
Financial Result Summary

For FY Nov 2009

January 14, 2010



Star Mica Co., Ltd.

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— PL — 『Strong sales of secondary condominium units』

- We have managed to achieve 80% of recurring profit relative to previous year, under difficult global economic environment where negative earnings and bankruptcy increased dramatically.
- We have started to apply inventory asset lower-of-cost or market method. Realized mark to market (MTM) loss of JPY124million in cost of sales. (0.7% of total inventory asset at FY end). Past fiscal year MTM loss was realized as extraordinary loss of JPY179million (0.9% of total inventory asset at previous FY end).
- We were able to profit from rent revenue (JPY1,010million), by continuously controlling the SG&A(JPY879million).

■ PL (Unit: million)

	FY Nov 2007		FY Nov 2008		FY Nov 2009		
	Amount	%	Amount	%	Amount	%	YoY Change
Sales	12,809	100.0%	14,084	100.0%	13,310	100.0%	94.5%
Gross profit	2,665	20.8%	2,674	19.0%	2,256	17.0%	84.4%
Selling, general and administrative expenses	798	6.2%	1,018	7.2%	879	6.6%	86.3%
Operating income	1,866	14.6%	1,655	11.8%	1,377	10.3%	83.2%
Non-operating income	5	0.0%	24	0.2%	2	0.0%	9.2%
Non-operating expenses	636	5.0%	597	4.2%	521	3.9%	87.2%
Recurring profit	1,235	9.6%	1,082	7.7%	858	6.5%	79.3%
MTM loss			-	-	179	1.3%	-
Net income before income taxes	1,122	8.8%	1,088	7.7%	674	5.1%	62.0%
Net income	656	5.1%	631	4.5%	359	2.7%	56.9%
EPS(YEN)	9,866.84		7,725.14		4,393.07		

—BS— 『Sustainable financial strength』

- Equity to net asset ratio has improved to 36%, realizing strong balance sheet. We have secured sufficient capital for future asset acquisitions.
- Sales of condominium units exceeded our initial forecast, thus balance of inventory (condominium units for sales) declined. (-10.2% year on year)
- Condominium unit acquisitions were made under conservative valuation, going forward, we will make aggressive acquisitions based on strong balance sheet.

■ BS

(Unit: million)

	FY Nov 2008		FY Nov 2009			FY Nov 2008		FY Nov 2009	
	Amount	(%)	Amount	(%)		Amount	(%)	Amount	(%)
Current assets	23,881	81.5%	20,817	82.8%	Short-term liabilities	8,196	28.0%	5,996	23.8%
Cash and deposits	3,790	12.9%	2,797	11.1%	Debt	7,245	24.7%	5,325	21.2%
Inventories	19,825	67.7%	17,796	70.8%	other	951	3.2%	671	2.7%
Other	265	0.9%	223	0.9%	Long-term liabilities	12,331	42.1%	10,096	40.2%
Fixed assets	5,409	18.5%	4,322	17.2%	Debt	12,267	41.9%	10,058	40.0%
Properties	3,553	12.1%	2,713	10.8%	other	64	0.2%	37	0.2%
Other	1,856	6.3%	1,608	6.4%	Total liabilities	20,527	70.1%	16,093	64.0%
Deferred assets	6	0.0%	3	0.0%	Shareholder's equity	8,770	29.9%	9,050	36.0%
Total assets	29,298	100.0%	25,143	100.0%	Total liabilities and shareholder's equity	29,298	100.0%	25,143	100.0%

※Most of the inventories are condos from condominium trading business

※Most of the fixed assets are properties from investment business

※Fixed assets(etc.) consists of securities held by limited partnership(consolidated)

Financing of capital for new acquisition has been steady

1. Refinancing to long term debt

■ Although broadly tight financing environment, we have good relationship with banks, that allow us to obtain capital through syndicated loan as in the previous years.

■ Refinancing from commitment line (1-year term), to long term debt (3-year term).

Financing details: Amount obtained: Total 4 billion yen Obtained date: Feb 2009 Term: 3years

Banks: Bank of Tokyo-Mitsubishi UFJ (arranger), Aozora Bank, IBJ leasing Company

2. Capital for new condominium unit acquisition

■ We have obtained financing for new acquisition based on collateralized condominium units that were acquired from our equity.

Financing details: Term loan 18.5 billion yen Obtained date: Feb 2009 Term: 3years

Lender: Sumitomo Mitsui Banking Corporation

3. Overdraft arrangement for new condominium unit acquisition

■ We have made overdraft arrangement for new condominium unit acquisition

Financing details: Maximum overdraft amount 20 billion yen(1-year) , Jul 2009

Lender: Bank of Tokyo-Mitsubishi UFJ

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Strong sales of secondary condominium units is the driver for sales and gross profit.

- In condominium sales, achieved record-high sales (JPY10.7billion), and profit margin was 10.8%.
- In condominium rent, profit from rent declined, total number of condominium units under operation has declined from strong sales, and vacant condominium units under preparation for sales has increased.
- In investment business, lowered operational asset position to zero. (Real estate JPY76million, investment in securities JPY76million loss realized)

■ Composition of Gross profit

(Unit: million)

Business Domains	FY Nov 2008		1Q		2Q		3Q		4Q		FY Nov 2009		YoY Change
	Amount		Amount		Amount		Amount		Amount		Amount		
Sales	14,084		2,444		3,718		4,030		3,116		13,310		-774
Condominium trading business	12,136		2,203		3,430		3,794		2,845		12,273		137
Rent	1,567		426		412		359		328		1,527		-41
Sales	10,568		1,776		3,017		3,435		2,516		10,746		178
Investment business	1,573		195		225		187		243		852		-722
Advisory business	374		45		63		47		28		184		-190
	Amount	Profit margin	Amount	Profit margin	Amount	Profit margin	Amount	Profit margin	Amount	Profit margin	Amount	Profit margin	YoY Change
Gross profit	2,674	19.0%	490	20.0%	723	19.5%	586	14.5%	456	14.7%	2,256	17.0%	-418
Condominium trading business	2,301	19.0%	422	19.1%	594	17.3%	592	15.6%	439	15.5%	2,049	16.7%	-252
Rent	1,054	67.3%	300	70.3%	274	66.7%	217	60.5%	217	66.2%	1,010	66.1%	-44
Sales	1,246	11.8%	171	9.6%	333	11.1%	391	11.4%	267	10.6%	1,163	10.8%	-83
Mark-to-market loss	-	-	-49	-	-13	-	-16	-	-44	-	-124	-	-124
Investment business	0	-	22	11.7%	65	29.3%	-54	-	-11	-	23	2.7%	24
Advisory business	374	100.0%	45	100.0%	63	100.0%	47	100.0%	28	100.0%	184	100.0%	-190

Impact from inventory asset lower-of-cost or market method is limited

Less than 1% of balance of real estate for sale. (JPY17.7billion)

(Unit: million)

	Nov 2009 end of year	mark-to-market profit/loss		
	book value	real selling price	mark-to-market profit/loss(b)	ratio (b)/(a)
Balance of real estate for sales	17,796 (a)			
mark-to-market gain	15,897	18,916	3,019	17.0%
mark-to-market loss	1,441	1,396	※△ 44	-0.2%

※MTM loss realized in 4Q

Main reason of MTM loss

valuation at acquisition	△ 41
price decline after acquisition	△ 50
acquisition by bulk (price adjustment)	△ 4
others	△ 29

MTM Loss in Nov 2009 △ 124 Ratio to (a) 0.7%

※Real selling price = expected selling price(appraisal) minus expected selling cost(brokerage fee, renovation cost)

※Above real selling price and mark-to-market profit/loss is based on accounting principles and does not imply future actual gain/loss

Condominium trading business ~five characteristics~

Unique business model

① Differentiation in what to invest

✓ Invest in condominium “unit”.

