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# Financial Result Summary For FY Nov 2011

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January 16, 2012



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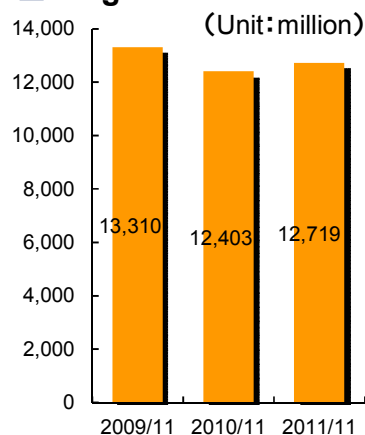
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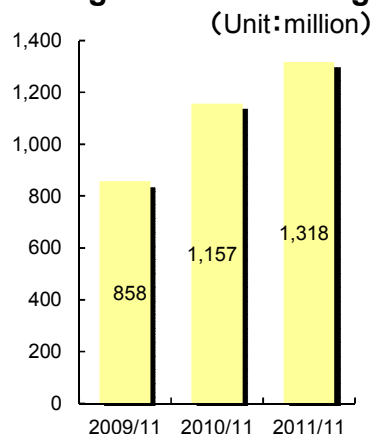
# — PL — 『Achieved stable increase in sales and profit』

- Standard type pre-owned condominium market held up from real demand despite global risk aversion.
- Continuous effort to strengthen pre-owned condominium and related business resulted in record profit.
- Business impact from earthquake and low electricity remained limited.

## ■ Progress in Sales



## ■ Progress in Recurring Profit



## ■ PL

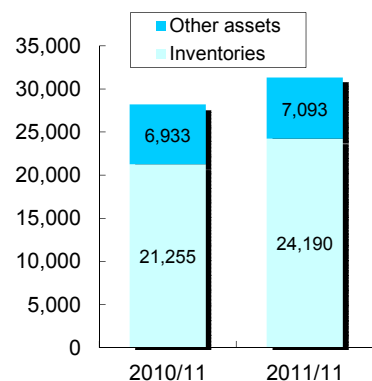
(Unit: JPY million)

	FY Nov 2009		FY Nov 2010		FY Nov 2011		
	Amount	(%)	Amount	(%)	Amount	(%)	YoY Change
<b>Sales</b>	13,310	100.0%	12,403	100.0%	12,719	100.0%	102.5%
<b>Gross profit</b>	2,256	17.0%	2,631	21.2%	3,028	23.8%	115.1%
Selling, general and administrative expenses	879	6.6%	1,021	8.2%	1,170	9.2%	114.6%
<b>Operating income</b>	1,377	10.3%	1,610	13.0%	1,857	14.6%	115.4%
Non-operating income	2	0.0%	1	0.0%	2	0.0%	144.9%
Non-operating expenses	521	3.9%	454	3.7%	541	4.3%	119.2%
<b>Recurring profit</b>	858	6.5%	1,157	9.3%	1,318	10.4%	113.9%
Mark-to-market loss	179	1.3%	-	-	-	-	-
<b>Net income before income taxes</b>	674	5.1%	1,159	9.3%	1,318	10.4%	113.7%
<b>Net income</b>	359	2.7%	650	5.2%	740	5.8%	113.9%
<b>EPS (YEN)</b>	4,393.07		7,867.40		8,005.76		

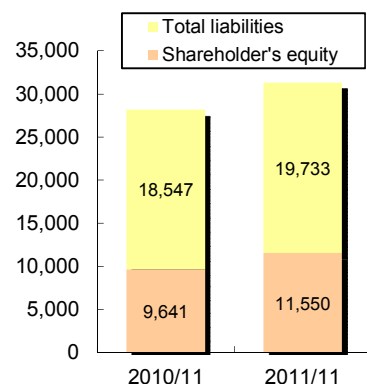
# — BS — 『Focused on property acquisition and strong balance sheet』

- Accelerated property acquisition based on April public offering.(JPY1.2billion)  
Condominium inventory for sale is JPY24.1billion.
- Healthy balance sheet with net asset ratio of 36.9%. Built structure to meet the situation of financial market.
- Seeking longer financing terms to prepare for potential volatility market environment.

■ Progress in Total assets, Inventories (Unit:million)



■ Progress in Total liabilities, Shareholder's equity (Unit:million)



■ BS

	FY Nov 2010		FY Nov 2011			FY Nov 2010		FY Nov 2011	
	Amount	(%)	Amount	(%)		Amount	(%)	Amount	(%)
<b>Current assets</b>	<b>23,615</b>	<b>83.8%</b>	<b>27,117</b>	<b>86.7%</b>	<b>Short-term liabilities</b>	<b>5,182</b>	<b>18.4%</b>	<b>8,476</b>	<b>27.1%</b>
Cash and deposits	2,057	7.3%	2,614	8.4%	Debt	4,045	14.4%	7,552	24.1%
Inventories	21,255	75.4%	24,190	77.3%	other	1,136	4.0%	923	3.0%
Other	302	1.1%	312	1.0%	<b>Long-term liabilities</b>	<b>13,365</b>	<b>47.4%</b>	<b>11,256</b>	<b>36.0%</b>
<b>Fixed assets</b>	<b>4,571</b>	<b>16.2%</b>	<b>4,166</b>	<b>13.3%</b>	Debt	13,329	47.3%	11,224	35.9%
Properties	2,938	10.4%	2,804	9.0%	other	36	0.1%	32	0.1%
Other	1,633	5.8%	1,362	4.4%	<b>Total liabilities</b>	<b>18,547</b>	<b>65.8%</b>	<b>19,733</b>	<b>63.1%</b>
<b>Deferred assets</b>	<b>1</b>	<b>0.0%</b>	<b>-</b>	<b>-</b>	<b>Shareholder's equity</b>	<b>9,641</b>	<b>34.2%</b>	<b>11,550</b>	<b>36.9%</b>
<b>Total assets</b>	<b>28,189</b>	<b>100.0%</b>	<b>31,284</b>	<b>100.0%</b>	<b>Total liabilities and shareholder's equity</b>	<b>28,189</b>	<b>100.0%</b>	<b>31,284</b>	<b>100.0%</b>

※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)

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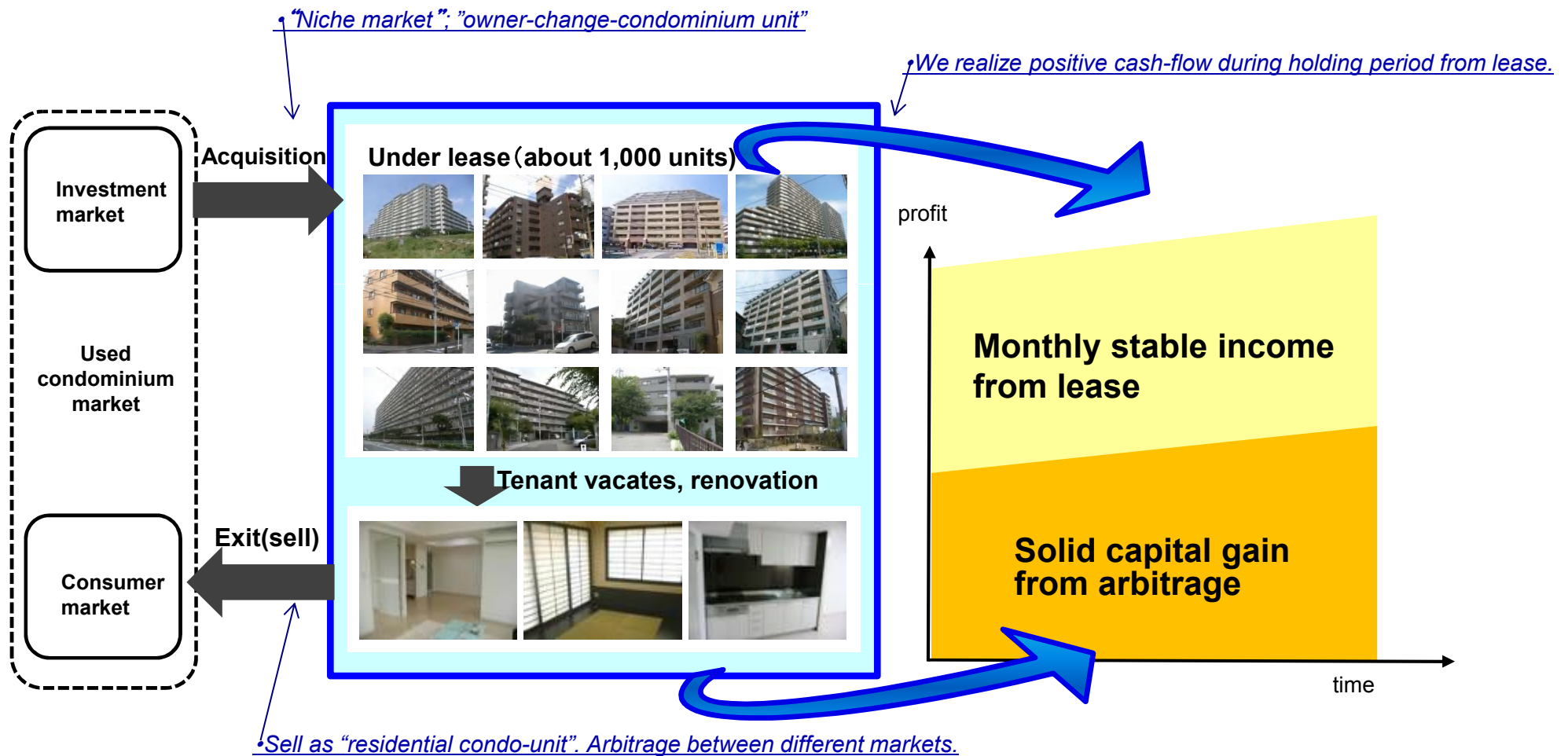
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# Business model that produces “stable” profit

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



# Achieved record profit for Pre-owned condominium business

- Condominium business(Rent) saw increase in revenue from aggressive acquisition. Moreover, realized record profit of JPY1.2billion from improved margins(69.5%→72.4%), mainly due to insourcing management operations.
- Condominium business (Sales) achieved record profit of JPY1.5billion from empowered sales force and improvement in product quality.
- Advisory business realized favorable brokerage fee and spot advisory fee from securitization project.

