JINUSHI | 3252 (TSE Prime)

Company Report
14 March 2025

Strategy Advisors Inc.
Keita Fujino

Results for FY12/2024 Show Good Progress. JINUSHI Still on Track to Become a Major Landowner in Japan by Driving Growth of their REIT, with the Support of Both Investors and Tenants

JINUSHI's financial results for FY12/2024 showed a large increase in flow revenue due to the progress of sales of real estate for sale, with sales increasing 80.6% YoY, operating profit increasing 41.0% and net profit attributable to owners of the parent increasing 29.3%. These figures exceeded the levels of the upward revisions made during the term. For FY12/2025, sales are expected to increase 22.7% YoY, operating profit increasing 9.5% and net profit attributable to owners of the parent increasing 0.2%. The low rate of increase in net profit is due to foreign exchange gains and losses, but flow revenue from the sale of real estate for sale will continue to drive growth.

The company is the only real estate financial product manufacturer in Japan that specializes in leased land and does not build its own buildings, but invests only in the land. The company concludes 20-50 year fixed-term land lease contracts with a wide variety of tenants and develops the land it purchases as land with long-term stable cash flow based on the contracts. JINUSHI Private REIT Investment Corporation ("JINUSHI REIT"), a private REIT operated by a subsidiary, holds these leased lands as a long-term stable landowner (“JINUSHI” means landowner in Japanese) and provides investment opportunities to institutional investors such as pension funds and both life and non-life insurance companies. The company's JINUSHI Business has both the function of creating leased land and the function of holding and managing leased land over the long term as a "stable JINUSHI".

The company's "Corporate DNA" is its "pride in being a pioneer in the JINUSHI Business". Based on this pride, the company's "track record for reliability," which it has built up over the past 20 years since its founding and its "JINUSHI REIT" as a stable landowner, are its greatest resources that are difficult to be imitated and are unrivaled by any other company.

Stock Price & Volumes

Source: Strategy Advisors

Key Indicators

Stock Price (24/3/13)	2,025
52-Week High (24/7/5)	2,802
52-Week Low (24/8/5)	1,642
All Time High (24/7/5)	2,802
All Time Low (20/4/3)	1,121
Number of Shares Issued (mn)	21.6
Market Capitalization (¥ bn)	43.7
EV (¥ bn)	81.1
Equity Ratio (FY12/24 Actual, %)	38.6
ROE (FY12/24 Actual, %)	16.0
PER (FY12/25 CoE, Times)	6.8
PBR (FY12/24 Actual, Times)	1.0
Dividend Yield (FY12/25 CoE, %)	4.9

Source: Strategy Advisors

The ongoing mid-term management plan has targets of ¥7 billion in net income for FY12/2026 and a JINUSHI REIT asset size of ¥300 billion. In terms of performance, progress toward these targets will be monitored by Strategy Advisors moving forward. The company's valuation is at a low level in the mid-term and since the large-scale public offering in July 2024, its share price has been significantly lower than TOPIX. However, as recognition of the land lease market and the company as a pioneer in it increases, the superiority of the company's business model and confidence in future growth are likely to be reflected in the share price, along with an increase in valuation.

Japanese GAAP - Consolidated

FY	Sales (¥ mn)	YoY (%)	OP (¥ mn)	YoY (%)	RP (¥ mn)	YoY (%)	NP (¥ mn)	YoY (%)	EPS (¥)	DPS (¥)
FY12/2021	56,177	-	5,475	-	5,002	-	3,124	-	170.9	50.0
FY12/2022	49,887	-11.2	6,411	17.1	5,943	18.8	3,641	16.5	199.2	55.0
FY12/2023	31,597	-36.7	6,154	-4.0	5,718	-3.8	4,709	29.3	267.8	55.0
FY12/2024	57,068	80.6	8,677	41.0	8,265	44.5	6,087	29.3	334.9	85.0
FY12/2025 CoE	70,000	22.7	9,500	9.5	8,000	-3.2	6,100	0.2	295.5	100.0

Note: Due to a change in the fiscal year, FY12/2020 is a 9-month fiscal year, so YoY comparisons FY12/2021 are not possible.

Source: Company Data. Compiled by Strategy Advisors

Table of Contents

Executive Summary

Japan's Only Real Estate Financial Products Manufacturer Specializing in Leased Land

JINUSHI is the only real estate financial product manufacturer in Japan that specializes in leased land and invests only in the land, without constructing any buildings. It concludes fixed-term land lease contracts of 20-50 years with a wide variety of tenants, developing the land it purchases as leased land (land with leasehold interest) that provides long-term stable cash flow based on the contract and then sells it to investors. The company's main sales destination is JINUSHI Private REIT Investment Corporation ("JINUSHI REIT"), Japan's only private REIT specializing in leased land operated by a subsidiary, which plays the role of "Stable landowner" holding leased land over the long term and provides investment opportunities to institutional investors such as pension funds and life and non-life insurance companies. The company's JINUSHI Business has both the function of creating leased land and the function of holding and managing leased land over the long term as a stable landowner.

JINUSHI's Background from President Nishira's Point of View

Mr. Hirofumi Nishira, the current Representative Director and President, is a founding member of the company, having nurtured the company together with Co-Founder and Director, Mr. Tetsuya Matsuoka. Mr. Matsuoka established the company (then Nippon Commercial Development Co., Ltd.) in 2000 after being involved in commercial facility development projects at his previous company, Kanematsu Urban Development Corporation. His experience with a failed project he was involved in at his previous company led him to the idea of a "land-only investment" business model, which was considered to be an unorthodox approach in the real estate industry. At the time of its founding, the company struggled to gain the understanding of the real estate industry and its lenders, but it built up a track record of developing leased land and in 2017, began managing JINUSHI REIT. By putting JINUSHI REIT on a growth trajectory, the JINUSHI Business became an unrivaled business model as a dedicated lessor of land.

The company's "corporate DNA" is its "pride in being a pioneer in the JINUSHI Business" and as long as this DNA continues to permeate and define the organization, the company is expected to grow significantly. Since 2022, when the company's name was changed, key to its long-term growth is the pursuit of its policy of becoming a "major landowner in Japan" as JINUSHI REIT grows.

Porter Prize Winning Company. JINUSHIs' Business Strategies from the Perspective of Business Strategy Theory

The company was awarded the Porter Prize (www.porterprize.org) in 2023. Based on Michael Porter's positioning theory, the company is focusing on a concentrated strategy of "handling leased land without any real estate development, which many people in the real estate industry romanticize" and a differentiated strategy of "offering client investors unparalleled long-term stable investment opportunities in the form of real estate financial products specializing in leased land".

Imitating JINUSHI's 'Resources' is Difficult. Track Record, Reliability & "JINUSHI REIT"

The company's resources that are incredibly difficult for other companies to imitate are "a track record that guarantees reliability from investors" and the "JINUSHI REIT" itself, that plays the role of a stable landowner with tremendous trust from tenants as a long-term owner. The "track record" cannot be built overnight by other companies, nor is it possible for them to catch up with the company. Moreover, if another company were to start a REIT specializing in leased land like the "JINUSHI REIT", it would be the second-best REIT and it is unlikely that it will be favored by investors. Based on these factors, we believe that the company's superiority can be maintained over the long term.

JINUSHI Business

Concerning the JINUSHI Business process, the company is primarily responsible for "purchasing land", "leasing land to tenants" and "selling the leased land". About two-thirds of the leased land that is sold is incorporated into the assets of JINUSHI REIT, which is managed by JINUSHI Asset Management (a wholly owned subsidiary of the company) and is offered as a financial product that meets the needs of investors who want to make long-term investments in stable assets. JINUSHI REIT, which began operations in 2017, has increased its capital for nine consecutive years; and as of January 2025, its AUM had expanded to ¥257.6 billion, making it the seventh largest in the industry.

Earnings & Stock Price Outlook

Approximately 70% of the company's gross profit comes from flow revenues from land sales, so sales trends for land will determine its performance. The company has announced a medium-term management plan that calls for net income of ¥7 billion and JINUSHI REIT's AUM of about ¥300 billion in FY12/2026. The company's performance will be monitored based on the level of this medium-term management plan. FY12/2025, a level that should be achievable given the level of real estate for sale at the end of the previous fiscal year and the steady purchase of properties from the previous fiscal year.

The company's valuation is at a low level in the medium term and its relative stock price has been significantly lower than TOPIX since its large public offering in July 2024. The company's confidence in the superiority of its business model is also reflected in its name change in 2022; but the recognition of the land market and the company's advantages as a pioneer in this market is still not high, which could be said to be an issue. In other words, this means that there is a lot of room to increase recognition. As the company's recognition and confidence in its growth spreads after the name change, the superiority of the company's business and business model is likely to be reflected in the stock price through an increase in valuation.

1. Financial Results for FY12/2024

Both Sales and Profits Exceeded the Full-Year Plan After Upward Revision

For FY12/2024, sales increased 80.6% YoY to ¥57.06 billion, operating income increased 41.0% YoY to ¥8.67 billion and net income attributable to owners of parent increased 29.3% YoY to ¥6.08 billion. The achievement rates against the company's plans after the upward revision at the time of the announcement of the third quarter financial results were 101.9%, 103.3% and 108.7%, respectively. The reason why the increase rate of net income attributable to owners of parent was lower than the increase rate of operating income is that while there was an extraordinary profit of ¥1.48 billion in the previous term, there was no corresponding extraordinary profit in the current term.

The Forecast for FY12/2024 was a Significant Increase in Sales Compared to the Initial Plan. It Was Revised

At the beginning of the fiscal year, the company's plan was for sales of ¥55 billion (+ 74.1% YoY), operating profit of ¥8.2 billion (+33.2% YoY) and net profit attributable to owners of parent of ¥5 billion (+6.2% YoY). Later, when the company announced its third quarter results for FY12/2024, the plan was revised upward to

Upward When Q3 Results Were Announced

sales of ¥56 billion (+ 77.2% YoY), operating profit of ¥8.4 billion (+36.5% YoY) and net profit attributable to owners of parent of ¥5.6 billion (+18.9% YoY).

Figure 1. Sales and Profit Trends

(¥ mn)	FY12/21	FY12/22	FY12/23	FY12/24	FY12/25 CoE
Sales	56,177	49,887	31,597	57,068	70,000
YoY	N/A	-11.2%	-36.7%	80.6%	22.7%
Operating Profit	5,475	6,411	6,154	8,677	9,500
YoY	N/A	17.1%	-4.0%	41.0%	9.5%
OPM	9.7%	12.9%	19.5%	15.2%	15.2%
Net Income Attributable to Owners of Parent	3,124	3,641	4,709	6,087	6,100
YoY	N/A	16.5%	29.3%	29.3%	0.2%
Net Profit Margin	5.6%	7.3%	14.9%	10.7%	8.7 %

Note: Due to a change in the fiscal year end, FY12/20 is a 9-month accounting period, so there are no YoY comparisons for FY12/21.

Source: Strategy Advisors. Based on Company Data

Gross Profit Up 27.6% YoY

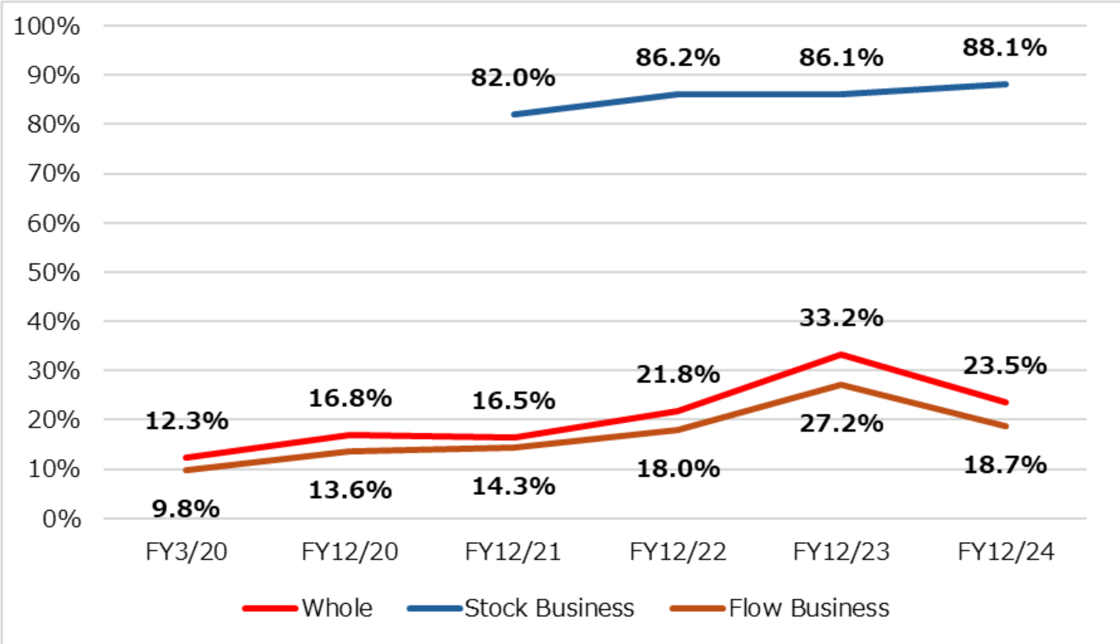
Sales exceeded the company's forecast due to higher selling prices and the partial replacement of property sold.

Gross profit increased 27.6% YoY to ¥13.39 billion, but gross profit margin decreased 9.8 percentage points to 23.5%.

The company's revenue can be categorized into flow business revenue, stock business revenue and others. Starting in FY12/2024, the segment classification was changed, and in the classification of gross profit, real estate brokerage fees, which were previously included in the flow business, are now included in others. However, since the number of others is small, the flow business and stock business account for the majority of revenues.

There is a large difference in gross profit margin between flow business and stock business and changes in the composition ratio of flow business and stock business have a large impact on the overall gross profit margin. As shown in Figure 11, in the gross profit ratio for FY12/2024, the flow business revenue accounted for 74.3%, stock business revenue 25.6% and others was 0.1%. As the proportion of flow business revenue in the previous fiscal year was 73.5%, the main factors behind the decline in the overall gross profit margin are both the increase in the proportion of gross profit attributable to flow business revenue and the decline in the gross profit margin of flow business revenue itself, which accounts for a large proportion.

Figure 2. Trends in Gross Profit Margins by Business Type



Source: Company Data. Compiled by Strategy Advisors

The Gross Profit Margin for The Flow Business in FY12/2024 Increased as Planned as the Quarter Progressed

The revenue from the flow business comes from real estate sales. As land sales conditions and the individuality of each case are highly dependent on each other, the gross profit margin tends to fluctuate widely, regardless of the supply and demand for the company's land products.

The gross profit margin of the Flow Business in FY12/2024 was 18.7%, down 8.5% from the previous fiscal year. This was largely due to the fact that there was a high gross profit margin project in Q3 of FY12/2023. As proof of this, the gross profit margin of the Flow Business was 14.3% in FY12/2021 and 18.0% in FY12/2022 and excluding the uniqueness of the project in FY12/2023, the gross profit margin of the Flow Business is on an upward trend. In addition, looking at the gross profit margin by quarter in FY12/2024, the gross profit margin of the Flow Business was 15.3% in Q1, 17.9% in the interim period, 18.1% in the cumulative Q3 period and 18.7% for the full year. As expected by the company, the profit margin has been rising as the mix of properties for sale has gradually increased. According to the company, strong demand for land-based products appears to be continuing.

The Gross Profit Margin of The Stock Business in FY12/2024 Remained Stable, And the Revenue Amount Continued to Increase

Revenues from the stock business are classified into the real estate investment business (rental revenues from owned properties), the real estate rental business and the asset management business. The composition ratio of revenues from the stock business fluctuates depending on the fluctuation of revenues from the flow business; but the company's long-term policy is to improve the stability of its performance by covering fixed costs with stable stock revenues and so it is essential that the amount of revenues continues to increase.

Operating Profit Margin Fell Vs the Previous Fiscal Year, But Exceeded Initial Plans

Selling, general and administrative expenses (SG&A expenses) increased 8.6% YoY to ¥4.71 billion. The company's SG&A expenses are linked to gross profit in part because of an increase in property sales, i.e., an increase in sales and gross profit. Nevertheless, the rate of increase in SG&A expenses was lower than the increase in sales revenue and the SG&A expense ratio to sales fell 5.4% YoY to 8.3%.

As a result, the decline in gross profit margin had a large impact and the operating profit margin fell 4.3% YoY to 15.2%. However, the initial plan assumed an operating profit margin of 14.8%, which can be considered to be slightly better than expected.

Profit Attributable to Owners of Parent Also Exceeded Revised Forecast

Furthermore, due to factors such as the absence of extraordinary profits equivalent to the ¥1.48 billion extraordinary profit recorded in the previous period, the increase in adjusted net income attributable to owners of the parent was lower than the increase in operating income. However, due in part to an increase in foreign exchange gains of ¥260 million in non-operating income, net income attributable to owners of the parent ended up exceeding the revised plan.

