



**Loadstar Capital K.K.**

Financial Results Briefing for the Fiscal Year Ended December 2023

February 14, 2024

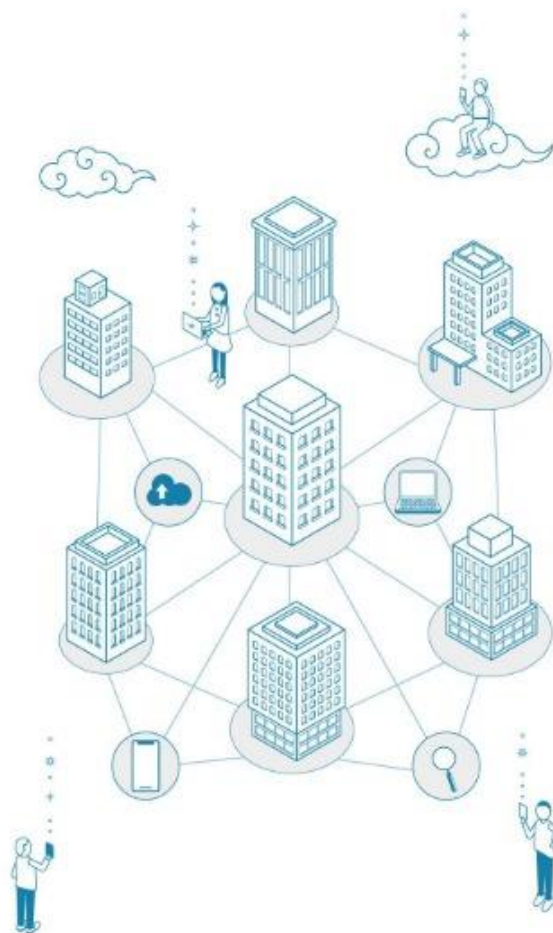
# Presentation

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**Iwano:** I am Tatsushi Iwano, President. I would like to present an overview of our financial results for the fiscal year ended December 31, 2023.

Mission

Real Estate X Tech  
to Open Up a New Market



We are in business with the mission that real estate and technology will open up a new market.

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# Business Highlights



## Markets

European and U.S. markets were unstable, and investment demand in Japan from European and U.S. investors was limited. On the other hand, investment demand, mainly from domestic institutional investors and business corporations, was solid. As a result, the real estate market was relatively stable. Demand from visitors to Japan has improved, and the hotel market continues to recover.

## Progress

Corporate Funding Business: We acquired a large office building and hotels. In general, our progress was on track to meet our original target.

Asset Management Business: We made a steady accumulation of AUM.

Crowdfunding Business: We successfully developed consistent business.

## Performance

Corporate Funding and Asset Management Businesses recorded record-high sales. Sales in the Crowdfunding Business reached a record high level. As a result, we achieved sales and profit growth for the 11th consecutive fiscal year since our foundation.

Net Sales

(¥ billions) % Y-o-Y  
**28.7** +21.5%

Operating profit

**8.2** +9.3%

Profit before Tax

**7.1** +1.2%

Profit

**4.8** +0.8%

Real estate as inventory

Change (%) from the prev. year-end  
**55.1** +16.8%

ROE

**29.1%**

Dividend

Dividend payout ratio(%)  
**¥52.5** 17%

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First, I will explain the financial highlights for the fiscal year under review and the forecast for the fiscal year ending December 2024.

The financial highlights for the fiscal year under review, ended December 31, 2023, are as shown. Net sales were JPY28.7 billion, operating profit was JPY8.2 billion, profit before tax was JPY7.1 billion, and net profit was JPY4.8 billion. Dividends per share will be JPY52.5.

The results were generally in line with the full-year forecasts, and the Company achieved increases in both sales and profits for the 11th consecutive fiscal year since its establishment. Although the European and US markets have been unstable and our business was somewhat affected by this, demand from domestic institutional investors and business corporations has been firm, and we believe we have been able to stably develop business in the Corporate Funding, Asset Management, and Crowdfunding Businesses.

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## Forecasts for FY2024



- We expect a 30% increase in sales, 40% increase in each profit, 10 billion yen in pre-tax income, and a dividend of 70 yen per share.
- Along with aggressive domestic investors, some European and U.S. investors have resumed investing. We expect the real estate market will remain robust.

FY2024 (Forecast)	FY2024 (Forecast)			FY2023 (Result)	
	Amount	% of Net Sales	% Y-o-Y	Amount	% of Net sales
(¥ millions)					
<b>Net sales</b>	<b>37,658</b>	100.0%	131.1%	28,726	100.0%
Gross profit	13,569	36.0%	134.7%	10,070	35.1%
SG&A expenses	2,001	5.3%	109.9%	1,821	6.3%
<b>Operating profit</b>	<b>11,567</b>	30.7%	140.2%	8,249	28.7%
<b>Profit before income taxes</b>	<b>10,083</b>	26.8%	141.0%	7,152	24.9%
<b>Profit</b>	<b>6,895</b>	18.3%	141.2%	4,883	17.0%

(Note) Our original targets for the medium-term management plan were net sales of 30 billion yen and profit before income taxes of 10 billion yen.

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Next, I will explain our forecast for the fiscal year ending December 31, 2024.