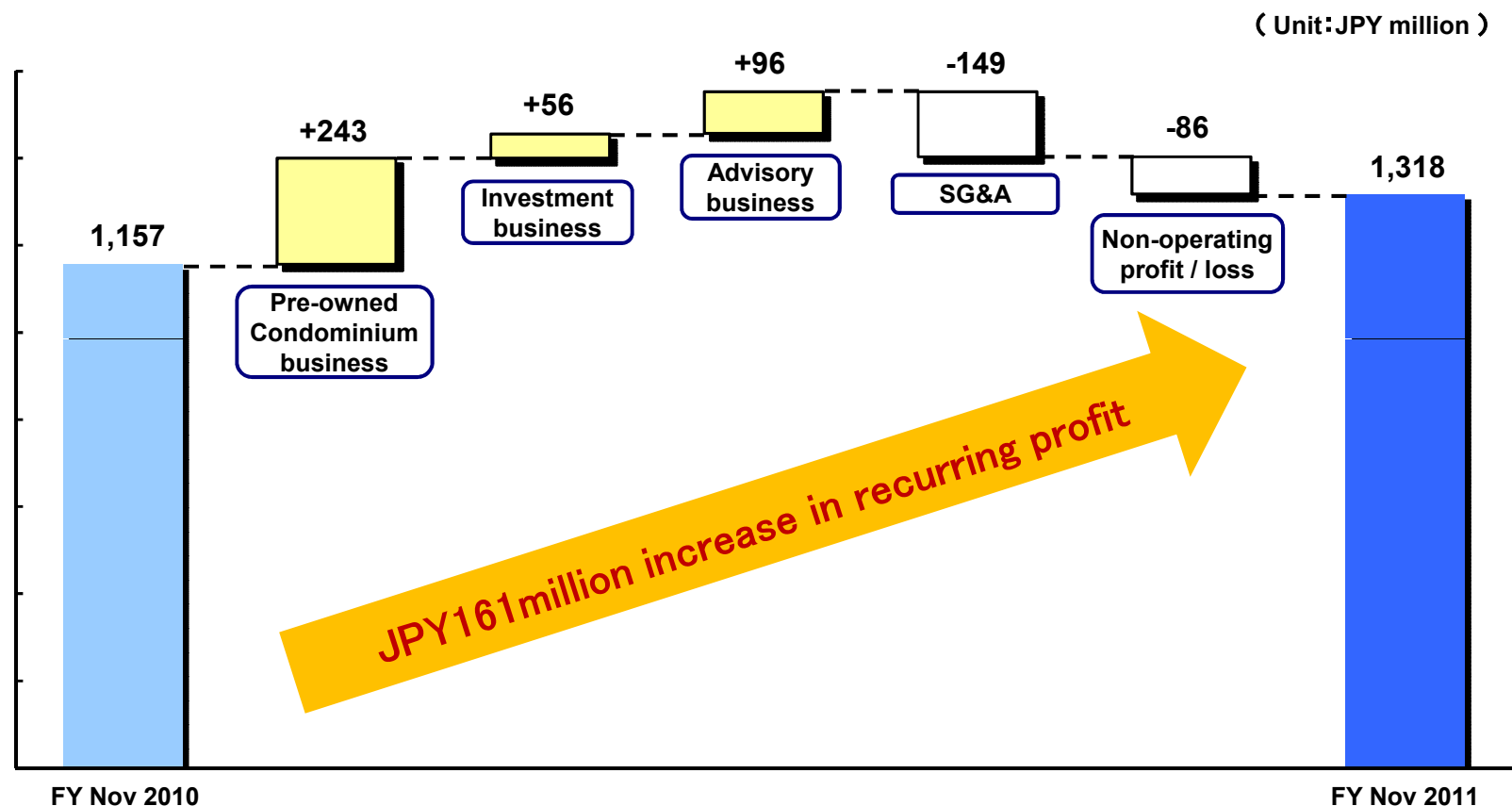
## ■ Composition of Gross profit

( Unit:JPY million )

Business Domains	FY Nov 2009		FY Nov 2010		FY Nov 2011			
	Amount		Amount		Amount	(%)	YoY Change	
<b>Sales</b>	<b>13,310</b>		<b>12,403</b>		<b>12,719</b>	<b>100.0%</b>	<b>102.5%</b>	
Pre-owned Condominium business	12,273		11,440		11,833	93.0%	103.4%	
Rent	1,527		1,414		1,649	13.0%	116.6%	
Sales	10,746		10,025		10,184	80.1%	101.6%	
Investment business	852		759		584	4.6%	77.0%	
Advisory business	184		203		300	2.4%	147.6%	
	Amount	Profit margin	Amount	Profit margin	Amount	Profit margin	(%)	YoY Change
<b>Gross profit</b>	<b>2,256</b>	<b>17.0%</b>	<b>2,631</b>	<b>21.2%</b>	<b>3,028</b>	<b>23.8%</b>	<b>100.0%</b>	<b>115.1%</b>
Pre-owned Condominium business	2,049	16.7%	2,319	20.3%	2,562	21.7%	84.6%	110.5%
Rent	1,010	66.1%	983	69.5%	1,194	72.4%	39.4%	121.5%
Sales	1,163	10.8%	1,443	14.4%	1,518	14.9%	50.2%	105.2%
Mark-to-market loss	-124	-	-107	-	-150	-	-5.0%	139.6%
Investment business	23	2.7%	108	14.2%	165	28.2%	5.4%	152.5%
Advisory business	184	100.0%	203	100.0%	300	100.0%	9.9%	147.6%

# Condominium business contributed to profit increase

## Factor analysis of recurring profit





## Impact from MTM or Lower of Cost method for secondary condominium business

- FY end inventory of condominiums for sale (JPY24.1billion), realized mere 0.6% MTM loss.
- Unrealized MTM profit potential is at JPY5.6 billion.

### ■ Unrealized profit/loss considering MTM

(Unit: JPY million)

mark-to-market profit/loss	Nov 2009 end of year	Nov 2010 end of year	Nov 2011 end of year
Balance of inventories (book value) (a)	17,796	21,255	24,190
mark-to-market gain	15,897	19,859	22,231
real selling price	18,916	24,875	27,831
mark-to-market profit/loss	3,019	5,015	5,600
mark-to-market loss	1,441	964	1,910
real selling price	1,396	907	1,837
mark-to-market profit/loss (b) *	△ 44	△ 56	△ 72
ratio (b)/(a)	-0.2%	-0.3%	-0.3%
FY MTM loss (c)	△ 124	△ 107	△ 150
ratio (c)/(a)	-0.7%	-0.5%	-0.6%

\* Unrealized loss through the year is realized as part of cost of goods in 4Q

※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 barrier**① Complex transaction and associated operation, management.

⑤ Differentiation in financing

**Entry barrier**② 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)
new		real estate development company		compact condominium development and sales company	condominium development company
used	high-end	REIT/private placement fund/AM			high net worth individuals
	average	private placement fund/AM			<b>Star Mica</b>



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

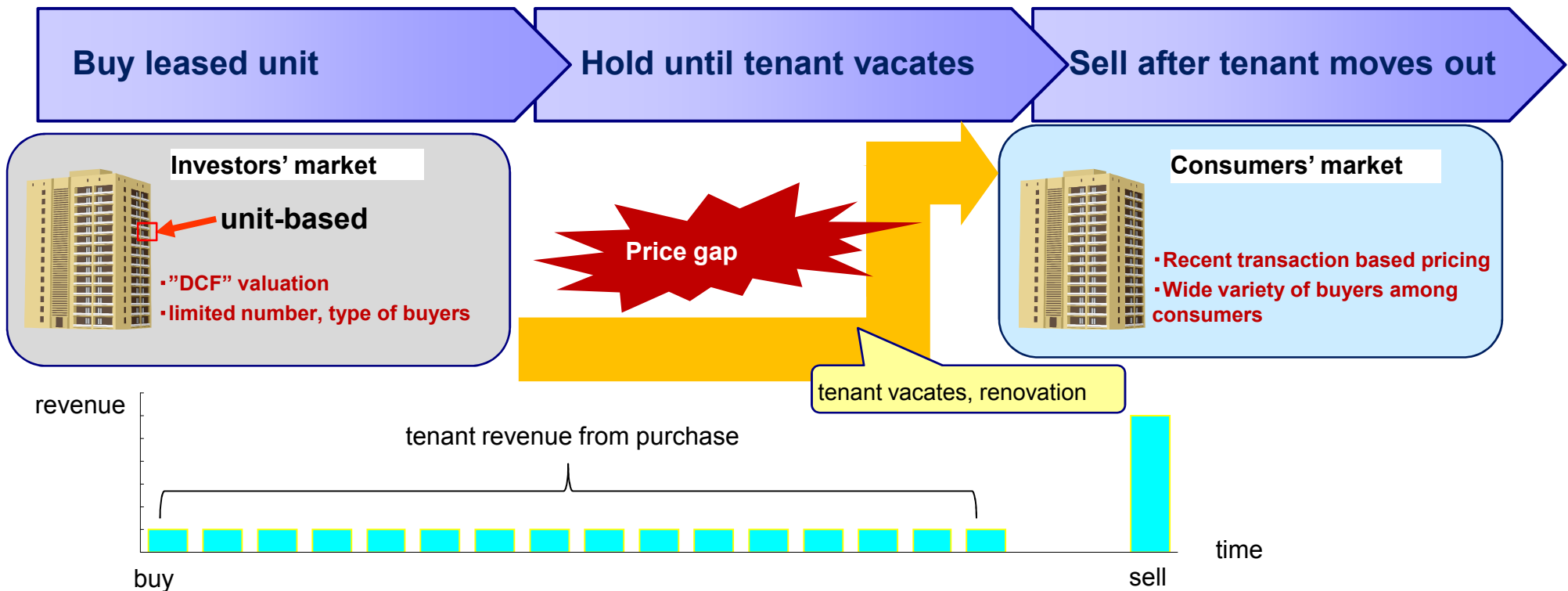
Since all units are leased at entry, there is no risk of vacant unit inventory. We will have positive cash-flow all the time.

