

# Financial Result Summary

## For FY Nov 2017

January 12, 2018

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Star Mica Co., Ltd.



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## -PL- Sales and net income reached new record high for 5th consecutive year.

- Renovated condominiums attract demand as price of new condominiums continues to rise.
- Promoted sales of condominiums to meet high demand. Net income now over JPY2 billion.

	FY Nov 2015	FY Nov 2016	FY Nov 2017	YoY Change
	(JPY million)	(JPY million)	(JPY million)	
Sales	19,333	20,973	23,075	+10.0%
Gross profit	4,600	5,519	6,159	+11.6%
Operating income	2,465	3,258	3,575	+9.7%
Recurring profit	1,797	2,581	2,982	+15.5%
Net income	1,114	1,678	2,068	+23.3%

# All business domain recorded great results.

- Pre-owned Condominium Business have increased sales and profit by refined marketing strategy.
- Investment Business contributed to sales and profit by disposition of assets.

	FY Nov 2015	FY Nov 2016	FY Nov 2017	YoY Change	Explanation of business units			
	(JPY million)	(JPY million)	(JPY million)					
Sales	19,333	20,973	23,075	+10.0%				
Pre-owned Condominium	15,497	16,982	17,868	+5.2%	Revenue from pre-owned condominium rent/sales			
Rent	2,363	2,530	2,687	+6.2%				
Sales	13,134	14,452	15,181	+5.0%				
Investment business	3,419	3,547	4,766	+34.4%	Revenue excluding pre-owned condominium rent/sales ※including sale of properties FY Nov 2016 : 2,512 JPY million FY Nov 2017 : 3,974 JPY million			
Advisory business	416	443	439	-1.0%	Revenue from real estate brokerage, management fee, etc			
	FY Nov 2015	Profit Margin	FY Nov 2016	Profit Margin	FY Nov 2017	Profit Margin	YoY Change	Explanation of business units
	(JPY million)		(JPY million)		(JPY million)			
Gross profit	4,600	23.8%	5,519	26.3%	6,159	26.7%	+11.6%	
Pre-owned Condominium	3,627	23.4%	3,857	22.7%	4,158	23.3%	+7.8%	Profit from pre-owned condominium rent/sales
Rent	1,719	72.8%	1,797	71.0%	1,874	69.7%	+4.3%	
Sales	1,947	14.8%	2,204	15.3%	2,332	15.4%	+5.8%	
Mark-to-market loss	-40	-	-143	-	-48	-	-	
Investment business	668	19.5%	1,333	37.6%	1,711	35.9%	+28.3%	Profit from pre-owned condominium rent/sales ※ including revenue of properties FY Nov 2016 : 896 JPY million FY Nov 2017 : 1,272 JPY million
Mark-to-market loss	-	-	-0	-	-	-	-	
Advisory business	305	73.4%	328	73.9%	290	66.1%	-11.4%	Profit from real estate brokerage, management fee, etc

**-BS-** We are successfully acquiring additional assets along with increasing demand.

- We are expanding sales areas, hiring quality staff and strengthening acquisitions.

	FY Nov 2016	FY Nov 2017	YoY Change
	(JPY million)	(JPY million)	
Current assets	43,093	47,763	+10.8%
Cash and deposits	3,260	2,265	-30.5%
Inventories <small>(※1)</small>	39,221	44,808	+14.2%
Fixed assets	8,550	6,910	-19.2%
Tangible fixed assets <small>(※2)</small>	8,004	6,366	-20.5%
Total assets	51,651	54,683	+5.9%
Short-term liabilities	4,941	5,196	+5.2%
Long-term liabilities	32,804	33,976	+3.6%
Shareholder's equity	13,846	15,450	+11.6%
Capital-to-asset ratio	26.8%	28.3%	

※1 Most of the inventories are condos from pre-owned condominium business  
 ※2 Most of the fixed assets are properties from investment business

# TOPICS

## Corporate Actions

- 2017.1  
Released 3-year business development plan (FY2017.11-FY2019.11)
- 2017.6  
Revised up 2017H1 result forecast
- 2017.7  
Changed stock listing from Tokyo Stock Exchange 2nd section to 1st section. (July 14)
- 2017.8  
Announced stock split, buy-back and cancellation
- 2017.8  
Opened Fukuoka Office
- 2017.9  
Revised up FY result forecast. Revised up dividend per share forecast
- 2018.1  
Released 5-year business development plan, "Challenge 2022"

## New Products and Services

- 2017.3  
Formed strategic alliance with Investors Cloud in pre-owned condominium IT evaluation service
- 2017.5  
Started sales of "Lifestyle Solution Residences" furnished with reuse furniture produced by Otsuka Kagu
- 2017.6  
Initiated operation of "Jibun Reno" (custom-order renovation) with offering of flat rate renovation plan
- 2017.7  
Introduced VR property viewing service with technology produced by Nerve
- 2017.12  
Initiated automated viewing arrangement service with cooperation of Itanji and SQUEEZE
- 2017.12  
Initiated "Anshin Lease Back".

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# Corporate Philosophy

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**We strive to realize society  
from "build" to "utilize".**



## We offer better lifestyle through renovation.

- We consider unique characteristics and renew each condominium functionally.
- We provide total lifestyle service through our group companies in purchase/sale, reform, and property management.
- We have recorded sales of more than 5,000 units in total, or 600 units per year, mainly in Tokyo Metropolitan area.



before



after

We offer wide array of products/services to meet increasingly diversified needs.

- We propose variety of “residential lifestyle” according to consumers’ likes.

**Sales of renovated condominiums**

**Full Renovation**



Focusing on comfort and security

**Conceptual Product**



Lifestyle with greenery

Cooperation with housing facility providers, interior designers

**Offering of self-renovation services**



Jibun Reno (self renovation)



- Introduction of non-listed condominiums
- Fixed fee renovation service
- VR experience service
- Concierge service

**Sale and lease back of condominiums**



Flexible rent, terms to meet customer needs

Quick assessment of purchase/sale price  
Quick payment and settlement

We have experience in assessment of over 8,000 units.  
We are confident in providing liquidity to any type of condominiums

# Case study: Residents that are woman-friendly

- Designed by Shiawase Renovation Laboratory to realize comfortable living through women's eyes.
- Product planning focused on storage space and resident's movement.

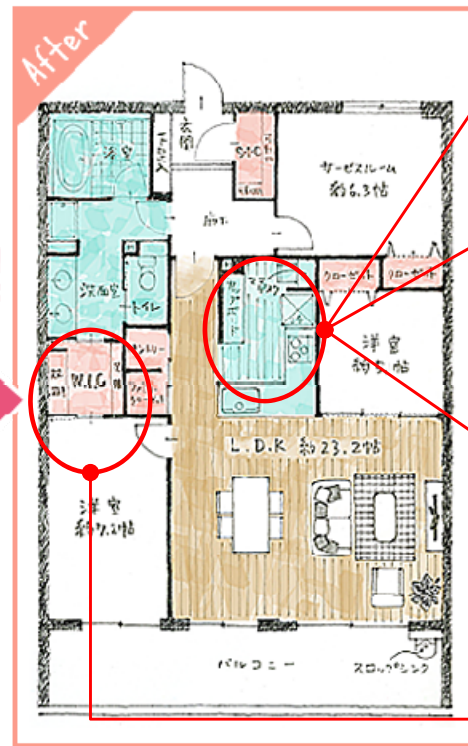
女性の"ウレシイ"をかたちに。

しあわせリノベ 研究所

<http://www.shiawase.starmica-r.co.jp/>



間取変更



Mother's desk installed close to kitchen



L-shaped kitchen to maximize counter space

Plenty of storage space considered to meet resident's movement

Designed sink for easy cleaning



# Case study: Renovated condominium with “lifestyle proposal”

- Design combination of reuse furniture to meet lifestyle, to provide affordable and beautiful ambience.

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“Renovation”



IDC OTSUKA

“Reuse furniture”



Coordinated furniture package to express “Vintage ambience” and “comfort”.



# Case study: Purchase of secondary condominium x Self-renovation to customize residence

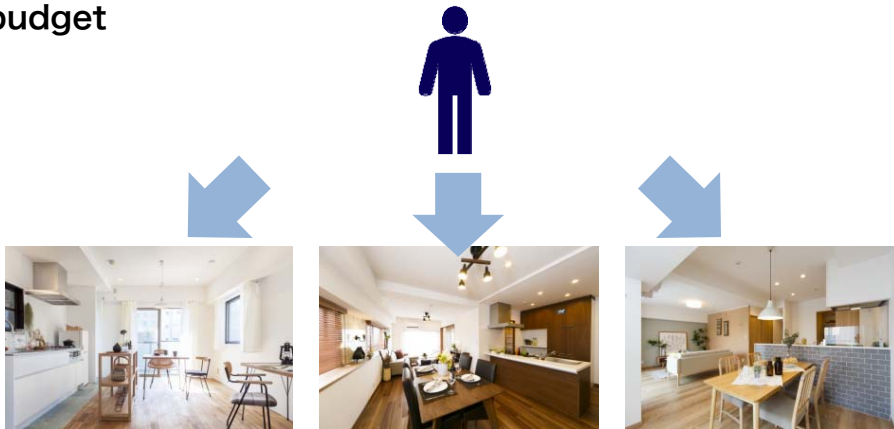
- Increasing number of consumers prefer to design their own renovation, rather than fully renovated condominium.
- We offer new product “Jibun Reno” (self-renovation), based on ample inventory of condominiums and renovation experience.