② Differentiation in investment strategy

✓ Taking arbitrage opportunity based on market price structure.

③ Differentiation in risk diversification

✓ Investment “portfolio” of condominium units.

Model that is hard to copy

④ Differentiation in operations

Entry barrier① Complex transaction and associated operation, management.

⑤ Differentiation in financing

Entry barrier② Difficulty in obtaining finance.

“① Differentiation in what to invest”

What to invest in condominium trading business

- We buy leased unit-based family oriented condominiums.
- We invest in liquid, convenient-location units, mainly in Tokyo metropolitan area and Kansai area.

purpose of use		office	residential	
ownership type		one-building	one-building	condominium unit
owner's normal objective		investment	investment	investment (one-room for investment) / residence (family oriented)
used	new	real estate development company	compact condominium development and sales company	condominium development company
	high-end	REIT / private placement fund / AM		high net worth individuals
	average	private placement fund / AM		Star Mica



Market is stable based on demand from residential condo-unit buyers. Less speculative money = low volatility in price.

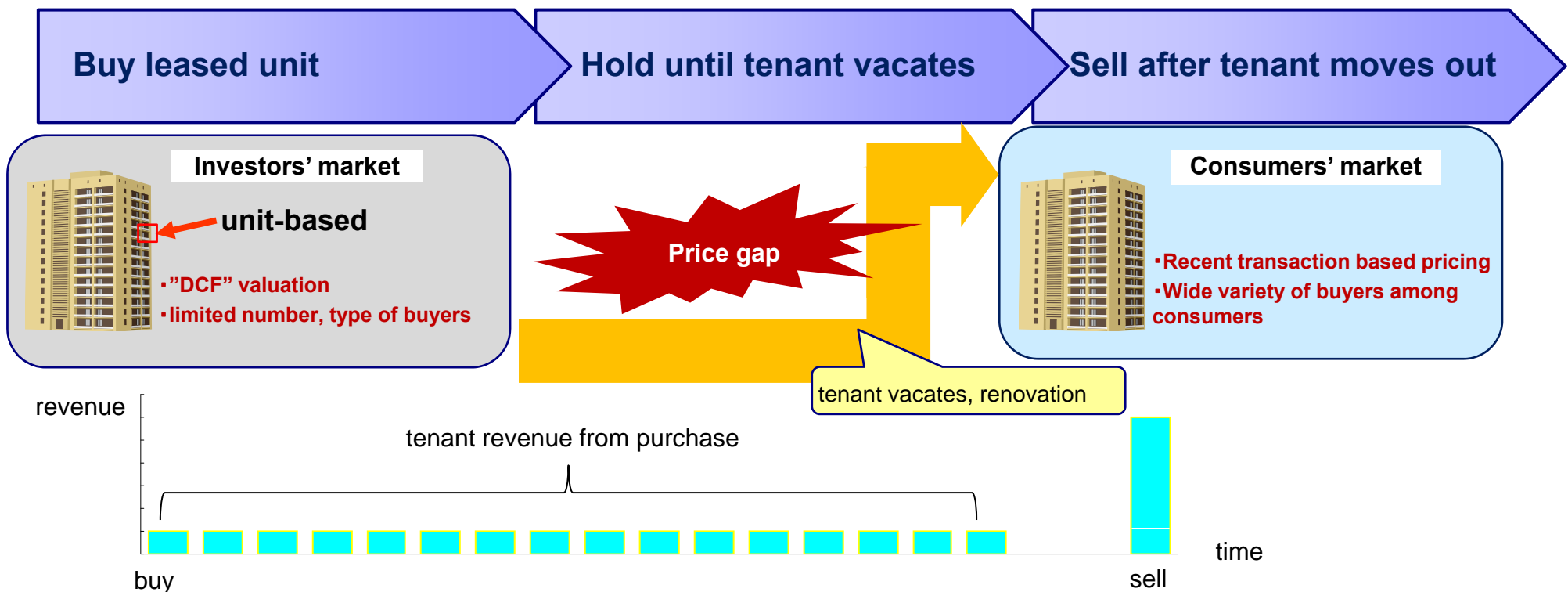
Since all units are leased at entry, there is no risk of vacant unit inventory. We will have positive cash-flow all the time.

※AM means real estate asset manager

“② Differentiation in investment strategy”

Investment strategy

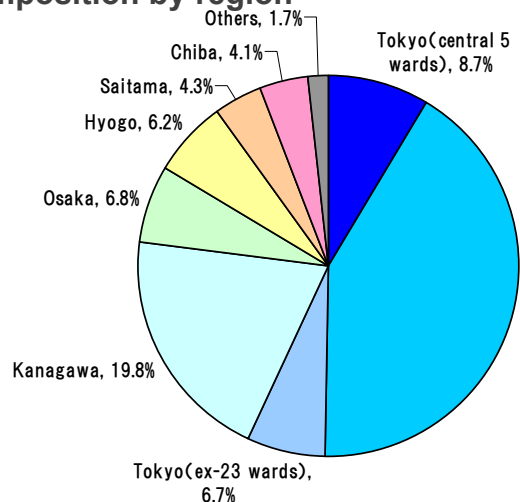
- We seek arbitrage trades that profit from price gaps, not only the capital gain. (Different from “value-up” or “reproduction”)
- We receive rent revenue from tenants during the holding period, we profit from capital gain when we sell at market.
- We supply condominium units to consumers as exit. (Different from Business-to-Business transaction)



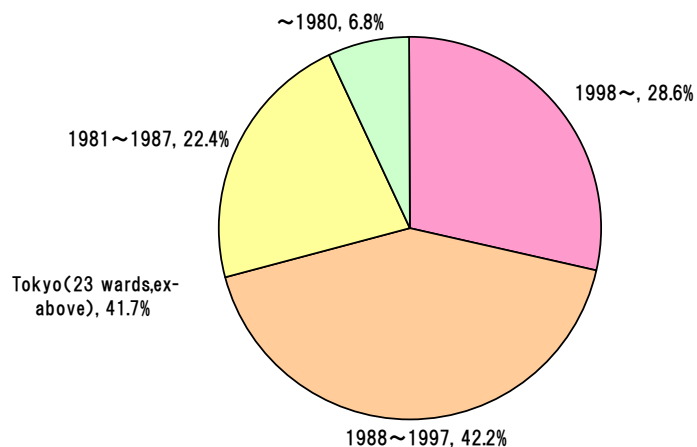
“③ Differentiation in risk diversification”

We seek to diversify risk (accident, natural disasters, price volatility, holding period) by holding over 1,000 condominium units as portfolio, from various locations, ages.