※AM means real estate asset manager

# “② Differentiation in investment strategy”

## Investment strategy

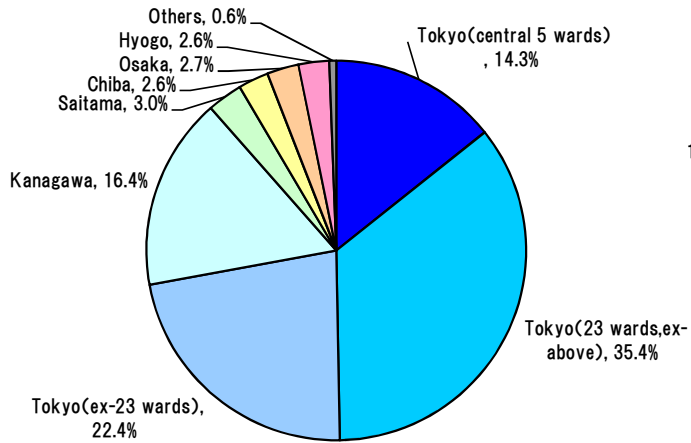
- We seek arbitrage trades that profit from price gaps, not only the capital gain. (Different from “value-up” or “reproduction”)
- We receive rent revenue from tenants during the holding period, we profit from capital gain when we sell at market.
- We supply condominium units to consumers as exit. (Different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



# “③ Differentiation in risk diversification”

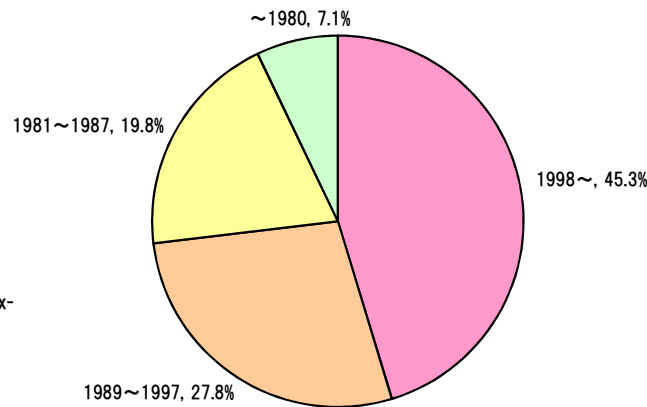
We seek to diversify risk (accident, natural disasters, price volatility, holding period) by holding over 1,000 condominium units as portfolio, from various locations, ages.

■ composition by region



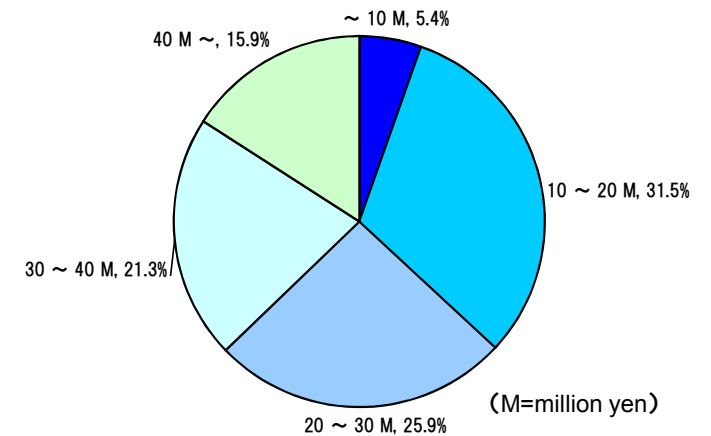
Composition by region	FY Nov 2010	FY Nov 2011
Tokyo (central 5 wards)	11.8%	14.3%
Tokyo (23 wards, ex-above)	29.8%	35.4%
Tokyo (ex-23 wards)	28.2%	22.4%
Kanagawa	13.9%	16.4%
Saitama	4.0%	3.0%
Chiba	3.6%	2.6%
Osaka	4.1%	2.7%
Hyogo	3.8%	2.6%
Others	0.8%	0.6%

■ composition by year built



Composition by year built	FY Nov 2010	FY Nov 2011
1998~	45.4%	45.3%
1989~1997	28.6%	27.8%
1981~1987	19.7%	19.8%
~1980	6.3%	7.1%

■ composition by purchase price



Purchase price level	FY Nov 2010	FY Nov 2011
~ 10 M	5.8%	5.4%
10 ~ 20 M	29.7%	31.5%
20 ~ 30 M	26.2%	25.9%
30 ~ 40 M	24.7%	21.3%
40 M ~	13.6%	15.9%

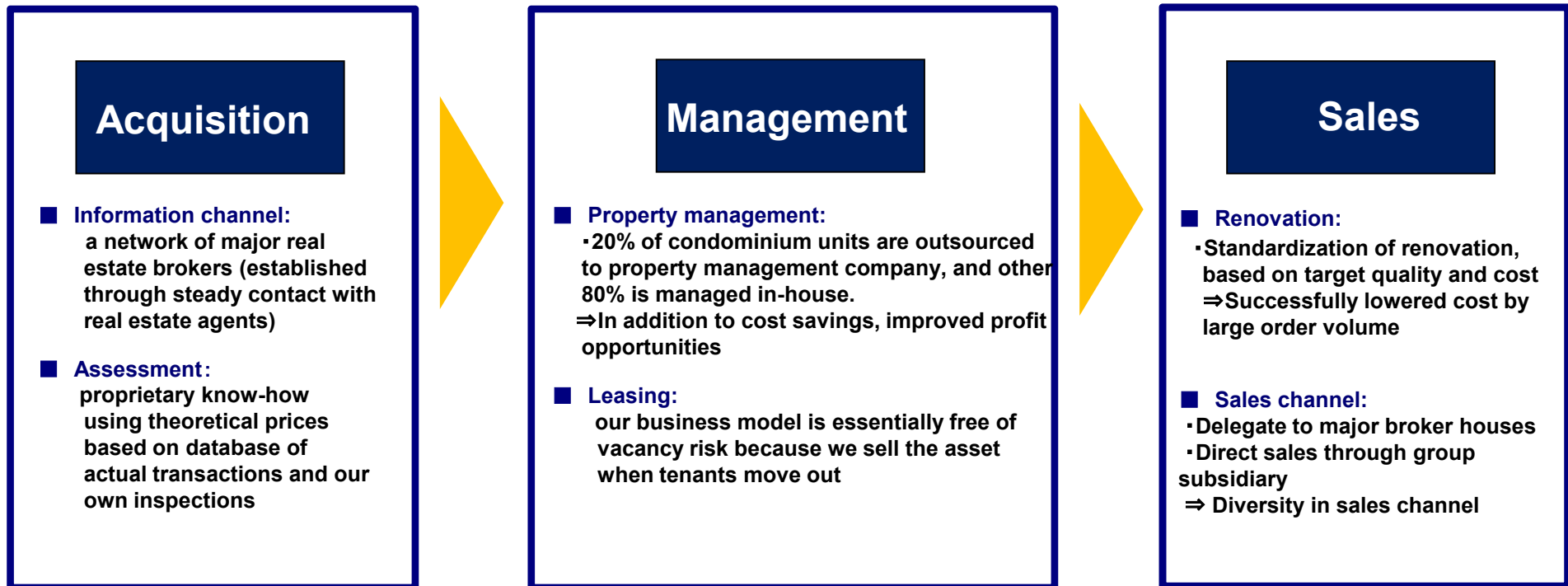
Average unit data	FY Nov 2010	FY Nov 2011
Avg size	69.87 m <sup>2</sup>	66.15 m <sup>2</sup>
Avg age	17.4 year	18.6 year
Avg acquisition price	20,986 K	20,860 K

※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.

(K=thousand yen)

# “④ Differentiation in operations”

- “No one does, no one can”. We have created a “system” to operate complex transactions.
- Strong profitability by taking advantage of business opportunity through related business.



