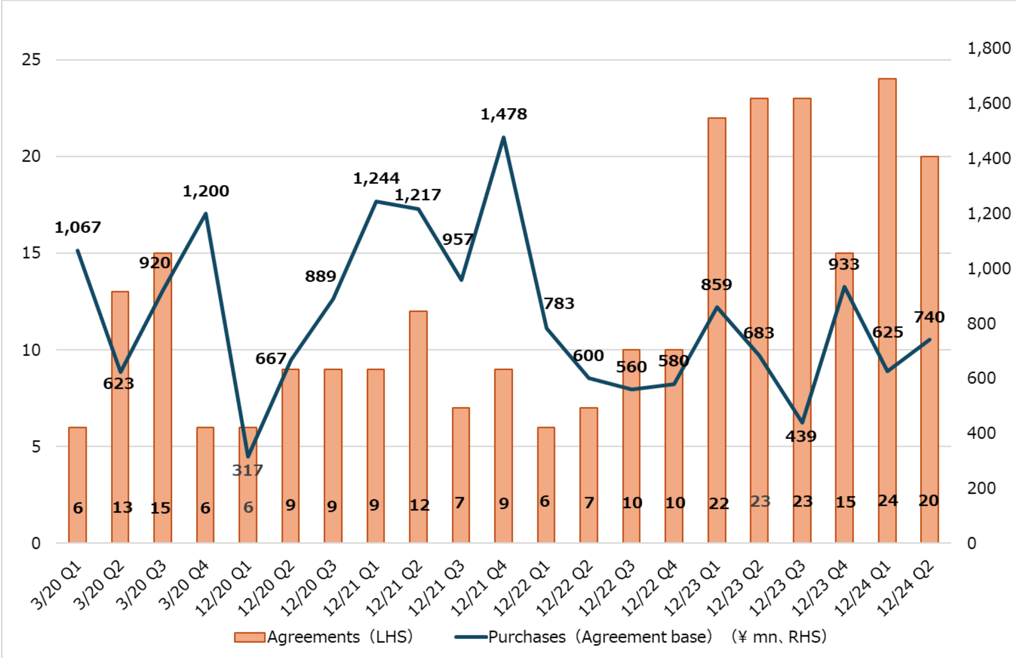
The decrease in purchases from H1 previous year was due to the large purchase in H1 previous year. The number of purchases, 44, was at almost the same level as 45 in H1 of the previous year and is considered to have been strong in terms of purchases.