## Popular way of secondary x self renovation

1. Consumer purchases before-renovation condominium



2. Consumer makes renovation up to their planned budget



## Star Mica's self renovation service

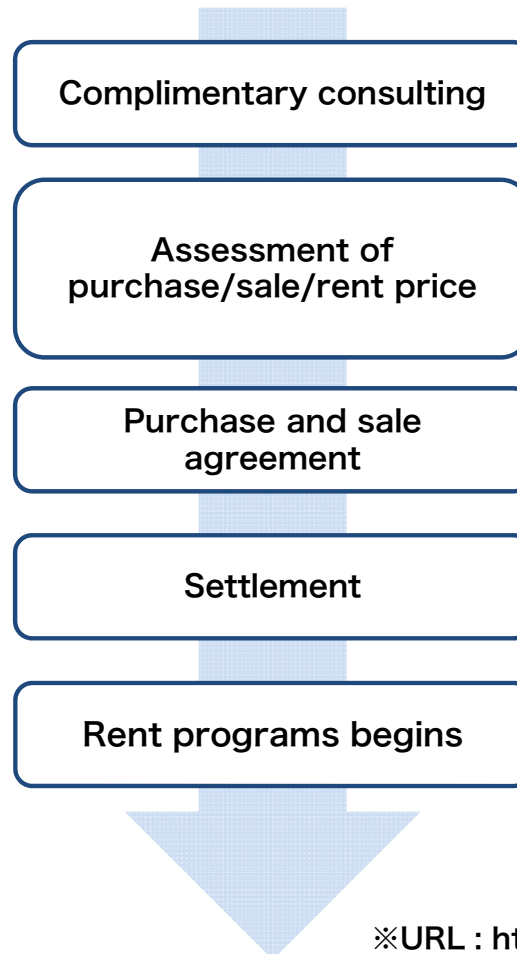


- ✓ Introduce recently vacated secondary condominium from over 2,000 units of inventory.
- ✓ Fixed renovation fee that meets space of the condominium, no additional cost after renovation.
- ✓ Design of renovated condominium interior can be pre-checked by VR image.
- ✓ Assigned concierge will provide full support including mortgage/financing.

※URL : <https://www.starmica-r.co.jp/jibunReno/>

# Case study: Sale and lease back of condominiums

- Enhance existing sale and lease back program to meet individual needs
- We feel demand of this service will increase due to aging population and high home ownership rate in Japan



Increasingly flexible rent agreement to meet various liquidation needs and aging population.



※URL : <https://www.starmica.co.jp/infomation/leaseback/>

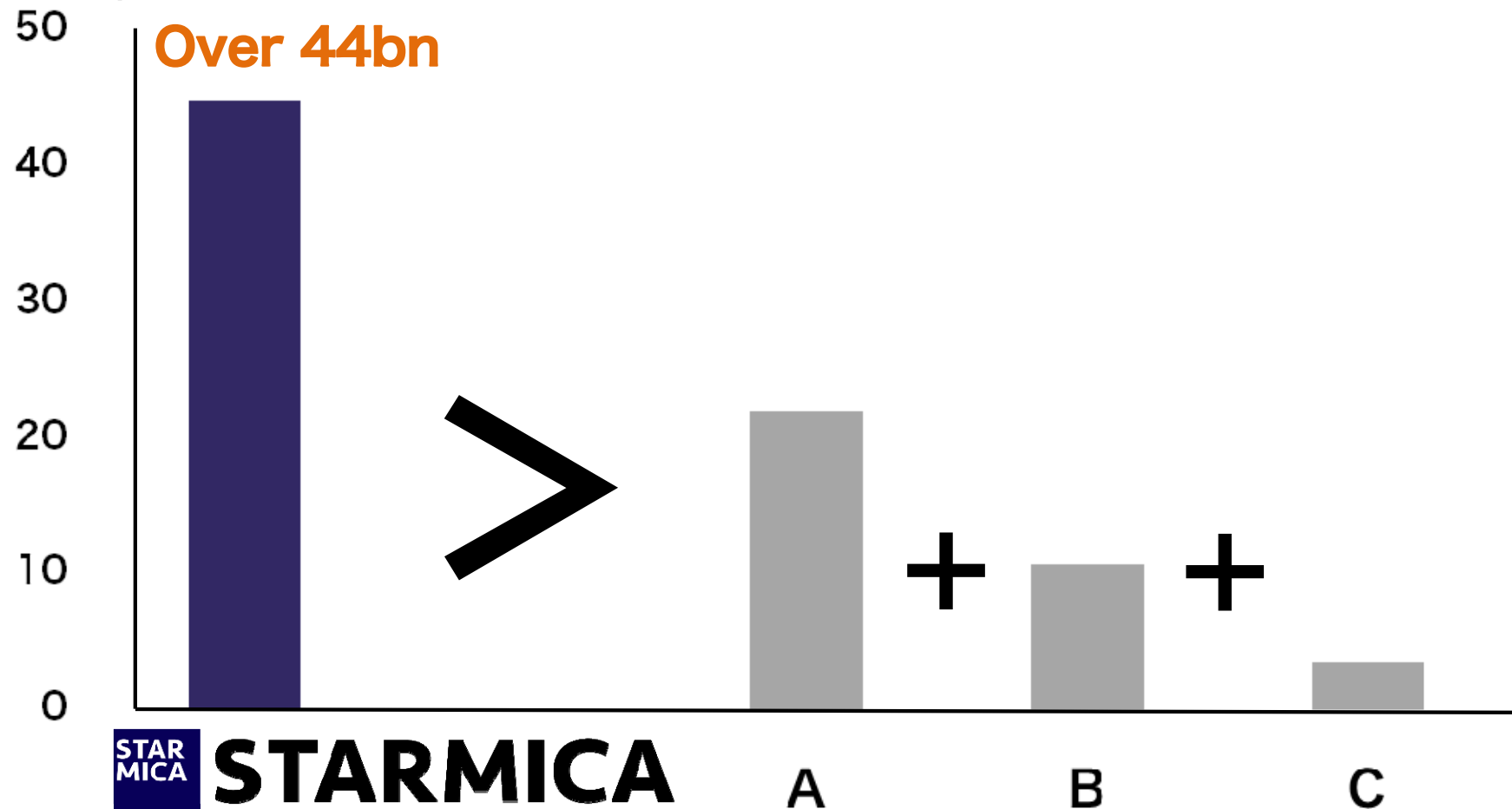
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We own over 2,100 pre-owned condominiums, we are the largest owner in Japan.

Comparison of pre-owed condominium holdings

(as of Nov. 30, 2017. in book value)

( Unit : JPY bn )



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※Summarized by Star Mica from corporate fiscal reports

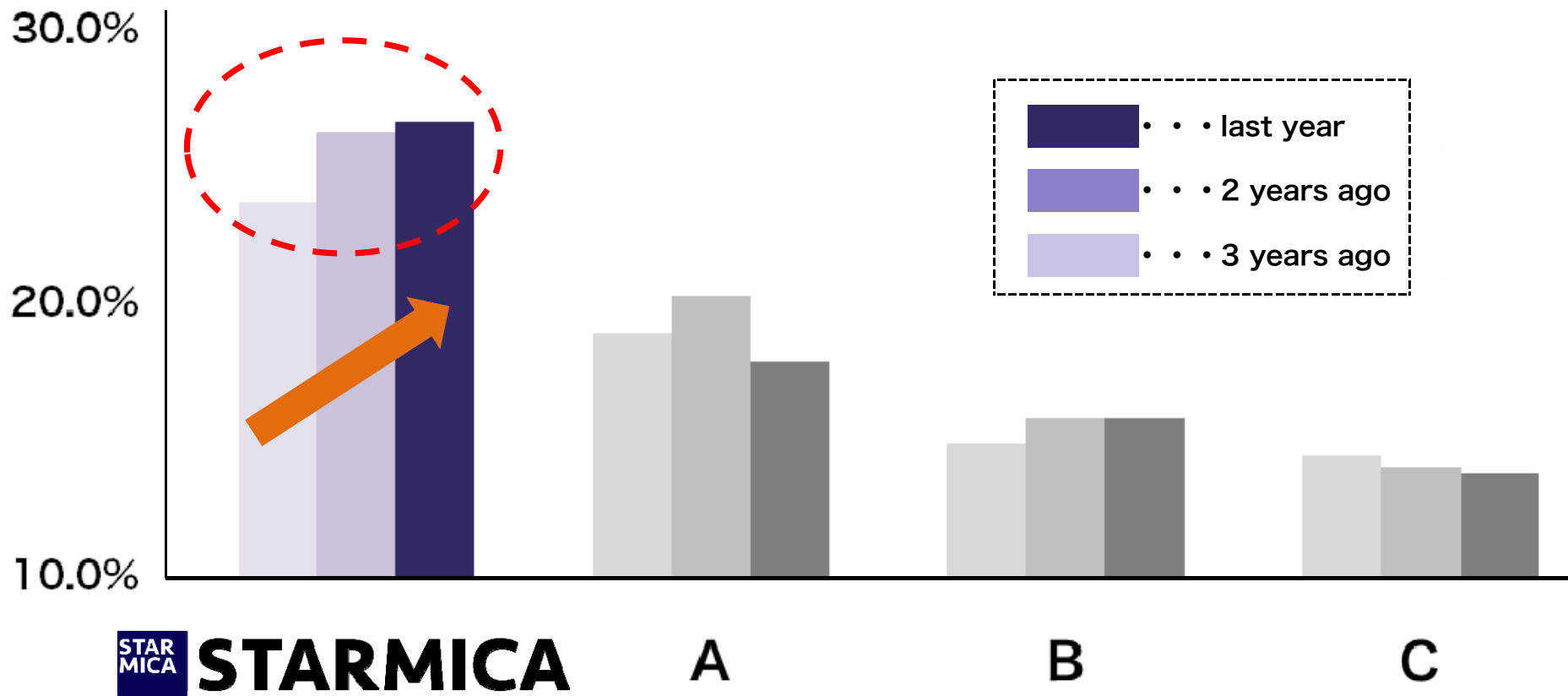


# We have outstanding profit margin in the industry.

- Our stable and strong profit margin are derivatives of our unique business model.