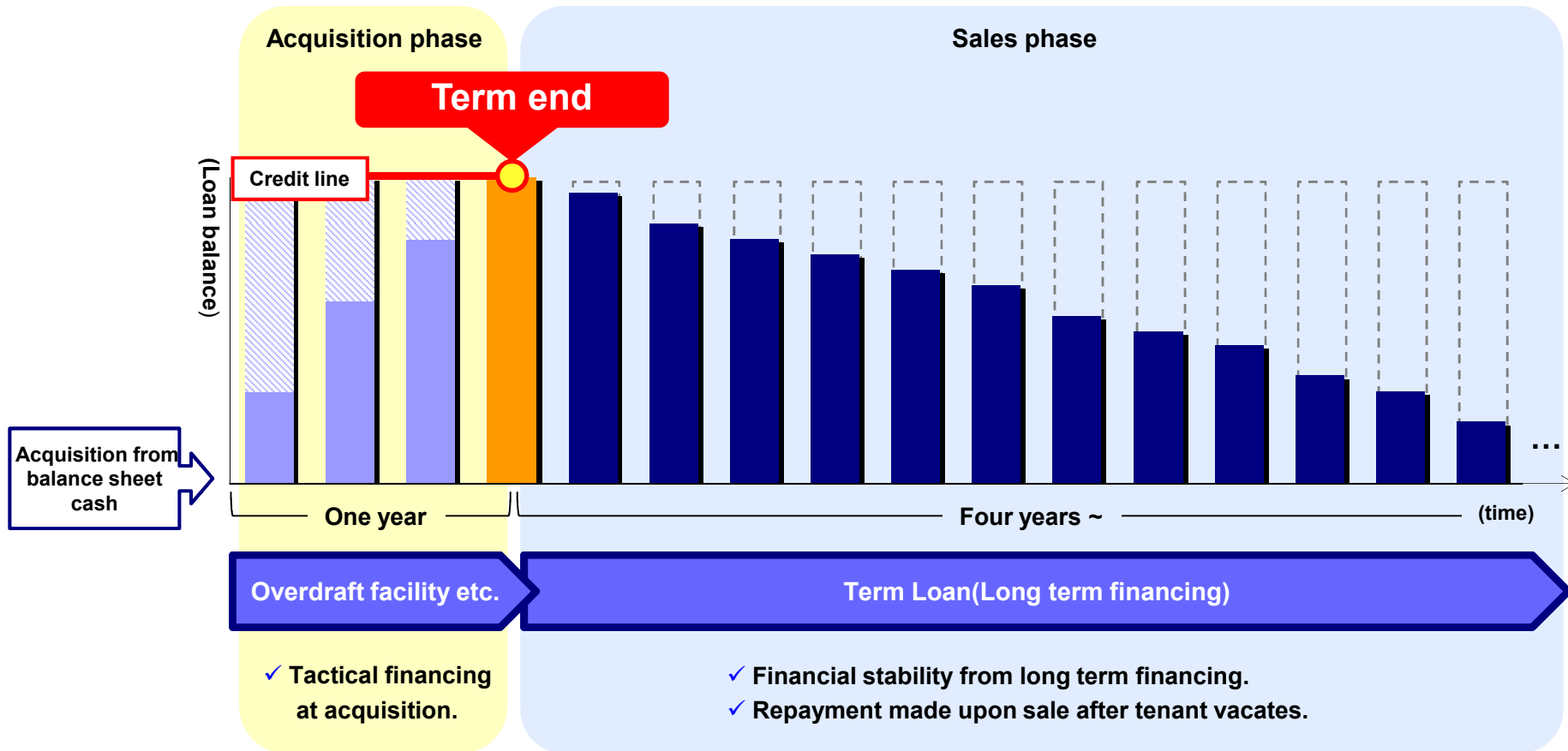
**Unique operation system that we developed for our operation.**

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.
- We have tactical financing capability at acquisition phase, move on to long term financing at sales phase. This original financing structure fits well to our business model.

## ■ Financing structure



# Awarded 2011 “Porter Prize”

- First ever award from real estate sector.
- Unique and innovative business strategy was respected in appraisal.
- “Porter Prize” is named after Professor Michael E. Porter in Competitive Strategy.



## ■ Awarded companies

2011	Komatsu
	Mitsubishi Rayon
	Plan-Do-See
	Star Mica
Past awards	Kirin Brewery (2010)
	UNIQLO(2009) etc.



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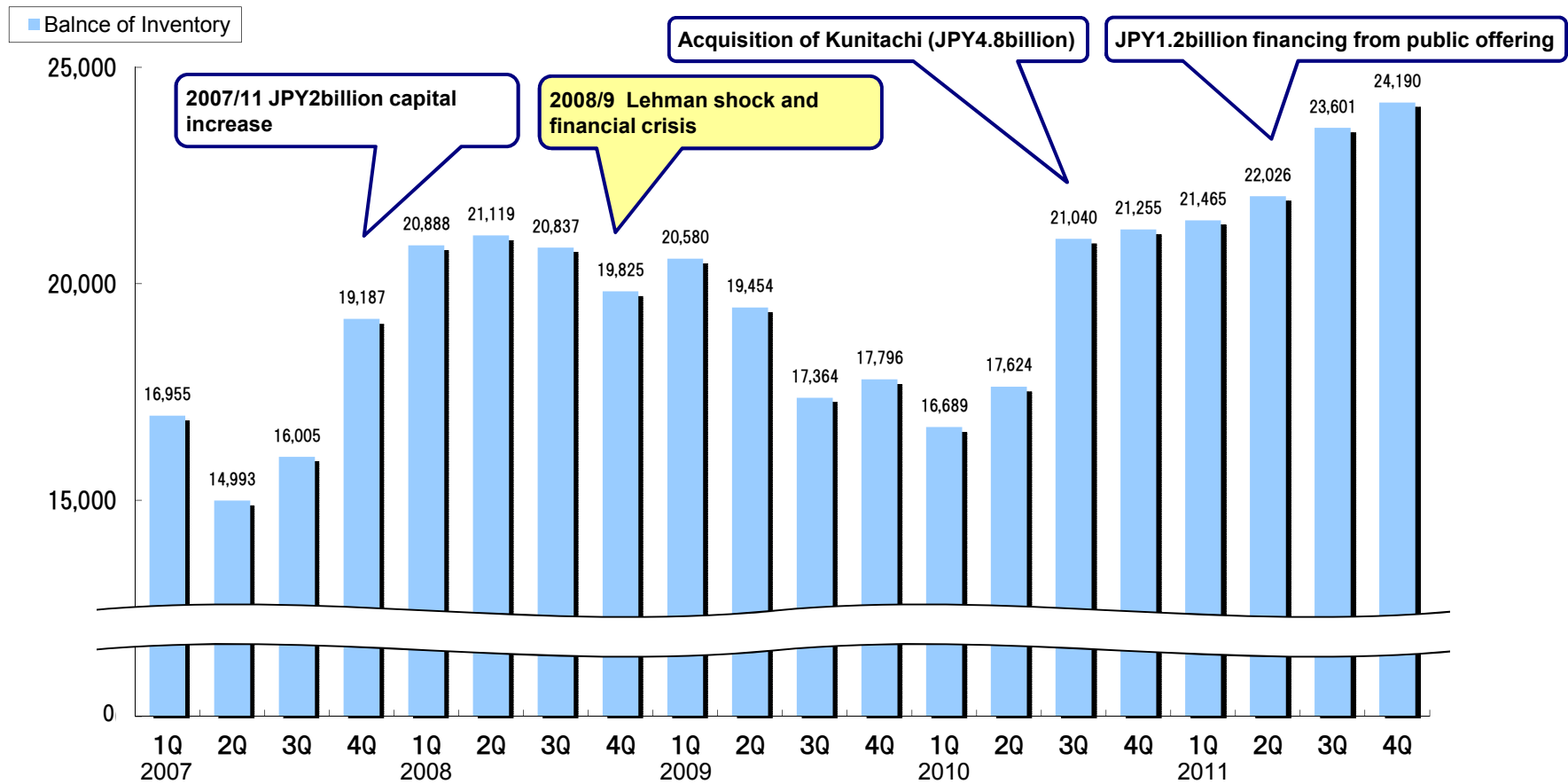
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# — Condominium for sale — 『Inventory reached all time high from aggressive acquisition』

- Acquired JPY3billion after April public offering. (JPY1.2billion)
- We aim to acquire additional properties with strict evaluation. JPY1.2billion financing from public offering.

## ■ Progress in Inventory (at end of each quarter)

(Unit: JPY million)

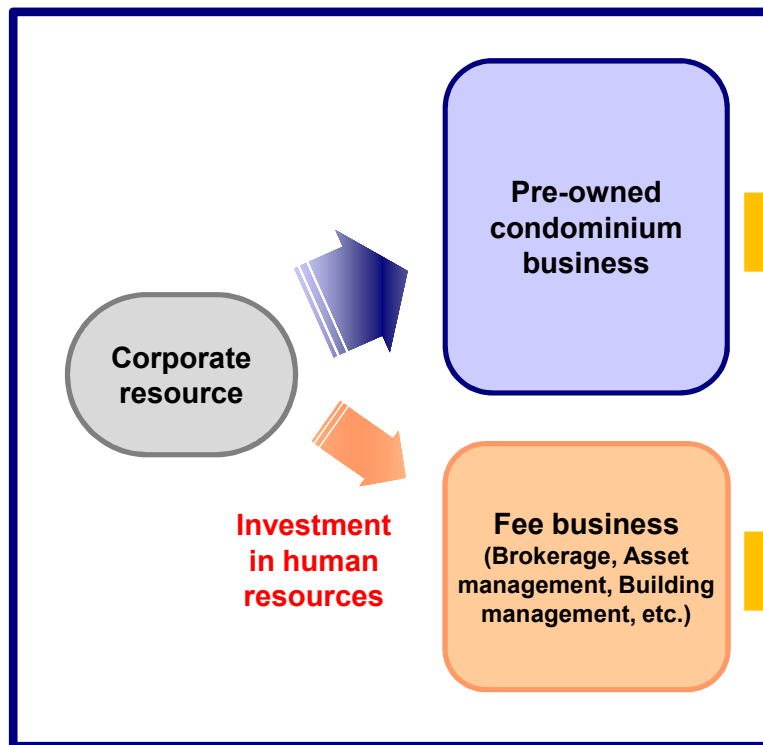


※most of inventory is condominiums for sale from Codominium business

# FY2011/11, “Review of aggressive operation”

- Continued to stay aggressive as leading company of secondary condominiums.
- Focused capital to Pre-owned condominium business, while extending to fee business that work off-B/S.