Figure 4. Purchases



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

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

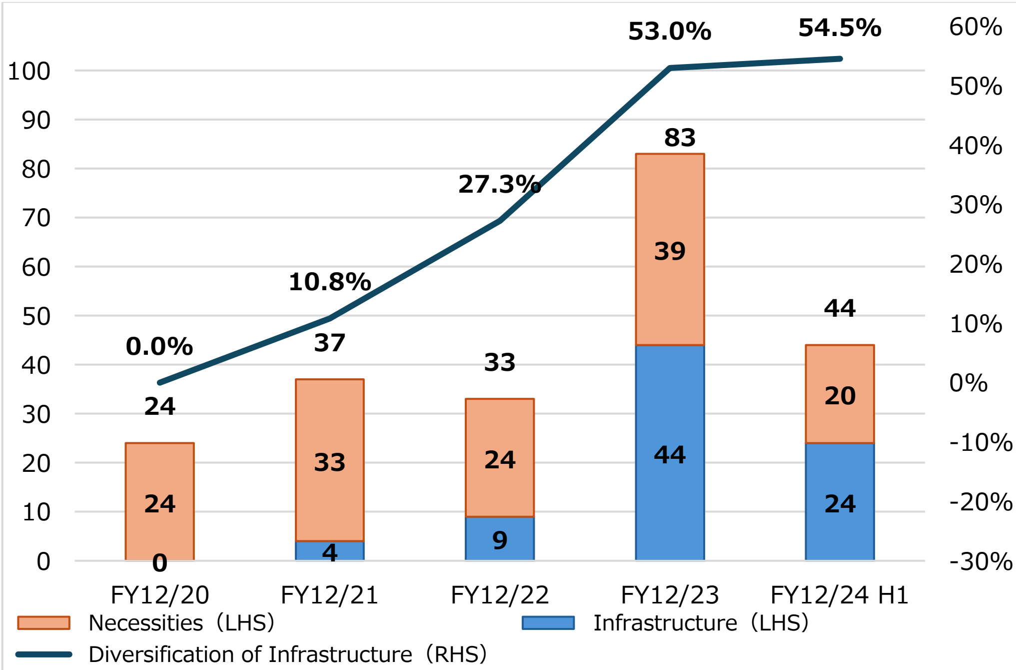


Note: Due to a change in the fiscal year end, FY12/20 is a 9-month accounting period.
Source: Strategy Advisors. Based on Company Data.

Social Infrastructure Tenants Supporting Robust Procurement Agreements

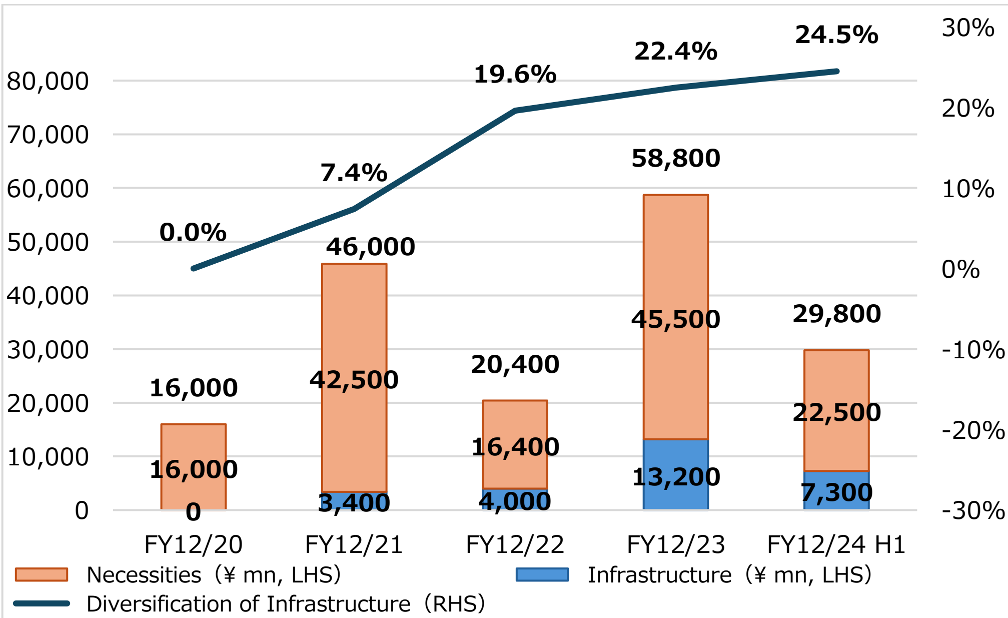
The company's solid procurement is largely supported by an increase in the number of properties dealing with social infrastructure tenants. The company has been working to diversify the business sectors of its tenants and has been steadily converting the ardent desire of social infrastructure tenants to open new stores. Already, more tenants are being acquired in areas such as hospice Facilities, nursing homes and funeral halls. Of the 44 contracts purchased during H1 of FY12/2024 with a total purchase amount of ¥29.80 billion, 24 were for social infrastructure tenants with a total purchase amount of ¥7.30 billion. This represents 54.5% of the total number of contracts and 24.5% of the total purchase amount.

Figure 6. Percentage of Deals for Social Infrastructure Tenants in Procurement: By Number of Agreements



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

Figure 7. Percentage of Social Infrastructure Tenant Deals in Procurement: Based on Purchase Price