Comparison of gross profit margin (last 3 years )

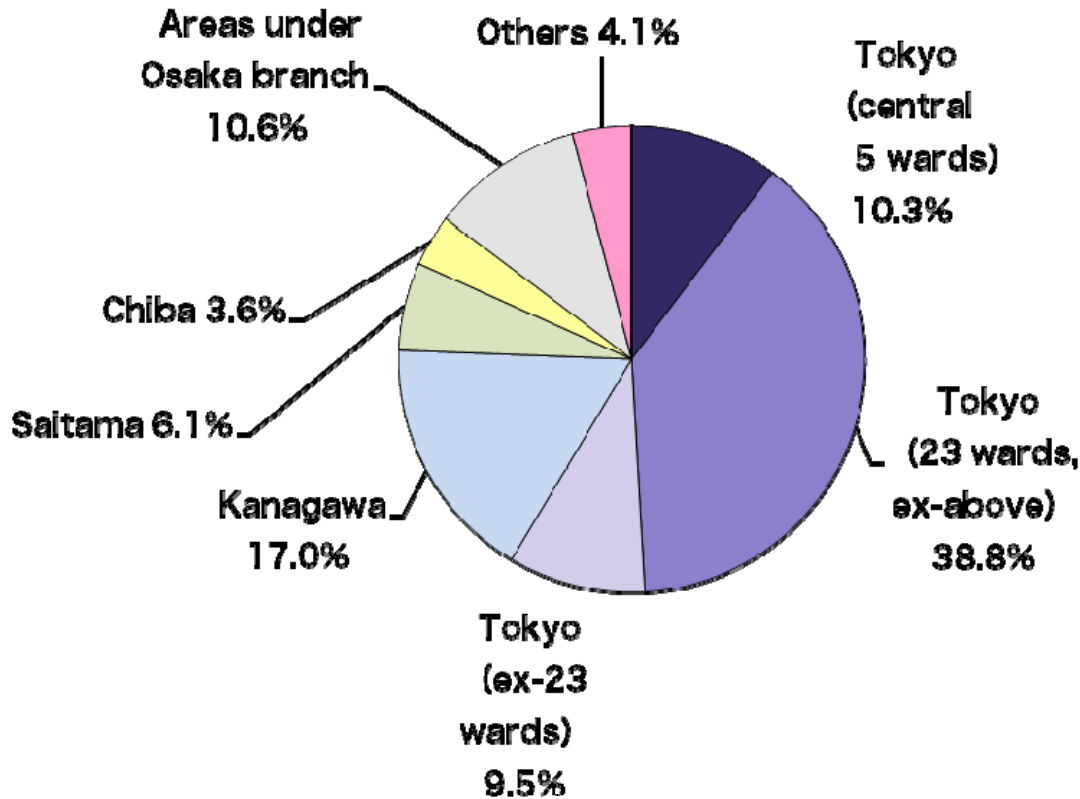
( Unit : % )



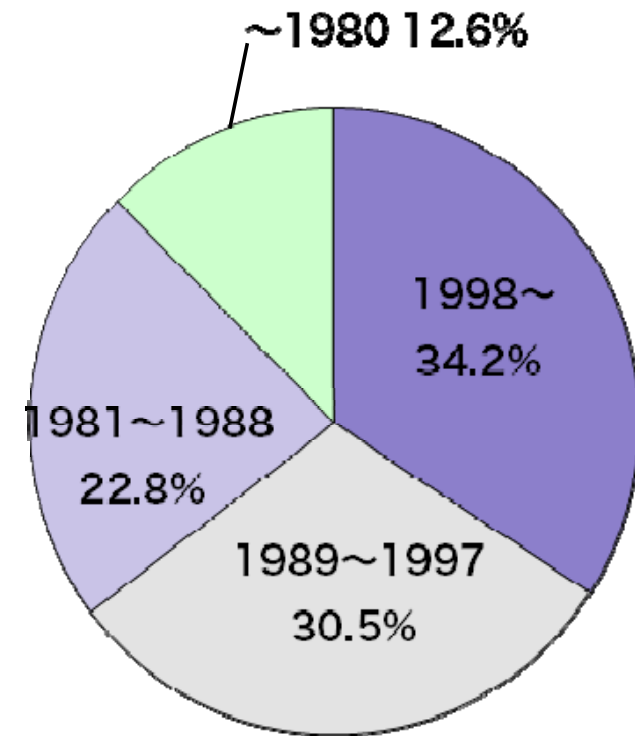
※Listed comparable companies, gross profit margin of consolidated financial results for last 3 years.

# A well diversified condominium portfolio.

Composition by region



Composition by year built



Average unit data

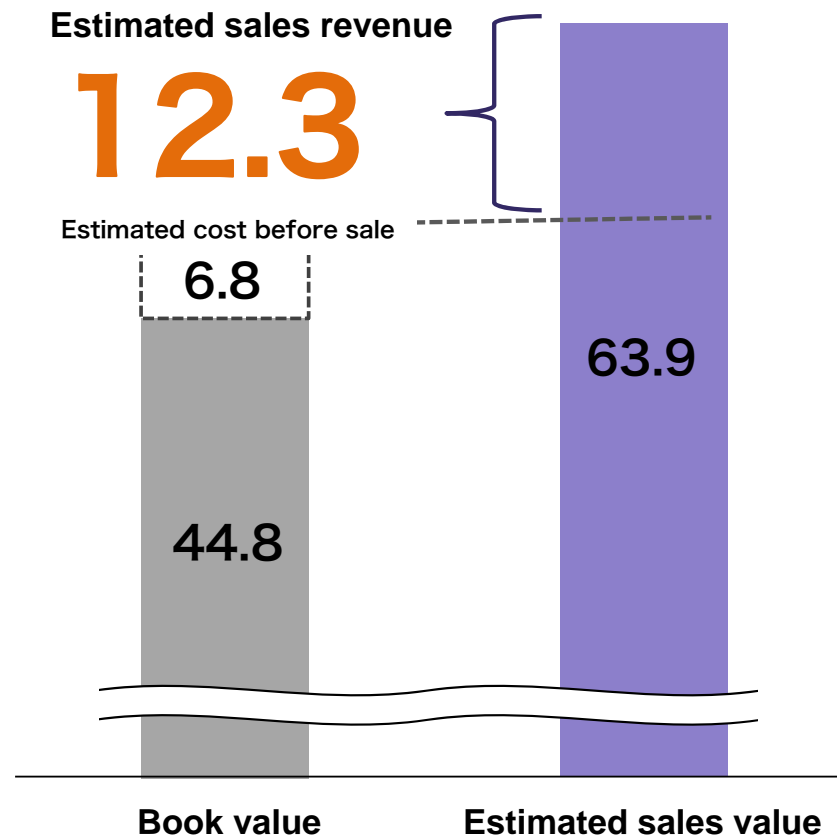
Avg size	65.06 m <sup>2</sup>
Avg age	26.2 year
Avg acquisition	20,313 K (JPY)

- ※ Above figures are as of November 2017.
- ※ Average property figures are based on number of properties. (all unit based)
- ※ Regional and Age segregation are based on acquisition amount. (all unit based)

# Unrealized gain in pre-owned condominiums are estimated to be over 12 billion yen.

- Appraisal from third party appraiser indicates inventory market value (Estimated sales value) of **JPY63.9bn**.
- Estimated profit from sales will be **JPY12.3bn**, increase by **JPY1.0bn** YoY.

Unrealized gain from recent FY end book value (Unit: JPY billion)



※ Estimated cost before sale is calculated based on past record of transaction fee and renovation cost.  
 ※ Above figures are based on projection under certain accounting method, this does not guarantee future capital gain revenue.

# Unique strategy

- We invest in less liquid pre-owned condominiums that are occupied, rather than more liquid vacant condominiums.
- Our unique strategy was recognized by Porter Prize in 2011.

## — Porter Prize —

Award named after Professor Michael E. Porter (Harvard Business School) in Corporate Strategy. This award is given to companies that have innovative product, process and management, with unique strategy and solid earning results.

## — Awarded companies —

Marui Group

YKK “Fastener Business”

Kakaku.com, Inc.

Komatsu

Kirin Brewery

Gourmet Navigator

Fast Retailing Co., Ltd.

Oisix Inc. etc.