We forecast net sales of JPY37.6 billion, an operating profit of JPY11.5 billion, a profit before tax of JPY10 billion, and a net profit of JPY6.8 billion. We are projecting a 30% increase in net sales, a 40% increase in operating profit, and profit before income taxes exceeding JPY10 billion, and we plan to pay a dividend of JPY70 per share. This is, of course, the 12th consecutive year of growth in sales and profit, and the plan incorporates the recent strong market conditions.

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## Overall Outlook

- The rise in interest rates and decline in real estate prices across the globe appear to have passed their peaks. Now, a market recovery is expected.
- Although negative interest rates in Japan are toward being lifted, we believe that the favorable financing environment will not change and that investment in the real estate market in Japan, where the yield gap remains stable, will continue to be solid.

## Interest rate

- Even if short-term interest rates were to rise, such impact would be minor. The effect on our business performance is expected to be limited.
- We have hedged against the risk of interest rate changes by fixing the interest rate on a portion of the borrowings.
- In the medium to long term, we expect rents and property prices will rise in line with inflation. Therefore, we believe that this will have a positive impact on our business.

## Future action

- Aiming to expand business performance over the medium to long term, we will continue to engage in acquisition proactively to enjoy the benefits of inflation.
- We continue to closely monitor the impact of the macro environment on the Tokyo office market, including interest rate and inflation.

This section provides an overview of the outlook for the real estate market. It is also related to the earnings forecast just mentioned. We believe that the real estate market in general will remain strong due to aggressive domestic investors and expectations of a global market recovery. In Japan, there is concern about the trend of interest rates, but we believe that the impact on our earnings will be small, partly because we have fixed interest rates.

On the other hand, we expect rents and property prices to rise in line with inflation over the medium to long term, which we believe will have a positive impact on our business. We will continue to pay close attention to market trends and continue our aggressive purchasing.

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## Consolidated Sales and Consolidated Profit before income taxes

- All businesses performed well. Consolidated net sales increased for the 11th consecutive year to 28.7 billion yen (up 21% y-o-y).
- Consolidated profit before income taxes was 7.1 billion yen. Despite a slight increase from the previous year, we achieved profit growth for the 11th consecutive year. The average annual growth rate since our listing became 36%.



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Here is a summary of the financial results for the fiscal year ended December 31, 2023.

First, let's look at consolidated sales and consolidated profit before income taxes. Consolidated net sales were JPY28.7 billion and consolidated profit before income taxes was JPY7.1 billion, both generally in line with the full-year forecasts.

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① **Achieved 11th consecutive fiscal year of sales and profit growth since our founding**

Despite concerns of the impact of the U.S. and European markets, investment demand, especially from domestic investors, remained strong. Thus, we achieved sales and profit growth for the 11th consecutive fiscal year.

② **Built up property inventory as future business foundation**

We acquired the largest office building ever in terms of acquisition price from Mitsubishi Estate. We opened the third hotel in Akasaka. Demand for hotels, especially from visitors to Japan, is strong, and this hotel will contribute to our revenues.

② GRACE KOJIMACHI



② Akasaka Paros Bldg.



③ **Sold our properties and received mandates for AM**

After the sale of our properties, we received mandates for asset management and secured ongoing AM fees. Aside from this, we have also moved forward with developing new equity investors.

③ Prime Shinyokohama



③ Prime Suehirocho



Next, here are some topics about the fiscal year ended December 31, 2023.

The first, as I reported earlier, is the achievement of an 11th consecutive fiscal year of increased sales and profits since the Company's founding. Our strength lies in the fact that we have been able to maintain solid figures even in an unstable market.

Second, the properties are well built up. In addition to the large office building acquired from Mitsubishi Estate Co., Ltd., we also purchased small and medium-sized offices and a hotel.

Third, after the sale of several properties, we received mandates for asset management and secured ongoing AM fees. We have undertaken similar initiatives in the past, and we have moved forward with expanding our business through working with new institutional investors.

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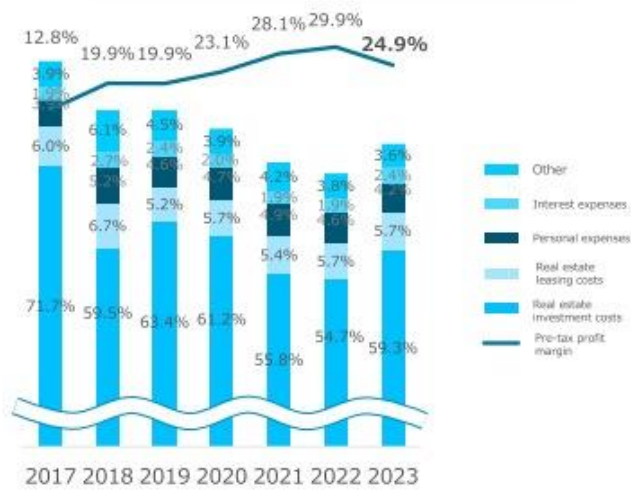
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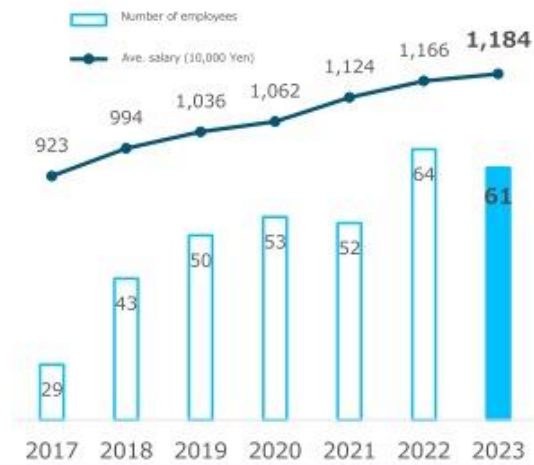
# Cost Control and Human Capital Investment