“Aggressive” management(2nd year)  
~Broaden investment scope of our resources~



## ■ FY2011/11 result (compared to previous year)

### ✓ Aggressive acquisition

Acquired **JPY3billion** with strong focus in investment.

### ✓ Tenant management was insourced

number of units with management insourced **80%**  
(compared to 50% last year)  
margin from rent income **72.4%**  
(compared to 69.5% last year)

### ✓ Expanded business hub

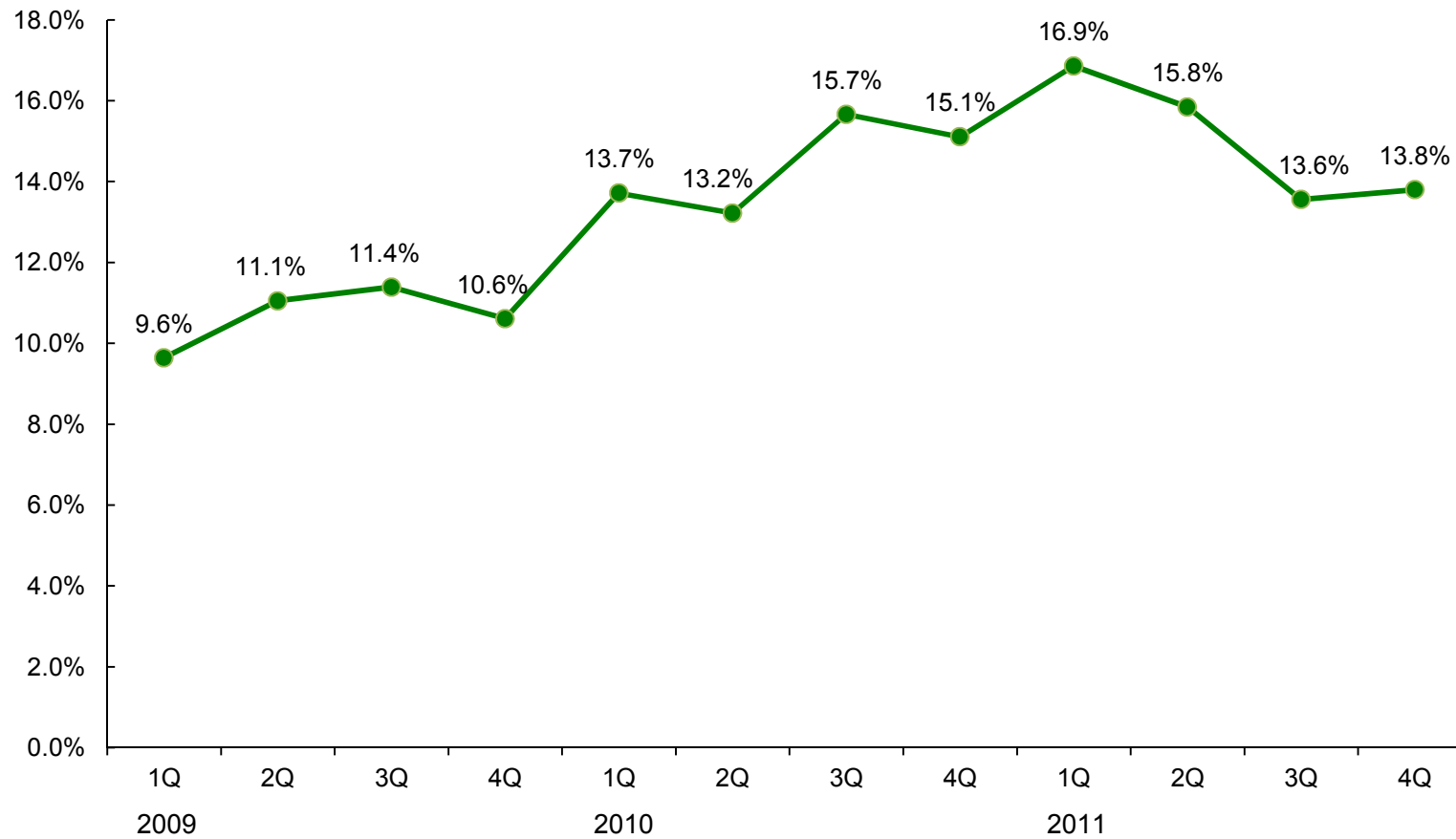
Opened Yokohama branch to cover wider area.

### ✓ Increase in brokerage fee from subsidiary

**JPY256million** (compared to JPY136million)

# Market correction after 2nd half 2011

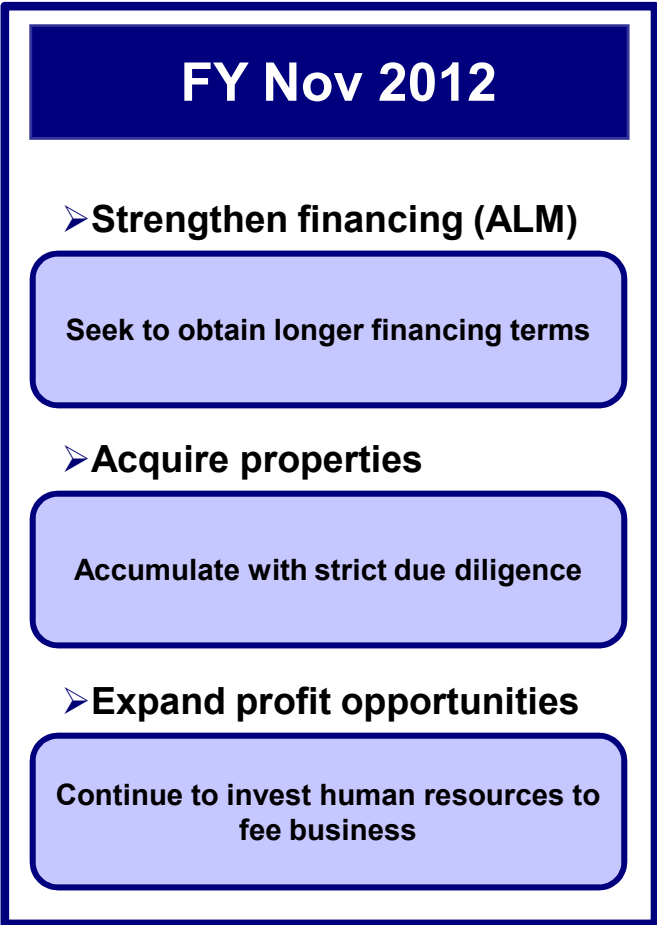
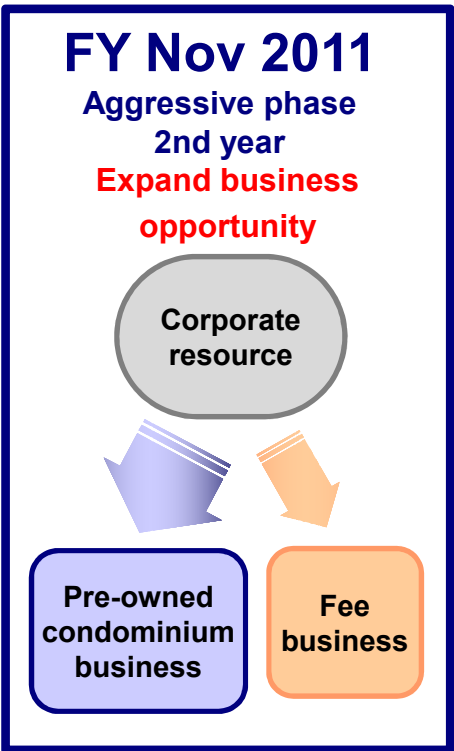
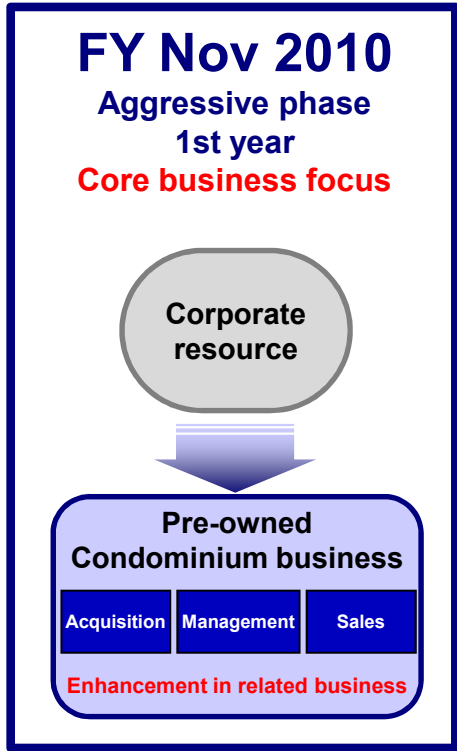
■ Quarterly sales margin of Pre-owned condominium business



# FY2012/11 Preparing for next aggressive phase

- Further strengthen business platform after 2 years of aggressive operations.
- Prepare for intransparent market environment. Stabilize financing. Accumulate profit opportunity.