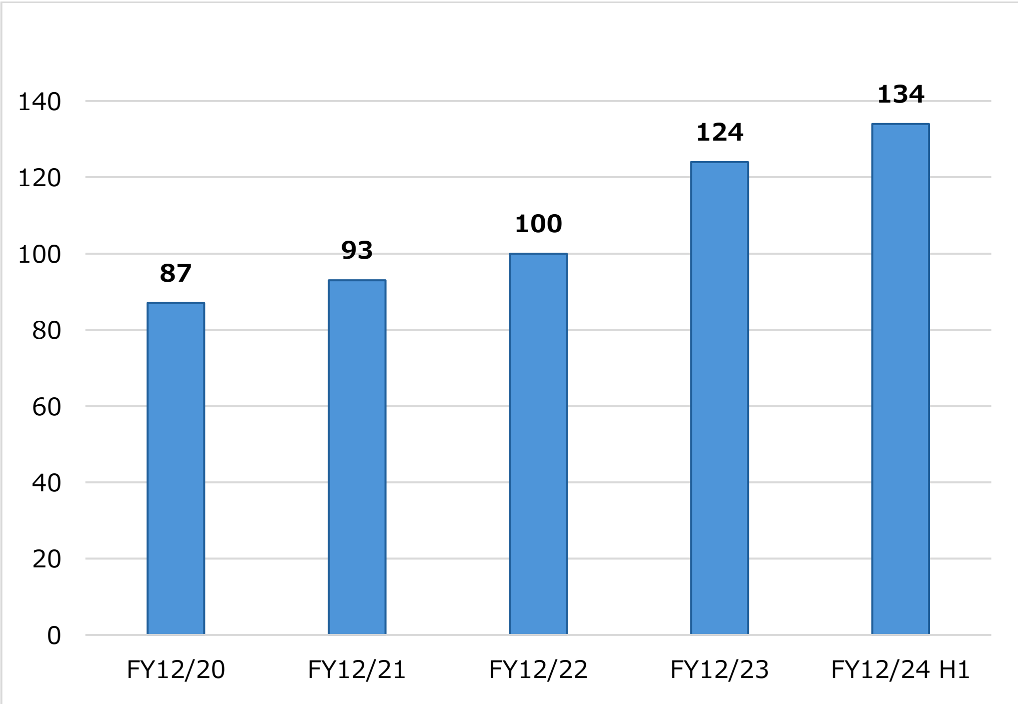
Note: Due to a change in the fiscal year end, FY12/20 is a 9-month accounting period.
Total amounts do not match due to rounding.
Source: Strategy Advisors. Based on Company Data.

(2) Leasing Land

Number of Tenants Increased by 10, Versus the End of FY 12/2023

The number of tenants with long-term fixed-term lease agreements with the company increased by 10 companies from the end of FY12/2023 to 134 at the end of H1. The company's tenants include supermarkets, which accounted for 25 of the 134 tenants at the end of H1, which is then followed by drugstores (12), restaurants (10), automobile dealers (10), funeral halls (9) and home improvement stores (8). The company is currently expanding its tenant base to include businesses that serve social infrastructure, expanding that category's presence.

Figure 8. Number of Tenants (Companies)



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

(3) Sales

The company has been relentlessly buying land and then leasing it out to tenants, turning it into a real estate financial product that generates long-term stable cash flows, which it then sells to funds such as JINUSHI REIT and other investors. As of the end of H1 FY12/2024, the company has cumulatively been involved in 410 projects worth roughly ¥505.7 billion. Although many tenants have historically come from the retail industry, esp. supermarkets, which have been the most common type of tenant, they still account for less than 25% of the total tenant base.

In terms of region, about 84% of the company's development projects are in the Tokyo, Nagoya and Osaka areas, but there is no concentration of development in any one area.

The percentage of sales by JINUSHI REIT and group companies (sponsor pipeline support ratio) is 64.6%. Of these, 31.1% were directly incorporated into JINUSHI REIT and 33.5% were sold through bridge schemes. A bridge scheme is a "sale of properties by JINUSHI and group companies where the buyer is a third party designated by JINUSHI Asset Management (usually JINUSHI REIT, but not always)" and it grants preferential negotiation rights for acquisition to a third party designated by JINUSHI Asset Management (in effect, presumably the JINUSHI REIT). Leasing companies such as SMFL Mirai Partners, a wholly owned subsidiary of Sumitomo Mitsui Finance and Leasing and M.L. Estate, a wholly owned subsidiary of Mizuho Lease, stand in between.