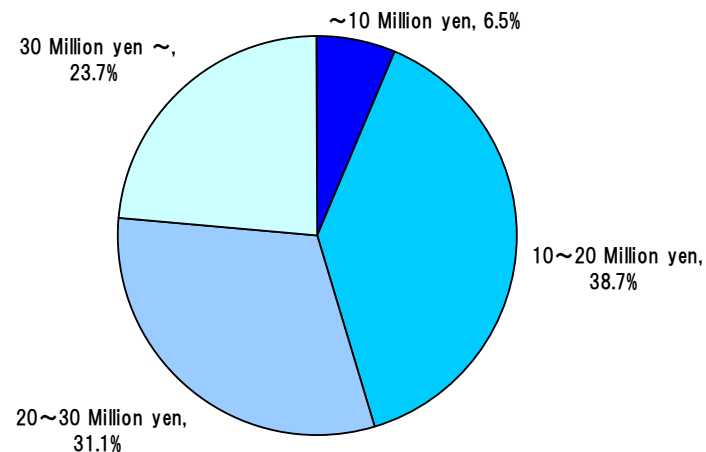
■ composition by region



■ composition by year built



■ composition by purchase price



Composition by region	FY Nov 2008	FY Nov 2009	Composition by year built	FY Nov 2008	FY Nov 2009	Purchase price level	FY Nov 2008	FY Nov 2009
Tokyo(central 5 wards)	11.3%	8.7%	1998~	20.2%	28.6%	~10 Million yen	8.4%	6.5%
Tokyo(23 wards,ex-above)	33.5%	41.7%	1988~1997	44.0%	42.2%	10~20 Million yen	42.6%	38.7%
Tokyo(ex-23 wards)	8.3%	6.7%	1981~1987	29.2%	22.4%	20~30 Million yen	27.0%	31.1%
Kanagawa	21.2%	19.8%	~1980	6.6%	6.8%	30 Million yen ~	22.0%	23.7%
Osaka	8.1%	6.8%						
Hyogo	7.5%	6.2%						
Saitama	4.0%	4.3%						
Chiba	2.3%	4.1%						
Others	3.8%	1.7%						

Average unit data	FY Nov 2008	FY Nov 2009
Avg size	69.34 m ²	69.70 m ²
Avg age	17.7 year	17.6 year
Avg acquisition price	18.1 million yen	19.1 million yen

※Asset portfolio is calculated based on number of units.(all condos) Ave acquisition price is based on purchase agreement and dose not include associated fees.

※Tokyo central 5 wards include Shibuya-ku, Sinjuku-ku, Chuo-ku, Chiyoda-ku, Minato-ku.

※By region ,by years held (composition) are based on purchase agreement.

“④ Differentiation in operations”

“No one does, no one can”. We have created a “system” to operate complex transactions.



Unique operation system that we developed for our operation.
We use an effective system that enables us to complete tens of deals a month with small number of staff

“⑤ Differentiation in financing”

- We have condominium-unit-base long-term financing which is harder to obtain compared to one-building-based.
- Shifting to long term financing considering business characteristics.

■ Table of debt maturity dates

(Unit: million)

	Nov 2010				Nov 2011				Nov 2012			
	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q	1Q	2Q	3Q	4Q
Short term debt	856	101	-	-	-	-	-	-	-	-	-	-
Bonds issued	-	50	-	50	-	50	-	50	-	-	-	-
Long term debt	3,651	237	58	323	3,068	220	52	141	4,086	222	205	696
Of which syndicated loan (Feb,2007 12billion)	3,585	-	-	-	-	-	-	-	-	-	-	-
Of which syndicated loan (Jan,2008 6.5billion)	-	-	-	-	2,927	-	-	-	-	-	-	-
Of which syndicated loan (Feb,2009 4billion)	-	-	-	-	-	-	-	-	2,767	-	-	-
others	66	237	58	323	141	220	52	141	1,319	222	205	696
Total	4,506	388	58	373	3,068	270	52	191	4,086	222	205	696

We will consider to refinance as loan terms mature

- For syndicated loan maturing in Feb 2010, we will consider refinancing.
- As property sales progress, by maturity date, cash balance will decline to JPY3 billion.

We will obtain financing for long term capital by diversifying the maturity dates.

- Syndicated loans are repaid as we sell properties, loan balance will decline continuously.

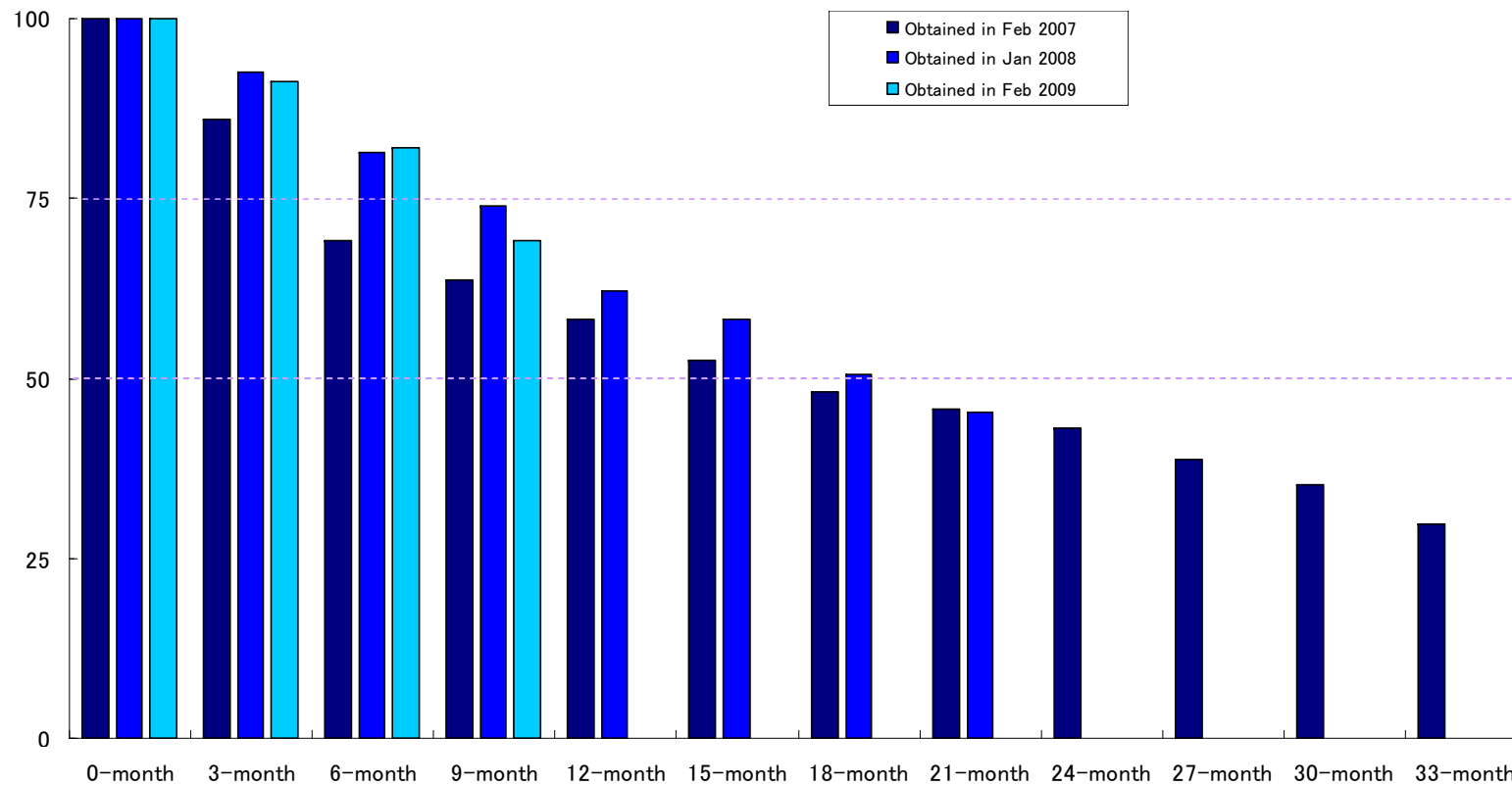
※Interest carrying debt that matures after 2009.12.1 are added.