- We maintained a high profit margin in FY2023. For FY2024, we do not anticipate a significant increase in costs.
- Since our foundation, we have focused on "Human Capital Investment." We strive to provide appropriate compensation based on performance of each employee and a work environment where every employee can pursue his or her own personal growth. Despite some changes in the number of employees, the business shows consistent growth.

## Cost structure



## Human Capital Investment



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Next, I will discuss cost control and investment in human capital.

We continue to maintain a high profit margin, and there will be no significant change in 2024. We continue to invest in people, and our business is expanding steadily as all of our members grow.

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# Consolidated Statements of Income



- Achieved record-high increases in net sales and all PL items below.
- Costs of interest rate swap agreements were incurred, but this will reduce the potential interest burden in the future.

(¥ millions)	FY2023 Results				FY2022 Results	
	Amount	% of Net sales	% Y-o-Y	Progress vs. original forecast	Amount	% of Net sales
<b>Net sales</b>	<b>28,726</b>	100.0%	121.5%	97.9%	23,637	100.0%
Gross Profit	10,070	35.1%	107.6%	99.4%	9,361	39.6%
SG&A expenses	1,821	6.3%	100.3%	90.4%	1,816	7.7%
<b>Operating Profit</b>	<b>8,249</b>	28.7%	109.3%	101.7%	7,545	31.9%
<b>Profit before income taxes</b>	<b>7,152</b>	24.9%	101.2%	98.1%	7,064	29.9%
<b>Profit</b>	<b>4,883</b>	17.0%	100.8%	98.3%	4,843	20.5%

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Here you see the consolidated statement of income.

All of the items are at record highs. The Company has entered into new interest rate swap agreements, which incurs a non-operating expense, but this will reduce the potential interest burden in the future.

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## Consolidated Financial Position

- Real estate as inventory, our future business foundation, increased by approx. 8 billion yen to 55.1 billion yen (up 17% from the previous year-end).
- Having secured adequate liquidity on hand, we plan to continue to make aggressive investments in FY2024.

As of December 31, 2023	As of December 31, 2023		
	Amount	% of total	% vs. Dec. 31, 2022
(¥ millions)			
Current assets	74,759	99.1%	114.7%
Cash and deposits	11,927	15.8%	126.8%
<b>Operating loans</b>	<b>6,935</b>	9.2%	82.4%
<b>Real estate as inventory</b>	<b>55,128</b>	73.0%	116.8%
Liabilities	56,180	74.4%	110.3%
Interest-bearing debt	41,860	55.5%	110.8%
<b>Deposits received from silent partnership investors</b>	<b>8,217</b>	10.9%	97.2%
Net assets	19,293	<b>25.6%</b>	130.6%
Total liabilities and net assets	75,473	100.0%	114.9%

- This shows the amount of loans outstanding in the Crowdfunding business.

- A considerable amount of unrealized gains have accrued, as we hold properties with high appraisal values.
- High liquidity since we have no development projects, and our properties are mostly tenanted buildings located in Tokyo.
- Under the guidance of the accounting auditor, real estate holdings reported as inventory irrespective of holding purposes.

- This shows the amount investors invested in OwnersBook projects.

- Adjusted net asset ratio excluding deposits from tokumei kumiai (silent partnerships) that do not attribute to the Company was 29%. This would be even higher considering unrealized gains.

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The consolidated financial position is as shown.

In addition to an increase in the balance of real estate as inventory, which serves as the business foundation, cash and deposits increased significantly to JPY11.9 billion. Net assets are also increasing steadily in line with revenue growth, and the Company continues to grow while firmly managing risk.

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## Consolidated Statements of Cash Flows



- Despite a slightly negative operating CF due to an increase in the balance of real estate as inventory, we are firmly managing cash. Thus, our cash on hand has increased significantly.
- Since we have been in a good relationship with banks, we are now able to borrow more than 5 billion yen from a single bank. Our financial CF has also remained solid.

(¥ millions)	FY2023	FY2022
<b>CF from operating activities</b>	<b>(789)</b>	(1,517)
Profit before income taxes	7,152	7,064
Decrease (increase) in operating loans receivable	1,484	(2,150)
Decrease (increase) in Real estate as inventory	(8,604)	(5,700)
Increase (decrease) in deposits received from silent partnership investors	(240)	1,498
Increase (decrease) in deposits received	639	(1,258)
<b>CF from investing activities</b>	<b>(1)</b>	(232)
<b>CF from financing activities</b>	<b>3,314</b>	3,226
Net increase (decrease) in borrowings	4,087	4,430
Purchase of treasury shares	(0)	△694
Net increase (decrease) in cash and cash equivalents	2,523	1,476
Cash and cash equivalents at beginning of period	9,403	7,926
<b>Cash and cash equivalents at end of period</b>	<b>11,927</b>	9,403

- ◆ Our strategy is to accumulate real estate for sale, which will serve as our business foundation. The more we accumulate, the larger our cash outflows will be.
- ◆ This cash outflow is covered by profits and financing, which is a common CF in the real estate industry.