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

3. Recent Trends of JINUSHI REIT

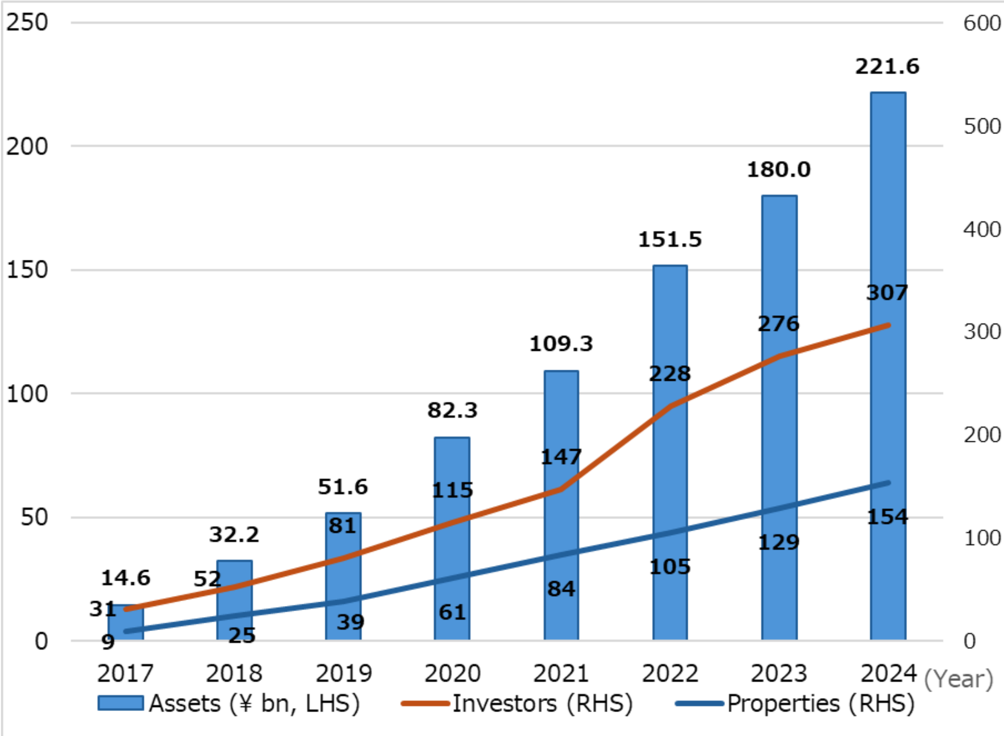
JINUSHI REIT Low-Risk, Low-Volatility

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

JINUSHI REIT's AUM Expands to ¥221.6 billion

No other REITs, both listed and private, specializes in leased land. As of January 10, 2024, after the completion of the 8th capital increase, the balance of assets under management (AUM) had increased to ¥221.6 billion.

Figure 9. JINUSHI REIT (Private REIT for Leased Land) AUM Growth



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

As of January 10, 2024, after the completion of the 8th capital increase, the number of properties under management is 154 and 76.0% of the portfolio in AUM is derived from business sectors of tenant as follows: supermarkets (31.2%), home improvement stores (27.4%) and drugstores (17.4%). The portfolio is highly concentrated in these top three sectors.

4. Significant Financing

The company announced on July 11, 2024 (closing price: ¥2,737) that it would conduct a financing mainly through a public offering. The details were that the firm would issue 2,865,300 new shares, dispose of 700,000 treasury shares and conduct and conduct a secondary offering of 418,600 shares by way of overallotment (OA).

The financing was then conducted at an offering price of ¥2,168, which was calculated by multiplying the closing price of ¥2,236 yen on July 23 by a discount rate of 3.04%.

This round of financing had the following three purposes.

1. Future growth. The total amount raised (including the secondary offering) was ¥8.28 billion, which will be used entirely for purchasing new development lands during FY12/2024. The timing of the financing was due to the company's growing confidence with its current strong purchases that would lead to future earnings.

2. Strengthening the financial condition. Shareholders' equity was ¥30.94 billion at the end of FY12/2023 and ¥35.53 billion at the end of H1 FY12/2024, and increased to ¥43.81 billion after the financing. Accordingly, the equity ratio is expected to increase to about 38.5% after the financing, from 30.9% at the end of FY12/2023 and 33.7% at the end of H1 FY12/2024.

3. Improvement of stock liquidity. The number of shares with liquidation after the financing is estimated to increase by more than 30% from the end of H1 FY12/2024. The company expects that the increase in liquidity of its stocks will lead to an increase in investment from institutional investors, who had previously been reluctant to invest in the company.