Figure 3. Semiannual/Quarterly Performance Trends

(¥ mn)	12/22 H1	12/22 H2	12/23 H1	12/23 H2	12/24 H1	12/24 H2
Income Statement						
Net Sales	27,069	22,818	10,373	21,224	44,929	12,139
Cost of Sales	21,10 4	17,925	7.5 79	13,518	35,518	8,156
Gross Profit	5,964	4,893	2,793	7,706	9,411	3,983
Gross Profit Margin	22.0%	21.4%	26.9%	36.3%	20.9%	32.8%
SG&A Expenses	2,215	2,231	2,100	2,244	2,449	2,268
SG&A to Sales Ratio	8.2%	9.8%	20.2%	10.6%	5.5%	18.7%
Operating Profit	3,749	2,662	693	5,461	6,962	1,715
Operating Profit Margin	13.8%	11.7%	6.7%	25.7%	15.5%	14.1%
Non-operating Income (Loss)	157	-625	17	-453	137	-549
Financial Balance	-276	-305	-177	-217	-181	-340
Equity in Earnings of Affiliates	173	-181	40	0	0	0
Other	260	-139	154	-236	318	-209
Ordinary Profit	3,906	2,037	711	5,007	7,100	1,165
Ordinary Profit Margin	14.4%	8.9%	6.9%	23.6%	15.8%	9.6%
Extraordinary Income/Loss	-197	-1,134	1,207	2 4 2	0	0
Pretax Profit	3,709	903	1,918	5,250	7,099	1,118
Total Income Taxes	1,13 8	-172	700	1,730	1,856	267
(Corporate Tax Rate)	30.7%	-19.0%	36.5%	33.0%	26.1%	23.9%
Net Profit	2,569	1,072	1,193	3,516	5,242	845
Net Profit Margin	9.5%	4.7%	11.5%	16.6%	11.7%	7.0%

(¥ mn)	12/23 Q1	12/23 Q2	12/23 Q3	12/23 Q4	12/24 Q1	12/24 Q2	12/24 Q3	12/24 Q4
Income Statement								
Net Sales	8,130	2,243	14,837	6,387	29,729	15,200	2,965	9,174
Cost Of Sales	6,118	1,462	8,416	5,102	24,377	11,141	1,696	6,460
Gross Profit	2,012	781	6,421	1,285	5,352	4,059	1,269	2,714
Gross Profit Margin	24.7%	34.8%	43.3%	20.1%	18.0%	26.7%	42.8%	29.6%
SG&A Expenses	1,098	1,002	1,072	1,172	1,225	1,224	1,018	1,250
SG&A To Sales Ratio	13.5%	44.7%	7.2%	18.3%	4.1%	8.1%	34.3%	13.6%
Operating Profit	914	-221	5,349	112	4,126	2,836	250	1,465
Operating Profit Margin	11.2%	-9.9%	36.1%	1.8%	13.9%	18.7%	8.4%	16.0%
Non-operating Income (Loss)	-36	53	-70	-383	165	-28	-705	156
Financial Balance	-72	-105	-126	-91	-38	-143	-178	-162
Equity in Earnings of Affiliates	40	0	0	0	0	0	0	0
Other	-4	158	56	-292	203	115	-527	318
Ordinary Profit	879	-168	5,277	-270	4,292	2,808	-455	1,620
Ordinary Profit Margin	10.8%	-7.5%	35.6%	-4.2%	14.4%	18.5%	-15.3%	17.7%
Extraordinary Income/Loss	1,207	0	0	282	0	0	0	0
Pretax Profit	2,086	-168	5,238	12	4,292	2,807	-494	1,612
Total Income Taxes	711	-11	1,751	-21	1,531	325	-114	381
(Corporate Tax Rate)	34.1%	-	33.4%	-	35.7%	11.6%	-	23.6%
Net Profit	1,350	-157	3,485	31	2,758	2,484	-382	1,227
Net Profit Margin	16.6%	-7.0%	23.5%	0.5%	9.3%	16.3%	-12.9%	13.4%

Source: Company Data. Compiled by Strategy Advisors

2. Earnings Outlook

Plan to Increase Sales and Profits in FY12/2025

For FY12/2025, the company is forecasting sales of ¥70 billion (up 22.7% YoY), operating profit of ¥9.5 billion (up 9.5% YoY) and net profit attributable to owners of the parent of ¥6.1 billion (up 0.2% YoY).

Operating Profit is Expected to Increase Due to the Increase in Gross Profit

As will be explained later, as shown in Figure 10, the balance of real estate for sale at the beginning of FY12/2025 increased by 17.7 % compared to the beginning of the previous fiscal year and the strong purchasing situation from the previous fiscal year is expected to continue in FY12/2025, which is supporting the increase in revenues.

Approximately 70% of the company's gross profit comes from the flow business and purchases are decided based on various conditions such as the size of the project, the period from purchase to sale and the balance with the surrounding market price in the project's area. Therefore, gross profit margins are merely results, but looking ahead to projects scheduled for sale in FY12/2025, it appears that the gross profit margin is expected to decrease from the previous fiscal year. As a result, the operating profit margin for FY12/2025 is expected to be 13.6%, down 1.6% from the previous fiscal year. However, the company plans to increase operating profit thanks to the increase in gross profits.

The Slight Increase in Net Income is Planned Because it Takes into Account the Effects of Foreign Exchange Gains/Losses, etc.

On the other hand, there is a foreign exchange gain/loss related to loans to a US subsidiary and it is considered that this amount will be affected by exchange rate fluctuations. In the company's plan, the actual exchange rate for FY12/2024 is ¥158/$, while the assumed exchange rate for FY12/2025 is ¥150/$ (if the exchange rate at the end of the period is weaker than expected, a gain will occur). As a result, a foreign exchange gain of ¥350 million was recorded in FY12/2024, but a foreign exchange loss of ¥210 million is expected in FY12/2025.

In addition, due to the liquidation of the Australian subsidiary, while there will be no reduction in corporate taxes etc. of ¥350 million as occurred in the previous period, extraordinary profits etc. of approximately ¥500 million are expected to be generated.

The reason why net income attributable to parent company shareholders increased only slightly compared to the previous fiscal year is because these factors were taken into account.

3. Real Estate Financial Products Manufacturer that Has Established a Pioneer Position in Leased Land Market

JINUSHI Business Inspired by Failure

In this section, we will look at the intrinsic value of the company's business, the source of its competitiveness and its advantages.

JINUSHI is Japan's only real estate financial products manufacturer specializing in leased land. Founded in 2000 by Mr. Tetsuya Matsuoka, who had been developing commercial facilities for Kanematsu Urban Development Corporation, he conceived of the JINUSHI Business specializing in leased land based on the failure of projects during his time at Kanematsu.

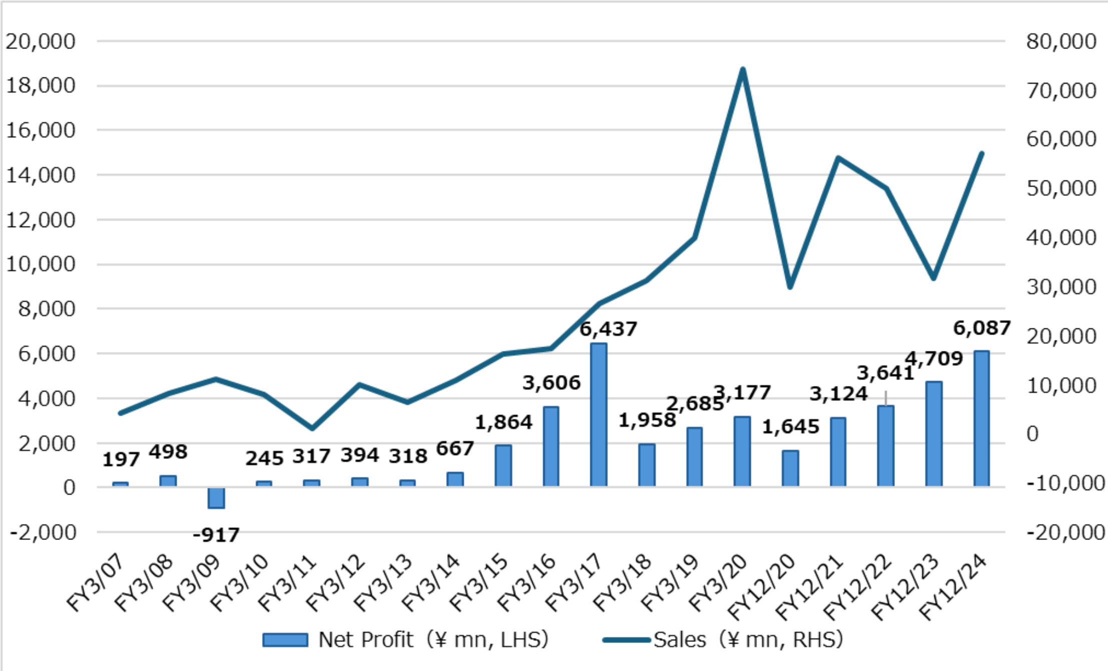
Leased land refers to "land that is leased by a third party (tenant) who owns the building". Since rights of the owner and rights of user of the land are separate, the leased land has many restrictions and has been considered significantly less liquid than ordinary real estate.

Even with the development of the legal aspects, specializing in leased land was still considered insane in the real estate industry and was not easily accepted. At that time, financial institutions valued leased land at about half the price of vacant land.

Nevertheless, the company continued to focus on creating and expanding the leased land market based on its belief that what is right will surely spread throughout the world. After the Lehman's collapse in 2008 and the Great East Japan Earthquake in 2011, the long-term stability of the cash flow from owning leased land, a product characteristic that is resistant to natural pandemics and market volatility, became more obvious to the world and transactions in leased land increased. In 2017, the company began managing JINUSHI Private REIT Investment Corporation (JINUSHI REIT), which had AUM of ¥257.6 billion as of January 9th, 2025.

From ¥8.3 billion in sales and ¥498 million in net income attributable to owners of parent (FY03/2008 results) when the company listed on the Nagoya Stock Exchange Centrex in November 2007; sales have increased 6.9 times and net income attributable to owners of parent has increased 12.2 times over the past 15 years through FY12/2024.

Figure 4. JINUSHI's Net Sales and Net Income



Note: Due to a change in the fiscal year end, FY12/20 is a 9-month accounting period. Net income is net income attributable to owners of parent.

Source: Strategy Advisors. Based on Company Data

The company's management philosophy is to "play a role in protecting the assets of people around the world by creating safe real estate financial products through the JINUSHI Business".

Policy of Aiming to Become a "Major Landowner in Japan" Expressed in New Company Name

In January 2022, the company changed its name from "Nippon Commercial Development" to its current name, "JINUSHI". Although "JINUSHI" was originally a commonly used term in Japan, the company decided to name the company after its business model, convinced that an era would come when it would take on new meaning and value. As a pioneer in the creation of the leased land market, which had never been recognized as a market before, due to its low liquidity and the fact that no one had ever attempted it as a business before, the company has made clear its policy of aiming to be a "major landowner in Japan" as JINUSHI REIT grows, under the slogan "Our Company Business is JINUSHI".

Practically a Single Model of JINUSHI Business

Although the company's business is divided into several segments, we will analyze on the basis it is in fact essentially a single JINUSHI Business model. The process of "managing investors' funds" through JINUSHI REIT, a private REIT specializing in leased land, is handled by JINUSHI Asset Management, a wholly owned subsidiary.

Shareholder Composition Centered on Individuals

The company was listed on the Nagoya Stock Exchange Centrex in November 2007 and subsequently also listed on the First Section of the Tokyo Stock Exchange in December 2014 (at the same time, the company was reassigned to the First Section of the Nagoya Stock Exchange). As of the end of September 2014, just prior to its listing on the TSE First Section, Mr. Matsuoka held 54.7% of the company's shares. Since then, he has gradually reduced his shareholding and as of the end of December 2024, Mr. Matsuoka held 14.05% of the company (after taking into account treasury stock; including the 4.45% held by Godo Kaisha Matsuoka, his shareholding was 18.5%). The percentage of shares held by Individuals and others was 59.55%, financial institutions are 24.81% and foreigners hold 6.38% as of the end of FY12/2024. During this year, a public offer was carried out and in part due to this, the number of individuals decreased compared to the end of the previous fiscal year and the number of financial institutions increased.

Figure 5. Shareholder Composition of JINUSHI

Classification	Shareholder Ratio	
	End of FY12/23	End of FY12/24
Individuals And Others	74.29%	59.55%
Foreign Corporations, etc.	4.10%	6.38%
Financial Institutions	13.53%	24.81%
Other Corporations	7.02%	7.14%
Other (Financial Instruments Firms)	0.00%	0.00%
Individuals And Others	1.04%	2.07%
Tetsuya Matsuoka (Including the Shares Held by Godo Kaisha Matsuoka)	23.12%	18.51%
Hirofumi Nishira	2.23%	1.83%

Note: Percentage of shares held is calculated based on the number of shares issued less the number of treasury shares. Less-than-one-unit shares are included in "Other (Financial Instruments Dealers)". Source: Strategy Advisors. Based on Company Data

4. JINUSHI's Background from President Nishira's Point of View

Founder and Current President Come from the Same Trading Company-Affiliated Real Estate Firm

Mr. Hirofumi Nishira was born in Nara Prefecture in 1974 and is 50 years old. His father worked for a trading company and whenever his father came back from business trips, he often heard stories about foreign countries. When he was a university student, he was motivated by commercial facilities (shopping centers) and would visit whenever he was abroad. However, more than anything else, it was his encounter with Mr. Tetsuya Matsuoka, the company's founder, through an acquaintance when he was a university student that greatly influenced his life.

Mr. Nishira's first impression of Mr. Matsuoka was that he was an "interesting big brother" who was different from ordinary people and as such he became interested in working with Mr. Matsuoka. This led to Mr. Nishira joining Kanematsu Urban Development Corporation, where Mr. Matsuoka was employed, in 1998 after graduating from university.

Kanematsu Urban Development, as the name suggests, is a group company of Kanematsu (8020 TSE Prime), a trading company that was originally focused on condominium sales. Matsuoka, a native of Osaka Prefecture born in 1961, began working on a project in 1995, ten years after he joined the company in 1986, to develop and lease commercial facilities. The business involved building company-owned commercial facilities on leased land and leasing them to tenants.

Two things happened here.

Establishment of Nippon Commercial Development (now JINUSHI)

The first was the continuation of the "The winter of Japanese trading companies" following the bursting of the bubble economy. From the 1990's performance of major trading companies in Japan had deteriorated across the board due to over-investment, and the Asian currency crisis of 1997 then dealt them a further blow. Kanematsu was no exception to the rule and in 1999, the company implemented structural reforms to select and concentrate its businesses. As part of the restructuring, Kanematsu Urban Development, the group's real estate division, was forced to downsize its business. Mr. Matsuoka took this opportunity to go independent and established Nippon Commercial Development (now JINUSHI) in April 2000. Mr. Nishira joined the company in October 2000 (Kanematsu Urban Development had taken over the property management business) and Mr. Nishira remained with Kanematsu Urban Development to ensure a smooth transfer of operations between the company and Kanematsu Urban Development, joining the latter company after the handover was completed.

Origins of the Current JINUSHI Business

When Mr. Matsuoka became independent, the Kanematsu Group kindly entrusted him with the projects of property management that were being handled by Kanematsu Urban Development and he was able to continue to be involved with the company. As an independent contractor, it was a great help to have jobs that can be immediately booked as sales. One of these projects led to the concept of the current JINUSHI Business.

The project was for a large shopping center in Shiga Prefecture. Mr. Matsuoka had worked on this project when he was with Kanematsu Urban Development Corporation, where he constructed a building on a leased 5,000 tsubo (16,500 square meters) plot of land and leased it to a major general merchandise store that owned the building with sales of ¥1 trillion at the time. However, due to the bank's disposal of bad loans and the deflationary depression, the store fell into financial difficulties and had to cease operations. Because of its good location, the company managed to find a potential successor tenant, but it refused to budge, saying it could not enter the building as it was. As a result of negotiations, the owner was forced to accept the burden of additional investment in building renovation and a reduction in tenant rent. It was now apparent to the company that it was now exposed to all the risks of building ownership.

Buildings deteriorate over time to begin with. Also, buildings built exclusively for a particular type of business or tenant lose value when the tenants or type of business that uses them changes, resulting in huge additional costs. Owning a building used by others can be such a terrible thing. Through this experience, Mr. Matsuoka came up with the idea that he could have avoided this failure if he had only leased the land without a building in the first place. This was the moment when the current JINUSHI Business was born.

The Frustration of Not Being Understood

Through the failure of the supermarket project, the company became convinced that its business model of minimizing real estate investment risk by specializing in leased land was the right one. However, the business model of specializing in leased land was not taken seriously at all in the real estate industry.

The reason was that it was considered "common sense that real estate is a set of both building and land" and "construction of buildings is a core romantic notion in the real estate industry". Banks would not provide loans unless the construction were included in the land transaction or would only evaluate the value of leased land at about half of its real value. Although a fixed-term leasehold system was in place to ensure that the leased land would be returned as vacant land, leased land was valued in the same way as ordinary leasehold interest, which was overwhelmingly in favor of the lessee. In addition, most owners of leased land were individual landowners or developers who intended to develop the land and there was no market for the distribution of leased land itself.

In his book, "What I Think is Normal in the Real Estate Business," Mr. Matsuoka states the following.

"As they talk endlessly about romance and get involved in buying and selling land and constructing buildings, they lose touch with reality and the risk of real estate investment goes up and up. As the risk rises, real estate investment often leads to bankruptcy. The result of a failed investment project can lead to unhappiness, involving ordinary investors in REIT’s and the like".

"It should be the right business not to make investors unhappy, but they don't understand the advantages of the business model they believe in, which specializes in leased land. They even made fun of us. Such a frustrating time lasted for a while".

The Lehman Shock Provided the Market with an Opportunity for Understanding the JINUSHI Business

In 2007, seven years after the company was established, it was listed on the Nagoya Stock Exchange Centrex. At that time, the company began to think that in order to create a market for the leased land, which did not exist in the world, it would be difficult to convey the message that the product was good if they were the only ones saying it was good. We thought that it would be necessary to have other people experience the advantages of owning leased land and that if they could experience the advantages of owning it, they would realize that owning leased land is an investment opportunity. Even so, understanding of the business model of specializing in leased land was slow to develop. Then along came the post Lehman Shock recession in 2008.