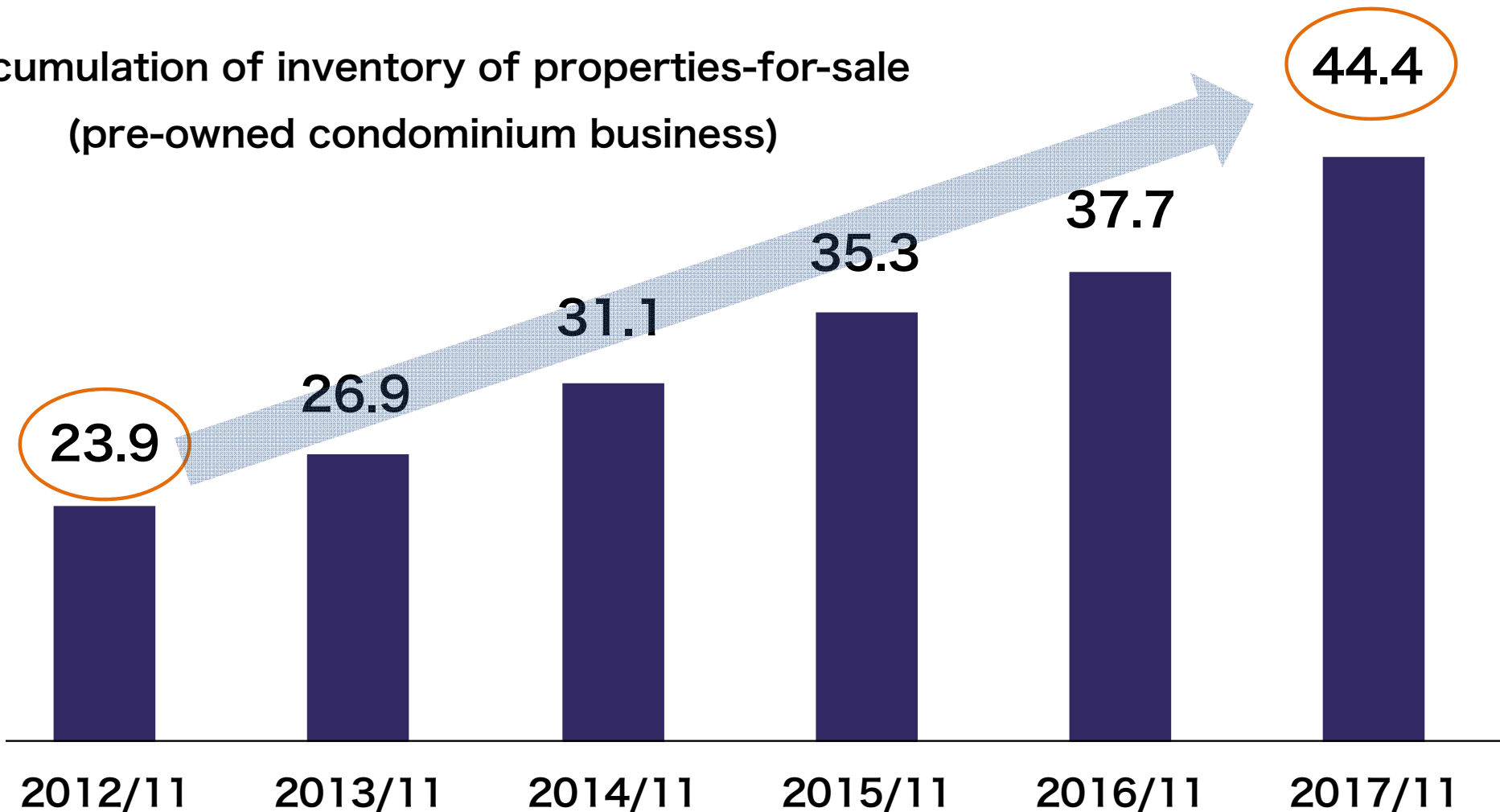


# We are acquiring properties-for-sale that will generate profits in the future.

- Our FY2017 end inventory of properties-for-sale have doubled from 5 years ago

(Unit: JPY billion)

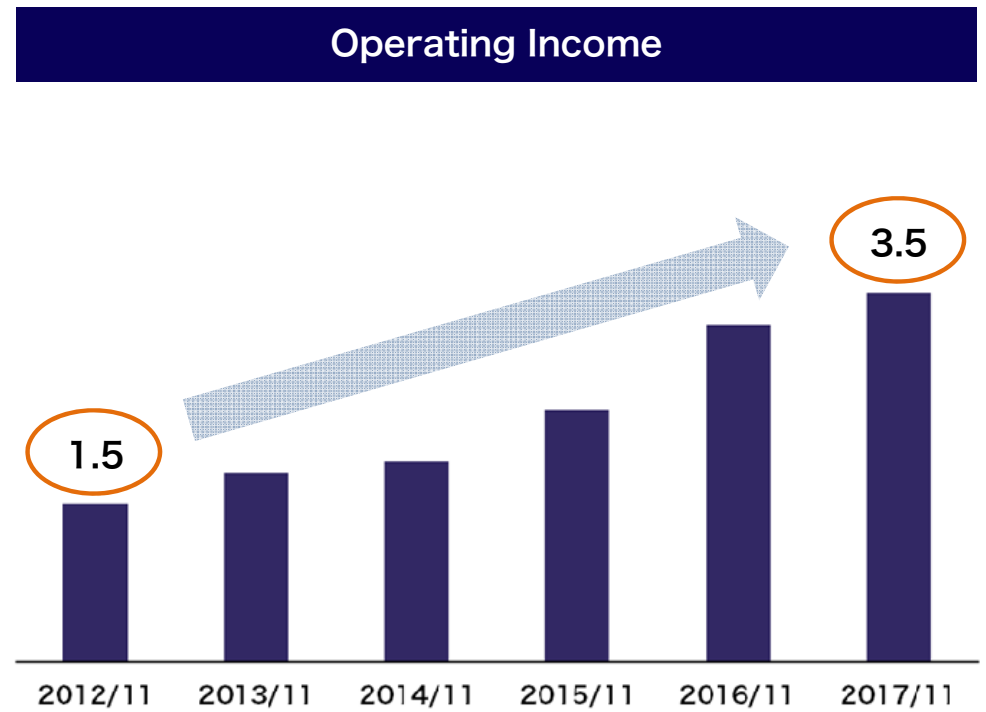
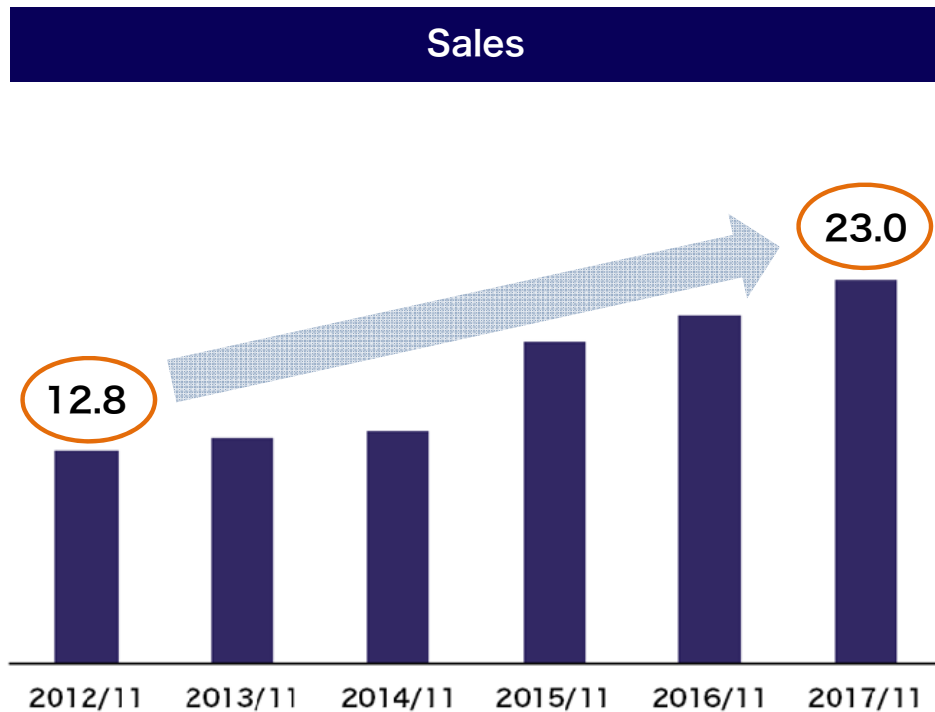
Accumulation of inventory of properties-for-sale  
(pre-owned condominium business)



# Sales and Operating income reached new record high for 5 consecutive years in a row

- Our FY2017 sales and operating income have doubled from 5 years ago

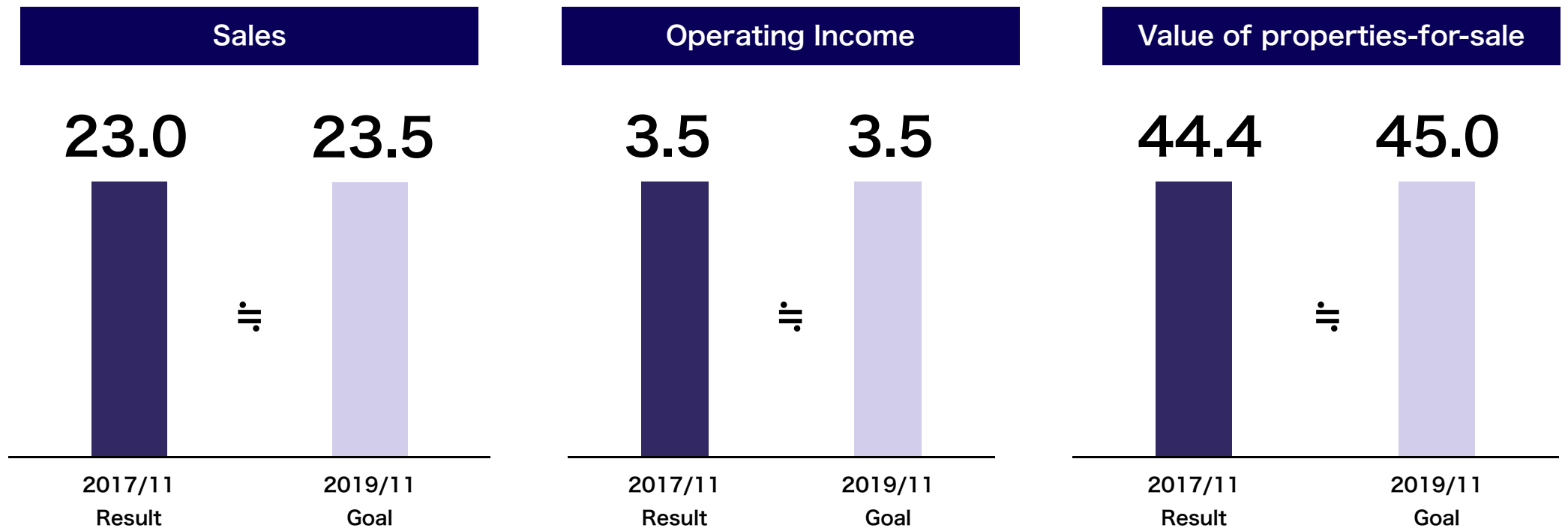
## Sales and Operating income since FY2012



(Unit: JPY billion)