5. Outlook for FY12/2024

Company's Forecasts for FY12/2024 Remain Unchanged

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

Expect a Large Increase in Profit in FY12/2024. But a Decline in Profit Margin

As shown in Figure 4, the balance of real estate for sale at the beginning of FY12/2024 is expected to increase 113.0% from the beginning of the previous period and the strong purchasing conditions of the previous period are expected to continue into FY12/2024, resulting in a significant increase in revenue. On the other hand, gross profit margin is expected to decline from the previous year due to the absence of property purchased around 2018 that correspond to high-margin, large-scale transactions, which occurred in the previous year and hence operating profit margins for FY12/2024 are projected to decline 4.6 percentage points YoY to 14.9%.

Net Profit is Expected to Increase Despite the Absence of Extraordinary Gains from the Previous Fiscal Year

Furthermore, the company expects to lose the extraordinary gains from the sale of fixed assets in the previous fiscal year, but still expects to secure an increase in net profit attributable to owners of the parent, driven by a significant increase in sales. In addition, the ¥350 million added by the lower effective tax rate due to the liquidation of a subsidiary, which was not included in the initial full-year forecasts, increases the probability of an increase in profit. The ¥410 million foreign exchange gain recorded in H1FY/2024 was due to the exchange rate of ¥161 per dollar at the end of H1, compared to the assumed exchange rate of ¥140 per dollar at the end of FY2024. The final full-year foreign exchange gain will depend on the exchange rate at the end of FY12/2024.

Maintain our judgment based on verification of certainty of significant revenue increase in our previous reports

In our previous report（issued on April 9, 2024）, we verified the certainty of a significant increase in sales, which will be the focus of FY12/2024 results, by simulating the ratio of the sum of the amount of real estate for sale at the end of the previous period and purchases (on a recorded basis) in the current period to the cost of sales in the current period. As a result, Strategy Advisors judged that ¥55.0 billion in net sales for FY12/2024 is fully achievable and our judgment is maintained based on the high rate of progress in H1.

Increased Certainty of Achieving the Initial Operating Income forecasts

Strategy Advisors expects SG&A expenses to increase 8.2% YoY to about ¥4.7 billion in FY12/2024. But to achieve the company's forecasts of ¥8.2 billion in operating profit, it is necessary for sales to exceed the level of the simulation calculated using conservative conditions, or for the cost of sales ratio to decline. In addition to the high rate of progress in H1, the recent favorable purchasing situation and the reduction in the cost of sales ratio from Q1 to Q2 have increased the certainty of achieving the company's projected operating profit.

6. Stock Trends and Valuations

To see how the company's stock price has changed over the years, Figure 10 shows an index of the stock prices of major real estate finance companies and the TOPIX (Tokyo Stock Exchange Stock Price Index) when the stock price at the end of 2023 is set at 100.

Overall Stock Market Fell Sharply in August 2024

In the Japanese stock market, after the Nikkei Stock Average reached the ¥40,000 level for the first time in history in February 2024, it once again began to rise after a period of sluggish growth and the Nikkei Stock Average hit ¥42,000 on July 11, 2024. The Nikkei Stock Average then turned to a downtrend, and after a sharp drop and a comeback driven by the sharp appreciation of the yen in August 2024, the Nikkei Stock Average is currently hovering around ¥38,000.