## Aggressive operation to-date



# FY forecast, dividend policy

- Secure target profit margin despite increased intransparency in global markets.
- Increase annual dividend from JPY1,150 to 1,200, working towards long-term dividend payout ratio target of 20%.

(Unit: JPY million)						(Unit: JPY million)							
	FY 2010		FY 2011		FY 2012 Projections		Business Domains	FY 2010		FY 2011		FY 2012 Projections	
	Amount	Amount	YoY Change	Amount	YoY Change	Amount		Amount	YoY Change	Amount	YoY Change		
Sales	12,403	12,719	102.5%	12,912	101.5%	Sales	12,403	12,719	102.5%	12,912	101.5%	12,912	101.5%
Gross profit	2,631	3,028	115.1%	2,964	97.9%	Pre-owned Condominium	11,440	11,833	103.4%	12,134	102.5%	12,134	102.5%
Operating income	1,610	1,857	115.4%	1,706	91.9%	Rent	1,414	1,649	116.6%	1,756	106.5%	1,756	106.5%
Recurring profit	1,157	1,318	113.9%	1,129	85.7%	Sales	10,025	10,184	101.6%	10,377	101.9%	10,377	101.9%
Special gain or loss	2	-	-	-	-	Investment Business	759	584	77.0%	536	91.7%	536	91.7%
Net income before income taxes	1,159	1,318	113.7%	1,129	85.7%	Advisory Business	203	300	147.6%	241	80.4%	241	80.4%
Net income	650	740	113.9%	624	84.2%	Gross profit	2,631	3,028	115.1%	2,964	97.9%	2,964	97.9%
						Pre-owned Condominium	2,319	2,562	110.5%	2,632	102.7%	2,632	102.7%
EPS(Yen)	7,867.40	8,005.76		6,242.00		Rent	983	1,194	121.5%	1,268	106.2%	1,268	106.2%
						Sales	1,443	1,518	105.2%	1,463	96.4%	1,463	96.4%
Annual dividends per share(Yen)	1,100	1,150		1,200		MTM Loss	-107	-150	139.6%	-100	66.5%	-100	66.5%
						Investment Business	108	165	152.5%	102	62.1%	102	62.1%
						Advisory Business	203	300	147.6%	229	76.3%	229	76.3%

※EPS estimate is based on number of shares issued (100,000) as at Nov.30,2011

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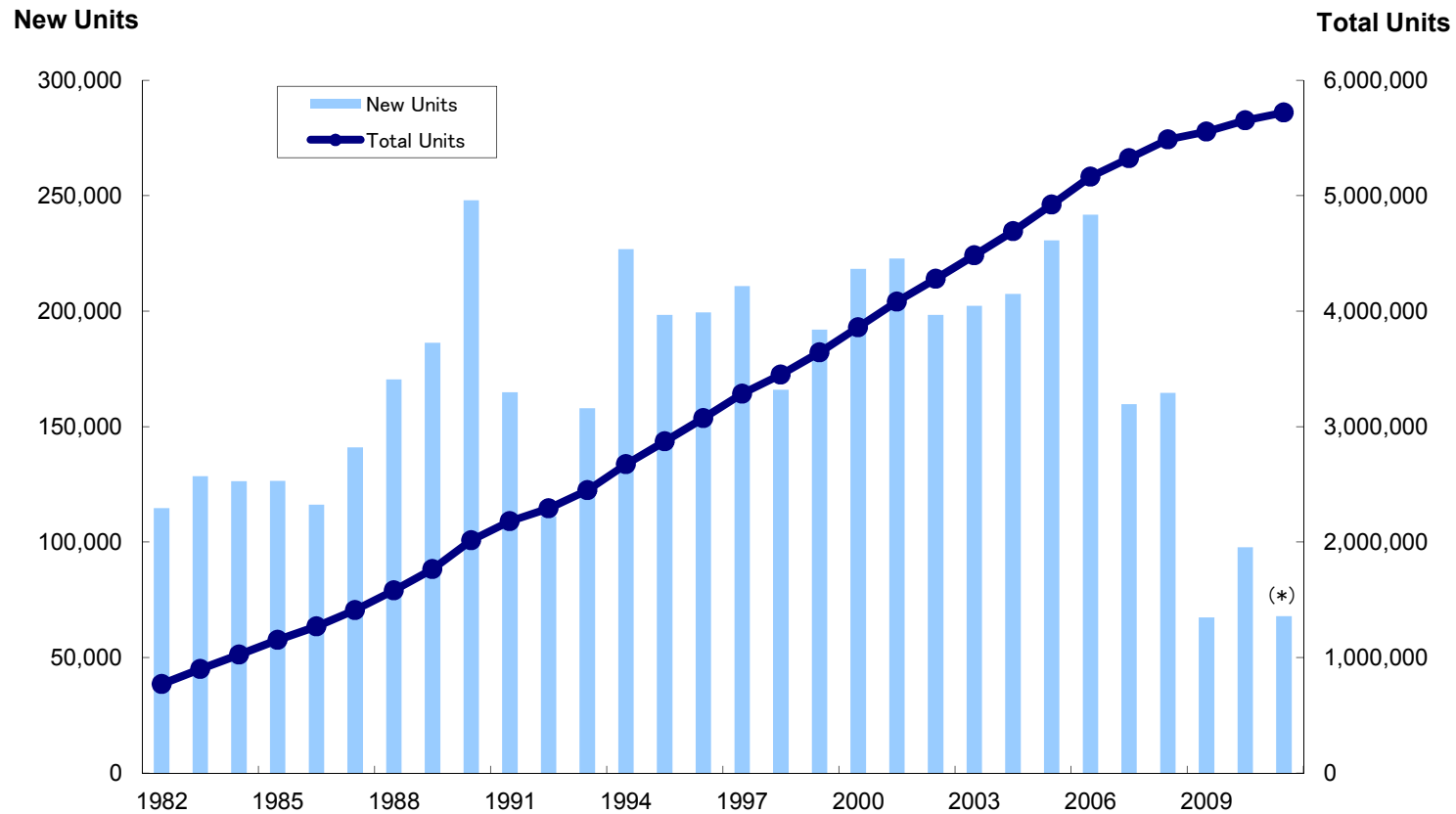
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# Japanese condominium stock now above 5 million units

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

## ■ Japanese condominium market



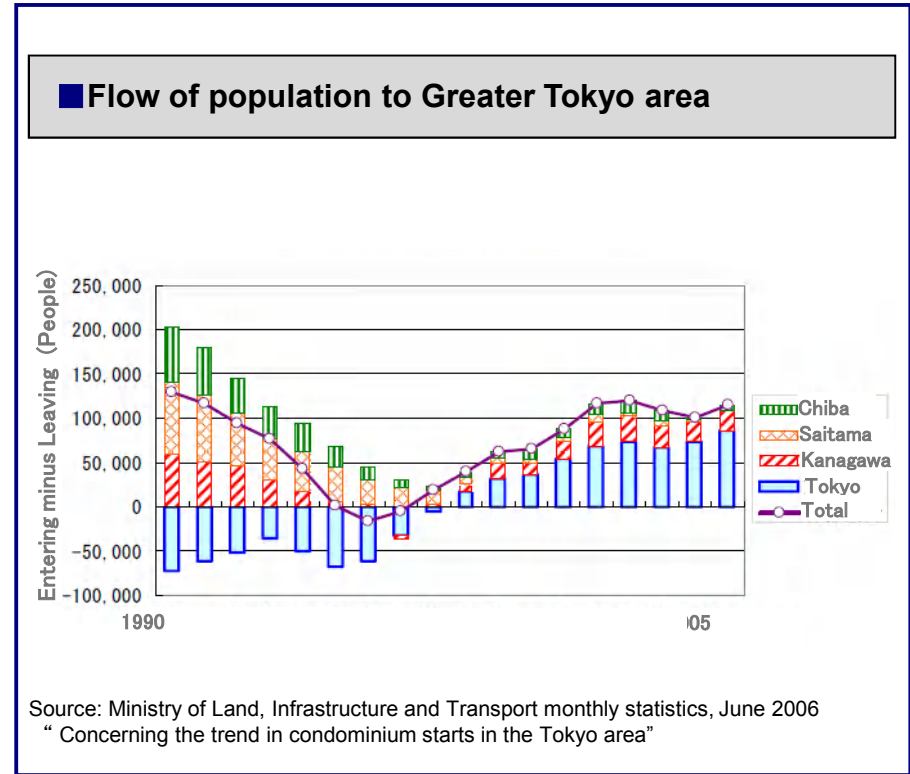
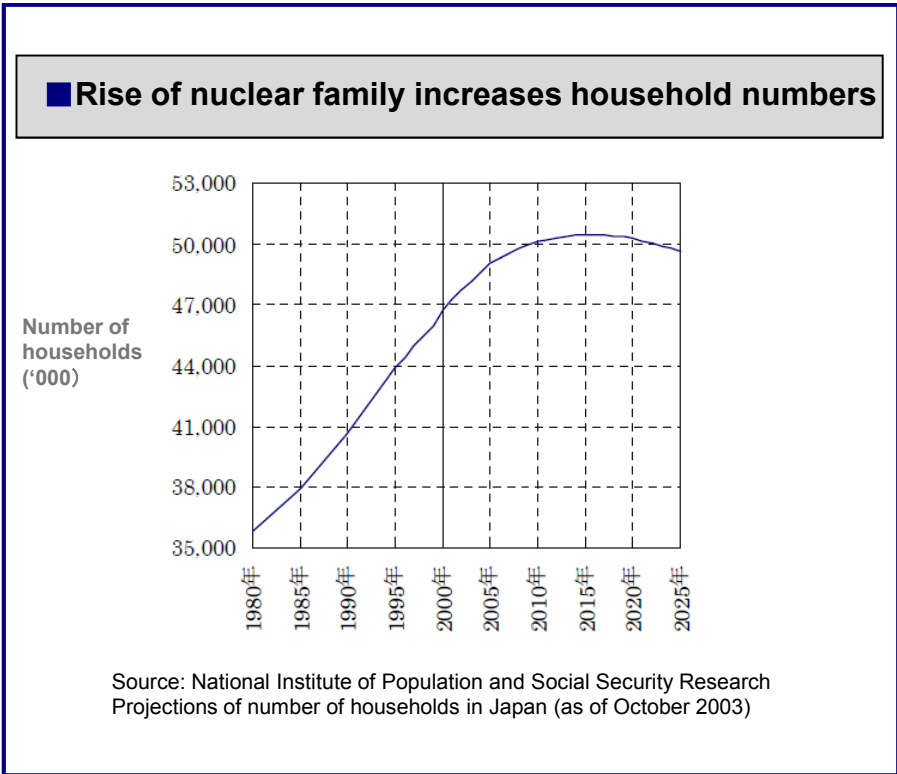
Source: Star Mica, based on Ministry of Land, Infrastructure, and Transport data

(\*) For 2011 data is based on results as of Oct 2011 end.