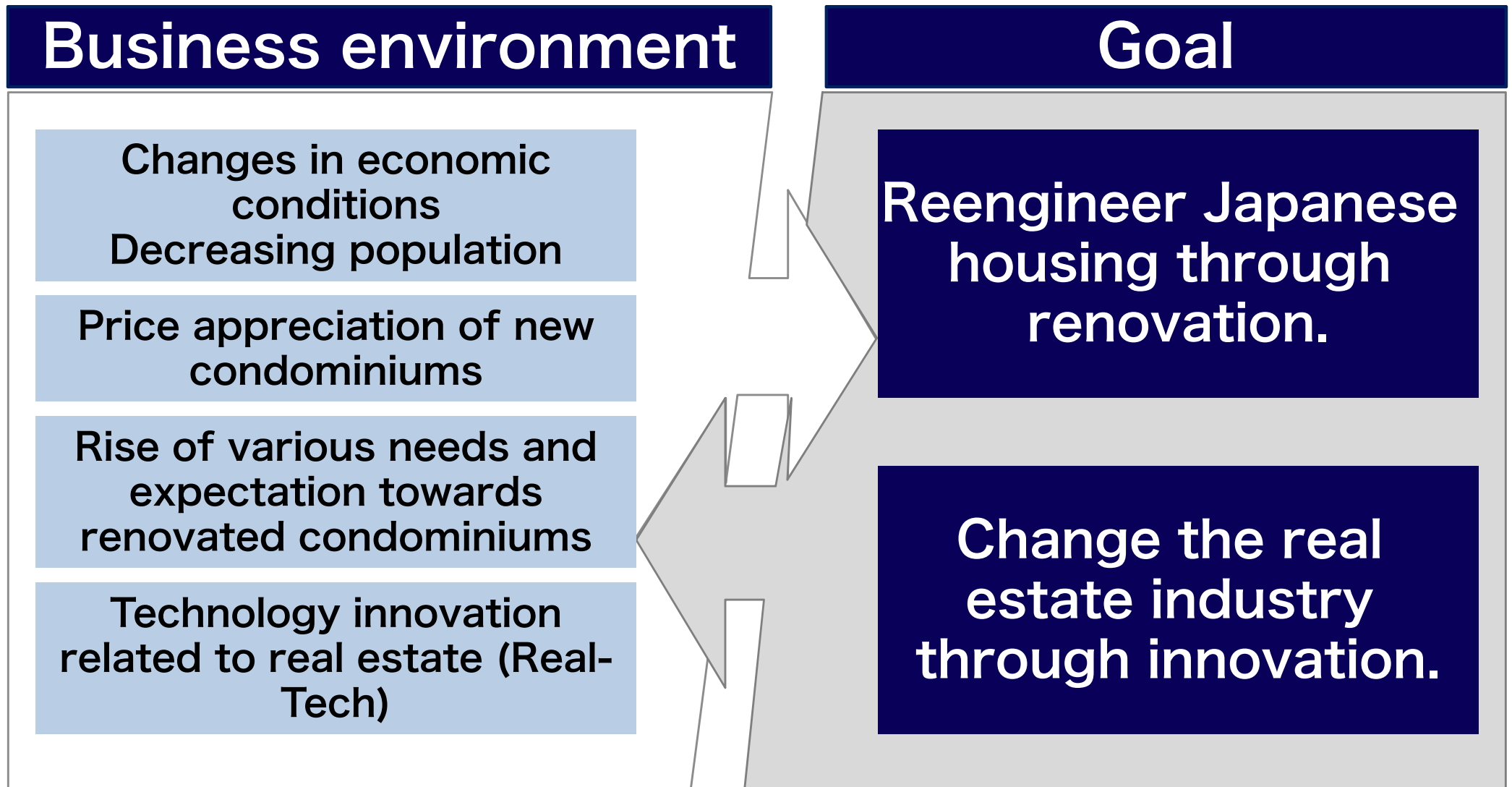
# Accomplished 3-year goal (FY2017.11-FY2019.11) 2 years sooner than planned.

- In addition to development of pre-owned condominium business, asset disposition of Investment business have contributed.
- Changed stock listing from Tokyo Stock Exchange 2nd section to 1st section. (July 14)



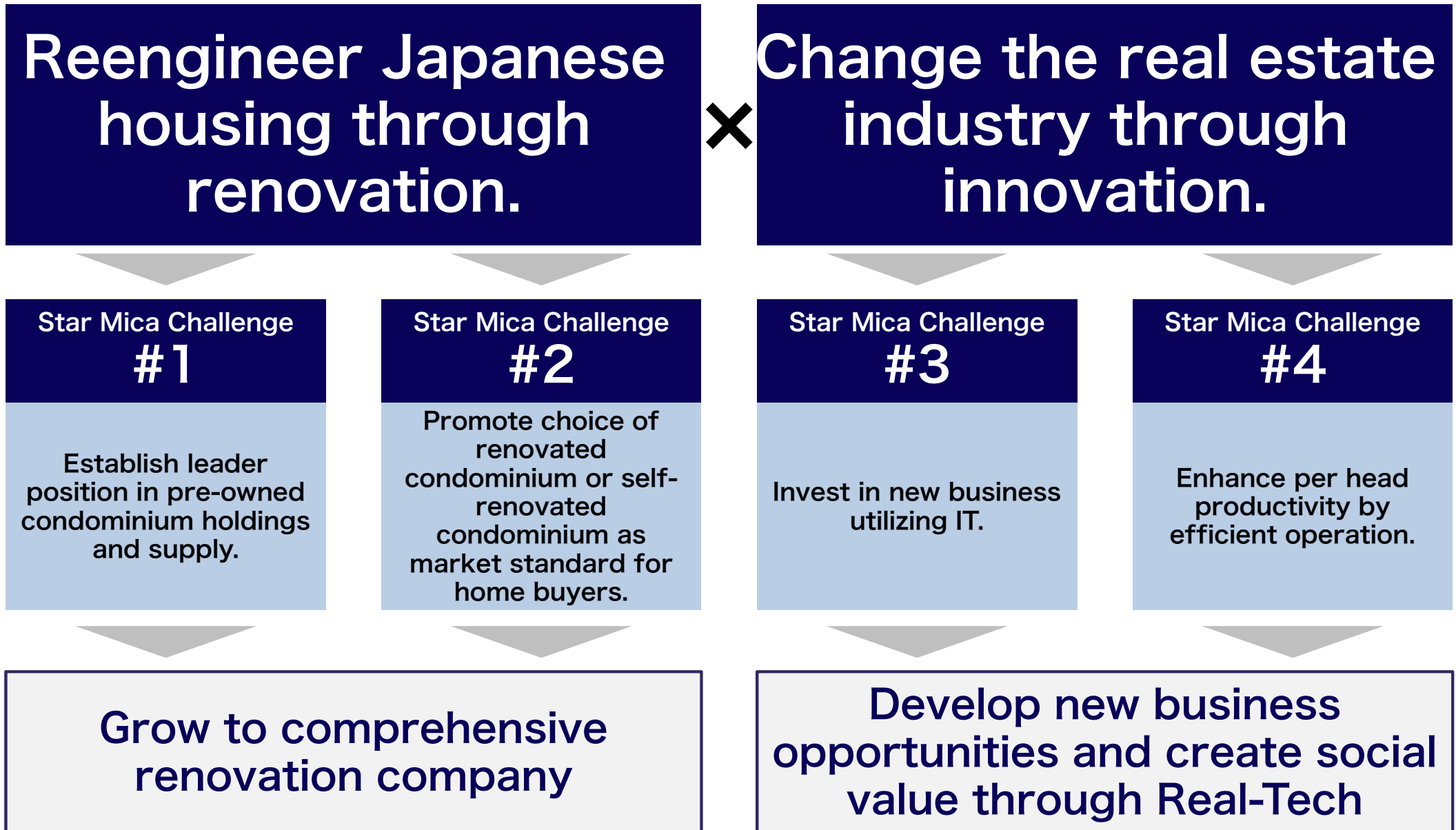
(Unit: JPY billion)

Released 5-year business development plan, “Challenge 2022”.





We strive to develop ourselves to change Japanese housing and real estate industry.



Our goal is to double the size of sales, profit and value of properties in 5 years.

2017/11

2022/11

Sales

23bn



50bn

Operating Profit

3.5bn



7.0bn

Value of properties

44.4bn



100bn

(Unit: JPY billion)

## Integration challenge of “Real Estate” and “IT”

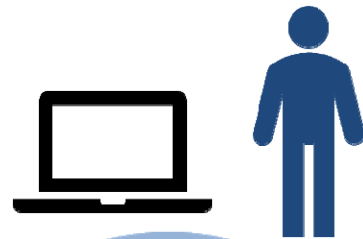
### Working projects:

- Condominium interior design viewing using VR technology
- Cooperation with start-up companies in Real Estate x IT
- Renewal of internal system/utilization of data analytics
- Adaptation of AI and deep learning technology



# Started condominium sales/marketing using VR to diversify sales methods

## Use of VR in renovated condominiums



Experience feeling of actually being there through internet web site.



## Use of VR in self renovation condominiums

Purchase of before-renovation condominium



Utilization of CG and VR



Completed renovation



Renovation design can be customized by CG and VR in our in-house studio.