Transition of syndicated loan

In the past, debt has declined by 50% in 18 month.

We manage condominium portfolio allocation to control investment period.

■ Syndicated loan balance (at start =100)



※Indexed based on initial balance of syndicated loan as 100

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Review of FY2009 corporate strategy

■ By focusing boldly in condominium business, achieved stable profitability, even under global recession pressures.

Focus business domain

Used condominium business

—Market environment—

■ Acquisition

• Increase in investment opportunity due to rise in selling needs

■ Exit

• Decrease in supply of new units
⇒ Buyers shift to used market

• Largest Tax break for mortgage loan in history

—Internal highlights—

■ Competitive advantage due to differentiation

■ Lease revenue and capital gain creates stable profitability

Downsize business domain

Investment business

Focus on previously invested deals, exit and management

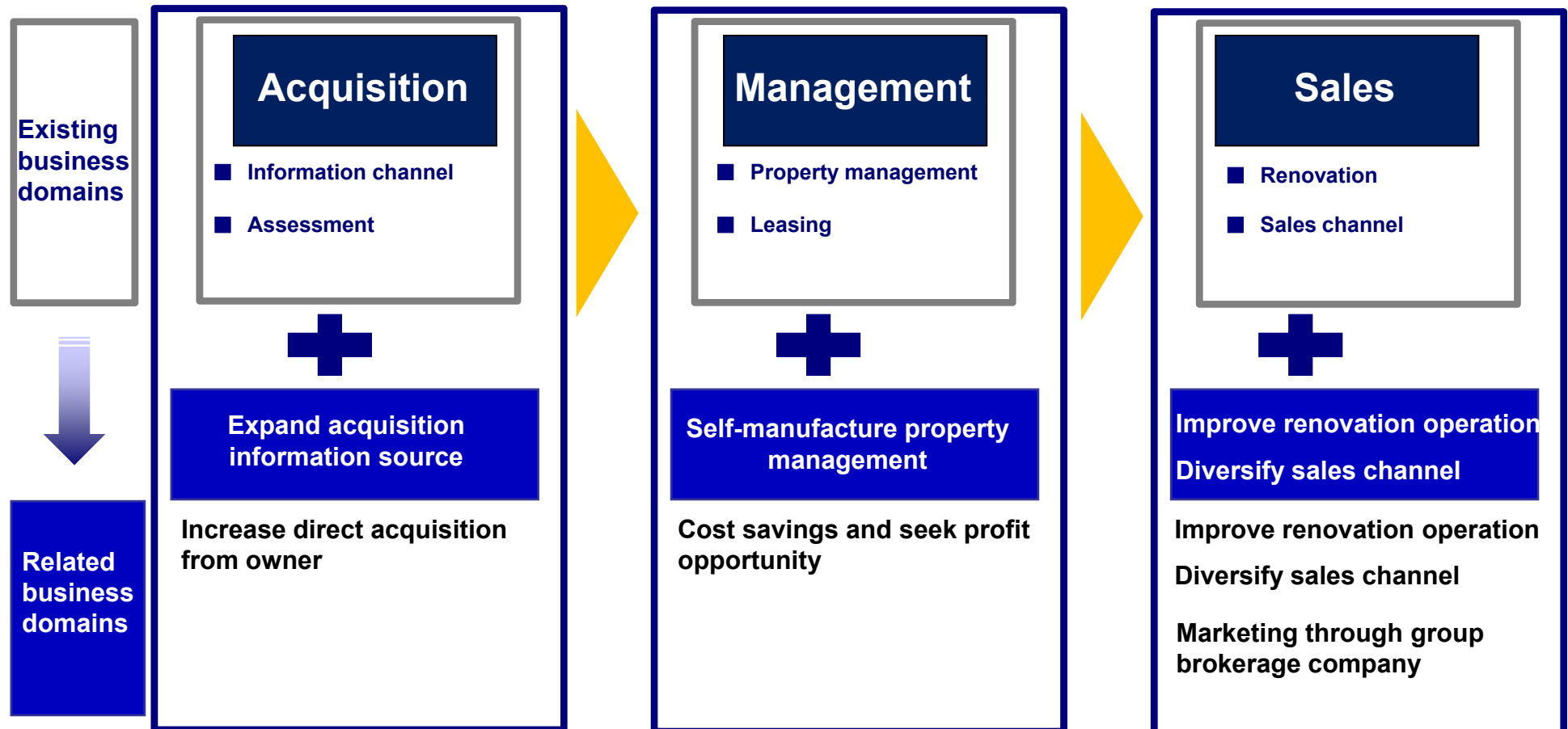
Advisory business

Focus on condominium trading business, maintain existing securitization management operations.