# Outlook for used condominium market

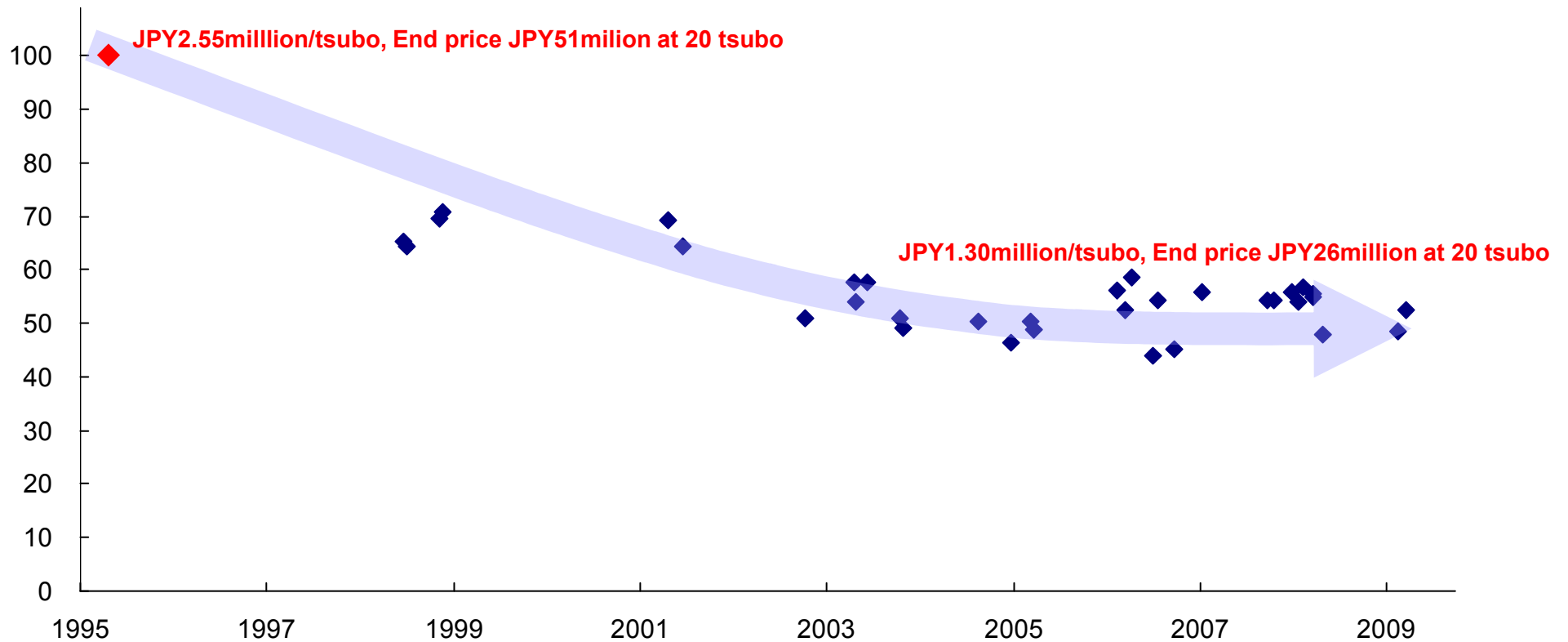
**Growth in condo stock, increase in number of households, and continuous inflow of population to major urban/metropolitan areas, should accelerate growth in the used condominium markets of Japanese major cities.**



# 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 75m<sup>2</sup>, Construction date July,1995  
 Data from Tokyo kantei , Higashinohon REINS ,compiled by Star Mica.

# Demand for affordable housing is strong

## ■ Secondary condominiums that can be bought by paying below rent

- ✓ It is possible to purchase reasonable price range condominiums below current rent payment.
- ✓ Demand for this price range is high considering real income level.



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

(Unit: yen)

Initial 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

## ■ Average secondary condominium(image) \*

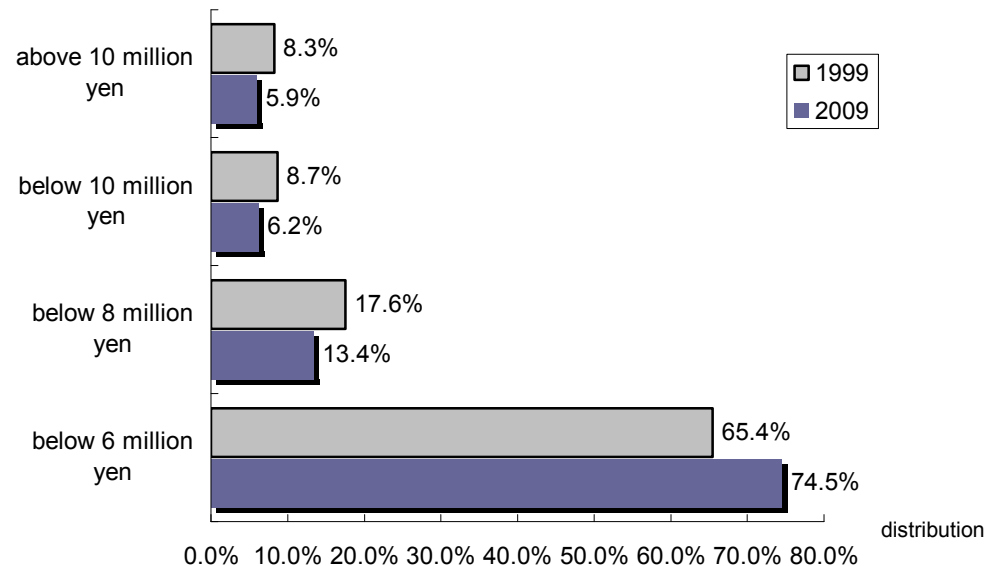
Avg price	26,107 K
Avg size	63.52 m <sup>2</sup>
Avg age	18.2 year
Avg monthly rent	147 K
Avg monthly mgmt fee, etc	21 K

(K=thousand yen)

**Monthly payment of 90K can reach to purchase standard secondary condominium unit.**

\* Based on our sales results (2010/12-2011/11)

## ■ Annual income distribution for employees



※Source: Star Mica based on the National Tax Administration Agency, 1999,2009, male statistics