As is typical, the company fell into hard times and was on the verge of depleting its cash and cash equivalents. In order to get out of its predicament, the company needed someone to buy the property it owned. The company's search led it to the asset management companies that own well-known major companies in Japan. These asset management companies hold real estate as a means of asset management, so they knew firsthand the difficulties and risks involved in real estate investment and management. When they noticed that the company's investment in leased land had not experienced any tenant evictions or rent reductions and that it had been able to maintain a stable cash flow even during the credit crunch in the financial industry, they said, "I see. I see. Investment in leased land is great".

Thus, the Lehman’s collapse provided an opportunity to foster understanding of the high level of safety of investment in leased land and to raise awareness of the leased land-specific business model. Similarly, the Great East Japan Earthquake in 2011 also provided an opportunity to show that compared to other real estate-related investments, the JINUSHI Business is characterized by "long-term stability and resistance to market volatility and natural pandemics".

Establish a Business Model "Aiming to Become a Major Landowner in Japan" With Establishment of the JINUSHI REIT

The company subsequently built up a track record of developing JINUSHI Business and began selling leased land to J-REIT’s and others. In 2012, the company launched the JINUSHI Fund, a private real estate fund for pension funds and in 2014, it joined Kenedix Retail REIT Corporation (now KDX Realty Investment Corporation) as a pipeline support company.

In addition to accumulating know-how and achievements, the company proceeded to obtain permits and licenses required for asset management and in April 2016, JINUSHI Asset Management was established, with Mr. Nishira assuming the position of President and Representative Director of JINUSHI Asset Management. Then in September of the same year, JINUSHI Private REIT Investment Corporation (JINUSHI REIT) was established and began operations in January 2017.

The first thing Mr. Nishira did when he took charge of JINUSHI REIT was to visit approximately 300 credit unions, credit associations and other credit unions where he could directly approach the decision makers in a few short months. He had a hard time obtaining the consent of only about 10% of them to invest in JINUSHI REIT. After this, the company continued to deepen communication with investors and lenders and conveyed the attractiveness of leased land as an investment target. In other words, this was a way to create a market for leased land as an investment opportunity, which together as JINUSHI REIT grows, would lead to the company becoming a "major landowner in Japan".

Company Name Change and Management Succession

In January 2022, the company changed its name from "Nippon Commercial Development" to "JINUSHI". The name change has two meanings: 1) the business model that has been refined no longer fits the "commercial development" model in the old company name and 2) the business model itself will be used as the new company name to increase recognition.

In the early years, most of the properties the company handled were commercial facilities such as supermarkets and drugstores located near residential areas and other land leased to businesses dealing with daily necessities. While the company will continue to expand its operations with the same type of businesses, it adopted a policy of aggressively approaching a variety of tenant industries, including businesses that provide social infrastructure, such as hospices and nursing homes and this no longer fit within the scope of "commercial development".

Until then, the company has not actively ‘communicated’ its JINUSHI Business to the outside world. Land transactions themselves have been conducted for many years and the JINUSHI Business model itself is simple. This is because the company was wary of being followed or imitated by other companies that had the capital to do so. However, as discussed below, the company became convinced that the JINUSHI Business had established a competitive advantage based on resources that were extraordinarily difficult to imitate. The name change reflects the company's strong determination to expand its market as a pioneer unrivaled by any other company and from this point on to expand the JINUSHI Business more and more as it gains recognition.

In March 2022, Mr. Matsuoka, who had previously been President and Representative Director, became Chairman and CEO, while Mr. Nishira was appointed President and Representative Director and COO. In March 2023, Mr. Matsuoka became a director without representative rights and Mr. Nishira became president and CEO, with Mr. Nishira assuming overall management responsibility. Thus, the management succession is steadily progressing.

The Kanban system, a production management method developed by Toyota Motor Corporation, became integrated into the English lexicon. Mr. Nishira's dream is to have the model of specializing in leased land "JINUSHI", become just as accepted in English.

Corporate DNA

Companies have DNA. Corporate DNA is a unique set of values and management philosophy that takes root throughout the organization and employees and these values are often the source of a company's competitiveness. When a founder starts a business with passion and its products and services are widely accepted by the world, the company begins to grow in earnest. And in the process of corporate growth, it is believed that the founder's passion evolves into the corporate DNA. In some cases, the founder of the company may appear along the way and evolve the founding philosophy or instill a new corporate culture.

The core competence (the core capability of a company) is brought about by resources that are incredibly difficult to imitate and the DNA of a company is considered to be a powerful factor in shaping this. Just as a person can win by competing in his or her field of expertise, a company's formula for victory is to develop its business within scope in its DNA.

The DNA of the JINUSHI is "Being a Pioneer in the JINUSHI Business"

From the company's origins, it can be said that the company's "corporate DNA" is "Proud to be a pioneer in the JINUSHI Business". The company's experience with failed projects in the past (at other organizations) has given it the assurance of the correctness of the JINUSHI Business; that by specializing in leased land, it can provide real estate financial products based on the stable rents coming in from tenants and it has established itself as a pioneer in the leased land business. This was achieved by challenging the insanity of the real estate industry and steadily building up a track record of success by persistently pursuing modest transactions that many in the industry consider to be less glamorous. The importance of spinning the company's DNA has been thoroughly enshrined in the company's Code of Conduct (www.jinushi-jp.com/en/company/vision/), which states, among other things, that the company should "be an adult".

The company intends to strengthen its position as a "major landowner in Japan" as JINUSHI REIT grows. As long as the company's "pride in being a pioneer" continues to permeate the organization under President Nishira's leadership, we can expect sustained growth for the company.

5. JINUSHI's Business Strategies from the Perspective of Management Strategy Theory

JINUSHI is a "Porter Prize" Winning Company

The company received the Porter Prize in 2023, a historic award established in 2001 with the cooperation of Michael Porter, an authority on business administration known as the leading authority on competitive strategy theory and which has been awarded to leading companies in various industries. From here, we will discuss the company's business strategy with reference to Michael Porter's management strategy theory, etc.

1) Approach from Michael Porter's Positioning Theory

JINUSHI Focuses on Concentration and Differentiation Strategies

Michael Porter explains that in order to achieve success in an industry, it is necessary to take a clear position. He argues that there are 3 basic strategies for taking a specific position and building competitive advantage: (1) cost leadership strategy, (2) concentration strategy and (3) differentiation strategy; and that it is essential to steer the company toward at least one of them. According to this positioning theory, JINUSHI is focusing on (2) concentration strategy and (3) differentiation strategy.

(2) The concentration strategy is a strategy to gain competitive advantage by concentrating on business resources in a narrow, specific market (customer segment, region, specific product, etc.). To gain competitive advantage, it is essential to make choices that differ from those of competitors, in other words, trade-offs. As an essential part of the strategy, it is also important to choose what not to do. The company has chosen not to engage in any of the building and construction ownership and distribution that most companies in the real estate industry deal with, or the real estate development that many in the industry romanticize about and instead has concentrated on dealing in leased land.

(3) The differentiation strategy is a strategy to gain an advantage over the competition by offering unique added value that customers recognize, rather than low cost, while targeting a wide range of customers. It can also be described as a strategy to provide value that other companies do not offer and that customers are willing to pay for. The company's clients are investors in leased land that generates stable, long-term cash flows with tenants. The company's JINUSHI REIT is the only real estate financial product in Japan that specializes in leased land, providing a long-term, stable investment opportunity that is unparalleled in Japan.

2) Approach from Resource Based View (RBV)

JINUSHI's Core Competence is "Sophisticated Integration of Leased Land Business & their Fund Business"

In contrast to Porter's positioning theory, there is also an approach called the "Resource-Based View (RBV)," which focuses on a company's own resources. Gary Hamel and C.K. Prahalad focus on core competencies (a company's core capabilities that provide unique value that other companies cannot imitate), while George Stokes, Philip Evans and Lawrence Schulman focus on capability (organizational capabilities that span the entire value chain), respectively. In the case of JINUSHI, the core competence is the "sophisticated integration of the leased land business, which creates and holds land for long term; and the fund business, which provides investors with stable investment opportunities" and the capability is the "series of processes in the JINUSHI Business, from procurement to management".

On the other hand, Jay Barney, a major proponent of RBV, discusses both core competence and capability as resources in a broad sense and then advocates VRIO as a framework to check how strong the company's resources are. Burney lists "Economic Value", "Rarity", "Imitability" and "Organization" as axes for evaluating the potential for effective use of the company's resources. VRIO is an acronym for these four evaluation axes and Bernie believes that resources that are difficult to be imitated and are backed by an "organization" will contribute to competitive advantage.

3) JINUSHI’s Two Resources that are Highly Difficult to be Imitated

Two Resources that are Difficult to Imitate

Whether a resource is highly or lowly difficult to imitate is evaluated based on whether imitation is impossible in the first place and whether attempts to imitate it would require enormous costs. For the company, the resources that are incredibly difficult to be imitated are (1) track records that ensure investor confidence in real estate financial products and (2) the existence of JINUSHI REIT, which play the role of a stable landowner that enjoy tremendous trust from tenants as long-term stable owners. These strong resources are the source of the company's competitive advantage, which is "a sophisticated combination of the leased land business", which creates and holds leased land for the long term and the fund business, which provides investors with stable investment opportunities.

(1) Track Record to Ensure Investor Confidence in Real Estate Financial Instruments

Track Record that Ensures Credibility with Investors

The company provides investors with financial products built on land with tenants and yield interest. The financial products offered by the company are low-risk, middle-return financial instruments that have the characteristics of an alternative to corporate bonds.

In particular, the company's development of "leased land" has far fewer variable factors than other real estate investment products, giving it a high advantage as a stable, long-term product. In addition, if other companies were to offer leased land that competes head-to-head, they would not be able to distinguish themselves in terms of building design or developer capabilities. The only way to offer investors a favorable yield would be to purchase land at a lower price than the company, or to obtain higher rents from tenants than the company. In the end, they would have no choice but to negotiate with the land seller or tenant on terms that are worse than the company's, making it difficult for them to compete favorably with the company. Even if they could offer the exact same product, investors would prefer the company with a better track record. The company has a long-term track record, with over 20 years of experience in developing leased land and about eight years of experience managing their JINUSHI REIT and as such investors are likely to prefer the JINUSHI's products.

Thus, if limited to financial products specializing in leased land, it would be difficult to find a competing product with more favorable terms than the company. Furthermore, the fact that the company continues to be in the form of a privately owned REIT, which is not affected by capital market trends, is favorable to investors who aim for long-term stable holdings, further enhancing its credibility.

(2) JINUSHI REIT that Plays the Role of the Stable Landowner with Tremendous Trust from Long-Term Tenants

JINUSHI REIT Tremendous Credibility with Tenants

From the tenant's standpoint, it should not matter who is the owner of the land, as long as the leasehold fee is the same. However, "who the lessor is" is a critical factor. This is because tenants are concerned about the possibility of modification of contract details such as leasehold fee or the possibility of losing an important base due to a change of lessor (eviction risk).

These fears felt by tenants cannot be dispelled simply by the high name value of the lessor. The more name value a company has, the more likely it is that the company will change the terms of the lease in the future due to its ability to negotiate the price. In addition, if a real estate developer becomes the lessor, the developer's main business is "real estate development," so tenants always have the fear of "losing their base" due to redevelopment, etc.

The only thing that can dispel these tenants' concerns is a clear policy, such as "When the contract expires, our first priority is to re-sign with the existing tenants" and past performance such as "We have never been asked to change the terms," which assures that the policy is not false.

The company's track record in dealing with leased land for more than 20 years since its establishment clearly shows that it has operated in accordance with the policy, and "The company and the JINUSHI REIT do not say anything noisy as a landowner as long as the land lease fee is well paid as per the contract. They will continue to be a reliable and stable landowner. This has led to an increased sense of security among tenants. The presence of the company as the producer of the leased land and JINUSHI REIT as the long-term stable owner of the leased land has greatly helped to dispel tenants' concerns that they do not know who the owner of the leased land is and to establish trust in the company, which other companies are unable to do.

When Mr. Nishira took office as president, the first thing he did was visit tenants. He explained that tenants are positioned as partners of the company and that the company's JINUSHI Business is beneficial to both tenants and investors, which seems to have led to an increase in purchases.

High Probability of Sustainable Business Growth Supported by Resources that are Difficult to Imitate

These two resources cannot be built overnight by other companies, nor can they catch up to the company and the advantage backed by these highly difficult-to-imitate resources will likely be maintained for a long time to come. Therefore, there is a high probability that the business of creating leased land and the JINUSHI REIT, which provide investors with stable investment opportunities, will interact with each other and continue to achieve sustainable business growth.

4) Organization to Realize Resources that are Highly Difficult to Imitate

Creating an Organization that Attracts People Who Find Insane Business Models Interesting is Also Highly Difficult to Imitate

If we define "goods," as those resources necessary for management, as being "land to purchase" and "money" is funds to invest in real estate financial products"; then we can say that "goods" and "money" are situations brought about by the two highly difficult-to-imitate resources listed above. However, they cannot be realized without "people" who execute a series of transactions.

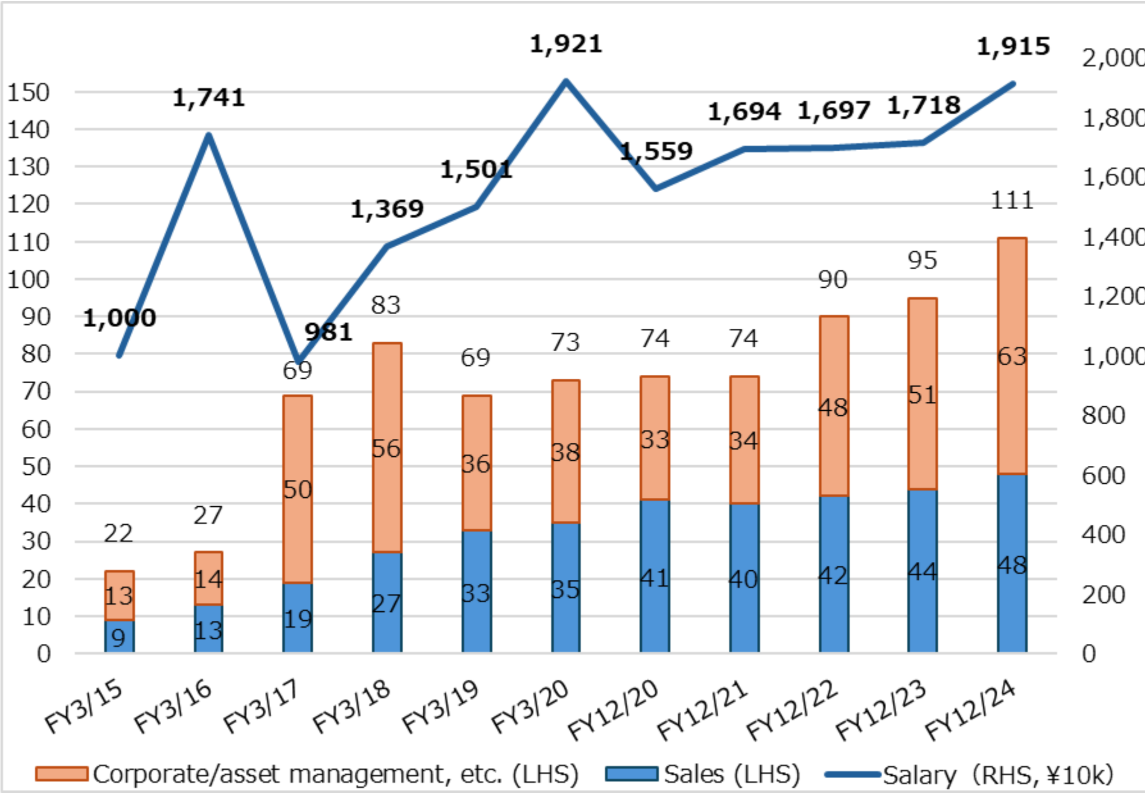
The core of the company's human resources is the sales staff who execute all transactions in the JINUSHI Business, from the purchase of land to its sale. However, as mentioned above, the company's business model of specializing in leased land is quite unusual in the real estate industry and it is difficult to attract people who are interested in getting involved in the business. In fact, although the company recruits new graduates, few apply for jobs with real estate companies and most applicants are those who want to work in the investment management industry, trading companies, or in sales. In response to this situation, the company carefully selects and hires people who can relate to the business concept of "investing only in land," who find the JINUSHI Business model interesting and who believe they can do "more things”. This selective selection also reflects the company's emphasis on the indoctrination of its corporate DNA.

It should be noted that about 40% of the 111 employees at the end of FY12/2024 are sales representatives who carry out all transactions in the process of JINUSHI Business, from land purchase to sale. The more they do, the more they are evaluated and the more this is reflected in their compensation. The average annual salary at the company itself as of the end of FY12/2024 is ¥19.15 million. This is data from a year ago, but it was ranked in the December 2024 Toyo Keizai Online "Top 100 Companies with Highest Average Annual Salaries" ranking. (https://toyokeizai.net/articles/-/848093?page=2), the average annual salary is ¥17.18 million (as of the end of FY12/2023), ranking 9th. Looking only at listed real estate finance companies, Kasumigaseki Capital (3498 TSE Prime) is next with ¥14.07 million in 19th place, and the rest are at most ¥10 million, so it is clear that the company's average salary is overwhelmingly high.

In addition, the starting salary for new graduates is ¥500,000 per month (plus a housing allowance of ¥100,000), which is the highest among listed companies, according to a survey. It is not that they will not attract people unless they pay high salaries, but we would like to focus on the fact that they are making enough profit to offer an annual salary that can be considered good treatment and the high profitability of the JINUSHI Business itself that makes this possible.

It is not easy to carefully select people who are interested in an unconventional business model on this scale and this is also thought to be a factor that makes it even more difficult to imitate.