The consolidated statement of cash flows is as shown.

Cash on hand increased significantly, although operating cash flow was slightly negative, due to the growth in the balance of real estate as inventory. We have good relationships with financial institutions, and we are able to grow while managing our risks.

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# Return to Shareholders

## Basic Policy

- We continue our efforts to improve corporate value and shareholder profit by expanding business performance.

## Dividend Policy

- Aiming for dividend payout ratio of 17%, we shall continue stable and continuous return of profits. For FY 2023, we will pay a dividend of 52.5 yen per share (payout ratio of 17%) as originally planned.



## Shareholder Benefits

- We now offer a special OwnersBook investment allotment to our shareholders who have held at least 1,000 of the Company's shares for at least six months.

Next, I would like to discuss shareholder returns. Our basic policy is to strive to increase corporate value and shareholder returns through business expansion.

The Company plans to pay a dividend of JPY52.5 per share as initially planned, based on a dividend payout ratio of 17% and a stable and continuous return of profits to shareholders.

Next, I will explain the results by business segment.

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The first area is real estate investments.

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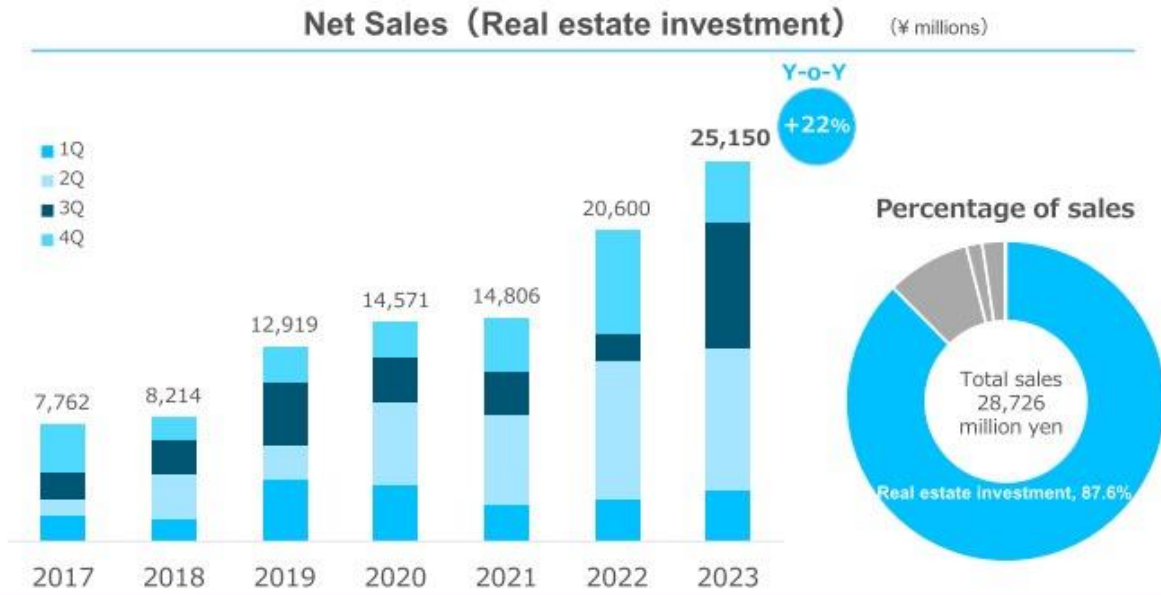
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## Corporate Funding Business Results 【Real Estate Investment Sales】



- Sales increased 22% y-o-y to 25.1 billion yen as a result of the sale of 13 properties.
- Return-to-office trend has become more common in corporate landscapes. Investment demand, mainly from domestic institutional investors and business corporations, remained robust. Thus, the real estate transaction market was relatively stable.



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In the real estate investment business of the Corporate Funding segment, 13 properties, mostly small properties, were sold, resulting in record sales of JPY25.1 billion. Although the movement of investors in Europe and the US was somewhat sluggish, the return to office space is becoming clearer, and investment demand, mainly from domestic institutional investors and business corporations, remained firm, resulting in a relatively stable real estate market.

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## Corporate Funding Business Results 【Real Estate Leasing Sales】



- Three hotels performed better than expected, capturing demand from both Japanese and foreign travelers. The hotels are expected to contribute to earnings in FY2024.
- Real estate leasing costs slightly increased due to aggressive value-adding construction work.



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Next, I will explain the real estate leasing business of the Corporate Funding segment.

In addition to rental income from office space, hotel sales, mainly from travelers to Japan, exceeded expectations, resulting in record sales of JPY2.4 billion. Although the rental profit margin has declined slightly as aggressive value-adding work, etc., is concurrently being undertaken, we believe this will contribute to higher earnings in the future.