**Annual income below 6 million yen is 3/4 of total population.**

# 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)”

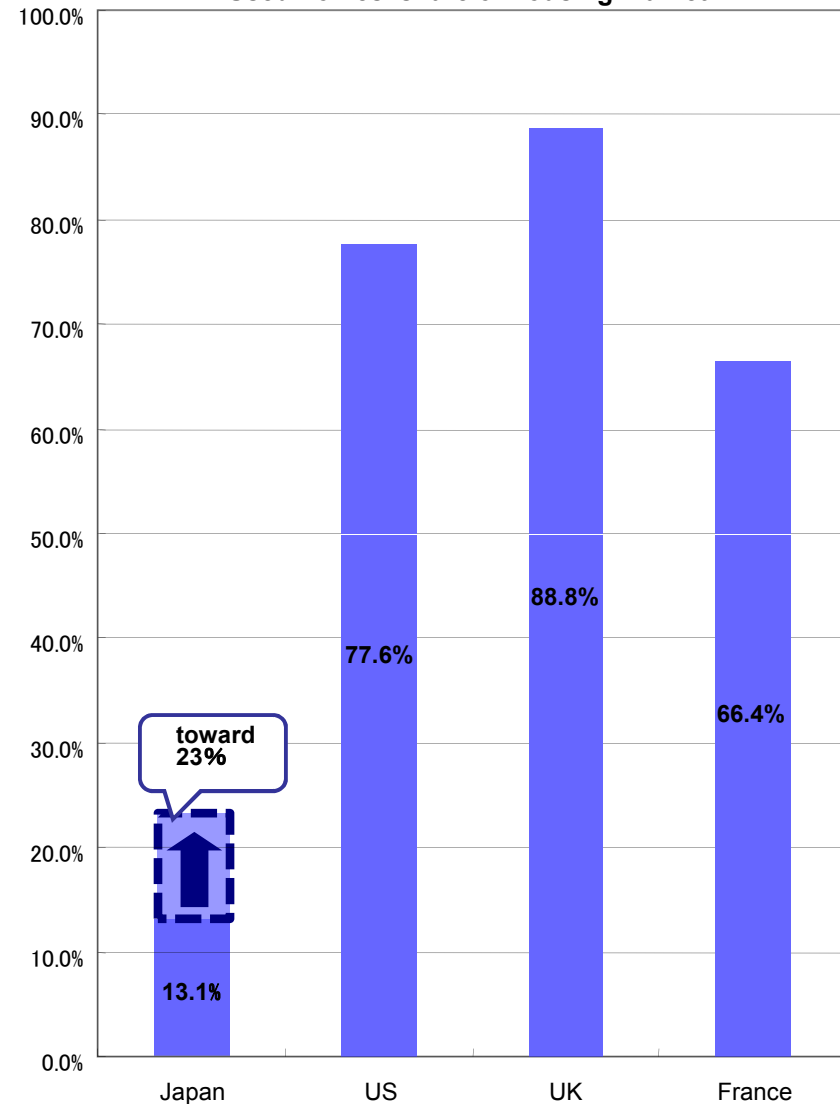
**① Supply of high quality properties**

- 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

# Doubling the market size of secondary condominium. ~national strategic project ~

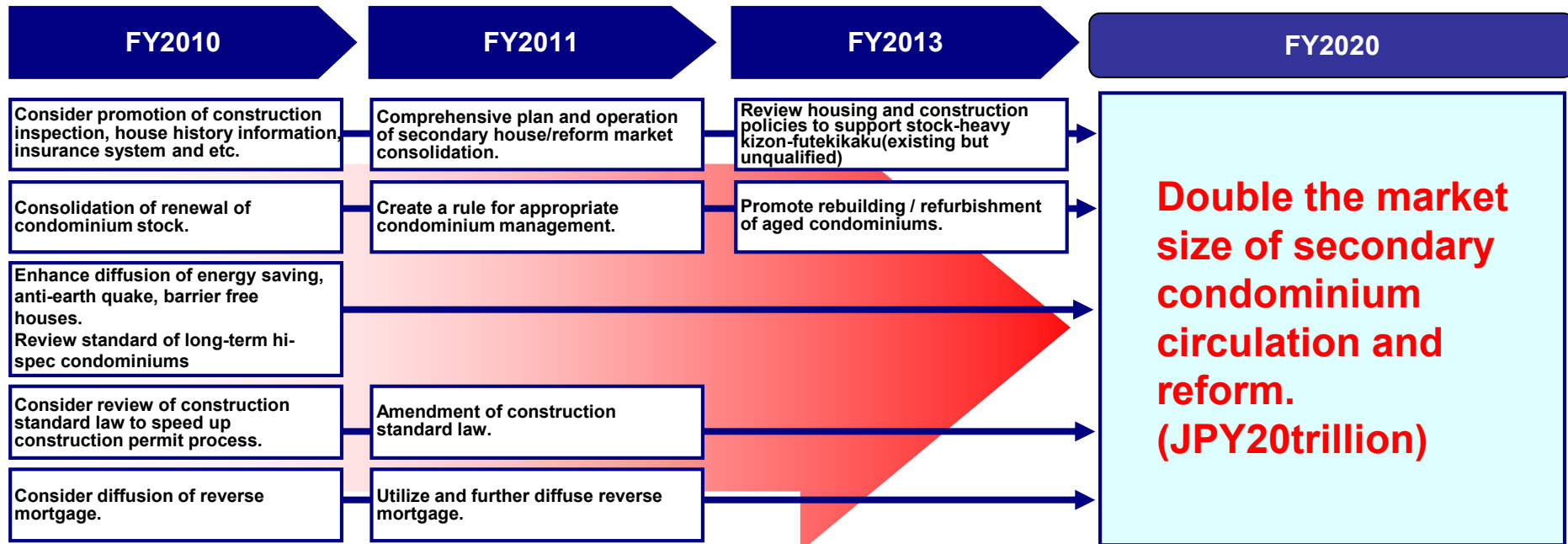
## ◆ Doubling the market size of secondary condominium, reform market. (JPY20trillion)

« New growth strategy ~ objective of 7 strategic areas and 21 national strategic project determined by the Cabinet 2010/6/18 »

### ~Change from stock-heavy residential policy~

- (1) Market consolidation and deregulation based on total plan, necessary for the change from stock-heavy residential policy.
- (2) Promote supply of hi-quality new houses to enhance change from build-and-scrap model.
- (3) Promote housing and real estate market to realize economic growth from domestic demand.

### ■ Timeline to achieve goal



\* Source : Edited by Star Mica from National Strategy Room HP <http://www.npu.go.jp/>

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1. Executive Summary

2. Business Outline and Results

3. Corporate Strategy

4. Market Overview

**5. Company Profile**

# Company profile

■ as of Nov. 30 2011

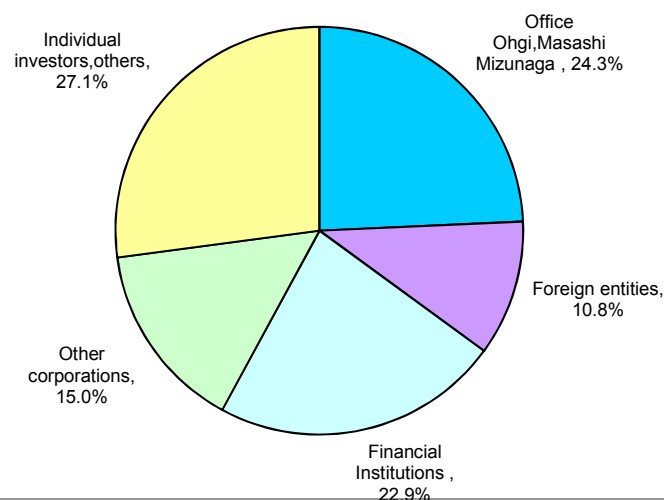
<b>Company name</b>	Star Mica Co., Ltd.
<b>Representative</b>	<p>President &amp; representative director Masashi Mizunaga            Brief resume • Mitsui &amp; Co., Ltd.</p> <ul style="list-style-type: none"> <li>▪ MBA (University of California, Los Angeles)</li> <li>▪ The Boston Consulting Group</li> <li>▪ Goldman Sachs Japan Ltd.</li> </ul>
<b>Date of incorporation</b>	May 1, 2001
<b>Listing date</b>	<p>October 2, 2006            Osaka Securities Exchanges JASDAQ Market (stock code: 3230)</p>
<b>Capital</b>	3,573 million
<b>Offices</b>	Tokyo head office (Minato Ward), Yokohama branch (Yokohama City)
<b>Main Bank</b>	Bank of Tokyo-Mitsubishi UFJ, Aozora Bank, Sumitomo Mitsui Banking Corporation, Resona Bank,Ltd., Mizuho Bank,Ltd.
<b>Auditor</b>	KPMG AZSA LLC
<b>Employees</b>	65
<b>Businesses</b>	Pre-owned Condominium business, Investment business, Advisory business

# Major shareholders (as of 30 Nov 2011)

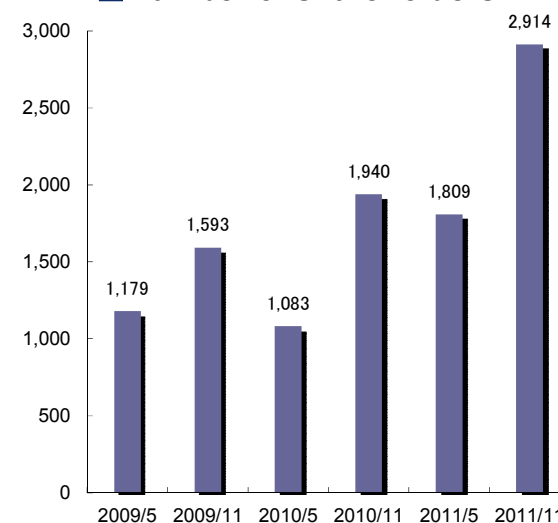
## major shareholders

Shareholder	May 2011	Nov 2011	%	Notes
Office Ohgi	16,450	16,450	16.5%	Private Company of Masashi Mizunaga
Jupiter Investment	12,600	12,600	12.6%	Goldman Sachs Group
Japan Trustee Services Bank, Ltd. (Account in trust)	9,437	12,280	12.3%	
Hiroshi Taguchi	9,000	9,000	9.0%	
Masashi Mizunaga	6,694	7,832	7.8%	President & Representative Director
The Master Trust Bank of Japan, Ltd. (Account in trust)	6,881	7,135	7.1%	
Yasumitsu Shigeta	3,767	3,910	3.9%	
Goldman Sachs International	3,211	2,424	2.4%	
The Nomura Trust and Banking Co., Ltd. (Account in investment trust)	**	1,885	1.9%	
ITJ LAW OFFICE	**	1,427	1.4%	
Others	30,960	25,057	25.1%	**Others not listed since out of top 10
<b>Total</b>	<b>99,000</b>	<b>100,000</b>	<b>100.0%</b>	

## Distribution of share ownership



## Number of shareholders





# Cautionary Statement / Contact Information

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- This presentation contains forward-looking statements, including forecasts of business performance and operation plans and targets. These statements are based on information available to the company's management when this material was prepared and on current assumptions for uncertain factors affecting future earnings. Actual results may differ from the information presented in this report due to a host of factors that are unforeseeable and/or beyond the control of the company.
- The information in this presentation includes data believed by the company to be reliable and has been obtained from public sources believed to be reliable. However, the company makes no representation as to the accuracy or completeness of such information.
- This presentation is not to be construed as a solicitation to invest in the company. Investors must make their own investment decisions.

For further information please contact:  
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E-mail: [ir.group@starmica.co.jp](mailto:ir.group@starmica.co.jp)