Figure 6. Number of Employees (LHS) and Average Salary (RHS, ¥10k)



Note: FY12/20 is a 9-month accounting period.

The sharp increase in the number of employees in FY03/17 is largely due to the consolidation of New Real Property and its subsidiaries.

Source: Strategy Advisors. Based on Company Data

Figure 7. Comparison of Average Annual Salaries of Real Estate Finance Companies with Listed Companies

Company Name	Code	Accounting Period	Average Annual Salary (¥10K)
JINUSHI	**3252**	**12/24**	**1,915**
Roadster Capital	3482	12/24	1,259
Sun Frontier Fudosan	8934	03/24	741
Tosei	8923	11/24	903
Hoosiers Holdings	3284	03/24	674
Ichigo	2337	02/24	1,134
ES-CON Japan	8892	03/24	667

Note: Non-consolidated amounts for each company

Source: Compiled by Strategy Advisors. Based on Company Securities Reports

5) Approach from Philip Kotler's Strategy by Competitive Position

Other Companies Would Adopt a Strategy of Homogenization

Philip Kotler proposes a "strategy by competitive position," which states that "the strategy to be taken differs depending on the competitive position within the same industry. Kotler states that there are four categories of competitive position within an industry: leaders, challengers, followers and nichers and that there are strategic objectives for each competitive position.

In the real estate industry, the company, which specializes in leased land, is a nicher. The strategy to be adopted by nicher's is related to the "concentration strategy" of Porter's positioning theory, which means it has to establish the number one position in a certain area and prevent competitors from entering the market. In contrast, it is also important to consider what kind of strategy other companies will adopt. According to Kotler's strategic theory, if a company's business model of specializing in leased land is attractive and promising. other companies, not necessarily industry leaders, will adopt a strategy of homogenization by imitating the company's business model.

6) Reasons Companies are Not Launching Homogenization Strategies

No Other Company has Imitated the Leased Land Specialization Skills

The company's business model can be said to be easy to be imitated, as long as one has the funds to do so. Existing real estate companies may find it easier to enter the market because of their networks for purchasing land information and creditworthiness in transactions, but we have not found any companies that have entered the market with the JINUSHI Business at the forefront. The following three factors may be responsible for this.

(1) Mindset in the Real Estate Industry

Most people in the real estate industry believe that the real estate business is about creating buildings and towns, as exemplified by the phrase "work that will remain on the map". Many people have the mindset that construction and area development are the real thrill and romance of the real estate business. To those with this mindset, specializing only in purchasing land and selling it with tenants does not seem to add value. Some people seem to think that specializing in leased land is insane for a real estate business and such people in the industry do not want to specialize in dealing with leased land in the first place.

(2) Cash Circulation Issues

In the real estate industry, it is said that the shorter the holding period for a property, the better. Buying and holding a property increases the working capital required, as funds "stick" to the property. Therefore, there is a strong tendency to favor brokerage, where commissions are the source of revenue and sales of properties that are easy to get off the ground. Small and medium-sized real estate companies, in particular, often lack the financial resources to put properties to bed. The company has found JINUSHI REIT to be a powerful sales destination, solving the problem of cash circulation and the ability of JINUSHI-retailers to raise funds in addition is a strength of the company.

(3) Possibility of Being Perceived as Unbeatable in Terms of Discernment

In the purchasing decision stage, it is important to determine whether or not the land can be sold at a price that is suitable from the perspective of the seller and whether or not the land can be converted to other uses in the event that the tenant who built the building withdraws from the property. In the real estate business, such "connoisseurship" is backed up by the amount of experience one has gained in the project. In addition to its more than 20 years of experience, the fact that the company has JINUSHI REIT in its group, which are the buyers of its leased land, also contributes to the company's enhanced discernment ability. Based on the above factors, we believe that real estate companies in the same industry will not initiate homogenization policies to challenge the company's "JINUSHI" business.

6. JINUSHI Business Specializing in Leased Land

1) Premise of JINUSHI Business: What is a Fixed-Term Land Lease?

The Land & House Lease Law Enacted in 1992 is the Legal Basis of the JINUSHI Business

The JINUSHI Business is a business model that, by dealing only with land without owning a building, eliminates the various risks associated with owning a building; and creates leased land with stable income over a long period of time, selling the land as a real estate financial product. The basis for this business model is the leasehold arrangement under the revised Act on Land and Building Leases that came into effect in August 1992.

Under the Act on Land and Building Leases, land lease rights are classified into two types: ordinary land leasehold rights and fixed term land leasehold rights. Fixed term leasehold rights are those in which the leasehold relationship ends along with the initial contract term and cannot be renewed thereafter. There are three types of fixed term leasehold rights: (1) general fixed term land leasehold rights, (2) fixed term land leasehold for business purposes and (3) land leasehold right with special provisions for building transfers.

Many of the projects handled by the company are based on (2) fixed term land leasehold right for business purposes, which are set up primarily for owning buildings for business purposes and are the premises of the JINUSHI Business. On the other hand, when the company deals with tenants for residential purposes, e.g., nursing homes, it deals based on (1) general fixed term land leasehold right, but by adding a special provisions that the leasehold term will not be extended due to contract renewal or building reconstruction; and that the right to demand purchase of the building will not be exercised, the company can set up the land leasehold right in the same way as when using fixed term land leasehold right for business purposes. However, by adding provisions not to extend the duration of the leasehold rights, to renew the contract, nor to request for the purchase of the building, the lease is set up in the same way as when using a fixed term commercial leasehold right.

Figure 8. Types of Land Leaseholds

Leasehold	Duration	Purpose Of Use	Contracting Method
Fixed Term Land Leasehold Rights			
General Fixed Term Land Leasehold Right (Article 22 Of the Law)	More than 50 years	No limitation of use	・Must be in writing by means of an authentic instrument, such as a notarized deed ・May include the following three covenants: [1] no renewal of the contract, [2] no extension of the duration of the contract, [3] no request for the purchase of the building
Fixed Term Land Leasehold Right for Business Purposes (Article 23 Of the Law)	More than 10 years but less than 50 years	Only business buildings are eligible (residential buildings are not eligible)	
Land Leasehold Right with Special Provisions for Building Transfer (Article 24, Law)	More than 30 years	No limitation of use	・A covenant that the building on the land will be transferred to the lessor for a reasonable price after 30 years ・Oral is also acceptable
Ordinary Land Leasehold Rights	More than 30 years	No limitation of use	・No restrictions ・Oral is acceptable

Leasehold	Termination Of Land Lease Relationship	Building at the End of the Contract
Fixed Term Land Leasehold Rights		
General Fixed Term Land Leasehold Right (Article 22 Of the Law)	Due to expiration of term	In principle, the lessee shall demolish the building and return the land.
Fixed Term Land Leasehold for Rights for Business Purposes (Article 23 Of the Law)		
Land Leasehold Rights with Special Provisions for Building Transfer (Article 24, Law)	Due to transfer of building	One of the following [1] The building is purchased by the JINUSHI [2] The building is not vacated, and the land is returned [3] The tenant or tenants may continue to live in the building as tenants be made
Ordinary Land Leasehold Rights	[1] Statutory renewal is granted [2] Good cause is required to refuse renewal	One of the following [1] There is a right to purchase the building [2] If the right to purchase is exercised, the building will remain intact and the land surrendered [3] The tenancy relationship continues.

Source: Ministry of Land, Infrastructure, Transport and Tourism Website

2) JINUSHI Business Strengths

3 Features of the JINUSHI Business

3 characteristics of JINUSHI Business' real estate financial products obtained by specializing in leased land are: (1) no additional investment is required, (2) long-term stable earnings can be expected and (3) asset values are unlikely to decline.

(1) No Additional Investment is Required

Since the investment is in the land only, the construction and ownership costs of the building on the land are borne by the tenants. Therefore, no additional investment is required for building maintenance, repairs or renovations. This is an advantage even during the current inflationary period and is not affected by rising construction and repair costs.

(2) Long-Term Stable Earnings Can be Expected

Since the contract terms are long, ranging from 20 to 50 years and the buildings are funded by the tenants, the risk of tenants moving out is low and stable earnings can be expected over the long term. In fact, in a total of 428 development projects to date, there has not been a single case of a tenant vacating the property and only one case of a reduction in leasehold fees occurred during the period of the new Corona pandemic, which was only for a limited time.

(3) Property Values are Unlikely to Decline

At the end of the contract, tenants are obligated to return the property as cleared land and since the property is returned as cleared land with high liquidity, the asset value is unlikely to decline. Unlike buildings, land does not deteriorate over time, so if land prices rise due to inflation, this will result in an increase in unrealized capital gains (capital gains on sales will increase).

Less Volatile Than Real Estate Investments Involving Buildings

In comparison to real estate investments that include buildings, by specializing in leased land, the JINUSHI Business is designed to be a real estate investment that eliminates the various variables that come with buildings. The only risk that must be considered in the JINUSHI Business as in a regular real estate investment is interest rate risk.

Figure 9. Differences from Normal Real Estate Investments in Terms of Variables

Possible Variables	Normal Real Estate Investment (Building + Land)	JINUSHI Business (Land Only)
Leasing Income	Income fluctuates due to rent fluctuation risk and vacancy risk	No risk of rent fluctuation or vacancy, and income will not fluctuate over the long term
Leasing Cost	・Daily expenses include the following: Sales promotion and advertising expenses Leasing Cleaning expenses Utilities Insurance premiums Security expenses Repair expenses ・Depreciation expenses are incurred ・Property taxes are incurred	Most of the expenses on the left are unnecessary The increase in taxes is added to the rent based on the property tax-linked clause (Property tax-linked provisions)
Non-Operating Expenses	Interest rate risk	Interest rate risk
Other Expenses	Additional costs for renewal and renovation. Additional capital investment may be required. Need to pay for response to a pandemic	No additional costs or additional capital investment required

Source: Company Data with Additions by Strategy Advisors

3) JINUSHI Business Process (4-Steps)

The JINUSHI Business is a model for increasing real estate holdings while maintaining a continuous turnover of funds, through taking the following four steps: (1) buying (purchasing) land, (2) leasing land, (3) selling the land being leased and (4) managing investors' funds.

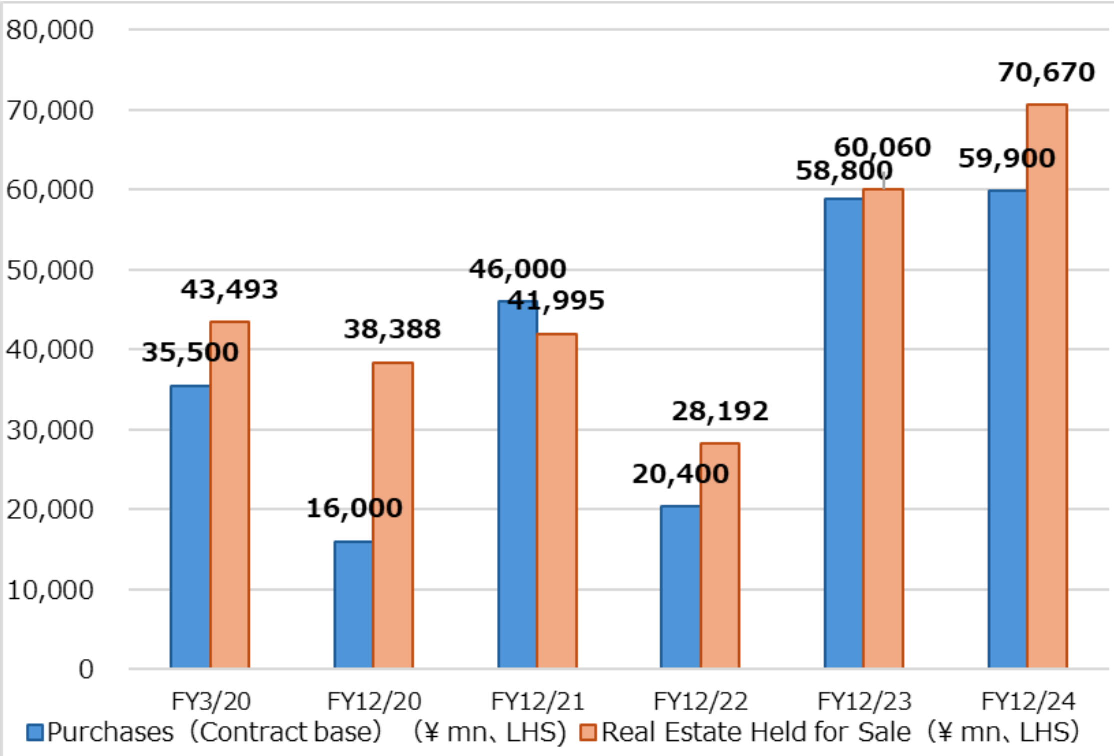
(1) Buying (Purchasing) Land

Reduced Procurement Risk

The key to buying land is to reduce purchase risk. Therefore, in principle, land is acquired after a specific tenant has been decided upon. In this case, the land must be highly convertible and in demand over the long term, so that even if a tenant moves out, it is easy to find another tenant or to resell the land to a third party. In addition, since the project is intended to be sold as a real estate financial product, the company also emphasizes that the project has a high possibility of securing a yield that is suitable from the buyer's perspective.

In most cases, land purchases are negotiated, but the company acquires land information through a variety of means, including financial institutions and brokerage firms, from tenants and from residential developers who propose joint development projects. The company has its own method of obtaining information from tenants and this is proof of the good relationships it has built with tenants over the years. The company also acquires land only from clients who own both land and buildings and off-balance the land only, providing value as a solution to the issues faced by landowners.

Figure 10. 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

(2) Leasing Land

Reduced Risk of Cancellation

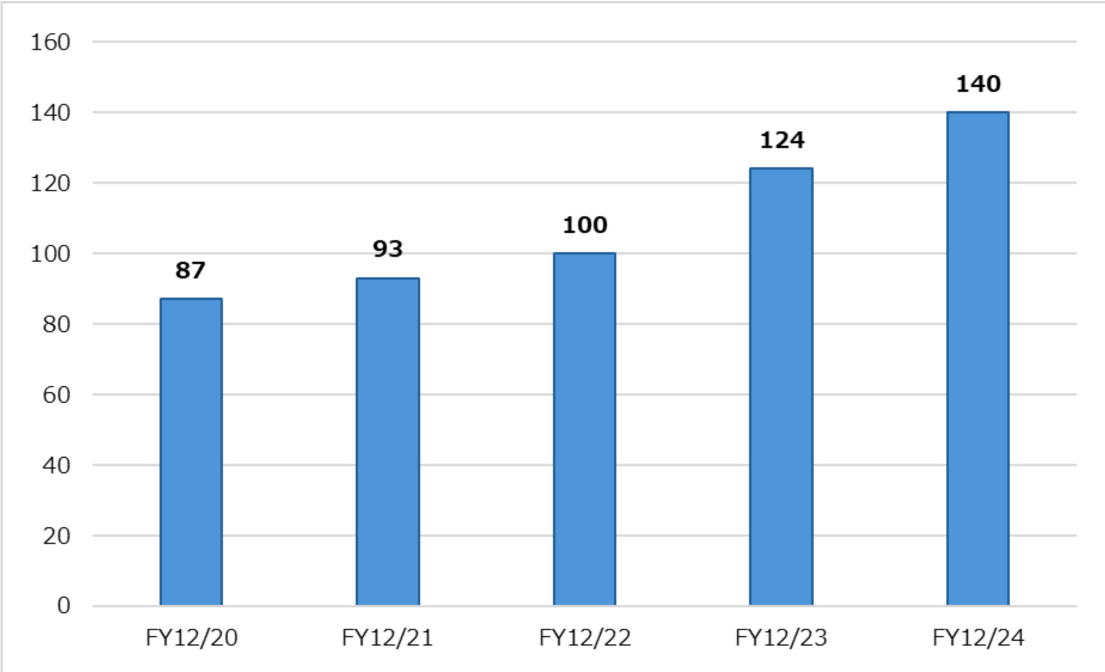
The company will enter into a long-term fixed-term land lease agreement with the tenant for a period of 20 to 50 years. This means that the company owns only the land and the building is constructed and owned at the tenant's expense. Therefore, the company does not need to make additional investments in building maintenance and repairs.

In principle, the contract with tenants does not allow for mid-term cancellation of the contract for a period of 10 years or longer, thus further reducing the risk of cancellation. In addition, the leasehold contract in principle does not allow tenants to request a revision of the land lease fee during the contract period, thus increasing the possibility of securing stable income.

Furthermore, since the contract is based on a fixed-term business-use leasehold, there is no right to demand the purchase of the building at the end of the contract, which means that the contract obligates the company to return the vacant land, making it difficult for the asset value to decline.

On the other side of the equation, tenants also benefit greatly from leasing land from the JINUSHI, as they can reduce initial costs when opening new stores. In addition, as mentioned above, tenants can off-balance their land holdings and continue to operate in the same location, thereby improving their financial position and efficiency. Thus, the number of tenants using the company's JINUSHI Business structure has increased to 140 as of FY12/2024.

Figure 11. Number of Tenants (Companies)



Source: Strategy Advisors. Based on Company Data

In terms of the number of companies, supermarkets accounted for 25 of the 140 tenants as of the end of FY12/2024, followed by drug stores (12 companies), Automobile dealers (11 companies), restaurants (10 companies), funeral halls (9 companies) and home improvement centers (8 companies). The company has adopted a policy of diversifying the types of tenants it has, and as a result, it has expanded the range of tenant types to include businesses that provide social infrastructure, such as hospices, nursing homes, funeral halls, schools and nurseries, hospitals/medical centers, logistics and data centers.