Focus capital,
human resources

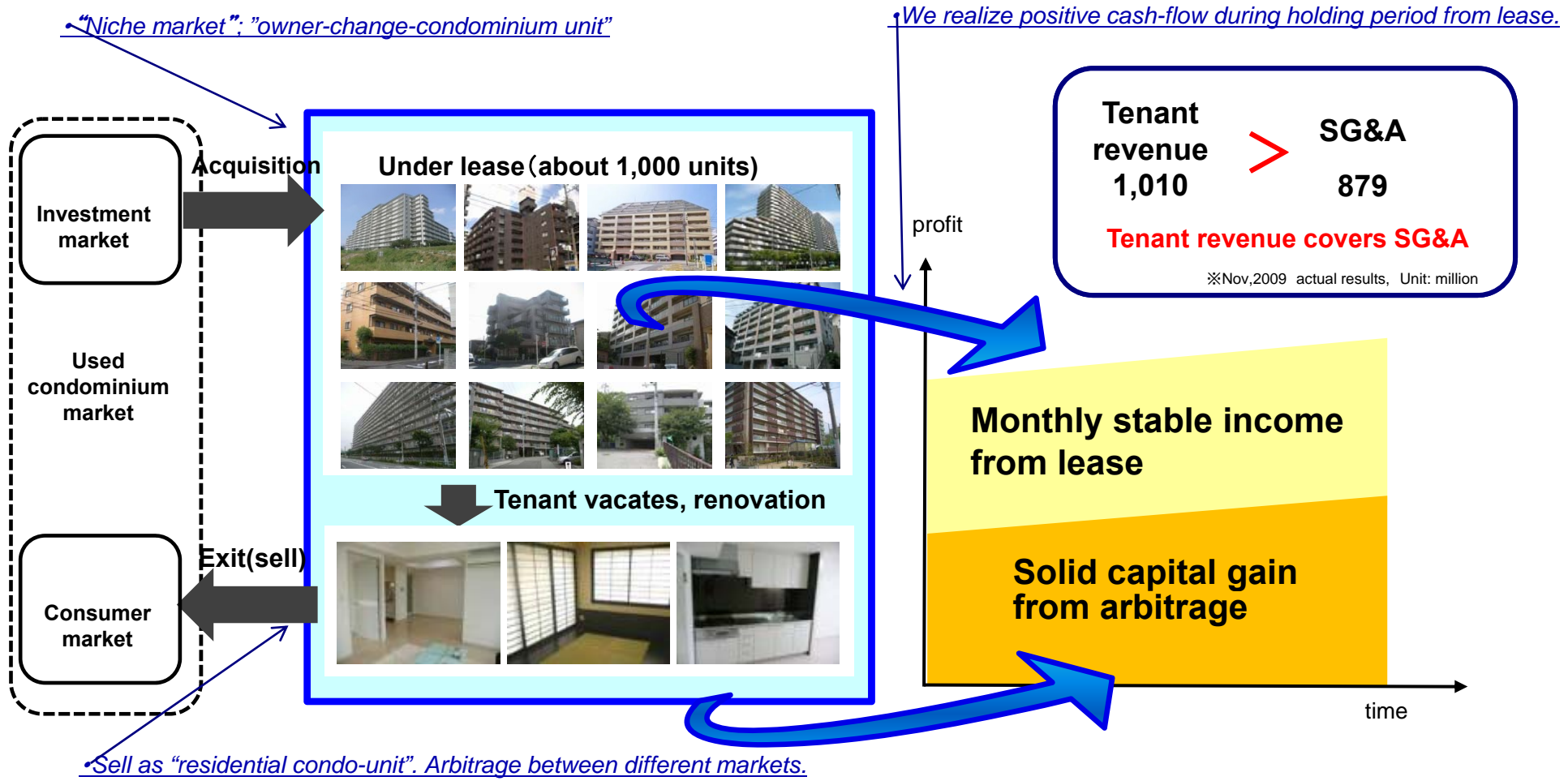
Turning to Aggressive Mode

■ We will strengthen profitability of condominium business as industry leader, and seek business opportunity in related domains.



Business model that produces “stable” profit

Hybrid business model combining “tenant revenue” and “capital gain”.



Full-Year projections and dividend policy

- As leader in condominium business, we will seek continuous growth.
- For FY 2010, expecting net income increase by 1.5 times, and dividend increase from 1,000 yen to 1,100 yen per share.

(Unit: million)						(Unit: million)							
	FY 2008		FY 2009		FY 2010 Projections		Business Domains	FY 2008		FY 2009		FY 2010 Projections	
	Amount	Amount	YtoY Change	Amount	YtoY Change		Amount	Amount	YtoY Change	Amount	YtoY Change	Amount	YtoY Change
Sales	14,084	13,310	94.5%	12,061	90.6%	Sales	14,084	13,310	94.5%	12,061	90.6%	12,061	90.6%
Gross profit	2,674	2,256	84.4%	2,364	104.8%	Used Condominium	12,136	12,273	101.1%	11,417	93.0%	11,417	93.0%
Operating income	1,655	1,377	83.2%	1,482	107.7%	Rent	1,567	1,527	97.4%	1,384	90.7%	1,384	90.7%
Recurring profit	1,082	858	79.3%	1,000	116.6%	Sales	10,568	10,746	101.7%	10,032	93.4%	10,032	93.4%
Special gain or loss	5	-183	-	-	-	Investment Business	1,573	852	54.2%	476	55.8%	476	55.8%
Net income before income taxes	1,088	674	62.0%	1,000	148.4%	Advisory Business	374	184	49.2%	168	91.5%	168	91.5%
Net income	631	359	56.9%	547	152.3%	Gross profit	2,674	2,256	84.4%	2,364	104.8%	2,364	104.8%
EPS(Yen)	7,725.14	4,393.07	-	6,687.36	-	Used Condominium	2,301	2,049	89.1%	2,005	97.8%	2,005	97.8%
Annual dividends per share(Yen)	1,000	1,000	-	1,100	-	Rent	1,054	1,010	95.8%	941	93.2%	941	93.2%
						Sales	1,246	1,163	93.3%	1,103	94.9%	1,103	94.9%
						MTM Loss	-	-124	-	-40	-	-40	-
						Investment Business	0	23	-	191	817.1%	191	817.1%
						Advisory Business	374	184	49.2%	168	91.5%	168	91.5%

※EPS estimate is based on number of shares issued (81,841) as at Nov.30,2009

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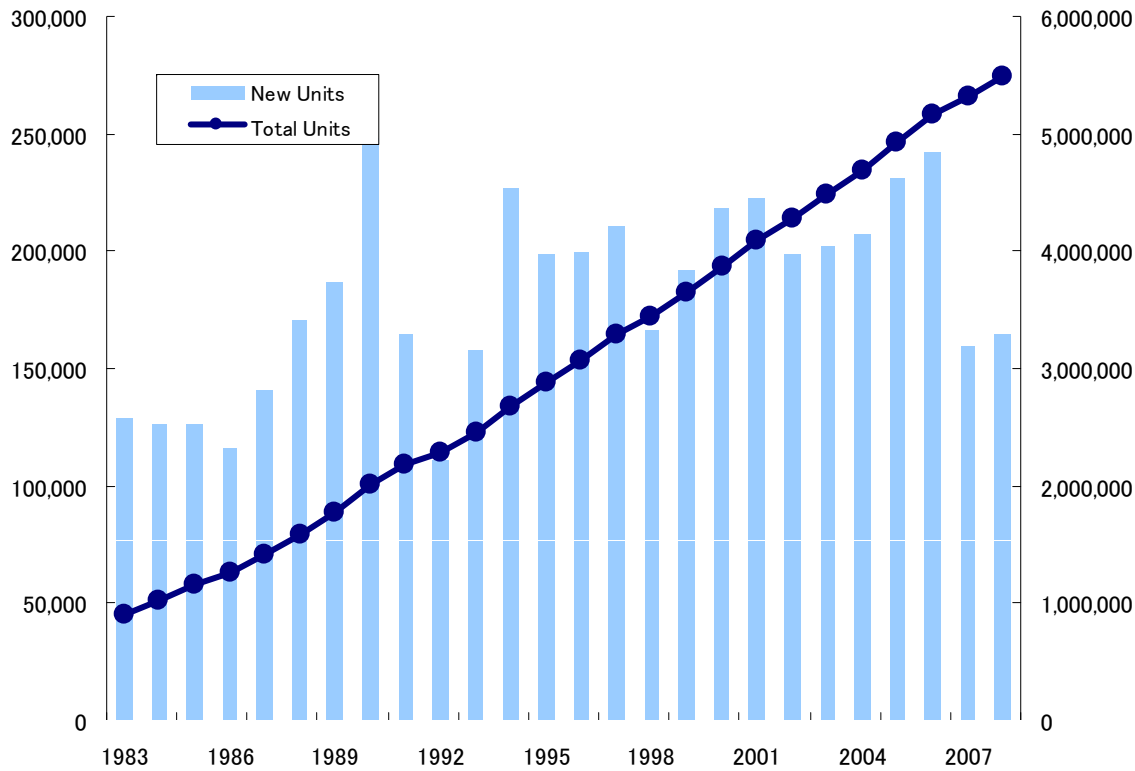
5. Company Profile