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# Corporate Funding Business Results

- Profit margins on property sales continue to remain high, reflecting the robust market.
- We acquired 8 properties, including large-scale projects, and sold 13 properties, mainly small-and medium-sized ones. We are operating our business efficiently due to an increase in the scale of each property.

**Changes in the Book Value of Real Estate as Inventory and the Number of Properties**



Track Record	Sales Price/Purchase Price (excluding expenses, depreciation, etc.)
2019	136%
2020	147%
2021	149%
2022	161%
<b>2023</b>	<b>156%</b>

Number of Properties	Possession	Cumulative sale
Five wards in central Tokyo	16	40
Other wards	2	23
Yokohama	1	2

Main Purpose	Office	Logistics/Factory	Retail	Residence	Hotel
Five wards in central Tokyo	14	-	-	-	2
Other wards	1	-	-	1	-
Yokohama	-	-	-	-	1



\* Five wards in central Tokyo : Chiyoda-ku, Chuo-ku, Minato-ku, Shibuya-ku, Shinjuku-ku

Here you see the performance trends of the Corporate Funding Business.

Following a strong year in 2022, we were able to sell real estate as inventory at a fairly high profit margin in 2023. The number of properties held has decreased due to the sale of smaller properties on a priority basis. However, the balance of real estate as inventory has increased significantly and is also concentrated in the five central wards of Tokyo, allowing for more efficient business operations.

We believe we are accumulating more liquid properties because of the strong need for mid- and large-sized properties in the market and the willingness of domestic and foreign institutional investors to invest in these properties. In addition, unrealized gains are increasing thanks to the replacement of properties, and we believe that we are being able to ideally build up our asset portfolio.

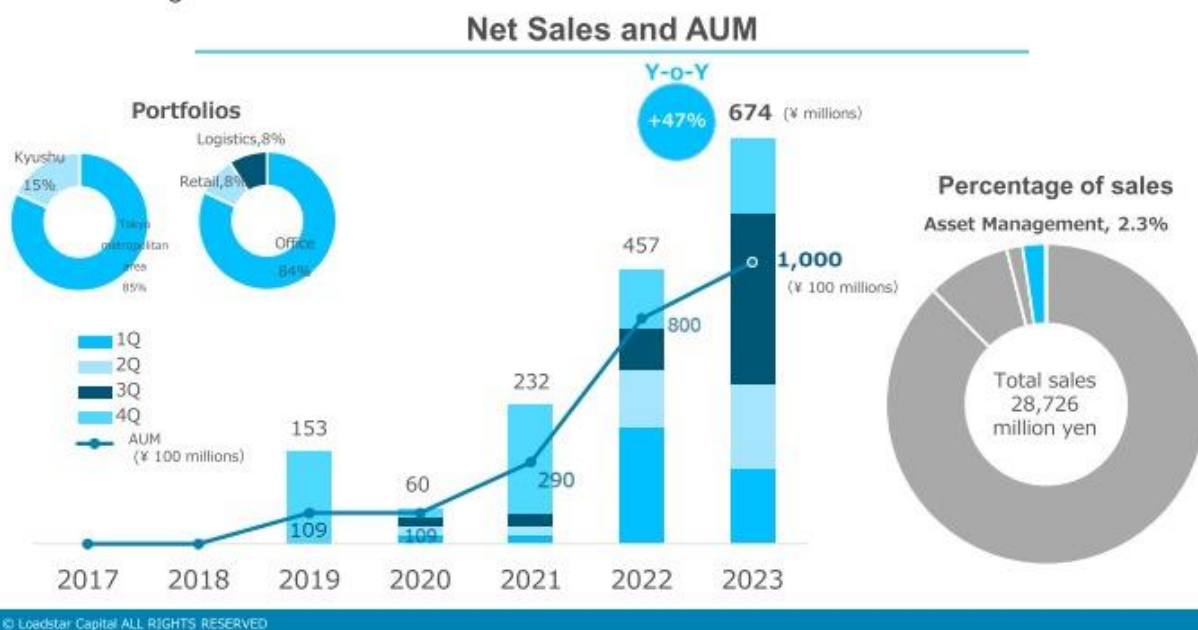
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# Asset Management Business Results

- We now have a total of four transactions in which we received mandates for asset management services after the sale of our properties. Synergy between AM and Corporate Funding Business is increasing.
- Despite the sale of some properties under management, AUM increased 25% y-o-y to 100 billion yen. AM fees increased 47% y-o-y to 674 million yen, reaching record high.



Next, please look at the Asset Management Business.

AUM exceeded JPY100 billion due to the mandates received for two properties sold in the Corporate Funding Business, as well as mandates received for external properties. During the period, there were sales of projects under asset management, and the associated fees were also recorded.

Net sales increased 47% from the previous year to JPY670 million, a record high. In addition, forward-committed projects and development projects that are not shown in the said figure are also progressing, and the Asset Management Business is growing as a solid earnings pillar.

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## Mission Real Estate X Tech to Open Up a New Market



Next, I would like to explain our Crowdfunding Business in the fintech area.

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## Crowdfunding Business Results

- Thanks to the favorable real estate market conditions, the Crowdfunding business performed well. Net sales reached a record high level of 459 million yen, up 13% y-o-y.
- Operating loans stood at 6.9 billion yen, down 18% from the previous fiscal year-end, due to the large number of projects that reached redemption in FY2023. Loans to new borrowers were 8.5 billion yen, and this represents a steady increase.