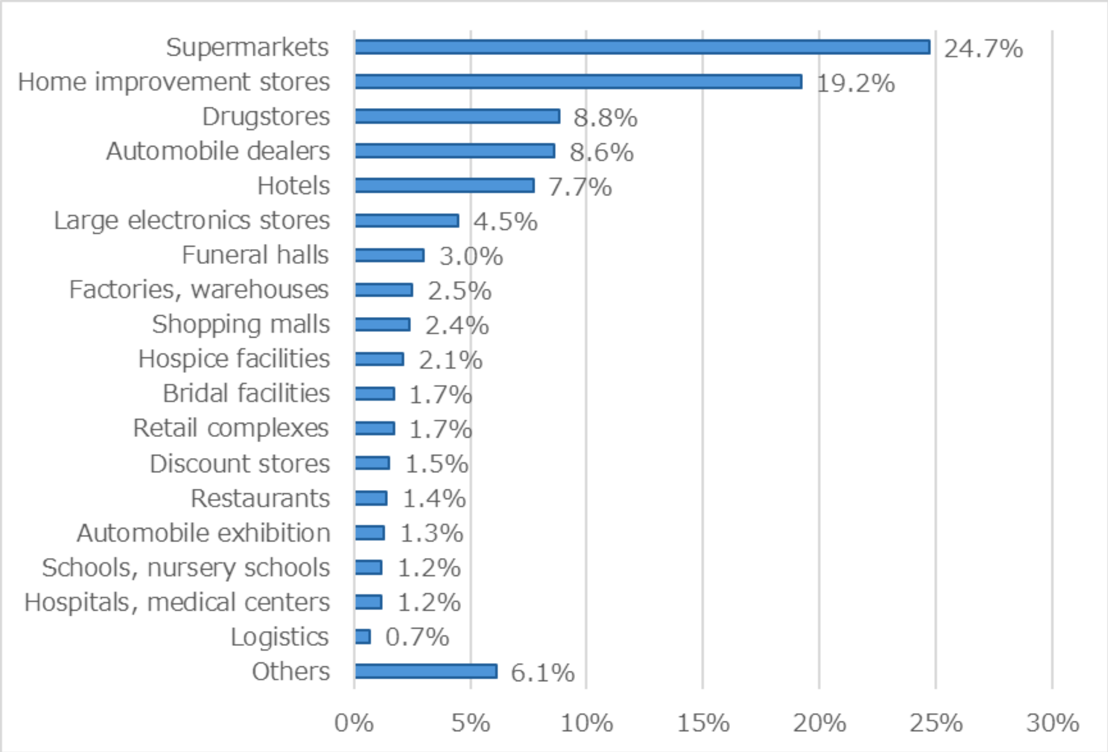
Figure 12. Tenant Diversity (2 or More Industries)

Tenant Categories	Number of Companies	Ratio	Major Tenants and Transactions
Supermarkets	25	17.9%	KOHNAN SHOJI: 38 LIFE CORPORATION: 21
Drugstores	12	8.6%	Sugi Holdings: 19 Welcia Yakkyoku: 14
Automobile dealers	11	7.9%	
Restaurants	10	7.1%	
Funeral halls	9	6.4%	Alpha Club:12
Home improvement stores	8	5.7%	Ken Depot Corporation: 10
Large electronics stores	7	5.0%	
Hotels	7	〃	
Factories & warehouses	7	〃	
Hospitals, medical centers	4	2.9%	
Schools & nursery schools	4	〃	
Fitness clubs	3	2.1%	
Bridal facilities	3	〃	
Discount stores	3	〃	
Hospice facilities	3	〃	
Shopping malls	2	1.4%	
Logistics	2	〃	
Gas stations	2	〃	
Housing exhibitions	2	〃	

Note: Tenants with more than 10 stores are listed in the "Major Tenants" section.
Source: Company Data. Compiled by Strategy Advisors

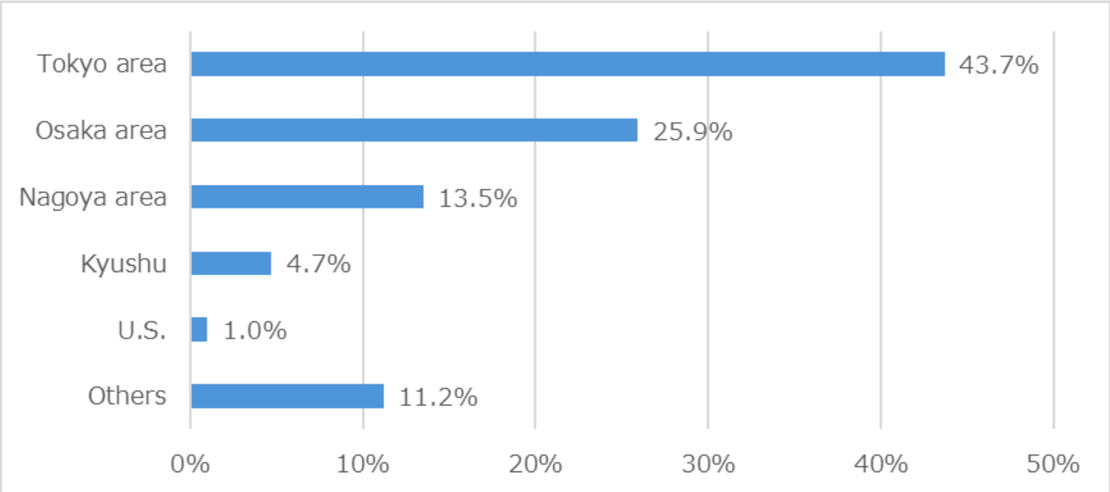
In this way, the company simply bought land and rented it out to tenants over and over again. As a result of FY12/2024, it has accumulated a total of 428 development projects with a total value of approximately ¥531.4 billion. The top tenant industries in its development track record are mostly retail industries, but even supermarkets, which accounts for the largest number, total less than 25 % of the whole pie.
In terms of region, Tokyo, Nagoya and Osaka account for approximately 85 % of its development, but the Tokyo area alone accounts for approximately 44%, so it is by no means concentrated in one area.

Figure 13. Tenants - Diversification of Industries



Source: Company Data. Compiled by Strategy Advisors

Figure 14. Tenants - Diversification of Areas



Source: Company Data. Compiled by Strategy Advisors

(3) Selling the Land Being Leased

Approximately 2/3rds of Properties Developed Were Sold to JINUSHI REIT

After the above steps (1) and (2) are completed to create a real estate financial instrument that generates long-term stable cash flows, it is sold to funds such as JINUSHI REIT and other investors.

The sales ratio from the company to JINUSHI REIT (sponsor pipeline support ratio) is 64.3%, including the bridge scheme. A bridge scheme is a mechanism where the final buyer is decided and another corporation temporarily holds the property, and a third party designated by JINUSHI Asset Management (presumably JINUSHI REIT in reality) is given preferential negotiation rights for acquisition. A bank-affiliated leasing company acts as an intermediary.

The company places importance on capital turnover and has set the target period from purchasing land to selling it at around 1 to 1.5 years

(4) Managing Investors Funds

JINUSHI-Retailer REIT Operations

JINUSHI REIT, managed by wholly owned subsidiary JINUSHI Asset Management, is the only private REIT in Japan that specializes in land with leasehold interest. This is described in detail in a new chapter, "JINUSHI REIT".

4) JINUSHI Business Profit Structure

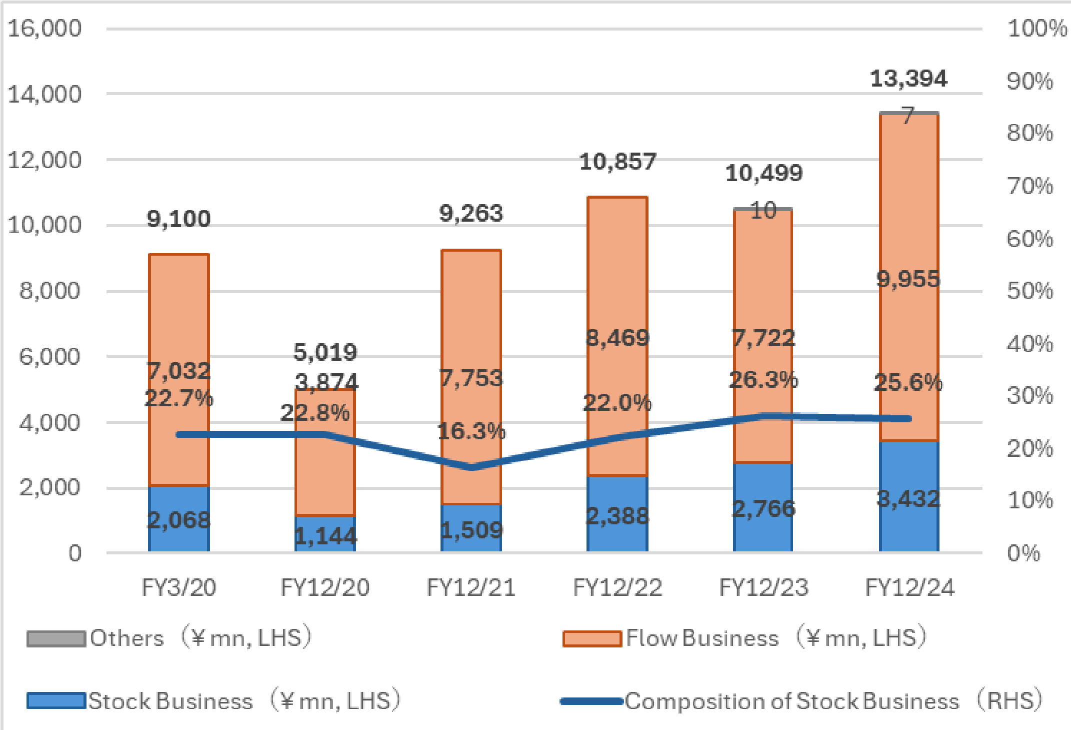
Revenues are Classified into Flow Business & Stock Business

The company's revenues can be categorized into flow business revenues and stock business revenues. Given the large difference in gross profit margins between the two, it is preferable to compare their earnings impact in terms of gross profit. 74.3% of gross profit in FY12/2024 was from the flow business, while 25.6% was from the stock business. Since a large proportion of flow business revenue comes from the sale of leased land, earnings will fluctuate significantly depending on trends in the sale of leased land.

Flow business revenues consist of real estate sales revenues and brokerage commissions on real estate sales. Revenue from real estate sales is the majority and is highly variable, depending on the status of land sales and the profitability of individual projects that are sold. However, the financial products developed by the company are highly competitive and buyer demand is strong, so there appears to be little concern that the company will not be able to sell the properties.

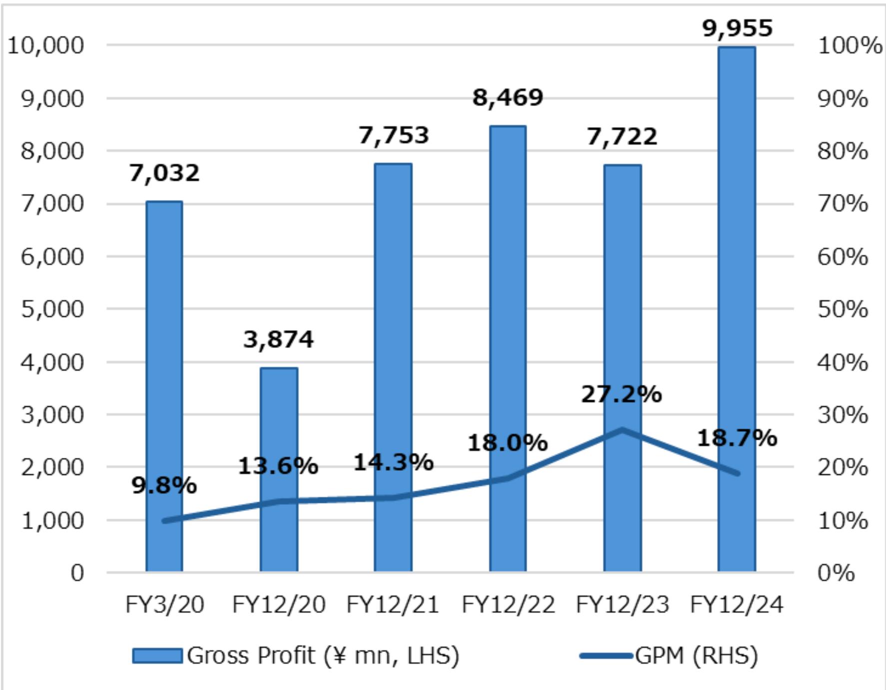
Revenues from the stock business consist of real estate rental revenue for sale, asset management revenue, long-term rental revenue and other revenues (property management, subleasing, and operation management). The company has adopted a policy of building these up as stable sources of revenue. In the long term, the company aims to improve the stability of its business performance and the variability of its stock price by covering its fixed costs with stable stock revenue.

Figure 15. Gross Profit by Business Type



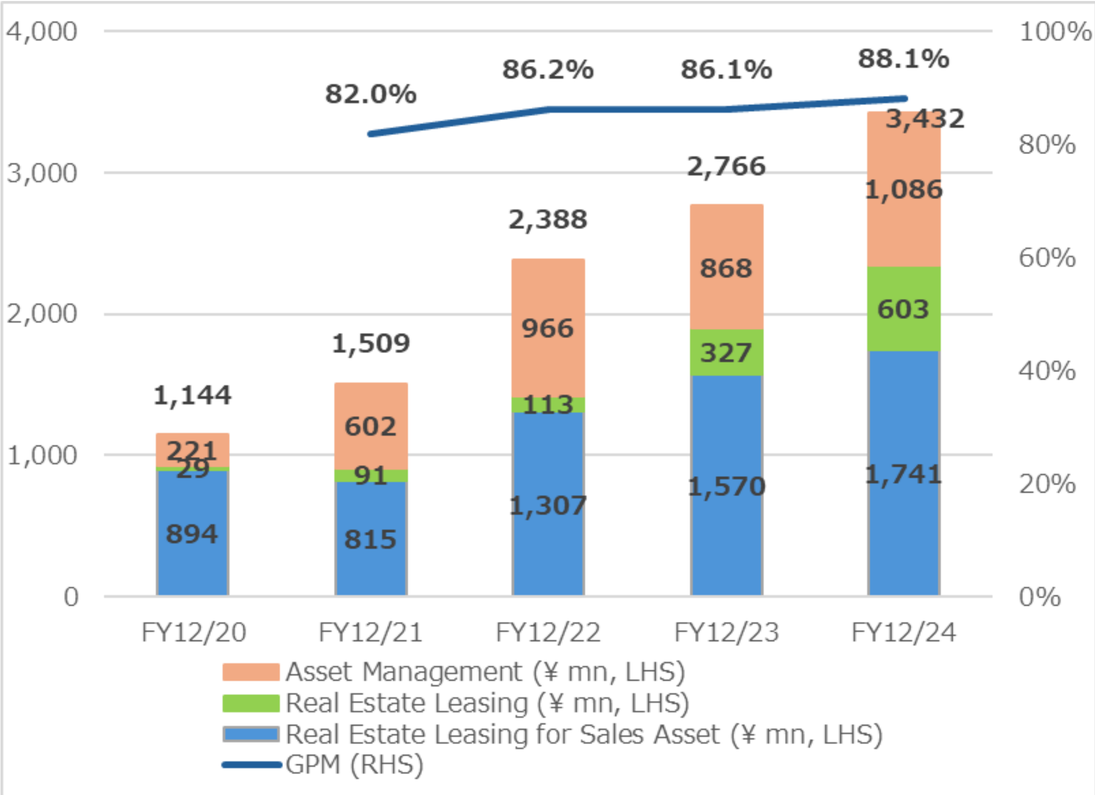
Note: Due to a change in the fiscal year end, FY12/20 is a 9-month accounting period.
Source: Strategy Advisors. Based on Company Data.

Figure 16. Gross Profit (Flow Business Revenue)



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 17. Gross Profit (Stock Business) by Revenue Type



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

7. Japan's Only Privately Owned REIT Specializing in Leased Land "JINUSHI REIT"

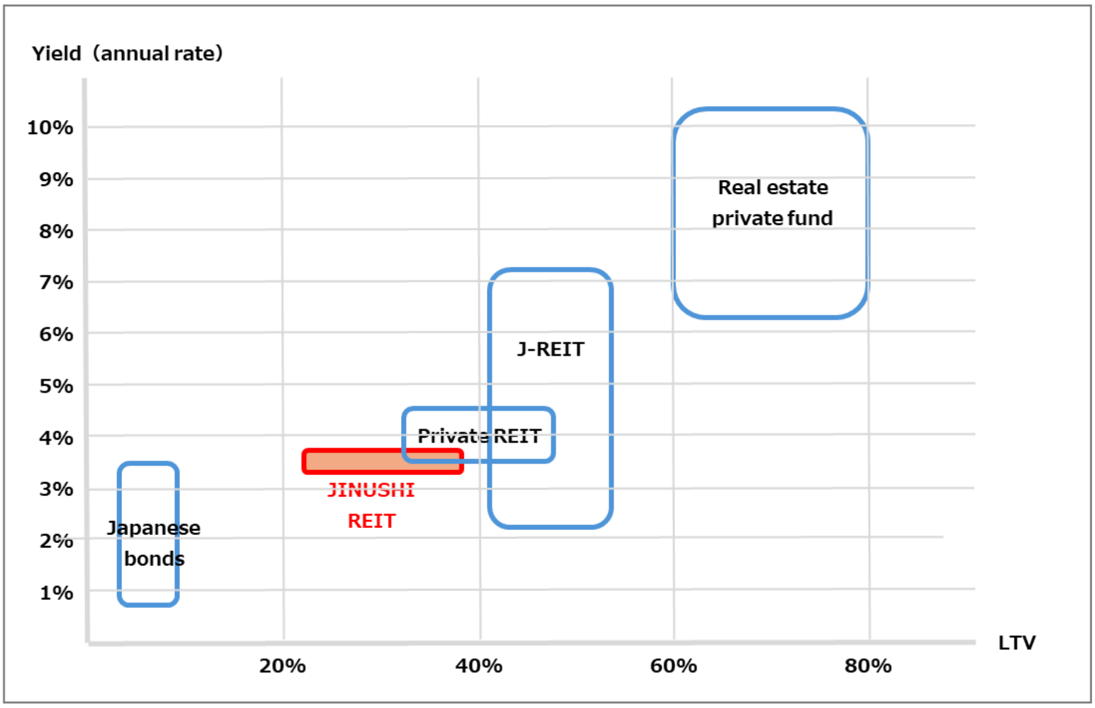
JINUSHI REIT: Low-Risk & Low-Volatility

JINUSHI REIT, managed by wholly owned subsidiary JINUSHI Asset Management, is the only 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 the 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 9, 2025, after the 9th 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 5.1 years.