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

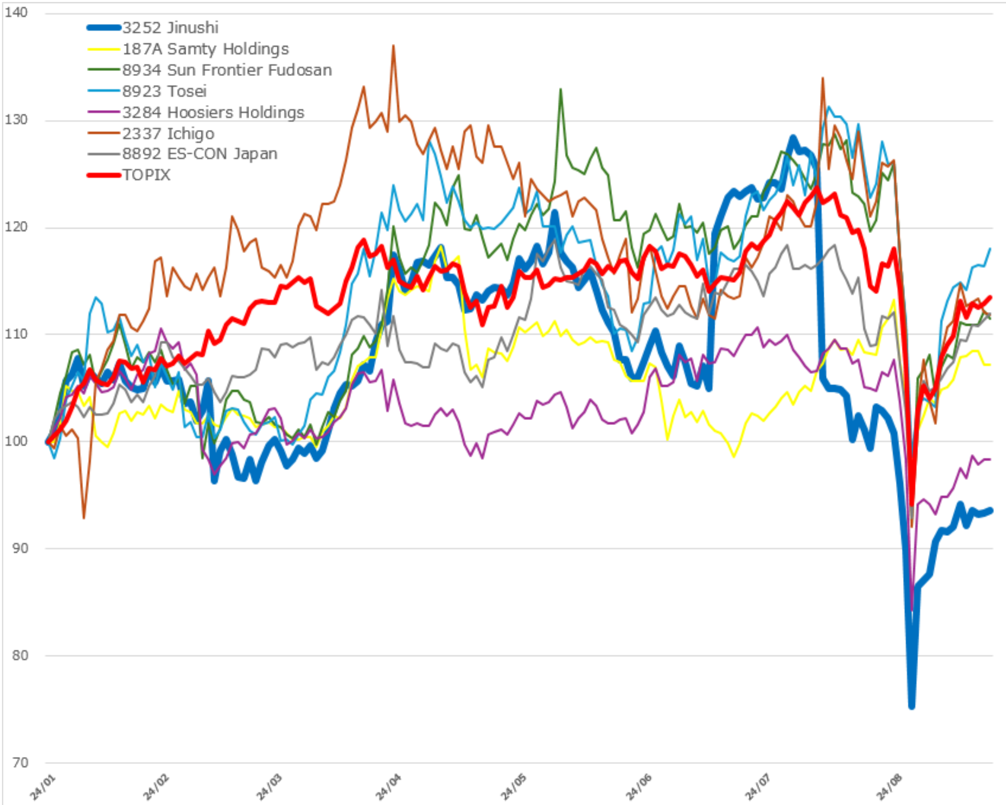
In this process, the company's stock price fell because of the announcement of FY12/2023 full-year results on February 13, 2024. The relative stock price fell below TOPIX, probably due to the fact that FY12/2023 results showed a year-on-year decline in sales and profits and the company was seen as facing a high hurdle in achieving its full-year forecasts in FY12/2024. The stock price subsequently began to rise in March, with the Q1 earnings announcement on May 10 confirming that the company was on track to meet its full-year forecasts, and Daiwa Securities initiating coverage of the company with a buy recommendation on June 17, leading the stock price to move higher and even exceed TOPIX at times.

The situation changed after the announcement of the large financing on July 11, when the company's stock price fell sharply and the relative stock price also fell below TOPIX. Even after the subsequent large plunge in the overall stock market in August, the effect of the dilution caused by the public offering appears to have remained.

The sharp decline in the overall stock market in August ended the overall inflow of funds into the stock market, and going forward, investors are likely to select stocks based on fundamentals such as corporate performance. Although there will be a time lag due to the large volatility of the overall stock market, the strong performance shown by H1 earnings results is expected to be factored into stock prices going forward.

The company's current valuations, which are 7.4 times PER and 1.1 times PBR, with the stock price having adjusted to a level where it is undervalued in terms of valuation. In particular, only Sun Frontier Fudosan (8923 TSE Prime) and Hoosiers Holdings (3284 TSE Prime) have lower P/E ratios than the company.

Figure 10. Stock Price Trends: Real Estate Finance Companies (End of 2023=100)



Note: Samty Holdings has been in the market since June 2024. Before May 2024, stock price of Samty (3244) is substituted for one of Samty Holdings.

Source: Strategy Advisors

Figure 11. Comparison with Other Real Estate Finance Companies

Company Name	Code	Acct Period	Net Sales (¥mn)	Net Income (¥mn)	Net Income Margin (%)	ROE (%)	ROIC (%)
JINUSHI	**3252**	**12/2023**	**31,597**	**4,709**	**14.9**	**15.1**	**4.6**
Samty Holdings	187A	11/2023	198,660	10,306	5.2	10.1	3.7
Sun Frontier Fudosan	8934	03/2024	79,868	11,917	14.9	13.9	7.9
Tosei	8923	11/2023	79,446	10,507	13.2	13.6	5.4
Hoosiers Holdings	3284	03/2024	88,418	4,806	5.4	13.1	4.8
Ichigo	2337	02/2024	82,747	12,108	14.6	11.6	2.2
ES-CON Japan	8892	03/2024*	118,861	10,050	8.5	–	–