### Net Sales and Operating Loans Receivables (¥ millions)



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Crowdfunding Business sales were at a record high level, up 13% from the previous year. The decrease in the outstanding balance of operating loans was attributed to improved market conditions and increased opportunities for property sales and refinancing.

Since a decrease in operating loans also means that investors have more room to invest, we will continue our efforts to originate deals.

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# Crowdfunding Business (KPI)

- We launched a new marketing campaign through our official LINE account. In addition, we created special investment allotments for first-time investors in OwnersBook to enable them to invest more easily.
- We have set an STO project launch in the medium-term management plan. However, we postponed the commercialization in FY2023 as there were still many legal restrictions and it took time to align with stakeholders. There is no change in the strategy, and we aim to launch as soon as all the necessary conditions are in place.

**Investor members** **28,082** (People)

**Investment amount** **93** (¥ 100 millions)



**Investor Members/  
Cumulative Investment Amount**



KPIs for the Crowdfunding Business include the number of investor members and the investment amount. The number of investor members continues to grow, albeit slowly. Since the offering time of projects often ends very shortly, making it difficult for new investors to invest, we are implementing new initiatives such as introducing special investment allotments for first-time investors.

As for the launch of the STO project, various arrangements are still being made and we hope to proceed as soon as the conditions are in place. The investment amount is JPY9.3 billion, the largest ever. Sales activities continue to be aggressive.

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<b>Basic Policy</b>	<b>With the Corporate Funding Business as our business foundation, we aim to increase our corporate value by expanding the scale of our Asset Management Business and Crowdfunding Business.</b>
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<b>Business Strategy</b>	1. Increase Assets Held on the Balance Sheet
	2. Expand AUM in the Asset Management Business
	3. Increase and Diversify OwnersBook Assets
	4. Bolster ESG-Related Initiatives

Next, I will explain the progress of the medium-term management plan.

As part of our medium-term management plan, we aim to increase corporate value by expanding the scale of our Asset Management and Crowdfunding Businesses, with our Corporate Funding Business as our business foundation.

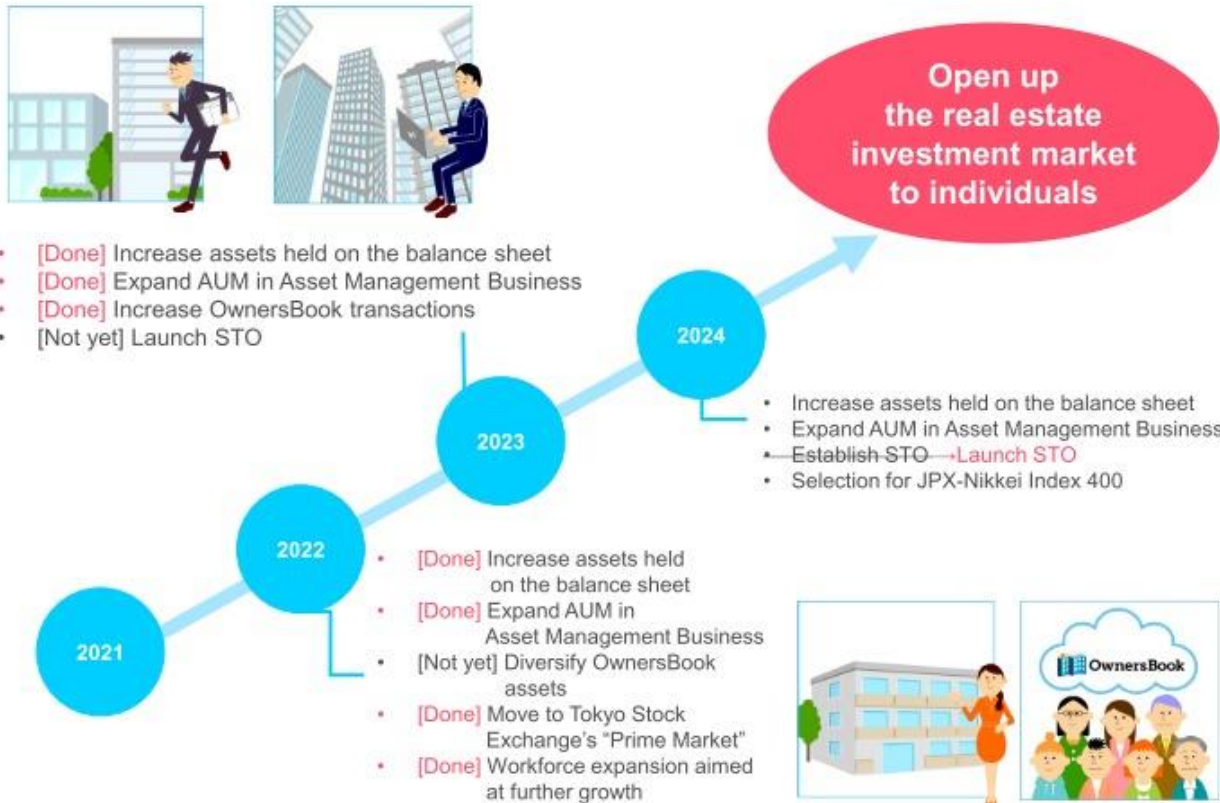
Specifically, the following business strategies are in place: 1) Increase assets held on the balance sheet; 2) Expand AUM in the Asset Management Business; 3) Increase and diversify OwnersBook Projects; and 4) Bolster ESG-related initiatives.