Thus, while being an equity investment, it is characterized by low risk and low volatility and is positioned between yen-denominated bonds such as corporate bonds and conventional private REIT's, a product characteristic not found in conventional financial products.

In order to avoid the risk of capital market fluctuations, the company does not intend to list the JINUSHI REIT and intends to continue managing it solely as a private REIT. By doing so, the company will maintain a high affinity with the long-term stable JINUSHI Business. Since the company does not intend to list it, the unit price will be determined by the appraisal value at the end of the fiscal period.

Figure 18. Position of JINUSHI REIT in Terms of Merchantability



Source: Company Data. Compiled by Strategy Advisors

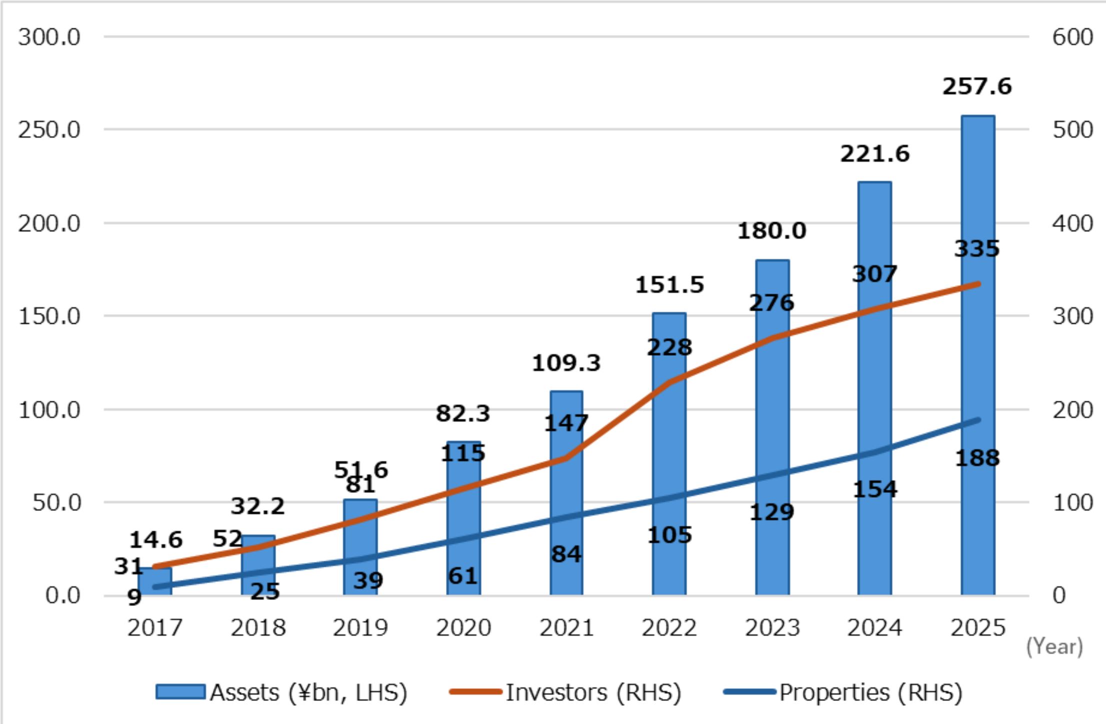
JINUSHI REIT Portfolio with High Concentration in 3 Retail Sectors

As of January 9, 2025, after the completion of the 9th capital increase, the number of properties under management is 188. Compared to the company's development track record, the portfolio of managed assets by tenant industry appears to be highly concentrated in the top three industries: supermarkets, home improvement centers and drug stores.

Expanding Asset Size by Increasing Capital Every Year Since the Start of Operations in 2017

Since no other private REITs specializing in leased land exist, JINUSHI REIT has been accepted by investors as a financial product offering unique investment opportunities and has expanded assets under management since it began operations in 2017.

Figure 19. JINUSHI REIT (Private REIT for Leased Land) AUM Growth



Source: Company Data. Compiled by Strategy Advisors

Distribution of Investors in JINUSHI REIT

As of January 9, 2025, the top investors in JINUSHI REIT were operating companies (36.1% of total), Shinkin Banks and Credit Unions (26.5%) and Central Financial Corporations (21.3%). Compared to the investor composition of the 58 private REIT's (investment corporations) as of the end of December 2024, there is a higher proportion of business corporations and other investors, while pension funds hold less.

At present, JINUSHI Asset Management is focusing on increasing the percentage of pension funds and central financial corporations. Given the product characteristics of land with leasehold interest that generates long-term stable cash flows, the percentage of these investors is expected to increase in the future.

Figure 20. Investors in JINUSHI REIT Compared to Other Private REIT's

JINUSHI REIT (As of January 9, 2025)		Private REITs (58 Investment Corporations) (As of December 31, 2024)	
Investor	**Ratio**	**Investor**	**Ratio**
Central Financial Corporation	21.3%	Central Financial Corporation	28.0%
Regional Banks	6.9%	Regional Banks	32.5%
Shinkin Banks & Credit Unions	26.5%		
Operating Companies	36.1%	Operating Companies	18.6%
Pension Funds	8.9%	Pension Funds	20.9%
JINUSHI	0.3%		

Source: Prepared by Strategy Advisors. Based on Company Data and the Association for Real Estate Securitization's "Private REIT Quarterly.

8. Medium to Long-Term Outlook

1) Favorable Environment Expected to Continue: Medium to Long-Term

The environment surrounding the company's JINUSHI Business is expected to remain favorable.

The Volume of Leased Land is Expected to Expand to ¥16 trillion by 2030

From the supply-side perspective, the distribution volume of leased land is expected to expand. According to a survey by the Japan Real Estate Institute, the size of the leased land market on a cumulative value basis is estimated to be ¥6.48 trillion as of 2023. It is expected to expand to ¥9.65 trillion in 2026 and ¥16.42 trillion in 2030.

J-REIT & Privately Owned REIT Markets to Expand

From the perspective of the demand side, which seeks leased land as a real estate financial product, the market for J-REIT’s and privately owned REIT’s is expected to expand first. According to data from the Association for Real Estate Securitization, the total value of REIT assets (based on acquisition price) at the end of December 2024 was ¥30.3 trillion (¥23.5 trillion for J-REITs and ¥6.7 trillion for privately owned REITs), with 6,740 properties (4,872 for J-REITs and 1,868 for privately owned REITs). Based on the end of December 2017, when the management of J-REIT’s began, the total assets and number of properties have expanded at an annualized pace of 6.9% and 7.0%, respectively, over the 7 years to the end of December 2024, while the total assets and number of properties of private REIT’s have expanded at a pace of 15.7% and 17.8% respectively, over the same period, with private REIT’s expansion at a faster pace. However, during the same period, the total assets of privately owned REIT’s expanded at a pace of 16.1% and the number of properties expanded at a pace of 17.8%. The presence of privately owned REIT’s as investment targets is increasing.

The "Survey on Privately Owned Real Estate Funds" conducted by the Association for Real Estate Securitization since 2003 has published data on the breakdown of real estate held by privately owned REIT’s. Until now, leased land has been classified according to the primary purpose of the building constructed on the land, but starting with the July 2023 survey, a new category of "leased land " has been established. This is evidence of the growing presence of leased land in REIT’s investment portfolio. According to the July 2024 survey, 10% of the properties under management and 4% of the assets under management were allocated to leased land.

Figure 20. Size of REITs (J-REITs + Privately Owned REITs)

	12/2017	12/2018	12/2019	12/2020	12/2021	12/2022	12/2023	12/2024
Total Assets (¥ bn) *Based on Acquisition Price	189,692	208,603	224,843	241,936	256,048	268,637	287,593	303,597
Privately Owned REIT	24,398	28,826	33,578	39,056	43,658	49,906	59,660	67,866
J-REIT	165,294	179,777	191,265	202,880	212,390	218,731	227,933	235,731
Number of Corporations (Companies)	82	89	95	98	100	105	112	115
Privately Owned REITs	23	28	31	36	39	44	54	58
J-REIT	59	61	64	62	61	61	58	57
Number of Properties (Properties)	4,206	4,613	4,958	5,278	5,579	5,873	6,287	6,740
Privately Owned REIT	595	713	833	987	1,150	1,323	1,590	1,868
J-REIT	3,611	3,900	4,125	4,291	4,429	4,550	4,697	4,872
% of AUM Managed by Privately owned REIT's	12.9%	13.8%	14.9%	16.1%	17.1%	18.6%	20.7%	22.4%
% of Properties Managed by Privately Owned REITs	14.1%	15.5%	16.8%	18.7%	20.6%	22.5%	25.3%	27.7%

Source: Prepared by Strategy Advisors. Based on the Association for Real Estate Securitization's "Private REIT Quarterly.

2) Medium-Term Management Plan for Aggressive Expansion Phase While Maintaining Discipline

Company Name Change in 2022 Signalled an Aggressive Expansion

In February 2022, the company announced its medium-term management plan ending in FY12/2026. As indicated by the company name change implemented at the same time, the company has positioned this as a phase to raise awareness of the JINUSHI Business and aggressively expand it. The company is eyeing an asset scale of ¥300 billion for JINUSHI REIT.

Figure 21. Mid-Term Management Plan

Financials	FY12/2021	FY12/2024	FY12/2025 CoE	FY12/2026 Mid-term Plan	Annual Average Growth Rate
Net Sales (¥bn)	56.1	57.1	70	100	12.2%
Net Profit (¥bn)	3.1	6.1	6.1	7	17.5%
JINUSHI REIT AUM (¥bn)	151.5	221.6	257.6	Approx. 300	14.6%
ROE	11.9%	16.0%	N/A	Approx. 13%	
Equity Ratio	32.2%	38.6%	N/A	30% or more	

Note: Average annual growth rate is the average growth rate from the FY12/2021. AUM of JINUSHI REIT is the amount after the capital increase in the month following the end of the fiscal year.

Source: Strategy Advisors. Based on Company Data

Growth Strategy Based on Expansion of Both the JINUSHI Business & Growth of JINUSHI REIT

The company has drawn up a growth strategy based on both the expansion of the JINUSHI Business and the growth of JINUSH REIT. With regard to the expansion of the JINUSHI Business, the company is pursuing three measures: (1) diversification of tenant business sectors, (2) expansion of operations to more areas and (3) using off-balance-sheet schemes for land.

Strategy 1: Diversification Of Tenant Industries

(1) Diversification of tenant industries: As reflected by the company name change, which removed "commercial development" from the name, JINUSHI Business targets all types of tenant industries. As a result, the company has been gaining experience in acquiring tenants of facilities that are social infrastructure such as hospices, nursing homes and funeral halls. Of the acquisition amount of ¥59.9 billion in FY12/2024, projects with tenants that are social infrastructure plays will account for 16.8%.

Strategy 2: Expand Business Area

(2) With regard to business areas, the company has expanded to five locations, including four in Japan and one in the United States, with the establishment of the Kyushu branch in December 2022. In addition, the company moved its head office from Osaka to Tokyo in July 2023. The company has worked on projects in 221 cities, wards, towns and villages, but there are still 1,008 cities, wards, towns, and villages where it has not yet completed any projects.

Strategy 3: Increase Off-Balance Sheet Proposals

(3) The off-balance proposal for land is an approach that is in line with the trend of "management with consideration for capital costs and stock prices" put forward by the Tokyo Stock Exchange. Until now, the company's land development has targeted new store openings by tenants, but the off-balance proposal for land is an approach to owners who already own land and buildings,; and can be said to be a new growth area for the company and is an effective proposal for tenants who have needs for improving capital efficiency and financial structure.

A similar method in the real estate industry is the sale and leaseback of land and buildings as a set, but the company proposes off-balance sheeting of land only. The advantages of this method include "since it is only land, there is no need for due diligence" and "since the company continues to own the building, it allows for greater flexibility in management". Given that the company can enjoy the benefits mentioned above while expecting the same effects as sales and leaseback (improved capital efficiency and improved financial structure), this method is likely to become more widespread in the future.

The disadvantage of using this scheme is that if the land is owned by another company, the tenant faces the risk of being evicted during redevelopment and the risk of increased rent at the end of the contract. The company claims that these disadvantages will be compensated for by the stable landowner "JINUSHI REIT" and that this will be a strength that other companies cannot imitate.

Strategy Advisors believes that, given the expansion of the land market, it is quite possible for JINUSHI REIT to achieve an asset size of ¥300 billion in FY12/2026, and that if it increases purchases toward that goal, sales and net income for the current term will also be within reach. However, as was seen in FY12/2023, if a property with a high profit margin is sold, it may change the timing of sales for other properties, so it should be noted that there is a possibility of some fluctuation in sales.

9. Comparison with Other Companies in the Industry

No Competition in the Dedicated Leased Land Business

Although there are competing firms in the transaction of individual leased land deals, there are no other firms that specialize in leased land transactions, so there are no direct competitors in terms of business model. For this reason, real estate finance companies were used for the purposes of comparison.

Comparison with Real Estate Finance Companies

Companies that structure income-generating real estate properties and sell them to investors are considered to be real estate finance companies and are used for comparison. Among listed companies, we used Roadster Capital (3482 TSE Prime), Sun Frontier Fudosan (8934 TSE Prime), Tosei (8923 TSE Prime), Hoosiers Holdings (3284 TSE Prime), Ichigo (2337 TSE Prime) and ES-CON Japan (8892 TSE Prime).

In terms of profitability, the company's net profit margin for FY12/2024 was 10.7%, which is not particularly high, but its ROE was 16.0%, higher than that of other companies except for Roadster Capital. Looking at ROIC, which excludes the impact of interest-bearing debt holdings, it is in the middle range, and it can be said that the high ROE is due to the way financial leverage is applied and the high efficiency derived from the business model. The company's five-year beta is 0.89. If the risk-free rate is set at 0.9-2.1 % and the market risk premium at 6.0 %, the cost of equity capital is 5.7%-8.0 % and the excess return of ROE is calculated to be 8.0 %-10.3 %.

Safety Indicators Improved from The Previous Fiscal Year

The company's safety indicators as of the end of FY12/2024 were equity ratio 38.6 %, net D/E ratio 0.87 times and DCR 152.5 %. As of the end of FY12/2023, the equity ratio was 30.9%, net D/E ratio 1.26 times and DCR 167.8 %, so all of these figures have improved. We believe that it can be judged that there are no particular issues with the company's safety and that it is under control.

Figure 22. Comparison with Other Real Estate Finance Companies

Company Name	Code	FY	Sales (¥ mn)	Net Income (¥ mn)	Sales NPM (%)	ROE (%)	ROIC (%)
JINUSHI	**3252**	**12/2024**	**57,068**	**6,087**	**10.7**	**16.0**	**6.5**
Roadster Capital	3482	12/2024	34,421	6,871	20.0	30.6	11.0
Sun Frontier Fudosan	8934	03/2024	79,868	11,917	14.9	13.9	7.9
Tosei	8923	11/2024	82,192	11,985	14.6	13.9	5.4
Hoosiers Holdings	3284	03/2024	86,418	4,806	5.6	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	N/A	N/A

Company Name	Code	Net D/E Ratio (Times)	DCR (%)	Net Worth Ratio (%)
JINUSHI	**3252**	**0.87**	**152.5**	**38.6**
Roadster Capital	3482	1.95	481.6	23.9
Sun Frontier Fudosan	8934	0.34	113.3	48.0
Tosei	8923	1.44	247.7	32.7
Hoosiers Holdings	3284	1.30	159.3	23.6
Ichigo	2337	1.60	93.4	28.7
ES-CON Japan	8892	3.46	222.6	18.1

Note: Net income is net income attributable to owners of parent. Due to a change in accounting period for ES-CON Japan, the FY03/2024 will be a 15-month fiscal year. Therefore, ROE and ROIC, which use company performance data, are not applicable.

Source: Strategy Advisors

10. Stock Trends and Valuations

To see how the company's stock price has changed over the years, Figure 23 shows an index of the stock prices of major real estate finance companies and TOPIX (Tokyo Stock Exchange Stock Price Index) when the stock price at the end of 2019 is set at 100.

During the New Corona Disaster, the Company Showed it is More Resistant to Decline Than Peers

In 2020, when the Corona pandemic began, the stock market as a whole fell sharply and the share prices of all real estate finance companies underperformed TOPIX, but JINUSHI's share price remained on par with TOPIX. This is evidence that the company is at least more resilient than other real estate finance companies in times of market turmoil.