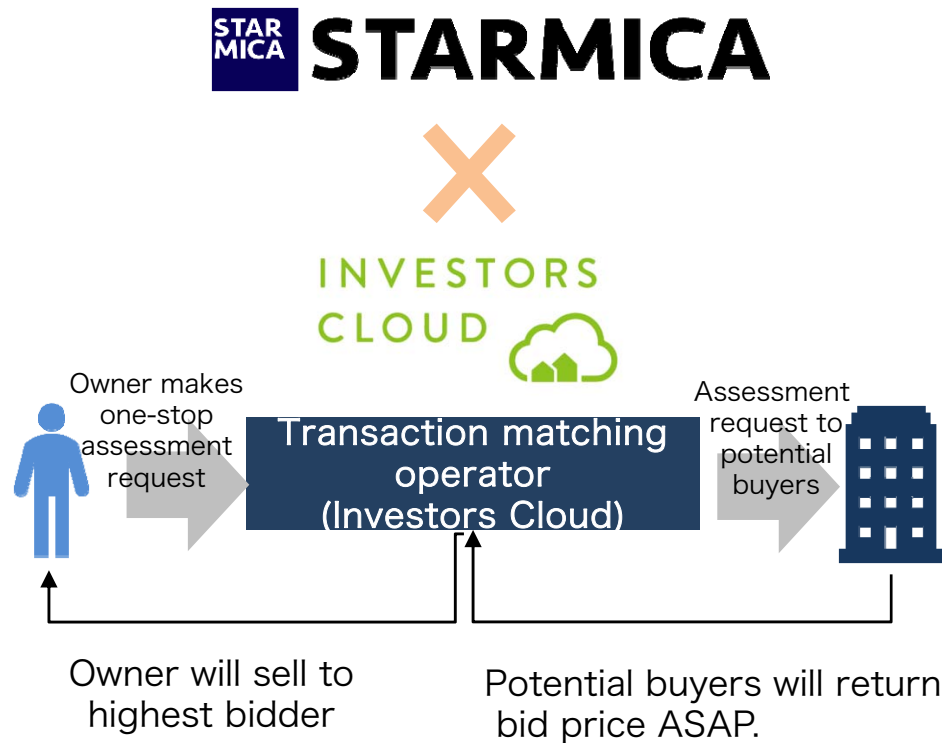


※VR=Virtual Reality

# Co-working with affiliates to develop business opportunities

- We plan to form alliance, and to exchange human resources over industry borders

## Transaction matching through web site



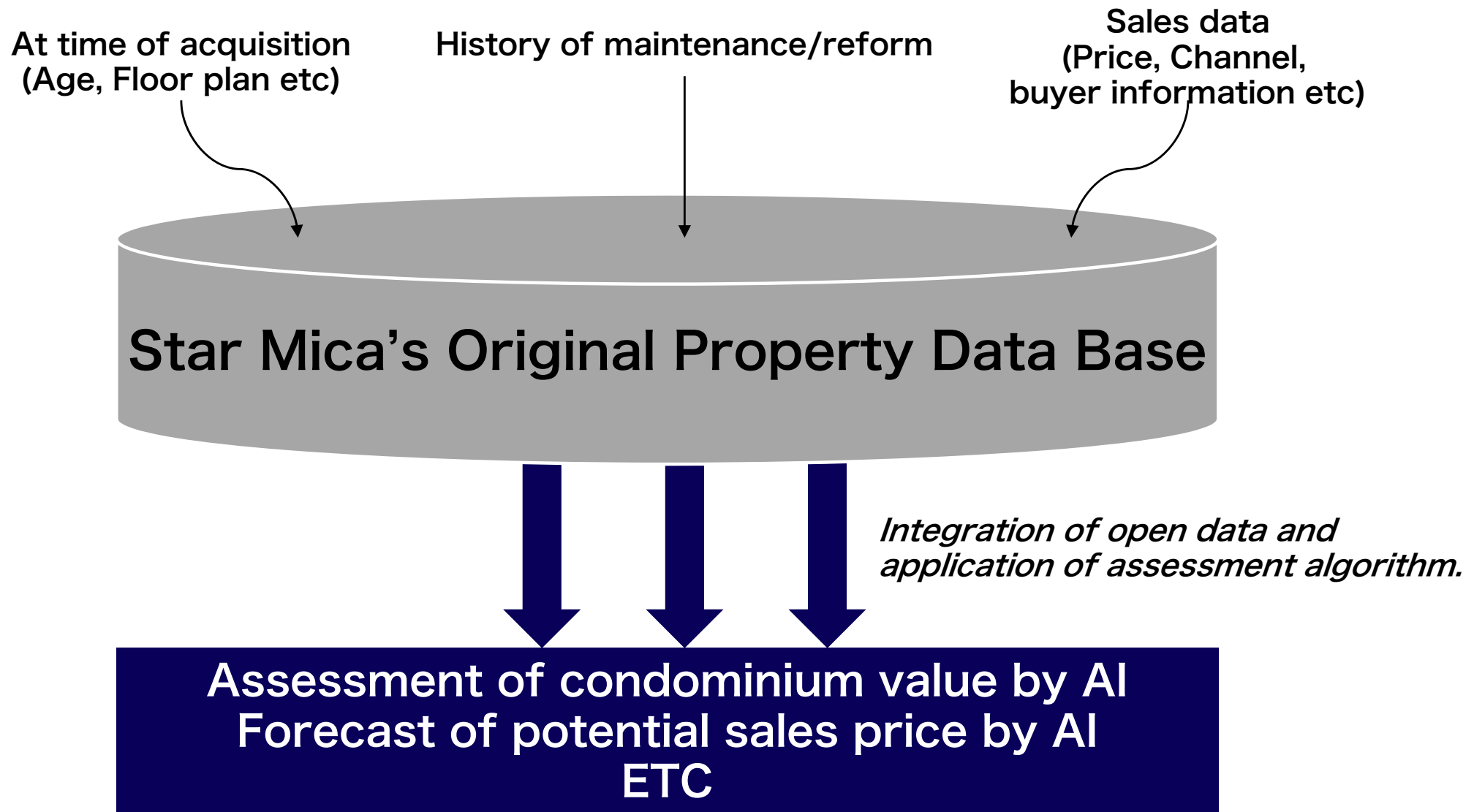
## Viewing request utilizing IT platform



- Initial test operation using Star Mica owned condominium.
- Optimize existing Cloud ChintAI system by upgrading Smart Key Box. (water resistant, friendly user interface)
- Star Mica's property management know-how will contribute to this operation.
- After implementation, any real estate agent will be able to easily access the condominium unit for viewing.

# Exploring application of Artificial Intelligence (AI) to our business scene

- Pre-owned condominium transaction data from over 8,000 units can be utilized as big data.



## Planning entry to Minpaku business in 5 months, with new Minpaku related law to take effect.

- Details of Residential hotel business law (Minpaku law) is published. Various local governments are preparing for implementation.
- We plan to enter this business, strengthening relation with alliance partners, establishing internal system.

### Obligation of business operators under new law

- Business operation days will be maximum 180days/year
- Report number of guests to local governor
- Ensure health and security of the guests
- Prepare list of guest

### Our strength

- We own large number of condominiums within Tokyo Metropolitan area
- We have network with real estate agents
- We have experience in managing over 3,000 condominiums for rent

### Highlights update

- Furnished condominiums for rent, short term rent management
- Partnered with Minpaku business company, SQUEEZE
- Formed operation platform and systems

# Our goal for FY2018 is to break previous year's record high profit again.

- Increase in condominium sales, improvement in product line up will contribute to higher sales and profit.
- We plan to make aggressive acquisitions and develop IT system, human resources to meet future business expansion.

	FY Nov 2017 Result (JPY million)	FY Nov 2018 Forecast (JPY million)	YoY Change
Sales	23,075	26,059	+12.9%
Pre-owned Condominium business	17,868	19,673	+10.1%
Gross profit	6,159	6,501	+5.6%
Pre-owned Condominium business	4,158	4,617	+11.0%
Operating income	3,575	3,669	+2.6%
Recurring profit	2,982	3,112	+4.4%
Net income	2,068	2,144	+3.6%



# We have implemented various ways to enhance shareholder value, along with listing change to Tokyo Stock Exchange 1st section.

- We will continue to communicate with our shareholders and strive to increase shareholder value.

## Stock Split

- 2 for 1 split (Oct. 2017)
- Improved liquidity of shares and increased number of investors

## Share buyback and cancellation of shares

- Company acquired and cancelled 400,000 shares (4% of shares issued) (Sept 2017)

## Enhance shareholder benefits

- We will continue to offer entitlement of shareholder benefits to holders of 1 unit (100shares) or more

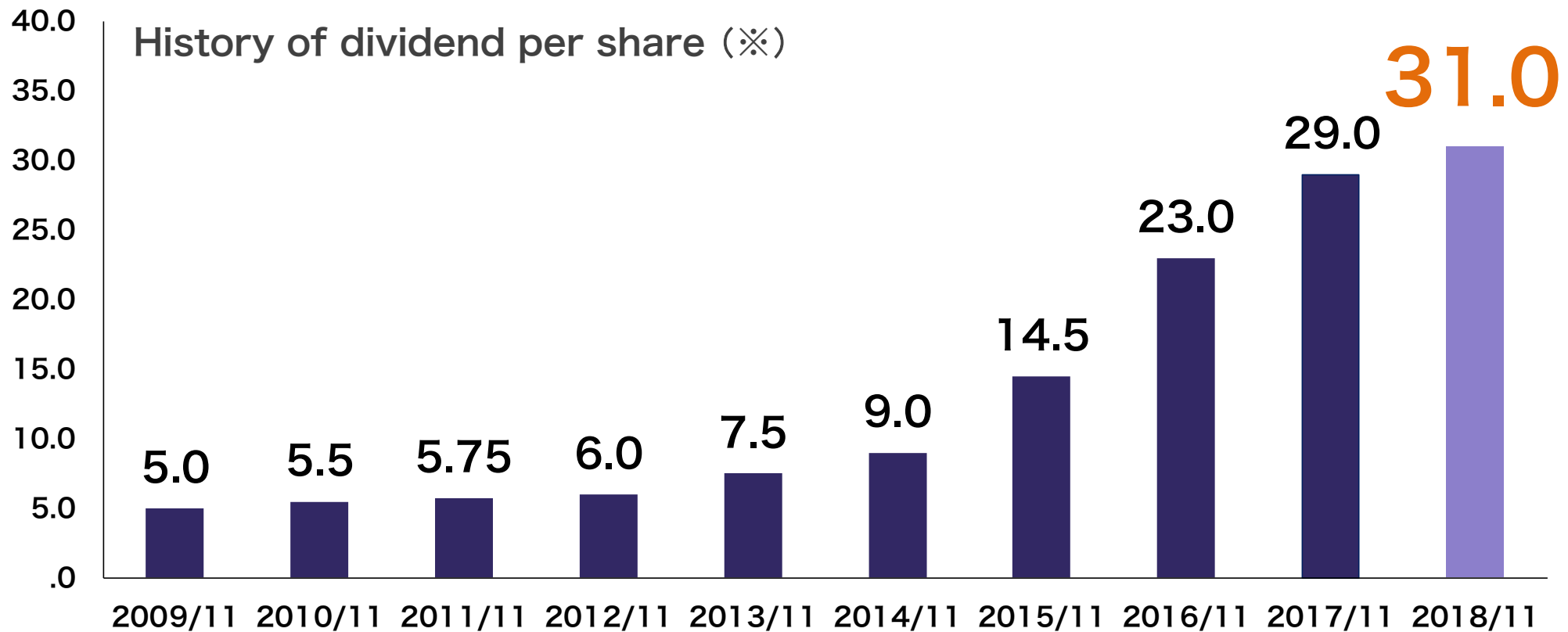
## Increase in dividend forecast

- We revised up FY end dividend per share from 12.5 yen to 13.0 yen (Aug. 2017)
- We revised up this FY end dividend per share from 13.0 yen to 16.5 yen (Sept 2017)