Company Name	Code	Net D/E Ratio (Times)	DCR (%)	Net Worth Ratio (%)
JINUSHI	**3252**	**1.26**	**163.9**	**30.9**
Samty Holdings	187A	2.09	205.7	25.5
Sun Frontier Fudosan	8934	0.34	113.3	48.0
Tosei	8923	1.30	120.5	33.4
Hoosiers Holdings	3284	1.28	157.8	23.6
Ichigo	2337	1.60	93.4	28.8
ES-CON Japan	8892	3.46	222.6	18.1

Note: Samty Holdings has been in the market since June 2024. Most recent results represent ones of Samty (3244) in FY11/2023.

Due to a change in its fiscal year-end, Nippon ES-CON Corporation's FY03/2024 was a 15-month period. Therefore, ROE and ROIC using the company's actual results were not applied.

Source: Strategy Advisors. Based on Company Data.

Figure 12. Comparison of Valuations with Peers

Company Name	Code	Acct Period	Stock Prices (24/8/23)	Market Cap (¥mn)	PER Company Forecasts (Times)	PBR Most Recent Results (Times)	Dividend Yield Company Forecasts (%)	ROE Most Recent Results (%)
JINUSHI	**3252**	**12/23**	**2,041**	**41,066**	**7.4**	**1.1**	**4.2**	**15.1**
Samty Holdings	187A	11/23	2,610	133,917	10.7	1.2	3.6	10.1
Sun Frontier Fudosan	8934	03/24	1,821	88,414	6.3	1.0	3.6	13.9
Tosei	8923	11/23	2,358	114,271	10.2	1.4	3.1	13.6
Hoosiers Holdings	3284	03/24	1,047	37,223	7.3	1.0	5.5	13.1
Ichigo	2337	02/24	378	165,463	11.8	1.6	2.6	11.6
ES-CON Japan	8892	03/24	1,043	99,629	10.0	1.4	4.6	–

Note: Market cap is calculated using the number of shares outstanding excluding treasury stock.

Market cap of JINUSHI is calculated using the number of shares after the financing. It does not include the shares from the secondary offering by way of overallotment (OA).

Samty Holdings has been in the market since June 2024. Until May 2024, Samty (3244) was in the market. Samty Holdings has changed in its fiscal year end to December.

Due to a change in its fiscal year end, Nippon ES-CON Corporation's FY03/24 was a 15-month period. Therefore, ROE using the company's actual results was not applied.

Source: Strategy Advisors. Based on Company Data.

Figure 13. Semiannual/Quarterly Performance Trends

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

(¥ mn)	23/12 Q1	Q2	Q3	Q4	24/12 Q1	Q2
Consolidated Statements of Income						
Net Sales	8,130	2,243	14,837	6,387	29,729	15,200
Cost of Sales	6,118	1,462	8,416	5,102	24,377	11,141
Gross Profit	2,012	781	6,421	1,285	5,352	4,059
Gross Profit Margin Ratio	24.7%	34.8%	43.3%	20.1%	18.0%	26.7%
SG&A Expenses	1,098	1,002	1,072	1,172	1,225	1,224
SG&A to Sales Ratio	13.5%	44.7%	7.2%	18.3%	4.1%	8.1%
Operating Profit	914	-221	5,349	112	4,126	2,836
Operating Profit Margin	11.2%	-9.9%	36.1%	1.8%	13.9%	18.7%
Non-Operating Income and Expenses	-36	53	-70	-383	165	-28
Financial Balance	-72	-105	-126	-91	-38	-143
Equity in Earnings /Losses of Affiliates	40	0	0	0	0	0
Other	-4	158	56	-292	203	115
Recurring Profit	879	-168	5,277	-270	4,292	2,808
Recurring Profit Margin	10.8%	-7.5%	35.6%	-4.2%	14.4%	18.5%
Extraordinary Income/Loss	1,207	0	0	282	0	0
Pretax Profit	2,086	-168	5,238	12	4,292	2,807
Total Income Taxes	711	-11	1,751	-21	1,531	325
(Corporate Tax Rate)	34.1%	–	33.4%	–	35.7%	11.6%
Net Profit Attributable to Owners of the Parent	1,350	-157	3,485	31	2,758	2,484
Net Profit Margin	16.6%	-7.0%	23.5%	0.5%	9.3%	16.3%

Source: Strategy Advisors. Based on Company Data.