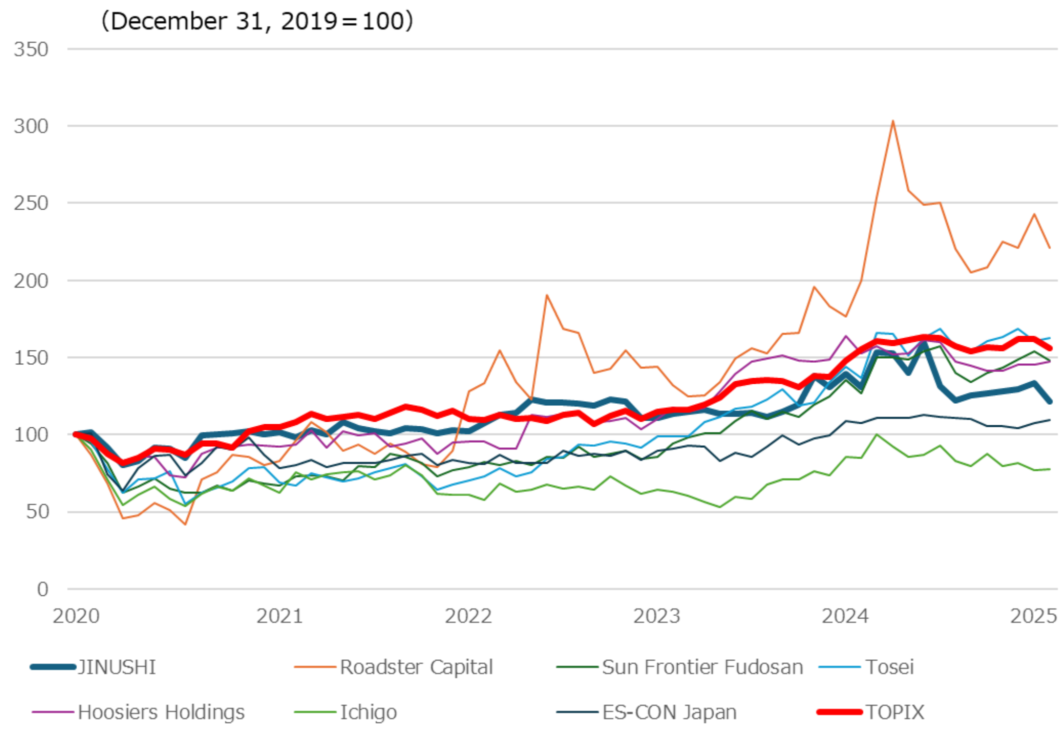
Relative Stock Prices From 2021 Under Performance Vs TOPIX

Since the stock price recovery phase from 2021 onwards, the company's stock price has generally been outperformed by TOPIX, although there was a period when the stock price exceeded TOPIX after the company name change in 2022. Even so, the difference with TOPIX was small, but the major movement came in July 2024, when the company carried out a large-scale public offering and since then, the company's relative stock price has been significantly below TOPIX.

Low PER & PBR

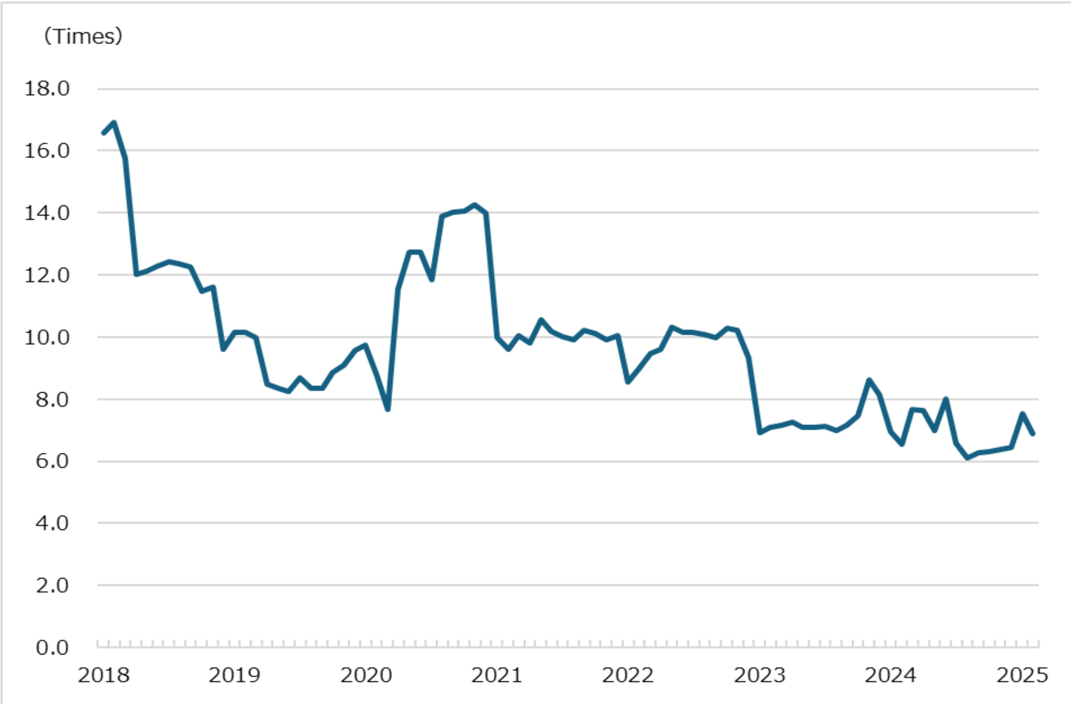
This is also reflected in the company's valuation. Looking at the seven years since 2018, both PER and PBR have been on a downward trend. Compared to other companies, the company's PBR is the lowest and the only two companies with a lower PER are Roadster Capital and Sun Frontier Fudosan.

Figure 23. Stock Price Trends: Real Estate Finance Companies



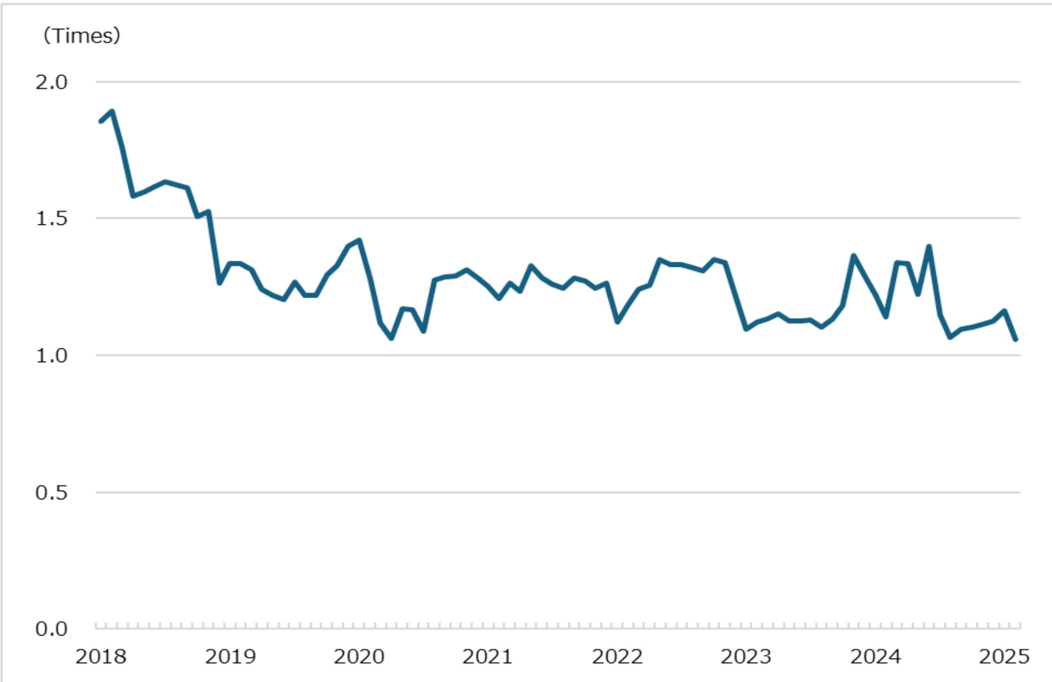
Source: Strategy Advisors

Figure 24. Trends in PER



Source: Strategy Advisors

Figure 25. Trends in PBR



Source: Strategy Advisors

Figure 26. Comparison of Valuations with Peers

Company Name	Code	FY	Stock Price (24/3/13)	Market Cap (¥ mn)	PER CoE (Times)	PBR Most Recent Results (Times)	Dividend Yield CoE (%)	ROE Most Recent Results (%)
JINUSHI	**3252**	**12/2024**	**2,025**	**41,591**	**6.9**	**0.9**	**4.9**	**16.0**
Roadster Capital	3482	12/2024	2,412	39,942	5.2	1.6	3.4	30.6
Sun Frontier Fudosan	8934	03/2024	1,962	95,320	6.8	1.1	3.4	13.9
Tosei	8923	11/2024	2,391	115,870	9.0	1.3	3.7	13.9
Hoosiers Holdings	3284	03/2024	1,069	38,005	7.5	1.0	5.4	13.1
Ichigo	2337	02/2024	369	159,930	11.5	1.6	2.7	11.6
ES-CON Japan	8892	03/2024*	1,032	98,600	9.9	1.4	4.7	N/A

Note: Due to a change in the FY03/2024, ES-CON Japan will have a 15-month fiscal year. ROE, which uses company forecasts, was not applied.
Source: Strategy Advisors

Short-Term Stock Prices from 2024 Onwards Will Lag Behind TOPIX and Other Companies

To see the company's short-term stock price trends after the start of 2024, Figure 27 shows the stock price trends of major real estate finance companies and TOPIX (Tokyo Stock Price Index) as an index, with the stock price at the end of 2023 set as 100.

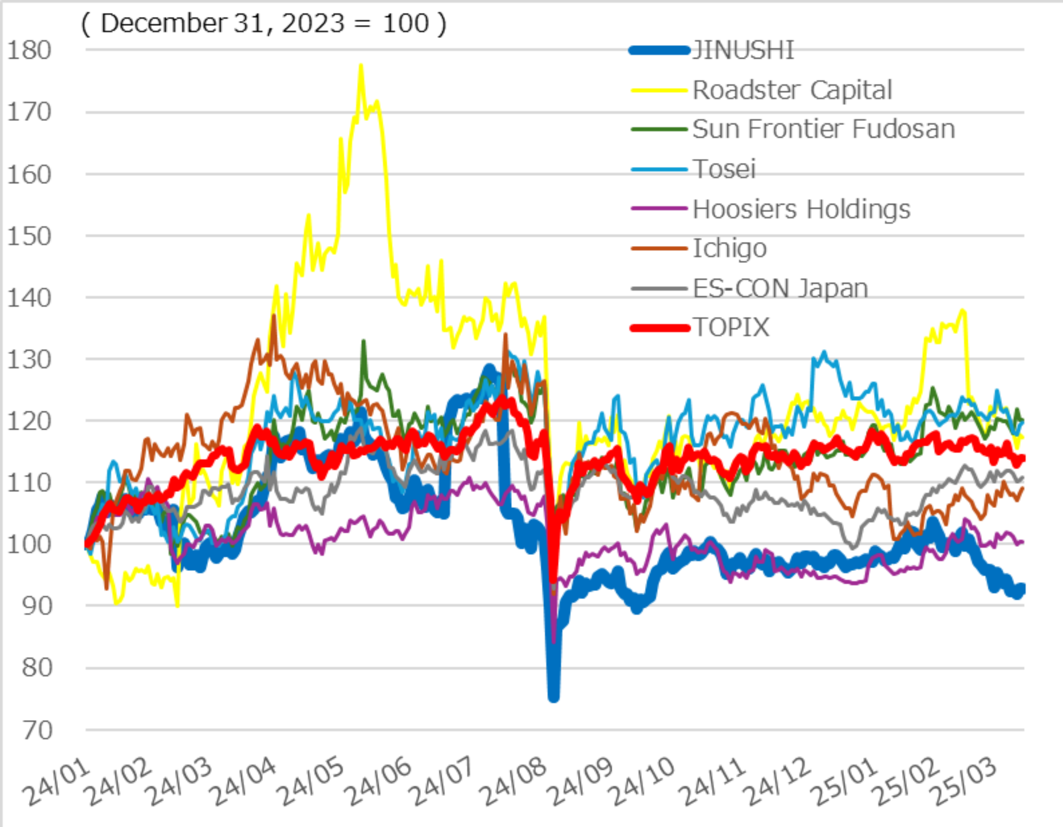
The Japanese stock market has been on an upward trend since 2023, driven by large-cap stocks and hit its highest price since the beginning of the year in July 2024. It then turned downward and after a sharp drop and recovery due to the sudden appreciation of the yen in August, it is currently in a stalemate.

During this process, following the announcement of the FY12/2023 full-year financial results in February 2024, the company's stock price fell and its relative stock price fell below TOPIX. This was likely due to the fact that FY12/2023 results showed a decrease in revenue and profit compared to the previous fiscal year and the view that achieving the company's plan for FY12/2024 was a high hurdle. After that, in March, the stock price began to rise and the announcement of the Q1 financial results in May confirmed the company's progress toward the full-year plan. In June, Daiwa Securities began covering the company with a buy recommendation, which led to the stock price chasing an uptrend and even exceeding TOPIX.

The big change came after the disclosure of a large public offering on July 11th, when the company's stock price fell sharply and its relative stock price also fell below TOPIX. This situation continued even after the stock market as a whole fell sharply in August and then recovered.

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

Figure 27. Stock Price Trends: Real Estate Finance Companies (Short-Term)



Source: Strategy Advisors

If the Superiority of the Business Model & Confidence in Growth are Conveyed to the Market, the Stock Price Will Rise

In terms of business performance, the company will monitor progress with a view to achieving the targets of ¥7 billion in net income for FY12/2026 and ¥300 billion in JINUSHI REIT sales, as outlined in the medium-term management plan.

The company's valuation remains low over the medium term and it can be said to be undervalued. On the other hand, one of the reasons why the stock price has not risen recently is thought to be that there is concern that there may be another public offering; but more importantly, it is likely that the market has not fully heard or understood the confidence the company has in its business model and future growth.

As we have seen so far, the company has grown confident in its JINUSHI Business business model, which led to the company name change in 2022. Given the use of proceeds from its large-scale public offering in July 2024, it can also be seen as a sign of confidence in the future growth of the JINUSHI Business.

The company is currently aiming to widely publicize the attractiveness of the land market as an investment target and its advantages as a pioneer in the land market. This means that there is still a lot of room to increase awareness. As awareness spreads, even if gradually, it is expected that the superiority of the company's business and business model, as well as confidence in the company's growth, will be reflected in the stock price through an increase in valuation.

Dividend Payout Ratio is Expected to Rise to 33.8% Due to the Dividend Increase

The company plans to pay a dividend of ¥100 per share (¥50 interim, ¥50 end of term) for FY12/2025, consisting of a regular dividend of ¥90 and a 25th anniversary commemorative dividend of ¥10. The dividend per share for the previous term was ¥85.0 (¥42.5 interim, ¥42.5 end of term), so this is expected to be an increase of ¥15.0 from the previous term. Due to the change in policy to return dividends in the form of cash dividends, the shareholder benefits that were offered until FY12/2023 have been abolished from FY12/2024. The dividend payout ratio was 25.4% in FY12/2024 but is expected to be 33.8% for FY12/2025 and the company has a policy of increasing dividends along with profit growth (progressive dividends).

11. Risk Factors

At this point, there are no major risks to watch in terms of business execution or performance, but the following three risks can be identified that may prevent the company from performing as expected.

In the short term, it is conceivable that tenants' willingness to open new stores could decline sharply. In fact, the main reason for the lack of growth in both number and value of purchases in FY12/2022 was that the retail industry as a whole, which is the company's main tenant industry, was in a restrained store opening mode due to the supply chain disruption caused by the outbreak of war in Ukraine and rising concerns over rising prices. Changes in the willingness to open new stores affected the company's purchasing conditions within a relatively short period of time. It is important to pay attention to the retail industry's willingness to open new stores and to macro trends (price hikes, currency fluctuations, etc.) related to this willingness.

Since the company's earnings are largely derived from flow services derived from land sales, changes in the plan for land sales could cause actual earnings to deviate significantly from the company's plan. This can be caused by changes in the environment on the tenant side, as mentioned above, or as seen in FY12/2023, by shifting the sales schedule for properties, which can cause sales to fall far short of the company's plan. Although the company places the highest priority on net income trends in its income statement, the share price could react in the short-term depending on how the financial results turn out.

In the medium to long term, it is conceivable that competition for procurement may intensify. In this regard, it is recognized that competition is still occurring at present on an individual property basis. The company believes that it is unlikely that it will be unable to purchase properties due to these factors, as the majority of purchases are made through relative transactions and there are few properties for bidding that are prone to price competition. Rather, the expansion of the market for leased land due to the increased participation of players could be more conducive to growth over the medium to long term.

In the JINUSHI Business, as in other real estate investments, interest rate risk is unavoidable. Rising interest rates have both advantages and disadvantages, since they work negatively on the financing side, but positively on the asset side due to rising real estate prices. In light of the high turnover rate of the JINUSHI Business, the company borrows at variable rates, but with an awareness of the cyclicality of the real estate market itself, it borrows for longer than eight years in principle and repays the debt in advance when the projects are sold.

In principle, J-REITs take out long-term fixed-rate loans, but their loan-to-value (LTV) ratios are lower than those of other REIT’s at around 30% and their sensitivity to interest rates is presumably low. Since the company has a well-developed financial strategy, there is little problem if interest rates move slowly, but it is important to be careful if interest rates fluctuate rapidly.

12. ESG Initiatives

The company's overall business is generally performing well and there are no major issues from the perspective of growth strategy. However, from the perspective of Environmental, Social and Governance (ESG), which investors have recently been paying a great deal of attention to, there is still room for improvement. The following are the main issues.

Corporate Governance Structure

As a group, the company has 19 JINUSHI's and consolidated subsidiaries. As of December 31, 2024, Tetsuya Matsuoka, Founder and Director, was the largest shareholder, holding 14.05% (18.50% when adding the 4.45% held by Godo Kaisha Matsuoka). The company has an audit committee system, with an independent "Nomination and Compensation Committee" under the Board of Directors, whose main members are independent outside directors.