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# Policy Summary by Year



As for the progress of the policy summary by year, we are still in the middle of the road, but I personally rate it at about 80 points out of 100. Although we have not achieved some of our goals, we are determined to achieve all of them and to move forward toward our long-term vision of opening the real estate investment market to individuals.

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## Progress of Medium-Term Management Plan



- In FY2023, although slightly short of our original plan, we were on a good track for FY2024, the final year of our medium-term management plan.
- We have set challenging targets especially for Real estate investment as inventory/AUM/OwnersBook investment, but we aim to achieve these targets through company-wide efforts.

(\$ 100 millions)	FY2022		FY2023		FY2024
	Plan	Amount	Plan	Amount	Plan
Net sales	185	236	293	287	<b>300</b>
Profit before income tax	63	70	72	71	<b>100</b>
ROE	>30%	38%	>30%	29%	<b>&gt;30%</b>
Dividend payout ratio	>15%	17%	≥17%	17%	<b>≥17%</b>
Real estate investment as inventory	-	471	-	551	<b>750</b>
AUM	-	800	-	1,000	<b>2,000</b>
OwnersBook investment	-	75	-	93	<b>200</b>

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The progress of the medium-term management plan is as shown.

Looking ahead to 2024, the final year of the plan, we have made good progress toward achieving the plan in 2022 and 2023. Although the targets are somewhat high for real estate investment as inventory, AUM, and OwnersBook investment, the entire company will work together to achieve them, along with the achievement of both the FY2024 budget and the medium-term management plan.

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# Business Strategy: ESG

	Environment	Society	Governance
Initiatives	<ul style="list-style-type: none"> <li>✓ Switching to electricity from renewable energy sources</li> <li>✓ Reducing CO<sub>2</sub> emissions</li> </ul>	<ul style="list-style-type: none"> <li>✓ Studying donation-type Crowdfunding Business</li> <li>✓ Encouraging employees' health and wellness</li> <li>✓ Running business efficiently</li> </ul>	<ul style="list-style-type: none"> <li>✓ Enhancing workforce diversity</li> <li>✓ Strengthening compliance system and increasing awareness of compliance issues</li> </ul>
KPIs	<ul style="list-style-type: none"> <li>✓ By 2024, aiming to switch all Company-held properties* to electricity from renewable energy sources</li> <li>✓ Looking to participate in international initiatives such as RE100</li> </ul>	<ul style="list-style-type: none"> <li>✓ Seeking to launch donation-type Crowdfunding Business</li> <li>✓ Aiming for all employees to take medical checkups</li> <li>✓ Advancing digital transformation of businesses</li> </ul>	<ul style="list-style-type: none"> <li>✓ Maintaining 1/3 of outside officers ratio</li> <li>✓ Evaluating Board of Directors effectiveness at least twice per year</li> <li>✓ Participating in compliance training at least 4 times per year</li> </ul>
Track record	<ul style="list-style-type: none"> <li>◆ Successfully implemented renewable electricity in 15/19 properties (as of Dec 31, 2023)</li> </ul>	<ul style="list-style-type: none"> <li>◆ Made donations through Japanese Red Cross Society in 2023 (not our crowdfunding)</li> <li>◆ Employees' medical checkup rate reached 98% in 2022</li> <li>◆ Officially became a "DX certified operator" (as of Feb, 2024)</li> </ul>	<ul style="list-style-type: none"> <li>◆ Achieved all of the above indicators in 2023</li> </ul>

\* Excluding properties where the Company cannot conduct such a switch due to tenant circumstances, etc.

Finally, please see our ESG initiatives and achievements.

We believe that we have achieved a certain level of performance in all areas of environment, society, and governance. As a listed company in the Prime market, we recognize that our social responsibility is relatively great, and all of our members intend to respond with a high level of awareness.

That is all for today. We will work harder than ever in 2024. Thank you very much.

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## Question & Answer

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**Moderator:** We will now move to the question-and-answer session. If you have a question, please write your question in the Q&A section, not through the chat. The management will select from among the questions submitted and answer them. Questions with duplicative content will be omitted. Now, if you have any questions, please enter your questions.

**Participant:** First question. It appears that there has been no purchasing since the middle of last year, how is the recent purchasing situation? I would appreciate your answer, Mr. Iwano.

**Iwano:** Thank you very much. I will answer the question about recent purchases. To be honest, we participated in various bids in H2 FY2023, but unfortunately were unable to acquire any properties. On the other hand, for 2024, it appears that we fortunately will be able to acquire several properties, and we hope to be able to proceed with contracts, etc. in the future. Our policy is to steadily purchase properties. The timing may shift somewhat, but we intend to proceed firmly with the purchase.

**Moderator:** Thank you very much.

**Participant:** In relation to your current answer, can you tell us a little more about the trends of foreign investors and the domestic purchasing environment?