Japanese condominium stock now above 5 million units

- Steady expansion in condo stock
- Rapid decrease in new units ⇒ Good prospects for continued growth in used condominium market

■ Japanese condominium market

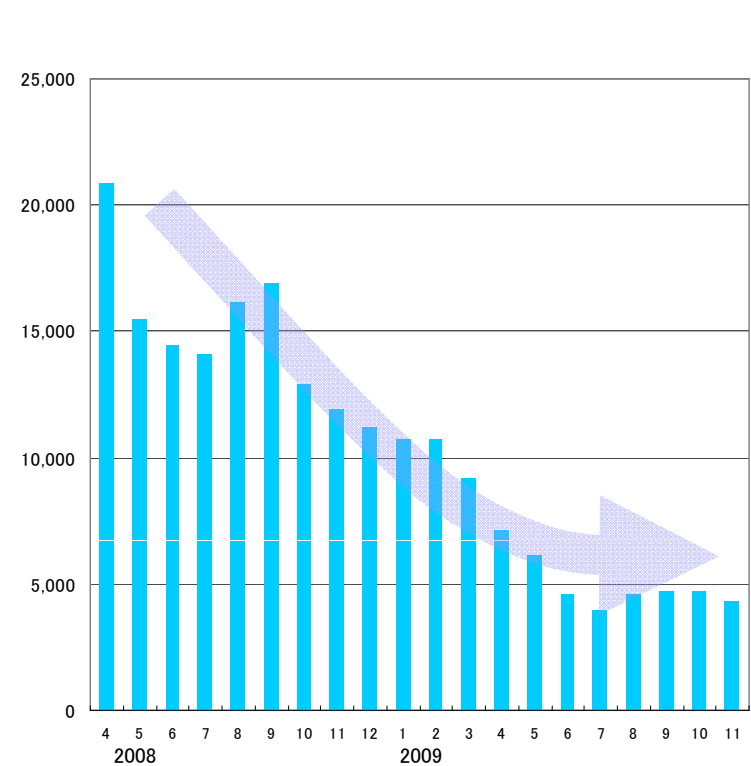
New Units



Source: Star Mica, based on Ministry of Land, Infrastructure, and Transport data

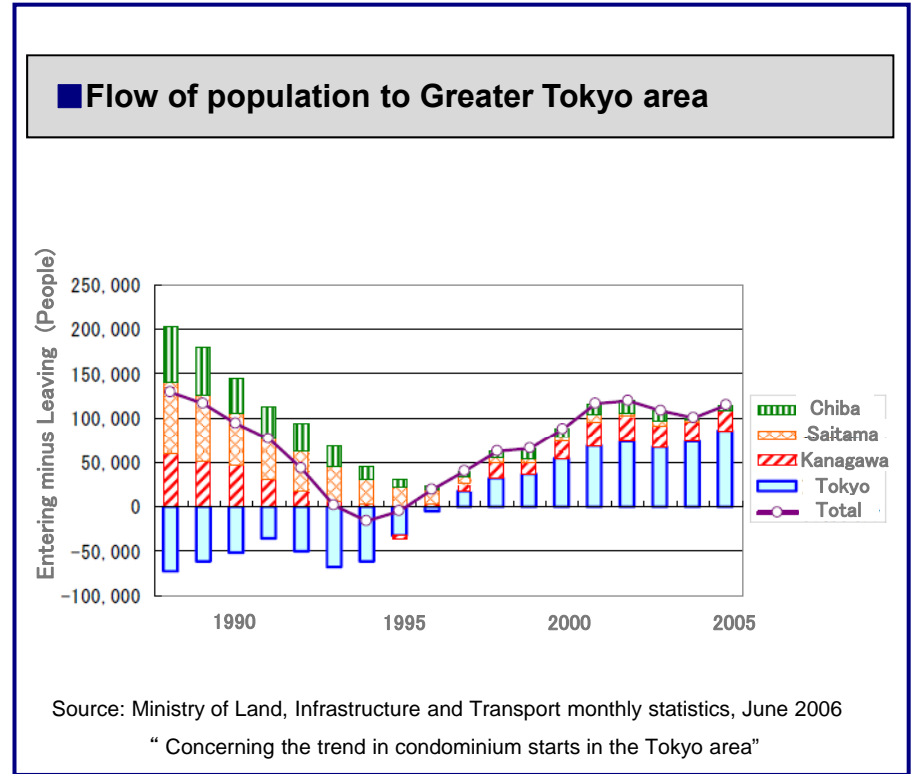
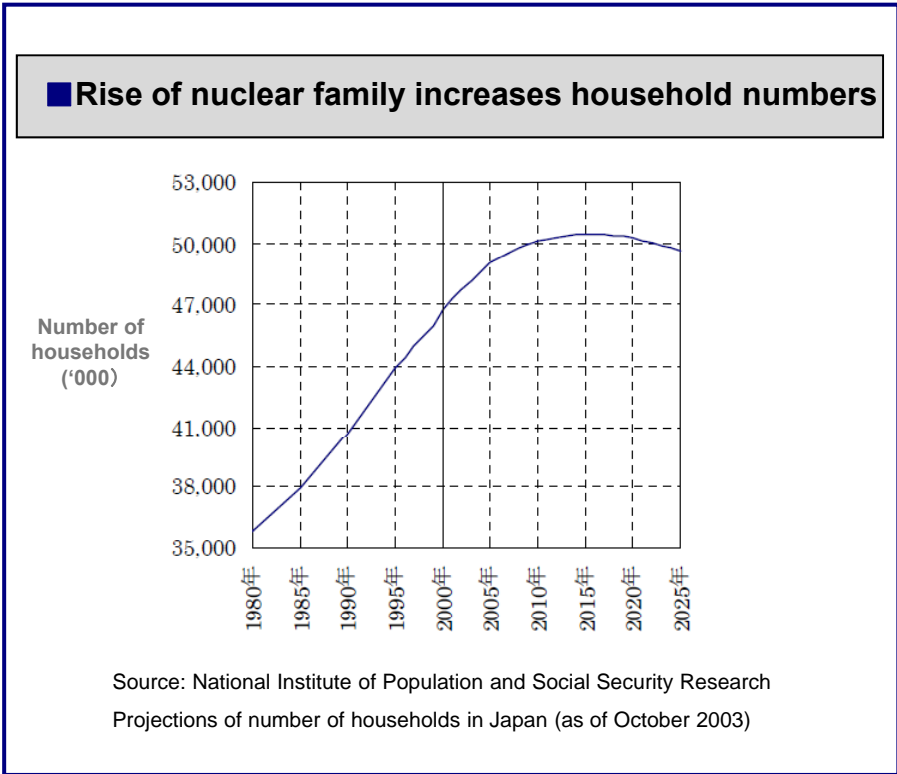
■ Condominium construction starts (Recent)