Figure 14. Consolidated Statements of Income (Full-Year Basis)

(¥ mn)	3/18	3/19	3/20	12/20	12/21	12/22	12/23	12/24 CoE
Net Sales	31,260	39,834	74,187	29,886	56,177	49,887	31,597	55,000
Cost of Sales	24,402	31,662	65,087	24,868	46,914	39,030	21,098	
Gross Profit	6,858	8,172	9,100	5,019	9,263	10,857	10,499	
Gross Profit Margin Ratio	21.9%	20.5%	12.3%	16.8%	16.5%	21.8%	33.2%	
SG&A Expenses	3,174	3,725	3,856	2,599	3,788	4,446	4,344	
Operating Profit	3,684	4,447	5,244	2,420	5,475	6,411	6,154	8,200
Operating Profit Margin	11.8%	11.2%	7.1%	8.1%	9.7%	12.9%	19.5%	14.9%
Non-Operating Income	229	703	403	637	285	435	227	
Interest and Dividend Income	27	27	12	7	5	17	15	
Equity in Earnings of Affiliate	30	303	166	130	–	–	40	
Profit on Currency Exchange	–	88	79	–	138	296	84	
Other	172	285	146	500	142	122	88	
Non-Operating Expenses	869	822	1,049	900	758	903	663	
Interest Expense and Discount	542	613	729	392	457	598	445	
Equity in Losses of Affiliates	–	–	–	–	83	8	–	
Foreign Exchange Loss	127	–	–	377	–	–	–	
Financing Costs	178	167	272	120	212	267	186	
Other	22	42	48	11	6	30	32	
Recurring Profit	3,044	4,327	4,599	2,157	5,002	5,943	5,718	7,300
Recurring Profit Margin	9.7%	10.9%	6.2%	7.2%	8.9%	11.9%	18.1%	13.3%
Extraordinary Income	–	333	130	–	–	–	1,489	
Extraordinary Loss	70	829	102	–	73	1,331	40	
Pretax Profit	2,974	3,831	4,628	2,157	4,927	4,612	7,168	
Corporate, Inhabitant and Enterprise Taxes	992	1,312	1,538	612	4,006	1,423	2,268	
Income Taxes-Deferred	-30	-165	-87	-100	-2,203	-456	162	
Total Income Taxes	962	1,146	1,451	512	1,803	967	2,430	
(Corporate Tax Rate)	32.3%	29.9%	31.4%	23.7%	36.6%	21.0%	33.9%	
Net Profit Attributable to Owners of the Parent	1,958	2,684	3,177	1,644	3,124	3,641	4,709	5,000
Net Profit Margin	6.3%	6.7%	4.3%	5.5%	5.6%	7.3%	14.9%	9.1%
EPS (¥)	109.61	149.30	174.59	89.94	170.90	199.16	267.76	277.26
Investment in Tangible and Intangible Fixed Assets	72	338	197	2,954	14,142	500	723	
Depreciation and Amortization of Goodwill	159	166	116	72	148	148	206	
Cash Flow	2,118	2,850	3,293	1,716	3,272	3,789	4,915	
CFPS (¥)	118.6	159.5	182.5	93.8	178.9	207.2	268.8	
ROE	10.4%	12.8%	14.0%	6.8%	11.9%	12.4%	15.1%	
ROIC (Capital Invested)	4.8%	4.2%	4.6%	2.8%	5.0%	7.5%	4.6%	
ROIC (Business Assets)	7.5%	5.9%	6.5%	4.4%	7.2%	10.3%	6.2%	
Dividend (¥)	55.00	55.00	55.00	25.00	50.00	55.00	55.00	85.00
Average Number of Shares During the Period (mn Shares)	17.0	17.0	18.0	18.0	18.0	18.0	17.0	
Number of Shares at End of Period (mn Shares)	17.8	18.0	18.2	18.2	18.2	18.2	16.4	

Source: Strategy Advisors. Based on Company Data.

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