**Iwano:** Yes. We recognize that foreign investors, especially European and US investors, were very slow in FY2023. From the beginning of the period, we had some concerns that this would be the case. As a result, investment activity was restrained, or if there was some investment, it was mainly in residences, and they did not have much of a presence in offices, which is our specialty.

On the other hand, there are indications that some foreign investors are beginning to move in 2024, partly for budgetary purposes. Therefore, we believe that we will see a significant return of investment by foreign investors in the middle to second half of this year.

**Moderator:** Thank you very much. Moving on to the next question.

**Participant:** You have invested in three hotels in the past, what are your plans for the future?

**Iwano:** As I have explained in the past, we are interested in buying hotels, but it takes time to research and acquire them, so we sometimes do not manage to get the timing right, there are sometimes no opportunities for us, or there is sometimes too much competition and we lose out.

However, in light of the current market, demand from visitors to Japan is very strong. On the other hand, the rising cost of construction has made it difficult to build new hotels even if you wanted to. Considering both of these factors, I think the hotel market will be strong for a while yet, say, two or three years. Therefore, we will continue to actively purchase any good properties.

**Moderator:** Thank you very much. New question.

**Participant:** There is also concern about increased competition due to an increase in the number of players, as new developers are going into full-scale purchasing of existing buildings in response to rising construction costs. How is the current competitive environment? Are there any changes in the number of projects available, purchase price, or profitability?

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**Iwano:** Thank you very much. As you say, more and more new players are entering the business of revitalizing real estate such as ours. In addition to existing funds, we believe that general contractors, real estate companies, infrastructure companies such as electric and gas companies, and various other companies are entering this business.

On the other hand, we have a long-standing network. Although competition will intensify, we will continue to focus on sourcing or finding good deals, and from the opposite perspective, we believe that the market will become easier to sell. Therefore, we do not believe that an increase in competition will make much difference.

Certainly, it will be challenging to maintain the profit margin of nearly 50% that we have maintained to date for the next 10 or 20 years. However, by purchasing properties, adding value to them, and selling them, we are now able to earn a large profit in total. There will be no major change in this direction, and we intend to continue firmly our business in this direction.

**Moderator:** Thank you very much. Next question.

**Participant:** Please tell us about your Asset Management Business. In recent years, the Asset Management Business has been growing significantly, with AUM of JPY100 billion in the fiscal year under review. What are the attributes of investors in this Asset Management Business?

**Iwano:** We cannot disclose the names of investors, but we currently have about 10 institutional investors with whom we have relationships. Most of them are domestic financial institutions and business corporations. In the market for the past two to three years, domestic investors have been stronger or quicker to make decisions than foreign investors from abroad.

While we value our existing investors, we would like to discuss with new investors as they emerge. As I mentioned earlier, recently we have been receiving an increasing number of inquiries from foreign funds about asset management and whether we are interested in developing some kind of business together with them. In terms of market depth, we consider these to be very positive reactions.

**Moderator:** Thank you very much.

**Participant:** What is your staffing structure? According to the slides in the financial results presentation, it appears that the number of personnel has been reduced. I would like to know about its impact on your business and the current employment situation.

**Iwano:** It is a difficult problem because our market is characterized by the fact that when the market improves, a shortage of human resources emerges or people become independent or change jobs to other companies.

However, we have been able to expand our earnings and business while our internal members are growing strong, and I believe this is a great strength of our company. In addition, several new members will be joining us this year, which we believe will make us even more muscular and more competitive. We are very happy to see that as the Company's name recognition increases, we are attracting more talented people.

**Moderator:** Thank you very much.

**Participant:** You mentioned that you were able to accumulate unrealized gains on real estate as inventory even though the number of properties decreased. Please tell me as much as you can how much unrealized profit we should assume.

**Iwano:** This is also a bit of a difficult problem. Our basic policy is to accumulate more liquid properties, properties with potential that we would like to own, on our balance sheet, and sell smaller properties or

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properties that have less room to increase in value. Compared to the properties that were sold, we believe that our current portfolio of properties is of higher quality and includes more profitable properties. Since the profit margin on sales over the past few years has been about 50%, we believe that we will have an unrealized profit of about 50% on the asset balance, or book value, of the properties we currently own.

**Moderator:** Thank you very much. Next question.

**Participant:** In 2023, we often saw sales by foreign funds, but recently we have heard of an increase in CRE projects such as warehouses and factories. Are there any changes in the attributes of the projects that are available, such as offices, hotels, and other assets? Please let me know along with your strategy.

**Iwano:** Indeed, in 2023, a major foreign fund was selling properties to replace part of its portfolio. We have been concerned since the beginning of the year that we would not want to see the market weaken or crash due to this. However, the conclusion is that there is no surplus of properties in the market at all, as such properties were mostly purchased by Japanese investors and business corporations.

So, after such a period, I think the market will be a bit tighter in 2024. With these expectations in mind, we believe that the market will improve considerably.

**Moderator:** Thank you very much. Is there anything else?

Now that we have reached the scheduled end time, we will conclude the question-and-answer session. If you wish to meet with us individually, please contact us through the URL provided in the chat box. You can also contact us through our website.

This concludes the presentation of financial results for the fiscal year ended December 31, 2023. Thank you very much for your participation.

**Iwano:** Thank you very much.

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