Oct. 2009...down by 63.4%, year -on-year



Outlook for used condominium market

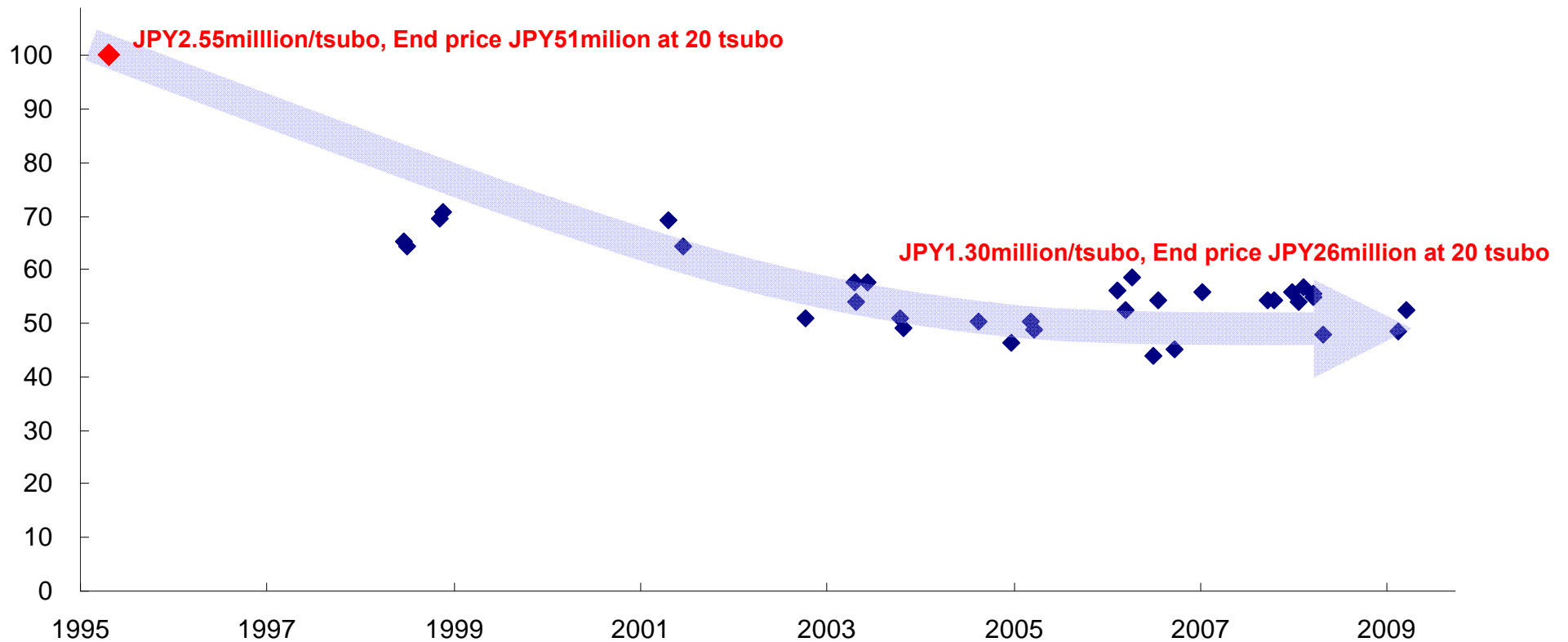
Growth in condo stock, increase in number of households, and continuous inflow of population to major urban/metropolitan areas, should accelerate growth in the used condominium markets of Japanese major cities.



Change in value of used condominium unit by age (from new construction)

Used condominium usually depreciate with age and bottom out after 10 years.

■ Change in value of used condominium unit (Initial sale price at 100)



Case: Konan-ku, Yokohama-shi, Kanagawa-pref. : 350units, Avg size 75m², Construction date July,1995
 Data from Tokyo kantei , Higashinohon REINS ,compiled by Star Mica.

Solid demand to reasonably priced homes

Reason for price stability in used condominiums

- ✓ People feel “it’s better to buy “ when mortgage loan repayment is lower than paying rent.
- ✓ Considering people’s income level, we can assume that actual demand is high.



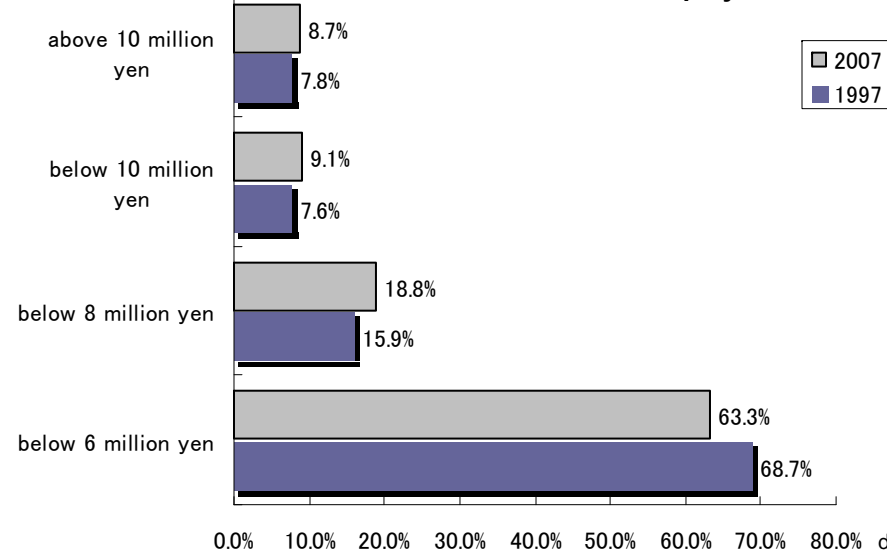
Monthly repayment of mortgage loan (level payment, 35 years, 2.5%)

(Unit: yen)

Intial loan amount	monthly repayment
10,000,000	35,750
15,000,000	53,624
20,000,000	71,499
25,000,000	89,374
30,000,000	107,249
35,000,000	125,123
40,000,000	142,998
45,000,000	160,873
50,000,000	178,748

With 25million yen, 35-year-morgage, monthly repayment comes down to 90,000 yen.

Annual income distribution for employees



※Source: Star Mica based on the National Tax Administration Agency, 1997,2007, male statistics

Over 70 % is below 6 million yen

Toward stimulation of the used home market

In Europe and US, used homes form the core (70-90%) of the housing market.

In Japan, used homes account for only about 10% of the housing market.