# We plan to increase dividend, nine consecutive years in a row.

- FY 2017 annual dividend was 29 yen, increase of 6 yen YoY. FY 2018 annual dividend forecast is 31 yen.
- Goal of dividend payout ratio is 30%, long-term. We continue to plan on increase in dividends.

(Unit : Yen )



Fiscal Year	2009/11	2010/11	2011/11	2012/11	2013/11	2014/11	2015/11	2016/11	2017/11	2018/11
Consolidated dividend payout ratio	22.8%	14.0%	14.4%	20.2%	17.9%	21.0%	23.5%	24.8%	25.4%	26.2%

※ Due to stock split of 1-100 in December 2012 and 1-2 in October 2017, past per share dividends are adjusted.

(Forecast )

# Semi-annual shareholder benefit plan

- In appreciation to stock listing change to Tokyo Stock Exchange 1st section, we upgraded shareholder benefit.

Sample



Benefit : Lifestyle Goods  
(2,900 yen)  
Record date : Nov end  
Stock Holding : over 100shares

Sample



Benefit : Quo Card  
(1,000 yen)  
Record date : May end  
Stock Holding : over 100shares

※ Sample photo subject to change without notice

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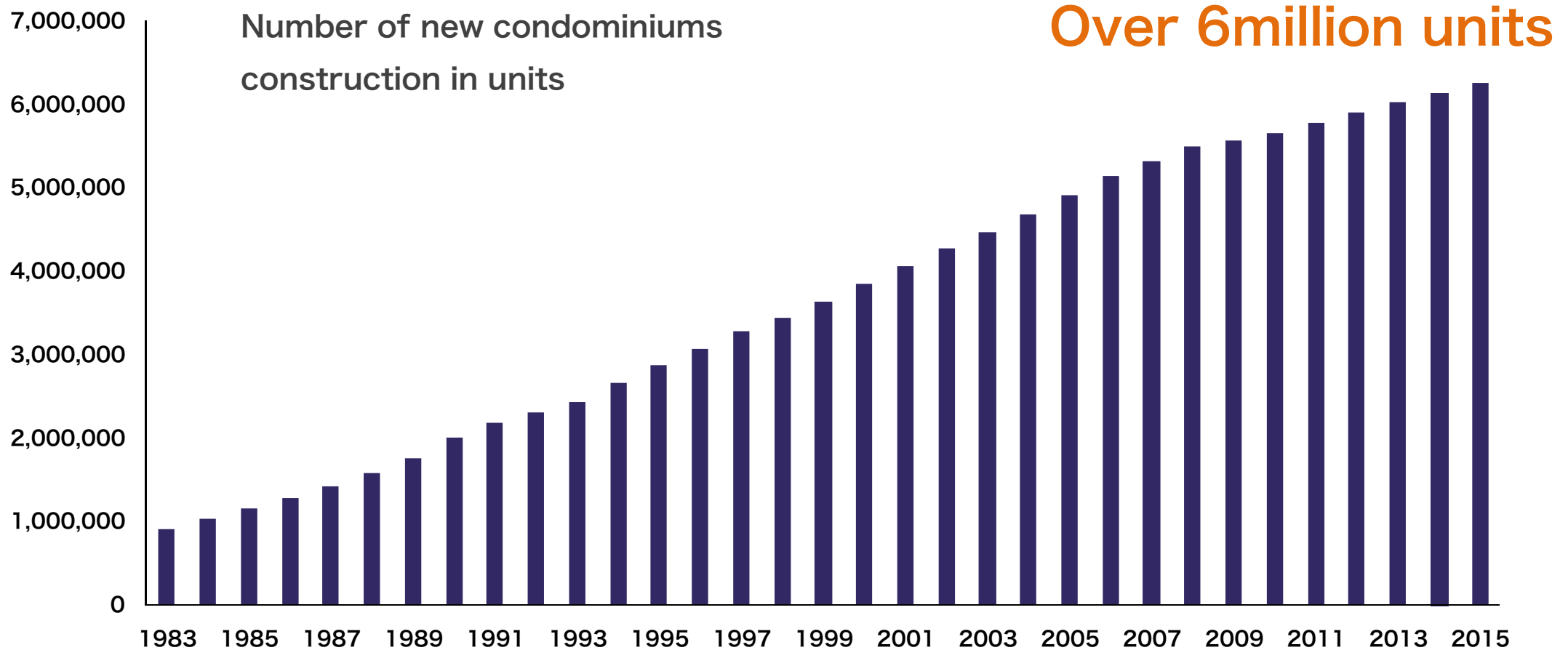
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# Japanese pre-owned condominium stock now over 6 million units.

- Supply of newly built condominiums is rising steadily.
  - ⇒ We expect growth and development in Japanese condominium market.



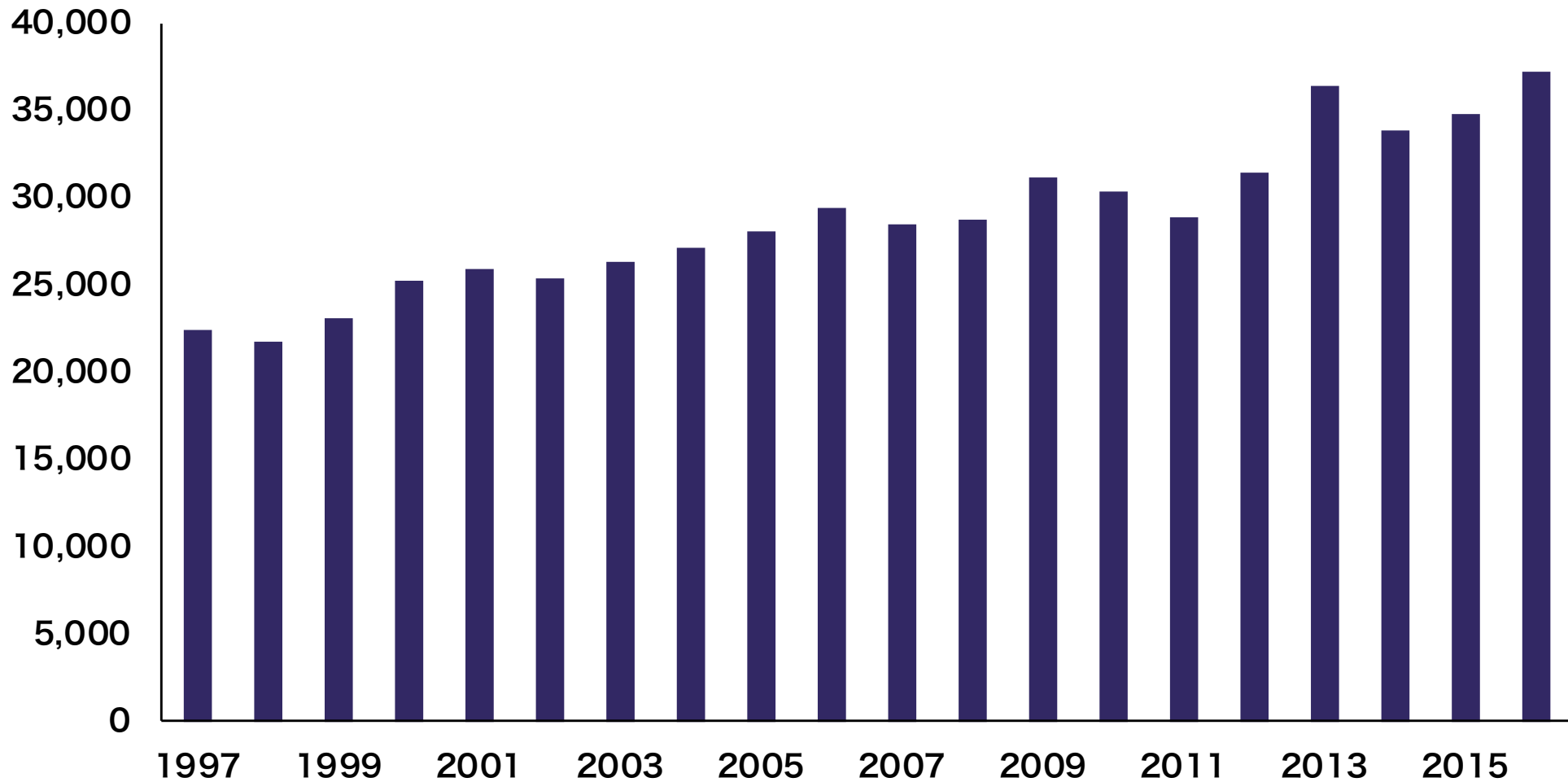
Source: Star Mica, based on the statistical data from Ministry of Land, Infrastructure, and Transport data

# Condominium market is shifting towards pre-owned.

- Number of pre-owned condominiums for purchase/sale is in increasing trend.