Following the approval at the general shareholders meeting in March 2025, the number of directors will be seven, of which four are independent outside directors, all of whom are audit and supervisory committee members. According to Principle 4-8 of the Corporate Governance Code, companies listed on the prime market are required to appoint a majority of independent outside directors and the company satisfies this principle.

Figure 28. Skill Matrix of JINUSHI Directors

Name (Titles Omitted)	Hirofumi Nishira	Tetsuya Matsuoka	Yuya Kitagawa	Hiroyuki Nishimura	Kensuke Shiwa	Aya Ozasa	Tomonori Ishiwata
Position	Representative Director President	Director	Director (New)	Outside Director (Full-Time)	Outside Director (Part-Time)	Outside Director (Part-Time)	Outside Director (Part-Time)
Gender	Male	Male	Male	Male	Male	Female	Male
Skills Matrix							
Corporate Management	●	●				●	
Sales and Marketing	●	●				●	
Finance and Accounting			●	●			●
Legal, Compliance & Audit		●	●	●	●		●
Sustainability	●	●	●			●	●
Foreign Experience	●	●	●	●		●	

Source: Strategy Advisors

However, the ratio of female directors is only 1 out of 7 (14.3% of the total). Until the previous fiscal year, there had been no female directors, but from March 2024, Aya Ozasa, who has extensive experience and achievements in corporate management, was appointed as an outside director, bringing the number of female directors to one.

In response to the government's "Women's Version of the Framework Policy," the TSE amended its listing rules to require prime market listed companies to (1) strive to appoint at least one female board member by 2025, (2) aim to increase the percentage of female board members to 30% or more by 2030 and (3) recommend the development of an action plan to achieve these goals. Regarding the recommendation in the 3rd point above, the formulation of an action plan to achieve these goals; although this is a recommendation, we expect it could become strongly enforced through the exercise of voting rights by institutional investors.

In order to achieve (2), it will be necessary to appoint 1 to 2 people more female director. It is expected that the company will achieve a 30% ratio of female directors as soon as possible in order to enhance its reputation among investors.

Sustainability Initiatives

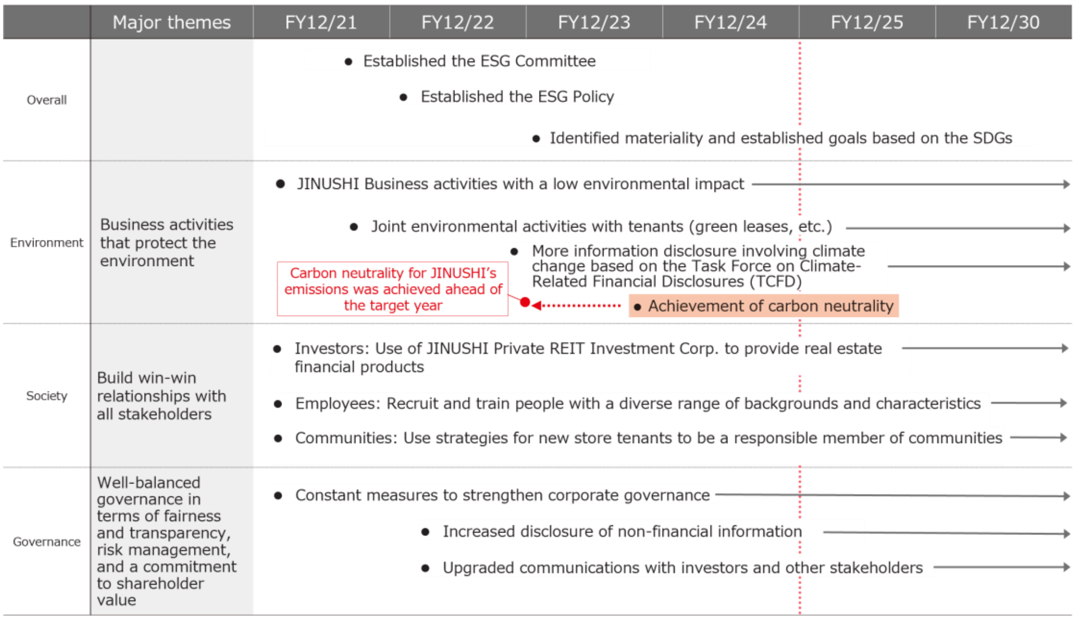
The company has identified material issues related to sustainability and discloses its approach to sustainability.

JINUSHI Business, the company's unique real estate investment approach that does not invest in buildings but only in land, is a real estate investment model that is resistant to natural pandemics and market volatility and emits very little greenhouse gases and industrial waste. Therefore, in its ESG policy, JINUSHI aims to contribute to the realization of a sustainable society.

JINUSHI will expand its business by (1) purchasing land with low risk of natural pandemics such as landslides and flooding, (2) reducing GHG emissions from construction and demolition by tenants by concluding long-term contracts, (3) enhancing its ability to respond to changes in the environment by diversifying tenant types and expanding its business areas and (4) promoting off-balancing of land in existing land and building projects (i.e. promoting long-term use of buildings by tenants).

The company established the ESG Promotion Committee in October 2021, which is chaired by the President and CEO and submits reports to the Board of Directors. The ESG policy was formulated along with the medium-term management plan of February 2022 and an ESG roadmap was formulated in the medium-term management plan.

Figure 29. ESG Roadmap



Source: Company data

In August 2022, the company announced its endorsement of the recommendations of the TCFD (Task Force on Climate-related Financial Disclosures) regarding the environment and has been disclosing information based on the recommendations on its website. The company is considering transition risks and physical risks/opportunities out as far as 2030 and 2050.

The scenario analysis employed both the "1.5°C scenario," which is based on the achievement of the Paris Agreement and the realization of decarbonization and the "4°C scenario," which is a case in which climate change measures do not progress sufficiently and natural pandemics become more severe. The company aims to contribute to the realization of a carbon-neutral society in 2050 by encouraging its tenants to install environmentally friendly facilities and to make their own emissions carbon neutral as a measure based on the scenario analysis.

The goals regarding climate change are (1) to remain carbon neutral (own emissions: Scope 1, 2) (2030 target, 2050 target) and (2) 100% incorporation of ESG clauses in fixed-term leasehold agreements with tenants.

In February 2023, the company became the first listed real estate company in Japan to achieve carbon neutrality (for its own emissions). The business model with extremely low CO_2 emissions contributed to the achievement of carbon neutrality.

In addition to its own achievements, the company is accelerating collaboration with tenants and encouraging the installation of environmentally friendly facilities by incorporating ESG clauses into contract documents.

As of the end of 2024, 117 environmentally friendly facilities had been installed based on ESG clauses (56 solar power generation, 36 EV charging facilities and 25 wall and rooftop greening)

Concerning ESG, with regard to the wider society, the company aims to achieve win-win relationships with stakeholders. Specifically, the company provides (1) real estate financial products through the JINUSHI Private REIT Investment Corporation (investors), (2) diverse human resources and training (employees) and (3) contributions to local communities through tenant store opening strategies (local communities). Other activities include supporting sports through contracts with tennis players and cultural support through sponsorship of symphony orchestras, etc.

Figure 30. Consolidated Statements of Income (¥ mn)

FY	3/18	3/19	3/20	12/20	12/21	12/22	12/23	12/24	12/25 CoE
Net Sales	31,260	39,834	74,187	29,886	56,177	49,887	31,597	57,068	70,000
Cost of Sales	24,402	31,662	65,087	24,868	46,914	39,030	21,098	43,674	
Gross Profit	6,858	8,172	9,100	5,019	9,263	10,857	10,499	13,394	
Gross Profit Margin Ratio	21.9%	20.5%	12.3%	16.8%	16.5%	21.8%	33.2%	23.5%	
SG&A Expenses	5,082	6,569	7,028	3,868	7,738	8,275	7,722	9,955	
Operating Profit	1,370	1,111	2,068	1,144	1,509	2,388	2,766	3,432	
Operating Profit Margin	404	491	3	6	15	194	10	7	
Non-Operating Income	3,174	3,725	3,856	2,599	3,788	4,446	4,344	4,717	
Interest and Dividend Income	3,684	4,447	5,244	2,420	5,475	6,411	6,154	8,677	9,500
Equity in Earnings of Affiliates	11.8%	11.2%	7.1%	8.1%	9.7%	12.9%	19.5%	15.2%	13.6%
Profit on Currency Exchange	229	703	403	637	285	435	227	509	
Other	27	27	12	7	5	17	15	134	
Non-Operating Expenses	30	303	166	130	N/A	N/A	40	1	
Interest Expense and Discount	N/A	88	79	N/A	138	296	84	350	
Equity in Losses of Affiliates	172	285	146	500	142	122	88	24	
Foreign Exchange Loss	869	822	1,049	900	758	903	663	921	
Financing Costs	542	613	729	392	457	598	445	655	
Other	N/A	N/A	N/A	N/A	83	8	N/A	N/A	
Ordinary Profit	127	N/A	N/A	377	N/A	N/A	N/A	N/A	
Ordinary Profit Margin	178	167	272	120	212	267	186	197	
Net Sales	22	42	48	11	6	30	32	69	
Cost of Sales	3,044	4,327	4,599	2,157	5,002	5,943	5,718	8,265	8,000
Gross Profit	9.7%	10.9%	6.2%	7.2%	8.9%	11.9%	18.1%	14.5%	11.4%
Extraordinary Income	N/A	333	130	N/A	N/A	N/A	1,489	N/A	
Extraordinary Loss	70	829	102	N/A	73	1,331	40	40	
Pretax Profit	2,974	3,831	4,628	2,157	4,927	4,612	7,168	8,217	
Corporate, Inhabitant and Enterprise Taxes	992	1,312	1,538	612	4,006	1,423	2,268	2,438	
Income Taxes-Deferred	-30	-165	-87	-100	-2,203	-456	162	-315	
Total Income Taxes	962	1,146	1,451	512	1,803	967	2,430	2,123	
(Corporate Tax Rate)	32.3%	29.9%	31.4%	23.7%	36.6%	21.0%	33.9%	25.8%	
Net Profit	1,958	2,684	3,177	1,644	3,124	3,641	4,709	6,087	6,100
Net Profit Margin	6.3%	6.7%	4.3%	5.5%	5.6%	7.3%	14.9%	10.7%	8.7%
EPS (¥)	109.61	149.30	174.59	89.94	170.90	199.16	267.76	334.89	295.52
Investment in Tangible and Intangible Fixed Assets	72	338	197	2,954	14,142	500	723	477	
Depreciation and Amortization of Goodwill	159	166	116	72	148	148	206	211	
Cash Flow	2,118	2,850	3,293	1,716	3,272	3,789	4,915	6,298	
CFPS (¥)	118.6	159.5	182.5	93.8	178.9	207.2	268.8	383.0	
ROE	10.4%	12.8%	14.0%	6.8%	11.9%	12.4%	15.1%	16.0%	
ROIC (Capital Invested)	4.8%	4.2%	4.6%	2.8%	5.0%	7.5%	4.6%	6.5%	
ROIC (Business Assets)	7.5%	5.9%	6.5%	4.4%	7.2%	10.3%	6.2%	8.1%	
Dividend (¥)	55.00	55.00	55.00	25.00	50.00	55.00	55.00	85.00	100.00
Average Number of Shares During the Period (mn shares)	17.0	17.0	18.0	18.0	18.0	18.0	17.0	18.0	
Number of Shares at End of Period (mn shares)	17.8	18.0	18.2	18.2	18.2	18.2	16.4	20.5	

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

Figure 31. Consolidated Balance Sheets (¥ mn)

FY	3/18	3/19	3/20	12/20	12/21	12/22	12/23	12/24
Current Assets	56,577	90,020	66,886	60,074	60,002	52,850	84,019	95,431
Cash and Deposits	14,522	18,857	21,851	20,897	17,264	23,140	23,092	23,701
Accounts Receivable	194	99	147	198	205	273	330	356
Inventories	41,049	69,516	43,493	38,387	41,995	28,192	60,060	70,670
Other	812	1548	1395	592	538	1245	537	704
Fixed Assets	10,677	9,577	8,169	11,146	26,335	19,302	17,462	19,986
Property, Plant and Equipment	187	455	522	3,436	17,488	16,803	14,859	15,133
Land	4	4	4	2,884	16,994	16,066	13,971	14,336
Intangible Fixed Assets	12	9	14	55	225	116	49	41
Investments and Other	10,477	9,112	7,633	7,654	8,621	2,382	2,553	4,811
Investments in Securities	2,424	1,520	300	293	581	319	343	3,199
Allowance for Doubtful Accounts	-361	-213	-89	-89	-88	-88	-84	N/A
Other	8,414	7,805	7,422	7,450	8,128	2,151	2,294	1,612
Total Assets	67,251	99,597	75,054	71,220	86,337	72,153	101,482	115,417
Current Liabilities	9,131	11,876	7,854	5,400	13,999	4,583	7,483	7,790
Trade Debt	140	102	225	187	112	103	110	348
Accounts Payable and Accrued Expenses	848	501	443	459	581	754	451	365
Interest-Bearing Debt	4,107	8,505	3,890	2,863	7,061	1,875	2,359	2,609
Short-Term Debt	3,329	4,968	1,099	797	1,126	N/A	1,440	1,525
Current Portion of L-Term Debt	778	3,537	2,791	2,066	5,935	1,875	919	1,084
Accrued Income Taxes	1,061	919	1,523	5	3,753	232	2,202	1,498
Deferred Tax Liabilities	2,879	1,713	1,675	1,774	2,366	1,437	2,151	2,970
Other	37,819	66,109	43,330	40,979	44,555	36,610	62,496	62,826
Fixed Liabilities	36,956	65,258	42,674	40,437	42,749	35,288	60,414	60,286
Interest-Bearing Debt	69	43	N/A	N/A	N/A	N/A	N/A	N/A
Allowance for Retirement Benefits/Payroll	516	539	448	234	1,000	398	587	324
Deferred Tax Liabilities	278	269	208	308	806	924	1,495	2,216
Net Assets	20,304	21,611	23,870	24,841	27,781	30,960	31,501	44,800
Capital Stock	20,304	21,611	23,870	24,841	27,781	30,906	31,365	43,960
Capital & Surplus	7,201	7,410	7,707	7,707	7,705	7,705	7,705	14,703
Retained Earnings	13,108	14,811	16,996	17,635	20,302	23,030	26,733	31,213
Treasury Stock	0	0	0	0	0	0	-3,499	-1,957
Accumulated Other Comprehensive Income	-30	-629	-832	-500	-227	169	424	606
Subscription Warrant	25	20	N/A	N/A	N/A	N/A	N/A	N/A
Noncontrolling Interest	N/A	N/A	N/A	N/A	N/A	54	136	233
Total Assets	67,255	99,597	75,055	71,220	86,337	72,153	101,482	115,417
Interest-Bearing Debt	41,063	73,763	46,564	43,300	49,810	37,163	62,773	62,895
Capital Adequacy Ratio	30.2%	21.7%	31.8%	34.9%	32.2%	42.8%	30.9%	38.6%
D/E Ratio	2.02	3.41	1.95	1.74	1.79	1.20	2.00	1.41

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

Figure 32. Consolidated Statements of Cash Flows (¥ mn)

FY	3/18	3/19	3/20	12/20	12/21	12/22	12/23	12/24
Cash Flows from Operating Activities								
Income before Income Taxes	2,974	3,831	4,628	2,157	4,927	4,612	7,168	8,217
Depreciation and Amortization	160	166	116	72	148	148	206	211
Equity in Earnings (Losses) of Affiliated Companies	292	5	93	-3	378	6,669	-59	-1
Working Capital	-9,644	-28,770	26,022	2,504	5,277	13,387	-32,210	-10,232
Income Taxes Paid	-1,041	-1,410	-949	-2,090	-377	-5,426	373	-3,198
Other	1,619	-1,843	-229	930	1,020	603	-690	674
Total Amount	-5,640	-28,021	29,681	3,570	11,373	19,993	-25,212	-4,329
Cash Flows from Investing Activities								
Purchases of Property, Plant and Equipment	-38	-324	-144	-56	-13,373	-379	3,487	-396
Payments for Acquisition of Intangible Assets	1-	N/A	N/A	N/A	N/A	N/A	N/A	-12
Other	192	317	1,305	-43	-4,140	223	205	-1,661
Total Amount	154	-7	1,161	-99	-17,513	-156	3,691	-2,069
Cash Flows from Financing Activities								
Net Increase (Decrease) in Short-Term Loans Payable	2,789	1,639	-3,869	-302	329	-930	1,440	60
Net Increase (Decrease) in Long-Term Debt	4,779	31,665	-23,232	-3,116	2,521	-12,128	24,160	94
Issuance of Shares	3	204	290	N/A	N/A	N/A	N/A	8,279
Payments for Purchase of Treasury Stock	N/A	N/A	N/A	N/A	N/A	N/A	-3,499	1,454
Dividends Paid	-1,018	-982	-992	-1,004	-458	-913	-1,005	-1,606
Other	-140	-14	-17	-20	-29	-4	16	-1,406
Total Amount	6,413	32,512	-27,820	-4,442	2,363	-13,975	21,112	6,875
Effect of Exchange Rate Changes on Cash	7	-136	-28	18	57	99	16	267
Cash Increase/Decrease	934	4,348	2,994	-953	-3,718	5,960	-392	744
Cash Beginning Balance	13,575	14,509	18,857	21,851	20,897	17,178	23,140	22,747
Cash Ending Balance	14,509	18,857	21,851	20,897	17,178	23,140	22,747	23,492

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

Disclaimer

Strategy Advisors

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