Ministry of Land, Infrastructure, and Transport

“Numerical targets for stimulation of used housing market”

2003: 13% → 2015: 23%

- June 8, 2006 Implementation of the Basic Housing Act
- September 19, 2006 Cabinet approves “Basic Plan for Housing (National Plan)”

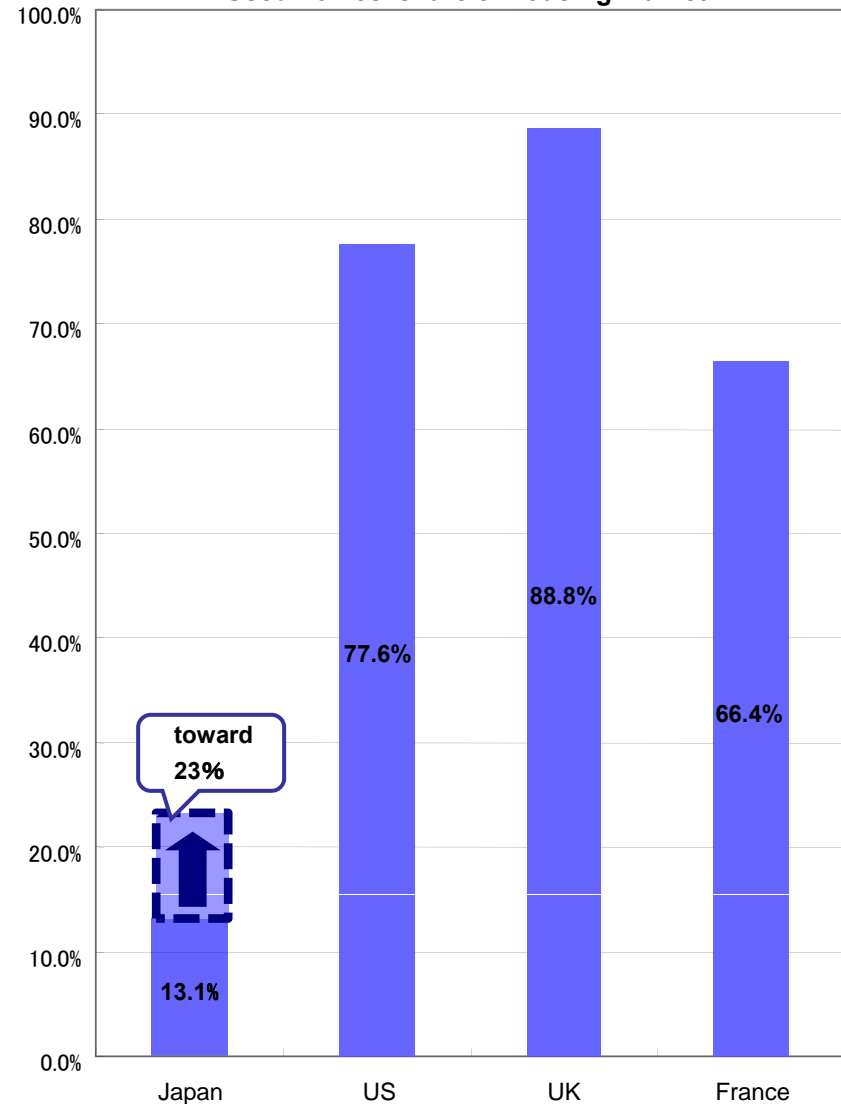
① Supply of high quality properties

- Long-term housing act/Diffusion of long-term quality property
- Housing warranty act/Protection to new home buyers

② Improve liquidity and enhance purchase of houses

- House quality security act(new, used),/enhance disclosure
- Mortgage loan tax break
- Relief to gift tax

Used homes' share of housing market



Source: Star Mica, based on Ministry of Land, Infrastructure and Transport materials

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Company profile

■ as of Nov. 30 2009

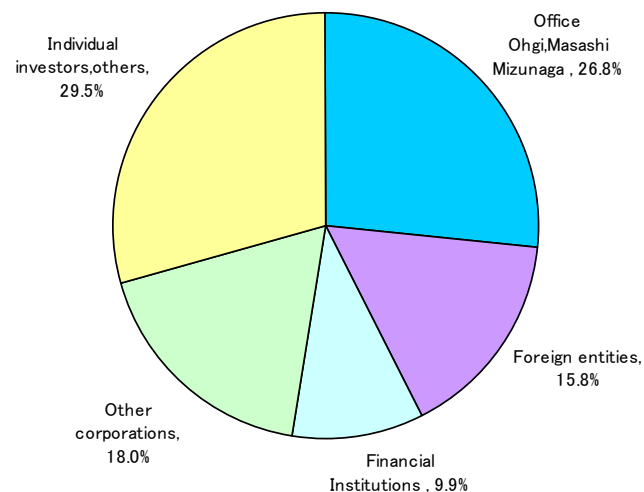
Company name	Star Mica Co., Ltd.
Representative	<p>President & representative director Masashi Mizunaga</p> <p>Brief resume</p> <ul style="list-style-type: none"> • Mitsui & Co., Ltd. • MBA (University of California, Los Angeles) • The Boston Consulting Group • Goldman Sachs Japan Ltd.
Date of incorporation	May 1, 2001
Listing date	<p>October 2, 2006</p> <p>Osaka Stock Exchanges Hercules Market (stock code: 3230)</p>
Capital	2,923 million
Offices	Tokyo head office (Minato Ward)
Main Bank	Bank of Tokyo-Mitsubishi UFJ, Aozora Bank, Sumitomo Mitsui Banking Corporation, Resona Bank,Ltd., Mizuho Bank,Ltd.
Auditor	KPMG Azsa & Co.
Employees	45(38 staff-level)
Businesses	Condominium trading business, investment business, advisory business

Major shareholders (as of 30 Nov 2009)

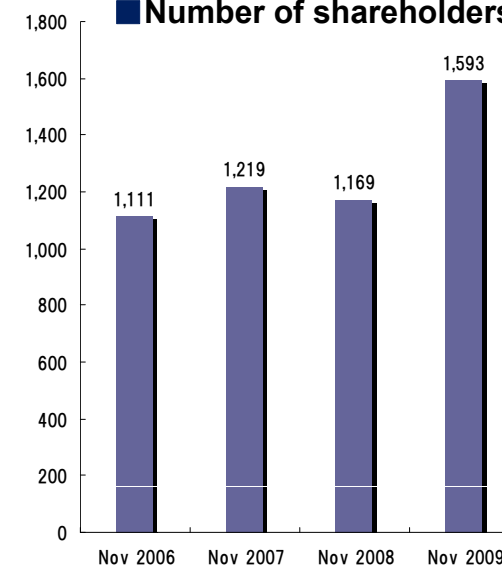
major shareholders

Shareholder	May 2009	Nov 2009	%	
Office Ohgi	16,450	16,450	20.1%	Private Company of Masashi Mizunaga
Jupiter Investment	12,600	12,600	15.4%	Goldman Sachs Group
Hiroshi Taguchi	9,000	9,000	11.0%	
Masashi Mizunaga	5,408	5,455	6.7%	President & Representative Director
Japan Trustee Services Bank, Ltd. (Account in trust)	4,346	5,386	6.6%	
Bank of New York HKB Master Fund L.P.	13,000	5,029	6.1%	
CREDIT SUISSE SECURITIES(USA)LLC-SPCL.FOR EXCL.BENE	**	3,930	4.8%	
Yasumitsu Shigeta	3,624	3,767	4.6%	
The Master Trust Bank of Japan, Ltd. (Account in trust)	1,055	1,383	1.7%	
Citigroup Global Markets Inc	**	1,096	1.3%	
Others		17,745	21.7%	**Others not listed since out of top 10
Total		81,841	100.0%	

Distribution of share ownership



Number of shareholders



Cautionary Statement / Contact Information



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For further information please contact:
Star Mica Co., Ltd., Corporate Planning Department
E-mail: ir.group@starmica.co.jp