(Unit: One contract)

Number of pre-owned condominium purchase and sale in Tokyo metropolitan area

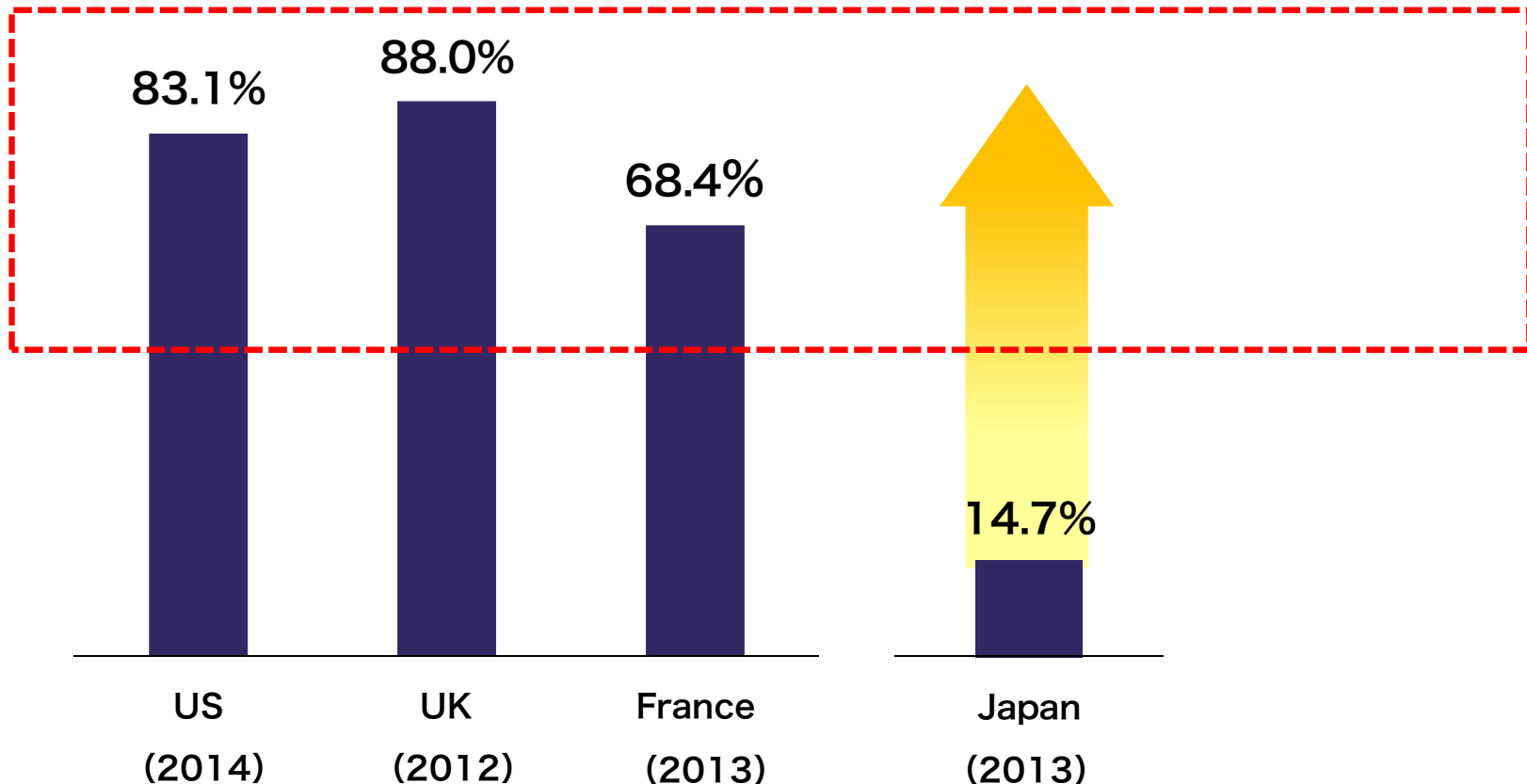


Source: Star Mica, based on the statistical data from REINS Market Trend

# Potential upside in market growth, in a global perspective.

- **70-90%** of housing market in developed countries are used(pre-owned) properties, whereas 10% in Japan.
- Along with maturing social infrastructure, we think this as a growth market.

Ratio of used(pre-owned) properties among all housing market



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

# We believe owning pre-owned condominiums offers better economic value compared to renting one.

- Residents will be able to live in a higher spec condominiums designed for ownership, with same monthly cost.
- Residents will be able to own condominium asset after completing mortgage obligations.

Standard monthly rent (※1)

**137**  
thousand yen



Monthly mortgage repayment (※2)

**84**  
thousand yen



※1 Based on our corporate results at November 2017, Average sales price of 30.7million yen, average space of 66.12 square meters

※2 Assumed mortgage of 30 million yen, at 1%, for 35 years



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# Company profile (as of 30 Nov. 2017)

Company name	Star Mica Co., Ltd.
Representative	Chairman and CEO Masashi Mizunaga
Date of incorporation	May 1, 2001
Listing date	October 2, 2006
Listed market	Tokyo Stock Exchange 1st Section (stock code: 3230)
Capital	3,573 million yen
Shareholders' equity	15,453 million yen
Offices	Tokyo head office (Minato Ward) , Yokohama branch (Yokohama City) , Osaka branch (Osaka City) , Saitama branch (Saitama City), Fukuoka Office (Fukuoka City )
Main Bank	Bank of Tokyo-Mitsubishi UFJ, Sumitomo Mitsui Banking Corporation, Aozora Bank, Mizuho bank, Ltd, Resona Bank, Ltd.
Auditor	KPMG AZSA LLC
Employees	111
Businesses	Pre-owned Comdominium business, Investment business, Advisory business

# Major shareholders (as of 30 Nov. 2017)

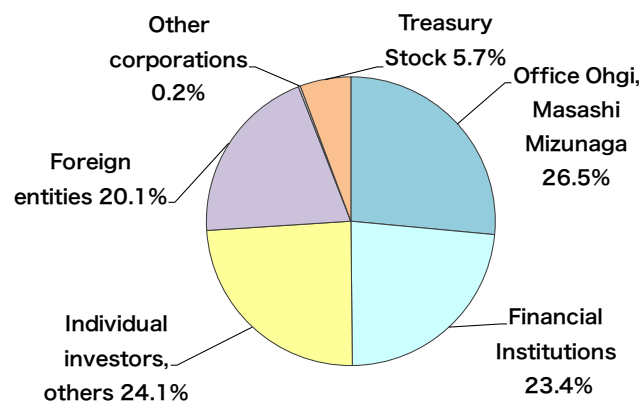
## Major Shareholders (Unit : Shares )

Shareholder	May 2017	Nov 2017	% Holdings	% Voting Rights	Notes
Office Ohgi	2,994,000	2,994,000	15.6%	16.5%	Private Company of Masashi Mizunaga
Masashi Mizunaga	2,702,400	2,092,200	10.9%	11.6%	Chairman / Representative Director
Hiroshi Taguchi	1,800,000	1,800,000	9.4%	9.9%	
Japan Trustee Services Bank, Ltd. (Account in trust)	1,349,600	1,785,900	9.3%	9.9%	
The Master Trust Bank of Japan, Ltd. (Account in trust)	1,076,800	1,244,800	6.5%	6.9%	
Star Mica Co., Ltd	1,891,288	1,091,288	5.7%	—	Treasury stock
Goldman Sachs International	*	437,700	2.3%	2.4%	
MSIP Client Securities	*	369,600	1.9%	2.0%	
Trust and Custody Service Bank, Ltd (Securities Investment Trust)	285,200	354,700	1.8%	2.0%	
BBH/Sumitomo Mistui Trust (UK) Limited (Japan Small Cap Fund)	*	279,700	1.5%	1.5%	
Others	7,900,712	6,750,112	35.2%	37.3%	
<b>Total</b>	<b>20,000,000</b>	<b>19,200,000</b>	<b>100.0%</b>	<b>100.0%</b>	

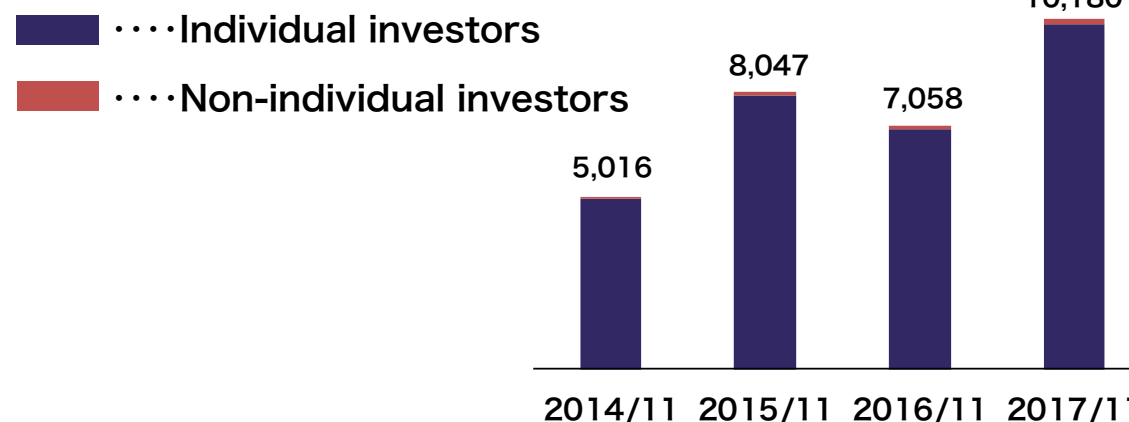
\* Excluded since not within top 10

\* Due to stock split of 1-100 in December 2012 and 1-2 in October 2017, past per share dividends are adjusted.

### Distribution of share ownership



### Transition in 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.
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